



Sixty-ninth session

Agenda item 140

United Nations pension system**United Nations pension system****Report of the Advisory Committee on Administrative and Budgetary Questions****I. Introduction**

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the United Nations Joint Staff Pension Board on its sixty-first session (A/69/9), as well as the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund (UNJSPF) and measures undertaken to increase the diversification of the Fund (A/C.5/69/2). In addition, the Committee had before it a note by the Secretary-General on the membership of the Investments Committee. 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 investment of the assets, who provided additional information and clarification, concluding with written responses received on 10 October 2014.

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 Pension Board at its sixty-first session that require action by the Assembly are listed in chapter II, section A, of its report. Annex XVIII to the report contains a draft resolution proposed for adoption by the Assembly. Information on other actions taken by the Pension Board is provided in chapter II, section B, of the report.

3. The report of the Board of Auditors on the financial statements of UNJSPF for the biennium ended 31 December 2013 is contained in annex X to the report of the Pension Board. **The Advisory Committee concurs with the opinions of the Board of Auditors set out therein and also points to other audit findings that need to be addressed as soon as possible (see paras. 34 and 35 below).**

* Reissued for technical reasons on 27 October 2014.



II. Summary of the operations of the Fund

4. The report of the Pension Board includes a summary of the operations of UNJSPF for the biennium ended 31 December 2013, which shows a decrease in the number of participants in the Fund from 120,774 to 120,294, or 0.4 per cent, and an increase in the number of periodic benefits in award from 65,387 to 69,980, or 7.0 per cent (A/69/9, para. 15). The report also indicates that during the two-year period from 1 January 2012 to 31 December 2013, the net assets available for benefits increased from \$39.8 billion to \$51.5 billion and that income earned during the same period amounted to \$16.4 billion, comprising \$12 billion in investment income and \$4.4 billion in contributions and other income. This was more than double the income of \$6.9 billion that had been earned in the two-year period ended 31 December 2011. It is also reported that benefit payments and expenses for the period amounted to \$4.7 billion and that benefit payments exceeded contributions by \$196.0 million. Overall return on investments was 15.5 per cent for 2013 and 12.7 per cent for 2012, which exceeded the performance benchmarks of 13.5 per cent and 12.1 per cent, respectively.

III. Actuarial matters

5. In chapter V of its report, the Pension Board discusses actuarial matters, including the results of the thirty-second actuarial valuation of the Fund, as at 31 December 2013, undertaken primarily to determine whether the current and estimated future assets of the Fund would be sufficient to meet its liabilities. The valuation reveals an actuarial deficit of 0.72 per cent of pensionable remuneration, which represents a significant improvement over the deficit of 1.87 per cent of pensionable remuneration as at 31 December 2011. The Pension Board indicates that the decrease in the deficit was due largely to the actuarial impact of the increase in normal and early retirement ages for new staff whose participation in the Fund commences, or recommences, on or after 1 January 2014. In this regard, the Advisory Committee notes that the deficit is within the safety margin of around 2 per cent of pensionable remuneration recommended by the Committee of Actuaries in order to offset the impact of market volatility on the Fund's solvency (*ibid.*, para. 59). In addition, the Committee notes that the market value of assets as at 31 December 2013 (\$51.5 billion) exceeds the actuarial value of all accrued benefit entitlements as at that date (*ibid.*, para. 66). **The Committee takes note of the reported results of the actuarial valuation of UNJSPF as at 31 December 2013. Recalling its earlier concerns in this regard (A/67/525, para. 6), the Committee welcomes the improvement in the actuarial position of the Fund, which represents a reversal of the downward trend observed in its actuarial valuations since 1999.**

IV. After-service health insurance

6. In paragraphs 26 to 33 of its report, the Pension Board discusses its consideration of after-service health insurance arising from General Assembly resolution 68/244. In the resolution, the General Assembly recalled a recommendation of the Advisory Committee (A/68/550, para. 13) and requested the Secretary-General to examine the option of broadening the mandate of the Fund,

based on input from the Pension Board, to include the cost-effective, efficient and sustainable administration of after-service health insurance benefits, taking into account the advantages and disadvantages of this option, including its financial and legal implications, without prejudice to the outcome of the examination, and to report thereon to the Assembly at its seventieth session.

7. The Pension Board indicates that the Finance and Budget Network of the High-level Committee on Management has already established a working group to consider a system-wide approach for the funding and management of after-service health insurance benefits and that the working group will expand its terms of reference to incorporate the requests in resolution 68/244. The report indicates that the Fund's consulting actuary, at the request of the Pension Board's Assets and Liabilities Monitoring Committee, considered the proposal and concluded that, if a harmonized system-wide plan for after-service health insurance were to be established under an expanded mandate of UNJSPF, no administrative efficiency gains were expected from combining its management with the Fund's operations. The consulting actuary also concluded that the Fund could provide a cost-effective solution to investing assets set aside to fund future after-service health insurance benefits if proper governance, staffing, asset allocation strategy and risk appetite were to be developed and approved. In commenting on the conclusion of the consulting actuary, the Pension Board indicated that it might be inappropriate for the Fund to manage the resources related to after-service health insurance because the investment objectives of the Fund differed from those of the insurance and that broadening the Fund's mandate for this purpose could jeopardize its operational viability and negatively affect its long-term sustainability.

8. Upon enquiry, the Advisory Committee was informed by the representatives of UNJSPF that, when considering the feasibility of a system-wide approach to the administration of after-service health insurance, it was important to recall that the 23 member organizations of the Fund had different plan designs for insurance benefits, which could mean different levels of coverage, providers, cost-sharing arrangements and funding. Therefore, the representatives of the Pension Fund considered that any system-wide solution would first require harmonizing plan designs in order to allow for a common approach that could establish a basis for streamlining or achieving economies of scale among the various after-service health insurance plans. Furthermore, in their view, the option of utilizing the Pension Fund was a separate issue that could be explored if such a common insurance solution was found to be feasible.

9. Upon request, the Advisory Committee was provided with a table comparing key processes in the administration of UNJSPF and after-service health insurance plans. The Committee is of the view that this information should be provided to the General Assembly at the time of its consideration of the report of the Pension Board. In this connection, the Committee was informed by the representatives of UNJSPF that, while there were limited commonalities at the senior management level, such as a single executive management team and combined legal and advisory services, they considered the management of pension and health-care benefits to be two separate and independent businesses that required different systems, processes, procedures and expertise, with limited opportunity for efficiency gains. Nonetheless, the Committee was informed by the representatives of the Pension Fund that, in their view, one potential area for increased efficiency could be the investment of funds on behalf of the participating organizations. This would require the

establishment of a clear investment mandate and governance arrangements, such as an investments committee, reporting mechanisms, benchmarks and an investment policy, all of which would require additional staffing.

10. **The Advisory Committee takes note of the information provided on the key differences between the administration of pension systems and the administration of health insurance, as well as the conclusions of the Fund's consulting actuary. Similarly, the Committee takes note of the Pension Board's opinions on the after-service health insurance proposal in view of the conclusions of the consulting actuary. The Committee nevertheless reiterates its view that the funding and administration of after-service health insurance benefits is an issue of system-wide concern that would be best resolved through a system-wide approach (ibid.) in which UNJSPF could play a key role. In this regard, the Committee concurs with the conclusion of the consulting actuary that UNJSPF could provide a cost-effective solution to the investment of after-service health insurance assets if a proper structure were in place (A/69/9, para. 31). The Committee is of the view that the proposal for a system-wide approach to after-service health insurance merits further study and consultation among all organizations of the United Nations system. In this regard, the Committee welcomes the initiative taken by the High-level Committee on Management to establish a working group on after-service health insurance and looks forward to receiving information on its findings in the context of the report of the Secretary-General to be submitted to the General Assembly at its seventieth session pursuant to resolution 68/244.**

11. On a related issue, during its consideration of the report of the International Civil Service Commission, the Advisory Committee was provided, upon request, with information pertaining to health insurance plans across the United Nations common system. It was indicated that, while health insurance coverage had originally been a local benefit and not part of the offerings of the common system, health insurance plans had evolved to include the provision of worldwide coverage for international staff. It was also indicated, for instance, that groups of organizations that share a similar profile had joined to offer common health insurance plans under the leadership of one organization, as had been done by the United Nations Secretariat, the United Nations Development Programme and the United Nations Children's Fund, for their international staff worldwide and for all their staff based in the United States of America. It was indicated that the feasibility of merging plan designs over time, reducing the number of plans and increasing collaboration among the organizations of the United Nations common system could be considered. **The Committee considers that a common system approach to medical insurance, including after-service health insurance, based on the best prevailing local conditions at each duty station, could be a desirable long-term goal for the United Nations system and intends to revert to this issue in the future.**

V. Investments of the Fund

Overall performance

12. The report of the Secretary-General on the investments of UNJSPF and measures undertaken to increase its diversification provides information on the management of the investments of the Fund during the fiscal biennium from 1 April

2012 to 31 March 2014, including information on investment returns, the diversification of investments and development-related investments. During the reporting period, the market value of the Fund's assets increased by \$8.7 billion, or 20.3 per cent, from \$43.1 billion as at 1 April 2012 to a historically high level of \$51.8 billion as at 31 March 2014. During the period, the Fund had an annualized return of 10.1 per cent, outperforming the policy benchmark of 9.6 per cent by 46 basis points. It is further indicated that the strong performance was driven mainly by an annualized return of 14.1 per cent from investments in equity markets led by Europe and the United States. Taking into account its long-term performance, the Secretary-General indicates that the Fund has achieved its target of 3.5 per cent in real return in the past 10, 15, 20, 25 and 50 years (A/C.5/69/2, para. 3).

13. Upon enquiry, the Advisory Committee was informed that, while the active management exercised by the Investment Management Division had contributed positively to the Fund's strong investment performance, the recovery in global financial markets during the reporting period had also been a factor. Upon request, the Committee was provided with information showing that 51 per cent of the \$8.7 billion increase was due to new purchases, sales, receipts, disbursements, corporate actions and accruals for the fiscal biennium and an increase of 49 per cent was due to fair valuation of the Fund's investments. The Committee was informed that, during the reporting period, the research capacity of the investment team had been strengthened through the addition of investment officers and the capacity to monitor investment risks had been enhanced by the establishment of the Risk and Compliance Section in 2009. The Committee was also informed that the operations of the Investment Management Division and its governance structure would be further strengthened by additional staffing (see para. 15 below) and the appointment of a full-time representative of the Secretary-General (see paras. 16-18 below).

14. While acknowledging the fundamental role played by favourable market conditions in determining the Fund's investment returns, the Advisory Committee nonetheless notes the efforts made by the Investment Management Division in exceeding the policy benchmark return for the fiscal biennium ended 31 March 2014. In addition, the Committee commends the Fund's success in meeting its investment objectives over the past 10, 15, 20, 25 and 50 years.

Staffing resources

15. The Advisory Committee recalls that the General Assembly, in its resolution 68/247 A, decided to establish 22 additional posts in the Investment Management Division in order to enhance its in-house capacity and, in that regard, requested the Secretary-General to take all measures to ensure that the costs for non-discretionary advisory fees were reduced. The Secretary-General indicates that with the enhanced staffing resources and the implementation of equity analytical tools in January 2014, the Investment Management Division will reduce its dependence on non-discretionary advisers to manage the Fund's assets (ibid., paras. 11 and 13). In that connection, the Committee was informed, upon enquiry, that, with the enhanced capacity and new governance structure, the Division would seek superior and sustainable investment performance. **The Committee expects that the approved posts will be filled expeditiously and looks forward to receiving information on the reduction in costs for non-discretionary advisory fees as a result of the additional in-house capacity in the Investment Management Division in future reports submitted to the General Assembly.**

Appointment of full-time representative of the Secretary-General for the investment of the assets of the Fund

16. The Advisory Committee previously recommended that the General Assembly take note of the terms of reference of the post of the full-time representative proposed by the Secretary-General, subject to its comments and recommendations (A/68/805, para. 22). Subsequently the Assembly, in its resolution 68/247 B, approved the proposed terms of reference with some changes and decided to establish the post of a full-time representative of the Secretary-General for the investment of the assets of UNJSPF at the Assistant Secretary-General level. The Committee notes that the appointment of the representative was announced in September 2014. At the time of its consideration of the Pension Board's report, the Committee was informed that the representative had not yet taken up her post.

17. Upon enquiry, the Advisory Committee was informed that the vacancy announcement had been disseminated widely and advertised through notes verbales to Member States, United Nations websites and the outreach network of the Office of Human Resources Management, as well as in major publications in English, French and Spanish. The Committee was further informed that, as part of the selection process, an interview panel had been established by the Secretary-General comprising his Chef de Cabinet, his current representative for the investment of the assets of the Fund, the Chief Executive Officer of UNJSPF and a member of the Investments Committee of the Pension Board. Three finalists had been recommended by the panel to the Secretary-General, who made the final selection decision after interviewing them and consulting his advisers. The representatives of the Pension Board had been briefed on the selection process before the announcement of the appointment.

18. The Advisory Committee welcomes the appointment of a full-time representative of the Secretary-General for the investment of the assets of UNJSPF and trusts that the investment operations of the Fund will benefit from the leadership of a full-time incumbent of the post. The Committee recalls the request of the General Assembly in its resolution 68/247 B that the Secretary-General provide information on the performance of his representative and looks forward to receiving this information in future reports on the investments of the Fund.

Membership of the Investments Committee

19. In accordance with article 20 of the regulations of the Pension Fund, the Advisory Committee was presented with a note by the Secretary-General regarding the reappointment of five regular members of the Investments Committee for a one-year term and the conversion of one ad hoc member to regular status. In addition to the three existing regular members, the proposed appointments will bring the regular membership of the Investments Committee to nine, as provided for in its terms of reference. In paragraph 14 (f) of its report (A/69/9), the Pension Board indicates its concurrence with the proposed appointments. Upon enquiry, the Committee was informed that, while the term for regular members of the Investments Committee was three years, it had been decided as an exception in this instance to renew their terms for one year to allow the new representative of the Secretary-General to have a say in the future composition of the Investments Committee, given that its members would work very closely with her.

20. Upon enquiry, the Advisory Committee was informed that, in order to avoid conflicts of interest, all members of the Investments Committee were required to sign a declaration attesting that they would not use information obtained in the course of their voluntary service to the Fund for their personal financial benefit. The declaration referenced the Secretary-General's bulletin entitled "Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission" (ST/SGB/2002/9). It was explained that the members provided their services on a pro bono basis and were therefore not subject to the same financial disclosure requirements that apply to Secretariat staff with fiduciary and financial responsibilities.

21. The Advisory Committee has no objection to the Secretary-General's proposed appointments to the Investments Committee.

Investment in a hedge fund

22. The Pension Board, in paragraph 115 of its report, indicates that a particular fund in which the Pension Fund has invested \$500 million is classified, according to the International Public Sector Accounting Standards (IPSAS), as a hedge fund. The report further indicates that, unlike typical hedge funds, which tend to seek high returns, the fund pursues more of a risk control strategy, with a very reasonable fee schedule and no incentive fees. Upon enquiry, the Advisory Committee was informed that investments in this fund were categorized under the Pension Fund's alternative asset class because it did not fit conventional public equity or fixed income asset class definitions. As a result, it had been classified as a hedge fund investment under the IPSAS rules in the Fund's financial statements. Upon further enquiry, the Committee was informed that the fund provided diversification across multiple asset classes and was designed to deliver a consistent return through every possible economic environment. The Committee was also informed that the \$500 million investment in the Fund had generated a 7.5 per cent total return (net of fees) since its inception in December 2012 until 31 August 2014.

VI. Governance matters

Human resources framework review

23. In paragraph 332 of its report, the Pension Board indicates that in 2013, the Board had requested the Chief Executive Officer of the Fund and the representative of the Secretary-General to review and, if necessary and appropriate, update the current memorandum of understanding with the Office of Human Resources Management with a view to ensuring that the Fund's human resources management was in line with its operational and investment needs. Subsequently, the Fund engaged in a partnership with the Office of Human Resources Management and the Office of Legal Affairs to review the memorandum of understanding. At its sixty-first session, the Pension Board reaffirmed that the Chief Executive Officer and the representative of the Secretary-General should conclude the revised memorandum of understanding with the Office of Human Resources Management no later than 30 September 2014.

24. Upon enquiry, the Advisory Committee was informed that the Pension Board had for years requested the Fund to review the memorandum of understanding signed in 2000. Considering that it predated the current United Nations staff

selection system (see General Assembly resolutions 63/250, 65/247 and 68/265), the Committee was informed that the memorandum of understanding had become outdated, unclear and difficult to implement, hence the need for revision. In addition, the Committee was informed that the Fund's operational staffing levels had remained unchanged despite an increase in the volume and complexity of its workload. In this regard, the Committee was informed that only a specialized, knowledgeable and experienced workforce with adequate information systems would be able to satisfactorily address the Fund's challenges.

25. The Advisory Committee was informed that the existing delegation of authority to the Chief Executive Officer of the Fund was based on the memorandum of understanding signed in 2000 as well as subsequent memorandums and exceptions granted therein. To ensure consistency, clarity and transparency for management and staff, the provisions of those documents would need to be codified and amalgamated in a single document, which would constitute the applicable terms of appointment and conditions of service governing the Fund's staff. It was explained that in the revised memorandum of understanding, any exceptions to United Nations policies and procedures should be clearly itemized. Furthermore, the specific requirements of the Fund included the retention of knowledge and experience, as well as improvement of the career progression of the staff by:

(a) Allowing extensions beyond the mandatory age of separation in exceptional cases where the Fund was faced with a special, time-bound critical project, such as the ongoing implementation of the Integrated Pension Administration System;

(b) Confirming authority for the lateral assignment of staff and posts;

(c) Providing some flexibility to move staff from one staff category to another, for example, staff at the G-6 and G-7 levels should be eligible to apply for posts within the Fund at the P-2 and P-3 levels in certain technical fields;

(d) Exempting non-rotational staffing positions from mobility requirements; this would apply to positions that require an advanced level of expertise in a technical field for which there is no comparable position at the same level in another part of the Secretariat;

(e) Accelerating the classification of posts by allowing the Fund to obtain job classification services through external sources while still adhering to United Nations common system classification standards and submitting the classifications to the Office of Human Resources Management for final clearance.

26. Given the specialized nature of UNJSPF, the Advisory Committee acknowledges the need for a review of the Fund's human resources framework in order to ensure that it is aligned with the recent human resources policy changes in the Secretariat and to address specific constraints faced in following the human resources policies and procedures of the Secretariat. In that regard, the Committee recalls its previous comments (A/66/266, para. 55, and A/68/7/Add.3, para. 12) and calls for the expeditious conclusion of the ongoing discussions regarding the revision of the memorandum of understanding between the Office of Human Resources Management and UNJSPF. While the Committee understands that the review is an internal management exercise, it is of the view that some of the specific requirements proposed by the Pension Fund include exceptions to United Nations human resources policies and

procedures about which the General Assembly should be informed through the Pension Board.**Withdrawal settlements**

27. The Advisory Committee has recommended that the General Assembly request UNJSPF to provide information on the cumulative balance of contributions made by participating organizations on behalf of employees that separate with less than five years of contributory service in the context of the proposed programme budget for the biennium 2016-2017 (A/68/7/Add.3, para. 51). Subsequently, the Assembly, in its resolution 68/247 A, requested the Pension Board to establish a mechanism to track all withdrawal settlements paid to participants who separate with less than five years of contributory service. The Assembly also stressed the need to avoid any action that would compromise the fiduciary responsibilities and long-term sustainability of the Fund. The Pension Board indicates that, after having reviewed the resolution, the Board's Assets and Liabilities Monitoring Committee had concluded that returning all or part of the contributions made by the member organizations of the Fund on the behalf of staff with less than five years of contributory service would offset the improvement in the actuarial position of the Fund due to the increase in the normal retirement age for new staff and early retirement age and reduction factors, and would put at risk the long-term sustainability of the Fund (A/69/9, para. 287).

28. Upon enquiry, the Advisory Committee was informed that UNJSPF, with 23 member organizations, was a collective arrangement rather than an individual savings plan, which pools contributions, assets and risks. Article 12 (a) of the Fund's regulations establishes that the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The Committee was informed that the primary purpose of the actuarial valuation was to determine whether the current and estimated future "pooled" assets of the Fund would be sufficient to meet its pooled liabilities using a set of assumptions to project future demographic and financial experience. Therefore, this valuation took into account all potential inflows as well as outflows in order to arrive at a contribution rate that would be required to provide for all future benefit payments. In this regard, the Committee notes that the required contribution rate based on the actuarial valuation as at 31 December 2013 was 24.4 per cent, as compared with the current contribution rate of 23.7 per cent (member organizations, 15.8 per cent; participants, 7.9 per cent) established in 1990, resulting in an actuarial deficit of 0.72 per cent of pensionable remuneration (*ibid.*, para. 48; see also para. 5 above).

29. Upon further enquiry, the Advisory Committee was informed that, because the contributions made by the member organizations on behalf of participants who separate with less than five years of contributory service remained in the Fund as part of the pooled assets, the Fund had not been specifically tracking them as a separate item. However, it was estimated that approximately \$98 million to \$103 million could be attributable to such contributions in 2013. It was further explained that, if the regulations were changed to add a new benefit providing for the return of member organizations' contributions for staff who separate with less than five years of contributory service, the Fund's liabilities would increase and, as estimated by the consulting actuary, the contribution requirement would increase by 0.9 per cent of pensionable remuneration, offsetting the gains resulting from the recent increase in normal retirement age (see para. 5 above).

30. **The Advisory Committee takes note of the Pension Board's views on the issue of withdrawal settlements and contributions made by the member organizations on behalf of participants who separate with less than five years of contributory service. The Committee considers that the issue merits further review and expects that the Fund will continue to track and report on those contributions as requested by the General Assembly in its resolution 68/247 A.**

Comparative study of the governance structure

31. The Pension Board indicates that, in its programme of work for 2014-2017, its Assets and Liabilities Monitoring Committee stated its intention to consider a study of the governance structure and monitoring of investments of other similar large pension funds (ibid., para. 295). The Board noted the intention of that Committee, but recommended that it review previous internal audit reports on the Fund's governance before conducting another study on the subject (ibid., para. 297). **The Advisory Committee highlights the value of learning and applying best practices in pension fund governance from peer institutions in the industry. In this regard, the Committee encourages the Pension Board to keep the proposal for the study of governance structures of other pension funds under consideration.**

VII. Administrative matters

32. At its sixty-first session, the Pension Board recommended the approval of an amendment to article 4 of the regulations of UNJSPF to reflect the decision of the Board to make a provision for the promulgation of financial rules in the future that would govern the financial management of the Fund. The Board recalled that the issue had been on its agenda since 2004 and had been the subject of recommendations made by the Board of Auditors, the Audit Committee and the Pension Board itself. With the introduction of IPSAS, the need to have a proper regulatory framework on the basis of which new accounting policies would be established had been highlighted. The report indicates that until the present time, it has been the Fund's practice to follow the Financial Regulations and Rules of the United Nations to the extent possible in its administration and management. The Pension Board supported the efforts of UNJSPF to draft financial rules specific to the Fund that take into account its governance structure, mandate and funding source and that are, to the extent possible, consistent with the Financial Regulations and Rules of the United Nations while at the same time ensuring full adherence to the regulations and rules of the Fund. The Board also requested that such financial rules be submitted for review at its sixty-second session, in 2015. **The Advisory Committee takes note of this initiative and looks forward to receiving information on the new financial regulations and rules for UNJSPF in future reports submitted to the General Assembly.**

Staff performance evaluation

33. The Board of Auditors observed that, in May 2014, 46 per cent of UNJSPF staff had not completed their performance appraisals for the 2012-2013 cycle ended 31 March 2013, including 14 per cent who had not even completed workplans. The Board also observed that 47 per cent of staff had been awarded salary increments without having been given proper performance evaluations for the year. The Board

therefore recommended that the Fund effectively monitor and oversee the performance evaluation process and hold all managers and supervisors accountable for the effective use of the performance management and development system. **The Advisory Committee concurs with the recommendation of the Board of Auditors and stresses the importance of regular performance evaluation for all staff, without exception, in improving overall performance by establishing goals and appraising performance.**

VIII. Audit

34. As indicated in paragraph 3 above, the report of the Board of Auditors on the financial statements of UNJSPF for the financial year ended 31 December 2013 is contained in annex X to the report of the Pension Board. In its report, the Pension Board took note of the draft report of the Board of Auditors and welcomed the unqualified audit opinion on the Fund's financial statements (*ibid.*, para. 257). The Board of Auditors also recognized that the Fund's financial statements had provided better and more information about its financial situation following the introduction of IPSAS in 2012.

35. The Board of Auditors identified weaknesses in the areas of financial management and financial statement disclosure, investment management, information system management and other administrative processes and made appropriate recommendations. With particular regard to investment management, the Board highlighted the Fund's real estate and alternative investments valued at \$1.2 billion and noted the lack of formal policies and procedures for the safeguarding and custody of relevant documents pertaining to those investments. In order to address the issue, the Board recommended that the Investment Management Division formulate a policy for this purpose (*ibid.*, annex X, paras. 35-39). **The Advisory Committee looks forward to receiving information on measures taken to address this recommendation in future reports submitted to the General Assembly.**

36. In accordance with the recommendation of the Audit Committee, the Pension Board recommends an addition to article 14 (b) of the regulations of the Fund to clarify the mandate of the Board of Auditors vis-à-vis the Fund and to establish the terms of reference for the Fund's annual audits. The relevant amendment to the regulations of the Fund is contained in annex XI to the report of the Pension Board. **The Advisory Committee has no objection to the proposed amendment.**

IX. Conclusion

37. 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 XVIII to the report of the Pension Board. **The Advisory Committee recommends approval of the Pension Board's proposals (A/69/9, chap. II, sect. A), taking into account the observations and recommendations contained in the present report.**