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Report of the United Nations Joint Staff Pension Board

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Abbreviations

AFICS	Association of Former International Civil Servants
CCISUA	Coordinating Committee for Independent Staff Unions and Associations of the United Nations System
CEB	United Nations System Chief Executives Board for Coordination
CEO	Chief Executive Officer
CFO	Chief Financial Officer
COSO	Committee of Sponsoring Organs of the Treadway Commission
EPPO	European and Mediterranean Plant Protection Organization
FAFICS	Federation of Associations of Former International Civil Servants
FAO	Food and Agriculture Organization of the United Nations
FICSA	Federation of International Civil Servants' Associations
HLCM	High-level Committee on Management
IAEA	International Atomic Energy Agency
IAS	International Accounting Standards
ICAO	International Civil Aviation Organization
ICC	International Criminal Court
ICCROM	International Centre for the Study of the Preservation and the Restoration of Cultural Property
ICGEB	International Centre for Genetic Engineering and Biotechnology
ICSC	International Civil Service Commission
ICT	Information and communications technology
IFAD	International Fund for Agricultural Development
IFRS	International Financial Reporting Standards
ILO	International Labour Organization
IMO	International Maritime Organization
INTOSAI	International Organization of Supreme Audit Institutions
IOM	International Organization for Migration
IPAS	Integrated pension administration system

IPSAS	International Public Sector Accounting Standards
IPU	Inter-Parliamentary Union
ISA	International Seabed Authority
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
OIOS	Office of Internal Oversight Services
OPCW	Organization for the Prohibition of Chemical Weapons
STL	Special Tribunal for Lebanon
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	Office of the United Nations High Commissioner for Refugees
UNICEF	United Nations Children’s Fund
UNIDO	United Nations Industrial Development Organization
UNJSPF	United Nations Joint Staff Pension Fund
UNSAS	United Nations system accounting standards
UNWTO	World Tourism Organization
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization
WTO	World Trade Organization

Chapter I
Introduction

1. The United Nations Joint Staff Pension Fund was established in 1949, by a resolution of the General Assembly, to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations, under Regulations that, since then, have been amended at various times.

2. As an independent inter-agency entity, the Fund operates under its own Regulations as approved by the General Assembly and, in accordance with its governance structure, is administered by the United Nations Joint Staff Pension Board, which currently consists of 33 members, representing the 23 member organizations listed in annex I to the present report. One third of the Board members are chosen by the General Assembly and the corresponding Governing Bodies of the other member organizations, one third by the Executive Heads of those organizations and one third by the participants in the Fund. The Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it recommends amendments to the Regulations and to the Fund's pension adjustment system, which govern, inter alia, the rates of contribution by the participants (currently, 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled. Expenses incurred in the administration of the Fund — principally, the cost of its central secretariat in New York and its office in Geneva, and the expenses of managing its investments — are met by the Fund.

3. The present report is submitted by the Board following its sixty-first session, held from 10 to 18 July 2014 at the headquarters of the Food and Agriculture Organization of the United Nations, in Rome. The members, alternate members and representatives accredited to the session of the Board, the Chair and other officers elected by the Board, and those who actually attended, are listed in annex II.

4. The major items addressed by the Board were: (a) actuarial matters, including the results of the thirty-second actuarial valuation of the Fund, as at 31 December 2013, and the report of the Committee of Actuaries; (b) the management of the investments of the Fund, including the report by the Representative of the Secretary-General for the Investments of the Fund on investment performance for the one-year period ended 31 December 2013; (c) the Fund's strategic framework for 2016-2017 and the performance report on the strategic framework indicators for 2012-2013; (d) the first report of the Assets and Liabilities Monitoring Committee; (e) updated internal control policy; (f) revised accountability statement; (g) terms of reference of staff pension committees; (h) small pensions; (i) human resources framework update; (j) possible changes in the Regulations and Administrative Rules with respect to (i) technical changes necessary to coordinate provisions as a result of past changes in the Regulations, (ii) the decision of the Pension Board, after the recommendation of its Audit Committee, to make a provision for the promulgation of the Financial Rules in the future that would govern the financial management of the Fund, (iii) clarification of the mandate of the Board of Auditors vis-à-vis the Fund and establishment of terms of reference for the Fund's annual audits; and (k) proposed new transfer agreements.

5. The Board examined and took note of the financial statements and schedules of the Fund for the year ended 31 December 2013 and considered the report of the Board of Auditors on the accounts and operations of the Fund (see annex X). It also considered the report of the Audit Committee of the Board.

6. Other items considered by the Board and included in the present report were: (a) status report of the Emergency Fund; (b) the third self-evaluation by the Board; (c) a report on possible options for strengthening the Fund's client servicing capabilities; (d) the report of the medical consultant and consideration of establishing a standard medical examination for the purposes of participation in the Fund; and (e) recovery of amounts paid as death or disability benefits from third parties found liable by a court or pursuant to national legislation for injury or death of a participant.

7. The membership of the Committee of Actuaries, established under article 9 of the Regulations, is shown in annex VI.

8. The membership of the Investments Committee, established under article 20 of the Regulations, is shown in annex VII.

9. The membership of the Audit Committee, established under appendix 4 to the Rules of Procedure of the Fund, is shown in annex XVI.

10. The membership of the Assets and Liabilities Monitoring Committee, established under appendix 5 to the Rules of Procedure of the Fund, is shown in annex XVII.

11. Chapter II provides an overview of the decisions taken by the Board at its sixty-first session and chapter III a summary of the operations of the Fund for the biennium ended 31 December 2013. Chapters IV to X address issues on which action is required by the General Assembly, as well as matters on which the Board informs the Assembly. The salient observations, conclusions and recommendations set out in the present report are highlighted in bold print.

12. A draft resolution for the consideration of the General Assembly is contained in annex XVIII.

Chapter II
Overview of decisions taken by the Board

A. Recommendations and decisions of the Board that require action by the General Assembly

13. The following recommendations and decisions taken by the Board at its sixty-first session require action by the General Assembly:

(a) The Pension Board recommends the approval of an amendment to article 4 of the Regulations of the Fund that would reflect the decision of the Board, after the recommendation of its Audit Committee, to make a provision for the promulgation of Financial Rules in the future that would govern the financial management of the Fund. The relevant amendment to the Regulations of the Fund is contained in annex XI;

(b) In accordance with the recommendation of the Audit Committee, the Pension Board recommends an addition to article 14 (b) 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;

(c) The Board recommends the approval of technical changes in the Fund's Regulations in accordance with past decisions and amendments adopted by the Pension Board and approved by the General Assembly, as set out in annex XI;

(d) The Board recommends an addition to the table in paragraph 7 of section E of the pension adjustment system to reflect the 10 per cent adjustment to small pension threshold amounts for separations on or after 1 April 2016, as set out in annex XIII;

(e) The General Assembly is asked to concur with the Board's approval of three new transfer agreements between the Fund and the European Organization for the Exploitation of Meteorological Satellites, the European Union Satellite Centre, and the European Union Institute for Security Studies, as set out in annex XIV, which will become effective on 1 January 2015;

(f) The Board recommends that the following assessments be discontinued, considering the comments of the Committee of Actuaries that they were consistent with the consulting actuary's initial estimates and were subsumed into the overall cost of the two-track feature, which would continue to be monitored in conjunction with each actuarial valuation: (i) assessment of the costs of the April 1992 modification of the cost-of-living factors as applicable to the Professional and higher categories; (ii) assessment of actual savings from the reduction of the "120 per cent cap" provision to 110 per cent, effective for separations on 1 July 1995 or later; and (iii) assessment of the costs/savings of the minimum guarantee at 80 per cent of the United States dollar track amount.

B. Information provided to the General Assembly on other action taken by the Board

14. The General Assembly may wish to take note of the following information on items that were considered by the Board at its sixty-first session:

(a) The actuarial valuation of the Fund, performed as at 31 December 2013, revealed a deficit of 0.72 per cent of pensionable remuneration, which compares to the deficit of 1.87 per cent revealed by the 2011 actuarial valuation. The Board noted that the decrease in the deficit was owing largely to the increase in normal and early retirement ages for new staff whose participation in the Fund commences, or re-commences, on or after 1 January 2014. The Board noted the significance of this reversal of the downward trend observed in the results of the actuarial valuations since 1999, and took note of the significant improvement in the actuarial condition of the Fund;

(b) With respect to the Fund's liabilities on a plan-termination basis, as at 31 December 2013 the Fund was in a soundly funded position at 127.5 per cent, assuming future expected cost-of-living adjustments are not taken into account. Taking into account future expected cost-of-living increases, the funded ratio drops to 91.2 per cent. In reference to article 26 of the Regulations, there is no requirement that deficiency payments be made by member organizations;

(c) With respect to the costs of the two-track feature of the pension adjustment system, the Board noted that the overall costs of the two-track feature would be reviewed by the Committee of Actuaries at its session in 2015, for possible update in the assumption for the 31 December 2015 actuarial valuation;

(d) The Board considered the membership of the Committee of Actuaries and recommended to the Secretary-General the reappointment of three members of the Committee;

(e) The Board considered a conference room paper prepared by the participants' group concerning the effects on the Fund of the increasing use of contracts that expressly exclude participation in the Fund, and requested the Assets and Liabilities Monitoring Committee to keep this item under review in the context of its periodic solvency monitoring and asset-liability management studies;

(f) The Board concurred with the Secretary-General's decision to re-appoint the members and ad hoc members of the Investments Committee;

(g) The Board considered the Investment Policy approved by the Representative of the Secretary-General in April 2014 and concurred with the observations of the Assets and Liabilities Monitoring Committee on this policy;

(h) The Board considered the Investment Management Division's social responsibility policy. The Board did not agree with the proposed approach. However, the Board agreed that subject to the overall fiduciary responsibilities of the Secretary-General and the four investment criteria (safety, profitability, liquidity and convertibility) articulated by the General Assembly, socially responsible investment principles are an important element of the investment policy;

(i) The Board discussed the issue of standards for medical examinations required for employment in a member organization and the requirements pursuant to article 41 of the Fund's Regulations. The Board noted that the long-established practice of the Fund is to consider the standard of "fitness for employment", as determined by the member organizations, as the basis for participation in the Fund. It requested additional information on the matter and deferred the item until its next session;

(j) The Pension Board recalled that the Financial Rules of the Fund 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 Board itself. The Board supported the Fund's efforts to finalize its consultative process with all stakeholders in respect of drafting Fund-specific financial rules, which take into account the governance structure, mandate and funding source of the Fund. It requested that such financial rules be presented for its review at the sixty-second session, in 2015;

(k) The Board took note of the status report on the Emergency Fund and the increased disbursements paid out since 2007, as encouraged by the Board. The Board was in general agreement with the proposal to increase the authorization to supplement voluntary contributions to the Emergency Fund by an amount up to $225,000; it requested the Fund to include this increase in its budget proposals for the biennium 2016-2017, which will be presented to the Board in 2015;

(l) The Board reviewed the progress report on the integrated pension administration system (IPAS) and noted with appreciation the progress achieved towards its implementation;

(m) The Board considered a report on possible options to further strengthen the client servicing capacity of the Fund. Recalling that the core business of the Fund was paying benefits and servicing its clients, the Board noted that the information provided in the report should be considered in the context of the Fund's budget proposals for the biennium 2016-2017;

(n) The Board was presented with the report of the Audit Committee, which summarized the major findings and conclusions of the Committee. The Board endorsed the report, including the recommendation of the Audit Committee that article 4 of the Regulations of the Fund be amended to make a provision for the promulgation of financial rules in the future;

(o) The Board of Auditors presented its draft report on the financial statements of the Fund for the year ended 31 December 2013. The Pension Board took note of the unqualified opinion of the Board of Auditors;

(p) The Board took note of the report of the Office of Internal Oversight Services (OIOS) on the internal audit activities of the Fund for the year ended 30 June 2014, and expressed its appreciation to the Chief Executive Officer (CEO) of the Fund and his team for their work and dedication to have an efficient and controlled operation and to close pending audit recommendations;

(q) The Board approved the Fund's strategic framework for the biennium 2016-2017 and took note of the performance report on the strategic framework indicators for 2012-2013;

(r) The Board considered the first report of the Assets and Liabilities Monitoring Committee and endorsed the conclusions of the Committee. The Board agreed, inter alia, that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of after-service health insurance benefits, noting that this option could jeopardize the Fund's operational viability and could also have a negative effect on the long-term sustainability of the Fund. The Board also approved a risk appetite statement for the Fund and risk tolerance metrics for solvency and investment risks. The Board expressed its expectation that the Secretary-General would now and in the future engage in consultation with the

Pension Board regarding the selection of a candidate for the position of full-time Representative of the Secretary-General for the Investments of the Fund;

(s) The Board took note of the updated internal control policy of the Fund and welcomed the preparation of the first version of the statement of internal control of the Fund, which accompanies the financial statements for the year ended 31 December 2013;

(t) The Board approved the revised accountability statement presented by the Secretary/CEO, which reflects the recent changes in the roles and responsibilities of the various bodies and their functions within the Fund;

(u) The Board approved the revised terms of reference for the staff pension committees and their secretaries and requested the Fund secretariat to prepare a document on the matter for its next session, in 2015, including an administrative rule that would provide for a dispute resolution mechanism between the member organizations and the Fund for possible issues arising from the interpretation of the Fund's Regulations and Rules;

(v) The Board was presented with the results of the review of the human resources framework undertaken by the Fund secretariat. The Board reaffirmed its earlier decision that the Fund should continue to use the United Nations machinery for its administrative services and that the CEO and the Representative of the Secretary-General conclude the revised memorandum of understanding with the Office of Human Resources Management no later than 30 September 2014. The memorandum of understanding should consider the unique governance of the Fund, its inter-agency status, mandate and funding source, as well as its maturing status and the complexity and scope of its operations;

(w) The Board took note of the application of paragraph 26 of the pension adjustment system regarding the suspension of local currency track benefits. The Board requested the CEO to develop possible economic and administrative parameters and updated language for the pension adjustment system to assist in the administration of paragraph 26, which addresses the measures that may be exercised by the CEO when the local currency track benefits cannot be calculated, or the calculation results in aberrant benefit levels compared with the dollar track benefit;

(x) The Board was presented with an update through 31 December 2013 of the effects of currency fluctuations on the benefits payable in countries covering 90 per cent of the benefits payable as local currency track benefits. The Board took note that the local currency track pension amounts continue to be maintained at or near the targeted levels for the countries under review. It requested the Fund to continue monitoring the local currency track benefits and to report to the Board on its analysis on an annual basis;

(y) The Board approved the proposed amendments to the Regulations and Rules of the Fund, as provided in annexes XI and XII to the report;

(z) The Board considered a report on small pensions and decided that the table of small pension threshold amounts should be adjusted by 10 per cent upwards, on a one-time basis, effective 1 April 2016. This would be an interim measure pending a more permanent solution to the question of the linkage between the small pension and minimum benefit provisions, with alternatives being presented to the Board at its session in 2015 for its consideration and information, noting that the decision will be taken in 2016, when the results of the next actuarial valuation will be available;

(aa) The Board approved, subject to the required concurrence of the General Assembly, the proposed new transfer agreements between the Fund and the European Organization for the Exploitation of Meteorological Satellites, the European Union Satellite Centre, and the European Union Institute for Security Studies. It also took note of the withdrawal of the transfer agreement with the African Development Bank;

(bb) The Board reviewed and took note of three United Nations Appeals Tribunal judgements in cases where the Fund had been the respondent, and a judgement by the International Labour Organization Administrative Tribunal concerning a disability benefit under the Regulations of the Fund;

(cc) The Board considered a proposal to allow recovery from a third party of amounts paid by the Fund as death or disability benefits, if the party was found liable by a court for the death or injury of a participant. The Board requested an amendment to the scope of the proposed provisions in the Regulations and Administrative Rules of the Fund, and deferred the matter to 2016.

Chapter III

Summary of the operations of the Fund for the biennium ended 31 December 2013

15. During the biennium ended 31 December 2013, the number of participants in the Fund decreased from 120,774 to 120,294, or by 0.4 per cent; the number of periodic benefits in award increased from 65,387 to 69,980, or by 7.0 per cent. As at 31 December 2013, the breakdown of the periodic benefits in award was as follows: 25,169 retirement benefits, 15,253 early retirement benefits, 7,490 deferred retirement benefits, 11,740 widows' and widowers' benefits, 8,926 children's benefits, 1,361 disability benefits and 41 secondary dependants' benefits. In the course of the biennium, 13,608 lump-sum withdrawal and other settlements were paid. A breakdown by member organization of participants and of benefits awarded during the year ended 31 December 2013 is shown in tables 1 and 2 of the appendix to annex VIII.

16. During the two-year period from 1 January 2012 to 31 December 2013, the net assets available for benefits increased from $39,809,186,000 to $51,472,754,000 (see annex VIII, statement of net assets available for benefits). The investment income of the Fund during the period amounted to $12.0 billion, and contributions and other income amounted to $4.4 billion, for a total of $16.4 billion in income to the Fund.

17. Benefit payments and expenses for the two-year period ended 31 December 2013 amounted to $4.7 billion.

18. Benefit payments exceeded contributions for the two-year period ended 31 December 2013 by $196 million.

19. The Fund's overall investment performance for the calendar year ended 31 December 2013 was 15.5 per cent, and for the year ended 31 December 2012 it was 12.7 per cent, as compared with the Fund's performance benchmarks for the same periods of 13.5 per cent and 12.1 per cent, respectively.

20. A summary of the Fund's investments as at 31 December 2013 and their market values are given in annex VIII, statement of net assets available for benefits.

Chapter IV
United Nations General Assembly

A. Consideration by the General Assembly of the United Nations pension system at its sixty-eighth session

21. During the third quarter of 2013, the General Assembly considered the report on the administrative expenses of the United Nations Joint Staff Pension Fund and amendments to the regulations of the Fund (A/68/303). The report contains the recommendations made by the Pension Board at its sixtieth session (held in New York from 15 to 19 July 2013).

22. Following its consideration of the Board's report, the General Assembly adopted resolution 68/247 A, in which it supported the proposed amendments to the regulations of the Fund concerning the normal retirement age and early retirement provisions for new staff whose participation in the Fund commences, or recommences, on or after 1 January 2014.

23. It was noted that the Assembly also requested the Board to establish a mechanism for tracking all withdrawal settlements paid to participants who separate with less than five years of contributory service and to provide this information to the General Assembly in the context of its future reports. At the same time, the Assembly stressed the need to avoid any action that would compromise the fiduciary responsibilities and long-term sustainability of the Fund.

24. Subsequently, on 9 April 2014, the General Assembly adopted resolution 68/247 B, whereby it decided to establish the post of a full-time Representative of the Secretary-General for the Investment of the Assets of the Fund at the Assistant Secretary-General level. The Assembly also approved the terms of reference for the post of full-time Representative of the Secretary-General (resolution 68/247 B, annex). The Assembly did not support the addition of a new article 19 (c) to the Regulations of the Fund, which was suggested by the Pension Board, and specified that the Representative of the Secretary-General would be appointed after consultations with the Pension Board. The Board asked the Representative of the Secretary-General for information on the recruitment process, which was provided. The Representative of the Secretary-General invited the members of the Board to provide observations and suggestions to the Secretary-General on the appointment and the process for appointing a full-time Representative of the Secretary-General and promised to bring those observations and suggestions to the attention of the Secretary-General.

25. **The Board took note of the information provided in the report. Board members expressed disappointment that the General Assembly had not supported the inclusion of the new article 19 (c) in the Regulations of the Fund, which would have specified that the full-time Representative of the Secretary-General would be appointed after consultations with the Pension Board. The Board expressed its expectation that the Secretary-General would now and in the future engage in consultation with the Pension Board regarding the selection of the candidate for the post of Representative of the Secretary-General.**

B. Consideration of after-service health insurance liabilities arising from General Assembly resolution 68/244

26. In the third quarter of 2013, the General Assembly considered the report of the Secretary-General (A/68/353) and the related report of the Advisory Committee on Administrative and Budgetary Questions (A/68/550) on managing after-service health insurance liabilities. Following its consideration of those two reports, the General Assembly adopted resolution 68/244.

27. In paragraph 13 of the report of the Advisory Committee, it was noted that the funding of after-service health insurance benefits is a system-wide concern that could best be resolved by adopting a system-wide approach similar to that currently employed by the Fund for retirement and disability benefits. The Advisory Committee was also of the view that, given its experience in the administration of retirement and disability benefits, the Fund would have the requisite competence to manage the resources for, and the payment of, after-service health insurance benefits as well. Further, taking into account the low asset management cost of the Fund compared with the industry standard for pension funds and health insurance asset managers, the Advisory Committee thought that employing the Fund for this purpose would be more cost-effective than outsourcing it.

28. In its resolution, the General Assembly recalled paragraph 13 of the report of the Advisory Committee 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 at its seventieth session. The General Assembly also underlined that the above request did not prevent the Secretary-General from considering other options.

29. The Finance and Budget Network of the High-level Committee on Management (HLCM) has already established a Working Group to consider a system-wide approach for the funding and management of after-service health insurance benefits, and it is anticipated that this Working Group will expand its terms of reference to incorporate the General Assembly's resolution. The Chair of this Working Group has confirmed the Pension Fund's participation in the Working Group. However, at this time, only preliminary work has been completed on this matter, and the process of retaining a consultant to support the Working Group is currently in process.

30. Given the possible ramifications of the General Assembly resolution on the Fund, the Pension Board's Assets and Liabilities Monitoring Committee, at its first meeting in February 2014, requested that the consulting actuary prepare a note on the "Option of broadening the mandate of the Fund to include administration of after-service health insurance benefits".

31. The consulting actuary's conclusions were:

- In the scenario that a new, fully harmonized system-wide plan for after-service health insurance benefits could be established after addressing the challenges mentioned in the note, and if the new plan were to be established under an expanded mandate of the Fund, no administrative efficiency gains are expected from combining the management of the new plan for after-service health insurance benefits with the Fund's operations. If this new plan for after-service health insurance benefits were to be accounted for as a defined benefit plan, **each organization would continue to report in its financial statements their corresponding after-service health insurance liabilities**. The method of allocation of the harmonized plan's assets for reporting in the financial statements of a member organization would need to be addressed;

- Considering the same scenario, but accounting for the new plan for after-service health insurance as a defined contribution plan (after meeting the requirements of IPSAS 25 mentioned in the note, which seems technically unlikely), each organization would disclose in its financial statements their mandated contributions to the plan and its share of **any actuarial deficiency and deficiency payments**;

- In terms of investing assets set aside to fund future after-service health insurance benefits, the Fund could provide a cost-effective solution if proper governance, staffing, asset allocation strategy and risk appetite were developed and approved.

32. **The Board took note of the General Assembly's request and expressed its agreement with the conclusions presented in the note of the consulting actuary on the "Option of broadening the mandate of the United Nations Joint Staff Pension Fund to include administration of after-service health insurance benefits". The Board also endorsed the recommendations of the Assets and Liabilities Monitoring Committee on this matter, which are reflected under item 11 (c), Report of the Assets and Liabilities Monitoring Committee, and detailed in paragraph 296. The Board noted that the investment objectives of the Fund differed from those of after-service health insurance benefits. Therefore, it might be inappropriate for the Fund to manage the resources related to after-service health insurance benefits.**

33. **The Pension Board agreed that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of after-service health insurance benefits, noting that this option could jeopardize the Fund's operational viability and could also negatively affect the long-term sustainability of the Fund, depending upon the extent of the adopted measure.**

Chapter V
Actuarial matters

A. Thirty-second actuarial valuation of the Fund, as at 31 December 2013

34. Article 12 (a) of the Regulations of the United Nations Joint Staff Pension Fund provides that the Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities. The practice of the Board has been to carry out a valuation every two years.

35. The consulting actuary submitted to the Board the report on the thirty-second actuarial valuation of the Fund, as at 31 December 2013; the previous valuation had been as at 31 December 2011, and its results had been reported to the General Assembly at its sixty-seventh session, in 2012. The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation report prior to its submission to the Board.

Changes in the Regulations of the Fund

36. The valuation is based on the Regulations, Rules and Pension Adjustment System of the Fund as in effect from 1 January 2014 and reflects the following changes applicable to new staff whose participation in the Fund commences, or recommences, on or after 1 January 2014:

(a) Increase in normal retirement age to 65;

(b) Increase in eligibility for early retirement to age 58;

(c) An early retirement benefit is payable at the standard annual rate for a retirement benefit, reduced by 6 per cent for each year between retirement date and normal retirement age; except that if the participant has completed 25 or more years of contributory service at the date of retirement, the standard annual rate is reduced by 4 per cent per year; provided however that the 4 per cent rate applies to no more than 5 years.

Actuarial valuation bases

37. The valuation had been prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board in 2013.

38. The actuarial value of assets used for purposes of preparing the periodic actuarial valuations is calculated using a five-year moving market value averaging method, subject to a limiting corridor of 15 per cent below and above the market value of the assets as of the valuation date. The Pension Board agreed with the recommendation of the Committee of Actuaries to begin a transition to the alternative asset averaging methodology. The transition schedule targets full implementation of the alternative methodology no later than the completion of the actuarial valuation effective as at 31 December 2019. For the 31 December 2013 valuation, the actuarial value of assets was determined based on 75 per cent of the actuarial assets calculated under the prior methodology, plus 25 per cent of the actuarial assets calculated under the alternative methodology. On that basis, the

actuarial assets value was determined to be $46,205.1 million, which was 89.77 per cent of the market value of the assets as of that date ($51,472.8 million).

39. The actuarial assumptions include three sets of economic assumptions and four sets of participant growth assumptions that were used in various combinations. The Pension Board agreed at its sixtieth session to the recommendation of the Committee of Actuaries to lower the long-term inflation assumption from 4.0 per cent per annum to 3.0 per cent per annum for purposes of the actuarial valuation as at 31 December 2013.

40. Valuations were performed on the basis of three sets of real rates of investment return assumptions of 4.5 per cent, 3.5 per cent and 2.5 per cent. Further, in coordination with the assumed 3.0 per cent long-term inflation assumption, the annual rates of static increases in pensionable remuneration were increased by 3.5 per cent for all of the three sets of economic assumptions.

41. In addition, four sets of assumptions were used to reflect changes in the projected growth in the number of future active participants: (a) positive growth of 0.5 per cent per annum over the next 10 years, with zero growth thereafter; (b) negative growth of (1.0) per cent per annum over the next 10 years, with zero growth thereafter; (c) positive growth of 1.0 per cent per annum over the next 10 years, with zero growth thereafter; and (d) zero growth for all years.

42. The sets of economic and participant growth assumptions used in the 2013 valuation are summarized in table 1.

Table 1

	Assumption (percentage)		
	I[a]	*II*	*III*
A. Economic factors			
Increases in pensionable remuneration (in addition to real increases)	3.5	3.5	3.5
Nominal rate of interest (investment return)	6.5	7.5	5.5
Price increases (reflected in increases in pensions to beneficiaries)	3.0	3.0	3.0
Real rate of interest (investment return after inflation)	3.5	4.5	2.5
Usual designation	3.5/6.5/3.0	3.5/7.5/3.0	3.5/5.5/3.0
Cost of the two-track adjustment system (1.9 per cent of pensionable remuneration)	Included	Included	Included

	Assumption (percentage)			
	I[a]	*II*	*III*	*IV*
B. Future growth of participant population				
For each of the first 10 years (zero growth thereafter):				
Professional staff	0.5	(1.0)	1.0	0.0
General Service staff	0.5	(1.0)	1.0	0.0

[a] Regular valuation basis.

43. The Committee of Actuaries recommended, and the Board agreed in 2013, that the 3.5/6.5/3.0 set of assumptions (i.e., a 3.5 per cent annual increase in pensionable remuneration in addition to the static scale, a 6.5 per cent nominal interest rate, and a 3.0 per cent annual inflation rate with respect to increases in pensions after award) and the 10-year 0.5 per cent participant growth assumptions should serve as the basis of the regular valuation for 2013.

44. The six specific combinations reflected in table 1 and included in the actuarial valuations as at 31 December 2013 were as follows:

(a) A.I with B.I (3.5/6.5/3.0 and 10-year 0.5 per cent growth in participants);

(b) A.II with B.I (4.5/6.5/3.0 and 10-year 0.5 per cent growth in participants);

(c) A.III with B.I (3.5/5.5/3.0 and 10-year 0.5 per cent growth in participants);

(d) A.I with B.II (3.5/6.5/3.0 and 10-year (1.0) per cent growth in participants);

(e) A.I with B.III (3.5/6.5/3.0 and 10-year 1.0 per cent growth in participants);

(f) A.I with B.IV (3.5/6.5/3.0 and zero growth in participants).

45. The demographic and other related assumptions used for the 31 December 2013 actuarial valuation reflected the following changes, as recommended by the Committee of Actuaries in 2013 and approved by the Board:

(a) Reset the period for forecasting mortality improvement for healthy pensioners and beneficiaries to 20 years from the date of the 2013 actuarial valuation, or through 2033;

(b) Modify the demographic assumptions (withdrawal and early retirement) to better align with actual experience;

(c) Modify the assumptions regarding utilization of the commutation option.

46. Upon the recommendation of the Committee of Actuaries, the Board agreed that the provision for administration costs to be included in the current valuation should be based on one half of the Fund's approved budget for the biennium 2014-2015, divided by the total pensionable remuneration as at 31 December 2013. Using that methodology, the provision for administration costs included in the 31 December 2013 actuarial valuation was 0.34 per cent of pensionable remuneration.

Analysis of the valuation results

47. Table 2 provides the results of the thirty-second actuarial valuation and compares them with the results of the regular valuation as at 31 December 2011.

Table 2

		Contribution rate required (as percentage of pensionable remuneration) to attain actuarial balance of the Fund		
Valuation date	*Valuation basis*	*Required rate*	*Current rate*	*Difference (surplus)/deficit*
31 December 2013	3.5/6.5/3.0 with 10-year 0.5 per cent participant growth (Regular valuation)	24.42	23.70	0.72
	3.5/7.5/3.0 with 10-year 0.5 per cent participant growth	19.29	23.70	(4.41)

Valuation date	Valuation basis	Contribution rate required (as percentage of pensionable remuneration) to attain actuarial balance of the Fund: Required rate	Current rate	Difference (surplus)/deficit
	3.5/5.5/3.0 with 10-year 0.5 per cent participant growth	29.99	23.70	6.29
	3.5/6.5/3.0 with 10-year (1.0) per cent participant growth	24.89	23.70	1.19
	3.5/6.5/3.0 with 10-year 1.0 per cent participant growth	24.27	23.70	0.57
	3.5/6.5/3.0 with zero participant growth	24.57	23.70	0.87
31 December 2011	4.5/7.5/4.0 with 10-year 0.5 per cent participant growth (regular valuation)	25.57	23.70	1.87

48. Therefore, the regular valuation as at 31 December 2013 showed that the required contribution rate as at 31 December 2013 was 24.42 per cent, as compared to the current contribution rate of 23.70 per cent, resulting in an actuarial deficit of 0.72 per cent of pensionable remuneration. This represents a decrease of 1.15 per cent in the required contribution rate from the rate disclosed as at 31 December 2011 (i.e., a decrease from 25.57 per cent to 24.42 per cent), when the valuation had revealed a deficit of 1.87 per cent. The pattern of increasing deficits since the 31 December 1999 actuarial valuation has been reversed as of this valuation. As can be seen in table 2, under real rate of return assumptions of 4.5 per cent and 2.5 per cent, with 10-year 0.5 per cent participant growth, the results would be a surplus of 4.41 and a deficit of 6.29 per cent of pensionable remuneration, respectively, which demonstrates the major effect of the real rate of return assumption on the valuation results.

Current value of accrued benefits

49. The actuarial valuation contained another indicator of the funded position of the Fund, namely a comparison of the current assets of the Fund with the value of the accrued benefits on the valuation date (i.e., the benefits for retired participants and beneficiaries and the benefits considered to have been earned by all current participants if their service were terminated on that date).

50. With respect to its liabilities on a plan-termination basis, the Fund was in a soundly funded position, as it had been for the past twelve valuations, if future adjustments of pensions were not taken into account. The funded ratio determined under the Regular valuation basis and without future pension adjustments was 127.5 per cent. This meant that the Fund would have considerably more assets than needed to pay the benefits if no adjustments were made to pensions for changes in the cost of living. The funded position decreased considerably when account was taken of the current system of pension adjustments, including the cost of the two-track system (1.9 per cent of pensionable remuneration); the current valuation indicated that under the regular valuation basis the funded ratio was 91.2 per cent. Table 3 shows the funded ratios revealed by the actuarial valuations since 1990, both assuming and without assuming future adjustments of pensions for inflation.

Table 3
Funded ratios 1993-2013

	If future pension payments are made:	
	Without pension adjustments	*With pension adjustments*
Valuation as at 31 December	*(percentage)*	
1993	136.2	80.5
1995	132.4	81.1
1997	141.4	88.5
1999	180.1	113.4
2001	160.6	106.1
2003	144.5	95.4
2005	139.9	92.4
2007	146.9	95.3
2009	139.6	91.0
2011	130.0[a]	86.2
2013	127.5	91.2

[a] Funded ratio without pension adjustments increased from 120.8 per cent to 127.5 per cent based on the 6.5 per cent nominal interest rate used for the 31 December 2013 actuarial valuation.

Results of the valuation in dollar terms and other disclosure statements

51. In its resolutions 47/203 and 48/225, the General Assembly had requested the Board to consider the form in which it presented the valuation results, taking into account, inter alia, the observations made by the Board of External Auditors. The auditors had requested the Board to include in its reports to the Assembly disclosures and opinions with regard to the valuation results, namely, presentations of: (a) the valuation results in dollar terms; (b) a statement of sufficiency under article 26 of the Regulations of the Fund; and (c) a statement by the Committee of Actuaries and the consulting actuary on the actuarial position of the Fund, to which the Board of Auditors could refer in their observations on the accounts of the Fund.

52. Accordingly, table 4 summarizes the valuation results as at 31 December 2013, both as a percentage of pensionable remuneration and in dollar terms, under the six combinations of economic and participant growth assumptions.

Table 4
Valuation results surplus/(deficit)

Economic assumptions	*As a percentage of pensionable remuneration*	*In United States dollar terms (millions)*
3.5/6.5/3.0 with 10-year 0.5 per cent participant growth (regular valuation)	(0.72)[a]	(2 697.0)
3.5/7.5/3.0 with 10-year 0.5 per cent participant growth	4.41	12 522.7
3.5/5.5/3.0 with 10-year 0.5 per cent participant growth	(6.29)	(35 400.3)

Economic assumptions	*As a percentage of pensionable remuneration*	*In United States dollar terms (millions)*
3.5/6.5/3.0 with 10-year (1.0) per cent participant growth	(1.19)	(3 949.4)
3.5/6.5/3.0 with 10-year 1.0 per cent participant growth	(0.57)	(2 243.8)
3.5/6.5/3.0 with zero participant growth	(0.87)	(3 132.7)

[a] The regular valuation as at 31 December 2011 revealed a deficit of 1.87 per cent in pensionable remuneration.

53. Table 5 provides the projected liabilities and assets of the Fund in dollar terms, as reflected in the regular valuation results as at 31 December 2013 and 31 December 2011, respectively.

Table 5

	31 December 2013	*31 December 2011*
	(millions of United States dollars)	
Liabilities		
Present value of benefits:		
Payable to or on behalf of retired and deceased participants	29 113.7	27 710.3
Expected to become payable on behalf of active and inactive participants, including future new entrants	107 785.5	103 467.1
Total liabilities	**136 899.2**	**131 177.4**
Assets		
Actuarial asset value	46 205.1	40 815.0
Present value of future contributions	87 997.1	83 652.6
Total assets	**134 202.2**	**124 467.6**
Surplus/(deficit)	**(2 697.0)**	**(6 709.8)**

54. As they had in the past, the consulting actuary and the Committee of Actuaries stressed that care must be taken when considering the dollar amounts of the valuation results. The liabilities shown in table 5 include those for individuals who have yet to join the Fund; similarly, the assets included the contributions for future new participants. The surplus or deficit indicates only the future effect of continuing the current contribution rate under various actuarial assumptions as to future economic and demographic developments. The valuation results were highly dependent upon the actuarial assumptions used. As indicated in table 4 above, a deficit of 6.29 per cent of pensionable remuneration was indicated on the 3.5/5.5/3.0 valuation basis, i.e., a real rate of return of 2.5 per cent. A surplus of 4.41 per cent of pensionable remuneration was indicated on the 3.5/7.5/3.0 valuation basis, i.e., a real rate of return of 4.5 per cent. Both the consulting actuary and the Committee of Actuaries pointed out that the actuarial surplus, when expressed in dollar terms, should only be considered in relation to the magnitude of the liabilities and not in absolute terms. The deficit of $6,709.8 million under the regular valuation as at 31 December 2011 represented 5.12 per cent of the projected liabilities of the Fund.

The deficit of $2,697.0 million under the current regular valuation represents 1.97 per cent of the projected liabilities of the Fund.

Hypothetical projection models

55. Hypothetical models of the estimated progress of the Fund over the next 50 years were also prepared on the basis of the economic assumptions in the regular valuation, using the 10-year 0.5 per cent participant growth assumptions. The results were presented in both nominal and inflation-adjusted terms. The models showed that, based on the regular valuation assumptions, the Fund's assets would increase in real dollar terms for the entire 50-year projection period. The models also showed that assets as a multiple of annual benefit payments would decline from 19.6 to 16.2 by the end of the 50-year period. Additional models, in which the assumed real rate of return on investments ranged from 1.5 per cent to 5.5 per cent, were also prepared. The models showed that if the Fund were to earn less than the assumed 3.5 per cent real rate of return, the Fund's assets in real dollar terms will begin to decrease more rapidly (for example, after approximately 19 years under the 2.5 per cent real rate of investment return assumption).

International Accounting Standard 26

56. At its fifty-seventh session, the Board decided to adopt IPSAS as the accounting standards for the Fund with effect from 1 January 2012.

57. The Board supported the recommendation of the Committee of Actuaries that the Fund's actuarial liabilities should be reported in accordance with International Accounting Standard 26 (IAS 26), "Accounting and reporting by retirement benefit plans", in the following manner:

- The actuarial present value of accrued benefits will be disclosed as a note to the Fund's financial statements
- The IAS 26 liabilities will be calculated every biennium, concurrently with the actuarial valuation schedule
- The IAS 26 actuarial information will be added to the valuation reports.

58. Table 6 provides the IAS 26 accounting and reporting information as at 31 December 2013.

Table 6
International Accounting Standard 26; Plan accounting and reporting

Actuarial present value of accumulated (promised) retirement plan benefits, as at 31 December 2013

	If future pension payments are made:	
	Under regulations without pension adjustments	*Under regulations with pension adjustments*[a]
	(millions of United States dollars)	
Actuarial value of vested benefits[b]		
Participants currently receiving benefits	21 104.6	28 743.5
Terminated vested participants	217.8	370.2

	If future pension payments are made:	
	Under regulations without pension adjustments	Under regulations with pension adjustments[a]
	(millions of United States dollars)	
Active participants	12 026.4	17 304.3
Total vested benefits	**33 348.8**	**46 418.0**
Non-vested benefits[b]	1 218.4	1 472.1
Total actuarial present value of accumulated plan benefits	**34 567.2**	**47 890.1**
Market value of assets	51 472.8	51 472.8

[a] Results include loadings for the two-track adjustment system.
[b] At a nominal interest rate (investment return) of 6.5 per cent and an annual inflation rate of 3.0 per cent.

View of the Committee of Actuaries

59. In its report to the Board, the Committee of Actuaries noted that the current valuation revealed a deficit of 0.72 per cent of pensionable remuneration, a significant improvement over the deficit of 1.87 per cent of pensionable remuneration revealed by the prior actuarial valuation. The Committee further noted the significance of the reversal of the downward trend observed in the results of the regular actuarial valuations since 1999. The Committee stressed that the decrease in the deficit was due largely to 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. The Committee recalled its previous recommendation that it would be prudent to maintain an actuarial buffer (or safety margin) of around 2 per cent of pensionable remuneration to offset the impact on the Fund's long-term solvency owing to financial market volatility, as well as to anticipate further maturing of the Fund.

60. The market value of the Fund's assets shows considerable volatility. The Committee noted that during 2012 and 2013, the investment return objective had been exceeded, which was a key reason for the improvement in the financial health of the Fund.

61. The results of alternative sets of economic assumptions consisting of: (a) a 4.5 per cent real rate of investment return and inflation of 3.0 per cent per annum; and (b) a 2.5 per cent real rate of investment return and inflation assumption of 3.0 per cent per annum, clearly indicate the strong linkage between future investment returns and the results of future actuarial valuations. The Committee noted that these two alternatives demonstrate that a 1 per cent difference in the real rate of investment return is equivalent to a change in the required contribution rate in the order of 5-6 per cent of pensionable remuneration (i.e., costs ranging from 19.3 per cent through 30.0 per cent of pensionable remuneration).

62. The Committee noted that the required contribution rate for present participants is 34.74 per cent of pensionable remuneration. This highlights the

importance of maintaining the plan open for future generations, as their contribution will be significant in lowering the overall required long-term contribution rate.

63. The Committee further noted that demographic assumptions, including the reset of the period for forecasting mortality improvements through 2033, also drive the Fund's liabilities. The Committee concluded that additional analysis and possible updates in longevity assumptions could be required in the future, thus potentially increasing the contribution rate required for actuarial balance.

64. The Committee reviewed the funded status, which increased from 120.8 per cent at the last valuation (based on the nominal 6.5 per cent interest rate used in the 31 December 2013 actuarial valuation) to 127.5 per cent at this valuation, without application of the cost-of-living adjustments; and from 86.2 per cent to 91.2 per cent when considering those adjustments. The Committee noted that the cost-of-living adjustment assumed to apply annually to pension benefits had an impact of around 40 per cent on the funded status of the plan (considering the base scenario). The Committee will continue to monitor the funded status closely, in particular the impact of the cost-of-living adjustments.

65. Reviewing the long-term, year-by-year projections of cash flow completed by the consulting actuary, the Committee did not foresee liquidity constraints at this time, although investment income will increasingly be used to cover benefit payments and expenses in the future. In terms of paying benefits in the medium and short terms, the Fund can meet its pension payment commitments. The Committee noted that the projections indicate that if the Fund earns the expected real rate of return of 3.5 per cent per year, the principal of the Fund will continue to increase in real value for the next 50 years. The Committee will continue to monitor the projections closely, taking into account both expected contributions and the continued expectation of a 3.5 per cent real rate of return on assets of the Fund.

Statements on the valuation results

66. The statement of actuarial sufficiency prepared by the consulting actuary and approved by the Committee of Actuaries is reproduced in annex IV to the present report. The statement indicates that:

> "… the actuarial 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. Accordingly, there is no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund. The market value of assets as at 31 December 2013 is $51,472.8 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as at the valuation date."

67. The statement of the actuarial position of the Fund, adopted by the Committee of Actuaries, is reproduced in annex V. In that statement, the Committee of Actuaries indicated that it had:

> "… reviewed the results of the actuarial valuation as at 31 December 2013, which was carried out by the consulting actuary. Based on the results of the regular valuation, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable

remuneration was currently sufficient to meet the benefit requirements under the Plan".

68. The Committee of Actuaries also informed the Board that it would continue to review the evolving experience of the Fund. It will submit recommendations to the Board in 2015 on the assumptions to be used in the actuarial valuation of the Fund to be performed as at 31 December 2015.

Discussion in the Board

69. Clarifications were sought from the consulting actuary and from the rapporteur of the Committee of Actuaries on various aspects of the actuarial valuation results.

70. Overall, the Board noted that the current valuation revealed a deficit of 0.72 per cent of pensionable remuneration, which compares with the deficit of 1.87 per cent revealed by the 2011 actuarial valuation. The Board noted that the decrease in the deficit was owing largely to 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. The Board also noted the significance of this reversal of the downward trend observed in the results of the actuarial valuations since 1999.

71. The Board noted the importance of future real investment returns, at the 3.50 per cent target level, in the results of future actuarial valuations. The Board noted that the upward trend in the number of new participants had flattened.

72. The Board also noted the increases in the funded ratios since the prior valuation, which were attributable largely to the increase in the actuarial value of assets, which is greater than increases in liabilities over the biennium.

Conclusion

73. **The Board was pleased with the outcome of the actuarial valuation results as at 31 December 2013 and took note of the significant improvement in the actuarial condition of the Fund.**

B. Membership of the Committee of Actuaries

74. The Board noted that the three-year term of one regular member of the Committee of Actuaries, S. Inagaki (Japan, representing the Asian States) and the two-year terms of the two ad hoc members, Klaus Heubeck (Germany, representing the Western Europe and Other States) and Carlos L. Nathal (Mexico, representing the Latin American and Caribbean States) would expire on 31 December 2014. All three members had indicated that they would be prepared to continue to serve on the Committee should the Board decide to recommend their reappointment. The current membership of the Committee is set out in annex VI.

75. **The Board expressed its appreciation to the members of the Committee of Actuaries and decided to recommend to the Secretary-General that, in accordance with article 9 (a) of the Regulations of the Fund, Mr. Inagaki be reappointed for a three-year term from 1 January 2015 to 31 December 2017 and that Messrs. Heubeck and Nathal be reappointed for two-year terms from 1 January 2015 to 31 December 2016.**

C. Monitoring of the actuarial costs of the two-track feature of the pension adjustment system

76. It was recalled that, in 1991 and 1994, the General Assembly, acting on the recommendation of the Board, had approved changes to the pension adjustment system, which had entered into effect on 1 April 1992 and 1 July 1995. Those changes were: (a) the 1 April 1992 modification, which provided greater compensation for cost-of-living differences in deriving the initial local currency pension for participants in the Professional and higher categories who submitted proof of residence in a high-cost country; (b) the application of the 1 April 1992 modification to the General Service and related categories as at 1 July 1995; and (c) the reduction of the "120 per cent cap" provision to 110 per cent, also with effect from 1 July 1995. In 2004, on the recommendation of the Board, the General Assembly approved a new provision under the two-track feature, which provided for a minimum guarantee of 80 per cent of the United States dollar track amount. As those changes were approved, the Board and the Assembly requested that the ongoing costs/savings related to those measures be reviewed concurrently with the actuarial valuations of the Fund. In addition, as part of the assessment exercise, the overall cost to the two-track feature is monitored with each actuarial valuation.

Cost of the two-track feature

77. The actual experience of retirees and beneficiaries related to the two-track feature was presented to the Board, which noted that the utilization rate (percentage of retirees and beneficiaries electing to be on the two-track) had remained relatively stable at 32 per cent during 2013 compared with the rates analysed since 1996. The Board was reminded that the utilization of the two-track feature was related to the exchange rate between the United States dollar and local currencies. When the dollar weakens compared to a local currency, two-track utilization typically increases in that country.

78. The Board also was reminded that an assumption is made in the actuarial valuation regarding the cost of the two-track feature, which currently is 1.9 per cent of pensionable remuneration, or roughly 8 per cent of the Fund's total contribution rate. The Board was then presented with the current emerging cost of the two-track feature, along with an historical comparison of the emerging costs since 1996, as set out in table 7.

Table 7

As of	*Emerging long-term costs as a percentage of pensionable remuneration*
March 1996	1.90
March 1998	1.87
March 2000	1.83
31 December 2001	1.56
31 December 2003	1.75
31 December 2005	1.92
31 December 2007	2.06

As of	*Emerging long-term costs as a percentage of pensionable remuneration*
31 December 2009	2.11
31 December 2011	2.06
31 December 2013	2.10

79. The emerging costs since 2005 have been above the assumption of 1.9 per cent of pensionable remuneration. The Board was informed that the consulting actuary and Committee of Actuaries will be discussing the assumption used for the cost of the two-track system at its next session, in 2015, for purposes of completing the actuarial valuation as at 31 December 2015.

Modification of the cost-of-living differential factors

80. In the period from 1 April 1992 to 31 December 2013, 1,313 normal and early retirement benefits were affected by the 1 April 1992 modification. The beneficiaries were participants in the Professional and higher categories who had retired during that period and who had provided proof of residence in countries in which the criteria for the application of cost-of-living differential factors had been met. A summary of the benefits paid in the 17 countries concerned, together with the amounts which would have been paid under the previous arrangements, was provided to the Board.

81. On the basis of those data, the eleventh and latest assessment by the consulting actuary of the emerging costs of the April 1992 modification amounted to 0.15 per cent of pensionable remuneration. That assessment was based on the same methodology as that used since 1994, which takes into account the actual additional payments over the period reviewed, as well as changes in the geographic distribution of the recipients of benefits and the results of the actuarial valuation as at 31 December 2013. The Board took note of table 8, which indicates the evolution of the costs, by assessment period, of the 1992 modification to the pension adjustment system, as applicable to the Professional and higher categories.

Table 8
Costs of the 1992 modification to the pension adjustment system as applicable to the Professional and higher categories

Period assessed	*Cost as percentage of pensionable remuneration*
Initial estimated cost made in 1991	0.30
1 April 1992 to 31 March 1994	0.26
1 April 1992 to 31 March 1996	0.33
1 April 1992 to 31 March 1998	0.32
1 April 1992 to 31 March 2000	0.26
1 April 1992 to 31 December 2001	0.24
1 April 1992 to 31 December 2003	0.14
1 April 1992 to 31 December 2005	0.12
1 April 1992 to 31 December 2007	0.11
1 April 1992 to 31 December 2009	0.13

Period assessed	*Cost as percentage of pensionable remuneration*
1 April 1992 to 31 December 2011	0.15
1 April 1992 to 31 December 2013	0.15

82. It was explained to the Board that the Committee of Actuaries, in considering this assessment as well as the past 22 years of experience, noted that the assessments were consistent with the consulting actuary's initial estimates and agreed that further individual monitoring of this change was no longer necessary considering that the overall cost of the two-track feature would continue to be monitored in conjunction with each actuarial valuation.

Extension of the 1 April 1992 modification to participants in the General Service and related categories separating on or after 1 July 1995

83. During the period from 1 July 1995 to 31 December 2013, 44 retirement benefits were processed for the General Service category participants, which involved proof of residence in a country where the cost-of-living differential factors applied under the revised Washington formula. An historical summary of the usage of this feature was submitted to the Board (see table 9).

Table 9
Former General Service category staff, or beneficiaries of such staff, who separated since 1 July 1995 whose benefit was increased by a cost-of-living differential factor

Period assessed	*Number*
31 March 1998	28
31 March 2000	29
31 December 2001	25
31 December 2003	30
31 December 2005	44
31 December 2007	34
31 December 2009	41
31 December 2011	42
31 December 2013	44

84. Owing to the consistently small number of benefits actually adjusted under this measure, it was not possible to make a meaningful assessment of the emerging cost of this modification to the pension adjustment system. It was noted that the actual experience was in line with the comments made by the Committee of Actuaries at the time the measure was initially reviewed and approved. It was recommended to the Board that the assessment of this change continue owing to the potential for increasing numbers of former General Service staff to retire and move to a country where the cost-of-living differential factor would apply, resulting in a significantly higher liability to the Fund.

Reduction of the 120 per cent cap provision to 110 per cent

85. The number of cases involving the application of the cap provision during the last quarter of 2013 was 174 out of 19,184 (0.9 per cent), as compared with 86 out of 18,955 (0.5 per cent) as of December 2011. The number of cases where the cap provision applies (either 110 per cent for those who separated from service on or after 1 July 1995 or 120 per cent for those who separated earlier) has, therefore, increased in number and percentage since 2011. The historical number of cases compared to the total two-track cases for retirees and spouses is set out in table 10:

Table 10

As at	*Retirees and spousal beneficiaries electing the two-track*	*Number of two-track beneficiaries affected by the cap (110 per cent or 120 per cent)*
March 1996	11 775	273
March 1998	12 197	1 104
March 2000	11 983	2 820
31 December 2001	11 454	4 231
31 December 2003	12 178	1 022
31 December 2005	14 335	943
31 December 2007	15 444	154
31 December 2009	17 845	168
31 December 2011	18 955	86
31 December 2013	19 184	174

The decrease in the number of beneficiaries affected by the cap is directly related to the decreasing strength of the United States dollar since 2003.

86. With respect to the 110 per cent cap, a breakdown for retirees and beneficiaries separating from service since the date of introduction of the 110 per cent cap provision, i.e., during the period from 1 July 1995 through 31 December 2013, was as follows: of the 38,061 main benefits established, 27,011, or 71 per cent, involved retirees and beneficiaries with only a dollar pension entitlement and 11,050, or 29 per cent, related to retirees and beneficiaries who were on the two-track feature of the pension adjustment system. Of the 11,050 retirees and beneficiaries on the two-track feature, only 57 were actually limited by the 110 per cent cap as of 31 December 2013.

87. In order to make an assessment of the savings arising out of the new 110 per cent cap provision of the two-track system, the consulting actuary compared (a) the emerging long-term costs of the two-track system, assuming the reduction in the cap from 120 per cent to 110 per cent from 1 July 1995 did not apply, based on an evaluation and projection of the data since 1990, which was 2.23 per cent of pensionable remuneration, with (b) the emerging long-term costs of the two-track system as a whole, also based on the data since 1990, which was 2.10 per cent of pensionable remuneration. On this basis, the emerging long-term savings resulting from the introduction of the 110 per cent cap provision were estimated to be in the order of 0.13 per cent of pensionable remuneration; at the time the change in the cap was proposed, the actuarial savings had been estimated at 0.20 per cent of

pensionable remuneration. The evolution of the savings of the change in the cap provision from 120 per cent to 110 per cent is reflected in table 11 below:

Table 11
Savings arising out of the new 110 per cent cap provision of the two-track system

Actuarial valuation date	*Savings as a percentage of pensionable remuneration*
31 March 1998	0.27
31 March 2000	0.40
31 December 2001	0.27
31 December 2003	0.21
31 December 2005	0.18
31 December 2007	0.16
31 December 2009	0.17
31 December 2011	0.12
31 December 2013	0.13

88. It was noted that just as the number of cases affected by the cap provision decreases as the United States dollar weakens, the amount of savings related to the change from the 120 per cent to 110 per cent cap also decreases. It was also explained to the Board that the Committee of Actuaries, in considering this assessment as well as experience over the past 15 years, noted that the assessments were consistent with the consulting actuary's initial estimates and agreed that further individual monitoring of this change was no longer necessary considering that the overall cost of the two-track feature would continue to be monitored in conjunction with each actuarial valuation.

Adjustable minimum guarantee at 80 per cent of the United States dollar track amount

89. The original assessment of the cost of the 80 per cent minimum provided by the consulting actuary was based on data available at the end of 2003, which at the time revealed 420 cases which could be affected by the new provision. Since 2003, the Fund has monitored the number of cases affected by the 80 per cent minimum, as set out in table 12 below.

Table 12
Analysis of application of the 80 per cent minimum of the dollar track

As at:	*Average*
31 December 2005[a]	196
31 December 2006	244
31 December 2007	128
31 December 2008	147
31 December 2009	138
31 December 2010	134

As at:	*Average*
31 December 2011	77
31 December 2013	63

[a] Reflects the nine-month period from 1 April to 31 December.

90. The number of actual cases that have benefited from the new measure has been consistently and significantly less than the 420 cases considered in the costing exercise. While the number of cases that might be affected in future periods will vary depending on the specific circumstances of the period under consideration, it is unlikely that the number will be significant given that the majority of beneficiaries on the two-track are from Switzerland or other countries on the Euro, where it is unlikely that the economic situation will cause the 80 per cent minimum to apply. It was also explained to the Board that the Committee of Actuaries, in considering this assessment as well as the past eight years of experience, noted that the assessments were consistent with the consulting actuary's initial estimates and agreed that further individual monitoring of this change was no longer necessary considering the overall cost of the two-track feature would continue to be monitored in conjunction with each actuarial valuation.

Conclusions of the Board

91. **The Board took note of the assessments of the two-track system provided by the Fund secretariat. Further, the Board decided to recommend to the General Assembly that the following assessments be discontinued, considering the comments of the Committee of Actuaries that the assessments were consistent with the consulting actuary's initial estimates and that further individual monitoring of those changes were no longer necessary considering that the overall cost of the two-track feature would continue to be monitored in conjunction with each actuarial valuation:**

- Assessment of the costs of the April 1992 modification of the cost-of-living differential factors as applicable to the Professional and higher categories;
- Assessment of actual savings from reduction of "120 per cent cap" provision to 110 per cent, effective for separations on 1 July 1995 or later;
- Assessment of the costs/savings of the minimum guarantee at 80 per cent of the United States dollar track amount.

92. **The Board noted that the long-term emerging cost of the two-track feature was estimated to be 2.10 per cent of pensionable remuneration as of the 31 December 2013 actuarial valuation, which was higher than the initial estimate of 1.90 per cent. The Board further noted that the overall costs of the two-track feature would be reviewed by the Committee of Actuaries at its session in 2015, for possible update in the assumption for the 31 December 2015 actuarial valuation. At that time, the Committee would also have the benefit of the results of the next asset liability management study.**

D. Update on the asset-liability management study and statement of work

93. The Pension Board was informed that the Fund's third asset-liability management study was scheduled for completion at the end of 2014 for presentation at its sixty-second session. It was noted that the process for completing the study requires about 18 months and had begun in the fall of 2013. The Board was further informed that the consulting firm that will complete the study is expected to be selected by the end of August 2014. It is anticipated that the study would begin in September 2014, and that an interim report would be issued in December 2014.

94. The Board was also informed that the technical specifications for the study had been prepared by the Fund secretariat and the Investment Management Division had been reviewed by the Assets and Liabilities Monitoring Committee and the Committee of Actuaries. The Board noted that as an additional deliverable, the study would refine and quantify the risk tolerance metrics proposed by the Assets and Liabilities Monitoring Committee, which would monitor the completion of the study and review the limits for the risk tolerance metrics.

95. **The Board took note of the status of this study.**

E. Effect on the Fund of the increasing use of contracts that expressly exclude participation in the Fund

96. The participants' group presented a conference room paper concerning the effects on the Fund of the increasing use of contracts that expressly exclude participation in the Fund. It was noted that consultants and other individuals working on so-called "non-staff contracts" represent a significant percentage of the United Nations common system global workforce. It further noted that official and unofficial data show that the use of such contracts has been generally increasing across the United Nations common system and that this could be a reason for concern to the sustainability of the Fund, as personnel working on non-staff contracts were not eligible to participate in the Fund.

97. It was recalled that in presenting the thirty-second actuarial valuation of the Fund as at 31 December 2013, both the Committee of Actuaries and the consulting actuary had stressed the need for a regular influx of new participants in order to ensure the long-term solvency of the Fund. It was also noted that the increasing use of non-staff contracts by the member organizations of the Fund had already received the attention of the High-level Committee on Management (HLCM).[1] At its twentieth session, in September 2010, HLCM expressed appreciation for the comprehensive work undertaken by the Human Resources Network in relation to "benefits, entitlements and insurance related to service-incurred injury, illness, death and disability", underlining how decisions on this subject would have far-reaching implications, as they included benefits for "personnel on non-staff contracts".

98. It was recognized that the increasing use of non-staff contracts by the member organizations of the Fund has many dimensions, most of them pertaining to the mandate of other United Nations common system bodies, most notably the

[1] See CEB/2011/HLCM/HR/21, review of personnel working for the United Nations common system organizations on non-staff contracts, 12 August 2011.

CEB/HLCM Human Resources Network machinery and ICSC. It was noted that although this is in essence a human resources matter, the issue also has implications for the Fund. Therefore, the purpose of placing this item on the agenda of the Pension Board was to draw the attention of the Board to this phenomenon and to request its guidance for appropriate action in order to properly evaluate its magnitude, relevance and potential impact on the sustainability of the Fund.

99. While the Board agreed that this was primarily a human resources issue under the mandate of the member organizations, the Board also agreed that given the increasing numbers involved, the granting of non-staff contracts may have implications in respect to the actuarial situation of the Fund, although it would be difficult to estimate the extent of the impact without historical trend data. The Board recalled and agreed with its previous recognition of the social protections that participants of the Fund had, which non-staff contracts might not provide. The CEO recalled that the actuarial demographic assumptions included assumed positive, negative, as well as neutral growth rates, which were all reflected in the actuarial valuations and suggested that this topic be considered by the Assets and Liabilities Monitoring Committee as part of its regular work since it could have important solvency implications and it could be studied using different assumptions and scenarios.

100. **The Board took note of the information provided in the conference room paper. It also requested the Assets and Liabilities Monitoring Committee to keep this item under review in the context of its periodic solvency monitoring and asset-liability management studies and report back to the Board as necessary.**

Chapter VI
Investments of the Fund

A. Management of the investments

101. The Representative of the Secretary-General for the Investments of the Fund introduced the report on the management of Fund investments and summarized the economic and financial environment during the period from 1 January to 31 December 2013, as well as the investment decisions taken and the performance of the Fund.

102. The Representative of the Secretary-General reported that the Fund's market value as at 31 December 2013 was $51.366 billion, a historically high valuation, up from $44.7 billion the prior year, representing an increase of $6.7 billion. Overall, the Fund outperformed the policy benchmark by 198 basis points (Fund 15.5 per cent, policy benchmark 13.5 per cent) based on the strategic asset allocation. The positive contributors include the outperformance of total equity (24.8 per cent vs. 23.4 per cent of the MSCI ACWI benchmark) and total fixed income (-1.6 per cent vs. -2.6 per cent of the BCGA benchmark index). The Fund continued to outperform in the 7- and 10-year periods.

103. The Representative of the Secretary-General highlighted the importance of diversification of investments to reduce risk and improve returns over the long term. The Fund diversifies its investments by asset class, geography and currency exposure. The Fund has periodically rebalanced weightings in equities, fixed income, real estate and short-term asset classes to maintain the risk profile and the long-term objectives of the Fund. The Fund had an overweight position of 65.0 per cent in equities and an underweight position of 24.1 per cent in the fixed-income asset class as at 31 December 2013. Also, the Fund allocated 5 per cent to real assets, 1 per cent to alternative strategies, 1 per cent to risk parity and 4 per cent to cash and short term. As at 31 December 2013, the Fund had investments in 38 countries, 7 international/regional institutions and 23 currencies.

104. The Representative of the Secretary-General also expressed the importance of the Fund's achievement of its long-term investment objective of 3.5 per cent real rate of return over the long term, including success over the last 1, 2, 3, 4, 5, 10, 15, 20, 25 and 50-year periods. The Fund achieved a 4 per cent real rate of return over the last 50 years, exceeding the target of 3.5 per cent by 0.5 per cent. In the same context, for the 10-year period, the Fund achieved an excess return amounting to 1.2 per cent over the 3.5 per cent target. The Representative of the Secretary-General also discussed the proposed reduction in non-discretionary advisory services provided to the Investment Management Division.

105. The Representative of the Secretary-General explained the investment risk framework and highlighted that the risk tolerance definition might vary according to the frame of reference. Risk tolerance with regard to asset and liability management is measured by the funding ratio volatility and funding level, which are reviewed by the Assets and Liabilities Monitoring Committee. The safety margin for the required contribution rate is +/- 2 per cent of pensionable remuneration.

106. On the other hand, risk tolerance with respect to investments is measured by the Fund-wide value at risk and individual portfolio tracking risk tolerances, which in turn, are defined and monitored by the Representative of the Secretary-General.

The specific value at risk target will be defined by the Representative of the Secretary-General, who would soon be identified, in consultation with the Investments Committee.

107. The Representative of the Secretary-General also discussed management issues for the Investment Management Division. The full-time post of Representative of the Secretary-General, and the establishment of 19 additional posts within the 2014-2015 time frame, will strengthen the Investment Management Division further. Three posts have already been filled, and the recruitment of seven posts is in progress. The Representative of the Secretary-General confirmed that he would make efforts to expedite the process, with the support of the Office of Human Resources Management. He remarked that market volatility and uncertainty still remained high, and as such, the strategic asset allocation must be monitored constantly. Information and communications technology (ICT) also needs to be improved to ensure the sustainability of the operations of the Fund; in addition, the long-term strategy for the investment technology infrastructure of the Investment Management Division needs to be reviewed. A request for proposal to review ICT architecture was issued.

108. The Representative of the Secretary-General mentioned that the General Assembly did not support the inclusion of a new article 19 (c) to the Fund's Regulations as suggested by the Pension Board, and specified that the incumbent of the full-time post of Representative of the Secretary-General would be appointed after consultations with the Pension Board. After lengthy discussion, the General Assembly decided that the responsibility of the Secretary-General should not be changed with regard to the appointment of the incumbent. The Representative of the Secretary-General, however, invited the members of the Board to provide observations and suggestions to the Secretary-General on the appointment and the process for appointing a full-time Representative of the Secretary-General for the Investments of the Fund and promised to bring those observations and suggestions to the attention of the Secretary-General. In this respect, the participants group reiterated the hope that the General Assembly would be prepared to reconsider the matter with a view to identifying a sustainable consultation process before the Secretary-General decides on the appointment.

109. The Chair of the Investments Committee introduced the members, who represent diverse countries with various backgrounds, such as a central banker, asset managers and other investment professionals. He expressed appreciation for the good work of the Investment Management Division, which was supported by the highly skilled and experienced directors and investment officers in the Division. With the portfolio valued at $54 billion, the Chair said that the Fund was now a significantly larger operation and required well defined risk parameters and an established investment process. He said that the Fund's investment performance was excellent; and it was currently ranked within the first quartile of pension funds. The Chair said that the Fund needed to take a certain amount of risk an appropriate market timing. The Chair said that he monitors the Fund status on a weekly basis and expressed his commitment to share his opinions. He emphasized that he sought correct processes and governance.

Discussion in the Board

110. The Board expressed appreciation to the Representatives of the Secretary-General, both current and former, and to the Investment Management Division for their hard work, as manifested by the excellent performance of the Fund. The Board also expressed appreciation to the members of the Investments Committee for their hard work, accessibility, good advice and results.

111. The Executive Heads recognized the importance of strategic asset allocation and noted that the Fund had achieved excellent performance in the long-term horizon. The group requested that the Investments Committee recommend that the Investment Management Division formulate an alternative action plan to revise the portfolio, in the event of rapid market movements.

112. A member of the Investments Committee mentioned the challenge of dealing with unusual market situations and also highlighted the importance of maintaining discipline and adhering to the strategic asset allocation. Given that the Fund has a diversified portfolio, it has managed external shocks well in the past. As the Fund has demonstrated its ability to withstand crisis, there is no need to change its current strategy. Right now, the Fund is properly positioned to buy on market weakness. The Director of the Investment Management Division also mentioned that she was consistently monitoring risk levels and works closely with the Investments Committee Chairman on those matters on an ongoing basis.

113. In response to the Governing Bodies' question regarding the time frame of the recruitment of the full-time Representative of the Secretary-General, the current Representative mentioned that the selection process was taking place, with careful attention paid to the key competencies required of this post. He was very clear in that the post required extensive professional experience and strong competencies in leadership, vision, teamwork, and planning and organizing. He expects to identify the selected candidate in a few weeks.

114. A representative of IMO asked about the risks of increasing interest rates and inflation arising from the recovery of the United States economy, and the end of quantitative easing by the central banks. The Chair of the Investments Committee did not see inflation as a risk at this point in time. A member of the Investments Committee mentioned this is an issue for all investors, as well as a key discussion point during the Assets and Liabilities Monitoring Committee. In the event of rising interest rates, the normal defensive measure is to invest in securities with a short-term duration, and increase investments in inflation-linked securities. The Director mentioned that the Division was extremely focused on this issue and had adopted the lowest end of the range of allocation to fixed income and had also maintained a short duration investment horizon.

115. FAFICS asked about investments in hedge funds. The Director responded that, based on IPSAS, one of its funds was classified as a hedge fund; however, she believed that it was different from typical hedge funds that tend to seek high returns. Instead, such fund is more of a risk control strategy, with a very reasonable fee schedule, and no incentive fees. The Fund's investment in such fund amounted to $500 million.

116. In response to a question by a representative of WHO about matching the currencies of the assets with the liability structure, the Chairman of the Investments Committee mentioned that there are some gaps, in particular in Swiss francs, where

the Fund has approximately a 12 per cent liability, but currently has limited exposure in Swiss francs. The Director also mentioned that the Fund does not match currency exposures exactly because some of them are not profitable. For example, short-term deposits have negative yields in many countries in Europe. The Fund is also significantly underweight in Japanese yen owing to its extremely low yield and perceived risks for the currency. The CEO mentioned that this is a good topic of discussion for the Assets and Liabilities Monitoring Committee. Since the Fund is not likely to use its principal in the foreseeable future to make benefit payments, matching currency holding to liabilities would not be a major concern at this time.

117. A representative of the Governing Bodies asked about investments in the developing countries, particularly in sub-Saharan Africa. He expressed concern about the slow pace of development of investments in said region while investment opportunities were abundant in many sectors and industries, in equity and infrastructure. He had expected bold action, but he had not seen any substantial developments since meeting of the Board in Nairobi in 2006. He invited the Investments Committee to make a special visit to Africa to identify investment opportunities and reiterated that the Fund's investments must reflect its global/ international character. A representative of WIPO supported this observation, noting that in the document submitted to the Board, only South Africa had been mentioned. He also asked the Investments Committee to explore investment opportunities in infrastructure projects.

118. The Director responded by informing that the investment in the African and Latin American and Caribbean Fund managed by the International Finance Corporation was a very unusual and bold action because it was the Fund's first commitment to private equity. Also, the Fund had been awarded Africa Institutional Investor of the Year (2010) and International Pension Fund of the Year (2013) by the Africa investor Group. It was highlighted that the Fund invested in sub-Saharan Africa indirectly through externally managed funds, including the African and Latin American and Caribbean Fund managed by the International Finance Corporation; therefore each country is not immediately shown in the document. The Chair of the Investments Committee mentioned that the African capital markets were still not mature enough, and that it is challenging for a large pension fund with $54 billion, particularly owing to limited liquidity, which is one of the investment criteria for the Fund. Regarding infrastructure investments, the Fund is carefully reviewing opportunities to select profitable ones. The Fund has made two investments in infrastructure funds so far.

119. A member of the Committee of Actuaries complimented the investment performance and the risk management approach of the Investment Management Division. In addition, he asked about the view on alternative investments. The Chairman of the Investments Committee thought it necessary to invest in alternatives from a diversification point of view, and noted that the new Strategic Asset Allocation included alternative assets. The Investment Management Division does not have staff to execute investments in hedge funds. The Director mentioned that the current commitments to private equity funds are only approximately 4 per cent of the assets compared with the 10-20 per cent allocation among the peer group. The Investment Management Division plans to invest in private equity incrementally, to ensure diversification by vintage year. The Division currently is working on a request for proposal for an Adviser for hedge funds.

120. A representative of the United Nations asked about the socially responsible investment initiative and protection of the Fund's transactions. The Director of the Investment Management Division responded that a personal trading policy had been implemented by the Compliance Officer, and that pre-clearance of trades by the Compliance Officer is required for each personal transaction. Also, the implementation of the trade order management system included a built-in audit trail. Dual electronic signatures are required for all of the transactions. The Chair of the Investments Committee mentioned that the Division prohibits investing in defence and tobacco. Climate change topics were also discussed during the Investments Committee meeting. It was noted that the Investment Management Division needs to keep the investment return in focus as well. Many United States pension funds do not use socially responsible investment. The Division plans to use a consulting service to assist in the screening process. The Executive Heads and the Governing Bodies expressed concerns about the legal framework and the legal requirements for the Fund's participation in the principles of responsible investment and requested the Division to obtain legal advice in this regard.

121. A representative of FAO asked about the procedure to prevent conflicts of interest of Investments Committee members. The Director mentioned that each Committee member signs a non-disclosure declaration stating that they will not use the information obtained as Investments Committee member for personal gain. Also, the Committee composition reflects geographical representation.

122. Some of the Board members requested improvement in reporting formats. Specific requests included reports on the best/worst performers; transaction reports; and a full list of the holdings. The Chair of the Investments Committee also concurred that it was necessary to review reporting formats in general, for a more user-friendly modality. The Director mentioned that she would work with the master record keeper and the Investments Committee to develop a more readable format.

123. **The Board took note of the report on the management of the investments.**

B. Membership of the Investments Committee

124. On 31 December 2014, the regular appointments of the following members of the Investments Committee will expire: Masakazu Arikawa (Japan); Madhav Dhar (India); Nemir Kirdar (Iraq); Michael Klein (USA); and Ivan Pictet (Switzerland); as well as the ad hoc appointment of Gumersindo Oliveros (Spain). The current membership of the Investments Committee is set out in annex VII.

125. The Pension Board was informed that, owing to the ongoing transition to a full-time Representative of the Secretary-General, it would be advisable to extend all expiring appointments in the Investments Committee for a one-year period. That approach would respect the role of the full-time Representative of the Secretary-General to guide the composition of the Investments Committee in the future.

126. The Board welcomed the intention of the Secretary-General to extend the appointments of Messrs. Arikawa, Dhar, Kirdar, Klein and Pictet as regular members for one-year terms.

127. The Board also took note of the conversion of the appointment of Gumersindo Oliveros from ad hoc to regular. The conversion would result in the appointment of nine regular members, as duly specified in the terms of reference.

128. **The Pension Board concurred with the decision of the Secretary-General to reappoint the members and ad hoc members of the Investments Committee and expressed gratitude to the Committee members for their willingness to serve the Fund.**

C. Investment policy

129. The investment policy of the Division was approved by the Representative of the Secretary-General on 2 April 2014. It guides and protects the Investment Management Division to fulfil its fiduciary responsibilities and provides tools and written investment direction about the plan-specific parameters for investment selection, risk management, and evaluation procedures. The Representative of the Secretary-General concurrently approved the investment procedures and the risk management manuals of the Investment Management Division, which provide procedures to ensure compliance with the investment policy of the Division. The main new changes to the policy include: change in investment authority from using an absolute dollar amount to basis points; credit rating for investment change from A and above to investment grade (BBB band and above); real assets to include infrastructure and timberland and farmland. The definitions of risk appetite and risk tolerance were formalized in the approved investment policy as follows: risk appetite is the willingness of an entity to take on investment risks in order to achieve the necessary rate of return; risk tolerance reflects the acceptable variation in outcomes related to specific performance measures.

130. The investment policy was revised by the former Representative of the Secretary-General, Ms. Gina Casar, in April 2014. The investment policy should be a living document subject to subsequent updates from time to time. The new, full-time Representative of the Secretary-General should be given an opportunity to update the current investment policy. **The Board referred to the report of the Assets and Liabilities Monitoring Committee on the investment policy.**

131. In response to a question asked on behalf of the Governing Bodies on how the United Nations handled ownership of real assets, the Director of the Investment Management Division replied that the Division did not buy buildings directly; instead, the Division invested in real assets via limited partnership structures, which provided the Fund with appropriate legal protection.

132. The Executive Heads made a related comment confirming that the Investment Management Division did not purchase buildings directly and advised that that fact should be reflected in writing in the investment policy.

D. Status of the United Nations Library Endowment Fund and the United Nations University Endowment Fund

133. The note is a brief report on: (a) the transfer of the responsibility for the management of the assets of the United Nations Library Endowment Fund to the United Nations Treasury in July 2013; and (b) the formalization of services provided by the Investment Management Division to the United Nations University regarding the latter's Endowment Fund. The Board was advised that a memorandum of understanding had been signed by both the Representative of the Secretary-General

and the United Nations University in June 2014. The participants group inquired why the United Nations University Endowment Fund was still under the management of the Division. The Director of the Investment Management Division indicated that owing to some equity component in the assets of the Fund, the Secretary-General had decided to keep it under the oversight of the Division. She noted that the assets of the United Nations University Endowment Fund were managed by an independent asset manager whose fees were paid by the University. The Director assured the Board that separate custodial arrangements were in place for the United Nations University Endowment Fund and that there is no commingling of funds between the two.

134. **The Board took note of the report.**

E. Status of risk and compliance

135. The Investment Management Division submitted an update on risk and compliance initiatives. The Board was informed that value at risk models are being used and that the risk group works closely with the portfolio managers to ensure that the portfolio risk does not exceed the benchmark risk. With total equity being the dominant source of risk, the Investment Management Division Risk Group implemented a risk control strategy, making the absolute risk of total equities now slightly less than the absolute risk of its benchmark.

136. Risk tolerance is defined as acceptable deviation from strategic asset allocation, and is given in the form of tracking risk. Based on the Fund-level overall risk tolerance, the risk group established a risk budget for individual portfolios. The analytics system for private equity, Private-i, was implemented in April 2014. The benchmark study has been completed, and new benchmarks are being implemented by the master record keeper. The Risk Group presented the fraud scenarios to the Audit Committee. The risk group continued to manage the website, a primary source of information to all stakeholders.

137. **The Board took note of the initiatives and activities of the Investment Management Division Risk and Compliance Section.**

F. Social responsibility policy

138. The note highlighted good governance practices that contributed to sustainable returns and avoided headline risk for the Fund. Poor environmental, social or governance practices on the part of companies held by the Fund could quickly erode years of goodwill and have a negative impact on shareholder value.

139. Subject to the fiduciary responsibility to the Secretary-General for investment of the assets of the Fund, having a social responsibility policy for investments is important, as it would enable the Investment Management Division to include principles of responsible investing in its overall investment policies. By having a specific policy in place, it helped to clarify the significance of socially responsible investing to the Fund.

Discussion in the Board

140. A member of the participants group raised a question related to one of the real estate investments of the Investment Management Division in Chicago, Illinois, and the attendant landlord issue. The Director of the Division reassured the members that the situation had been addressed, was minor, under control, and was not a cause for concern.

141. With respect to environmental and social governance, the Director of the Investment Management Division also related that the Division had hired a compliance officer in 2010. As a result, the Division had been able to establish a strong personal trading policy. Another sound mechanism for control was having an independent master record keeper. Also, as a matter of policy, the Fund did not invest in tobacco or weapons. The Chair of the Investments Committee explained that other institutional investors/pension funds had human resources dedicated solely to socially responsible investing. He emphasized that the Investment Management Division had been managing the Fund's portfolio in an optimal way and would be hiring a consultant in due course to provide the best advice on socially responsible investing. The Pension Board agreed that the most efficient course of action for the Division at that juncture and going forward was to screen companies passively prior to investing and then gain a better understanding of the companies' underlying activities over time.

142. **The Board expressed disagreement with the idea of contacting companies directly to tell them what to do with respect to socially responsible investing as that did not fall within the purview of the Investment Management Division. As indicated in paragraph 118, the Board did not agree with the approach proposed in the document presented to the Board.**

143. **However, the Board agreed that subject to the overall fiduciary responsibilities of the Secretary-General and the four investment criteria (safety, profitability, liquidity and convertibility) articulated by the General Assembly, socially responsible investment principles are an important element of the investment policy.**

Chapter VII
Medical matters

Report of the medical consultant (Rules of Procedure, rule D.3) and possibility of establishing standards of medical examinations for purposes of participation in the Fund

144. The medical consultant to the Board presented a report with respect to the two-year period from 1 January 2012 to 31 December 2013. The report contained detailed information and analysis as regards the new disability benefits awarded during that period, together with data on new disabled children's benefits and on the deaths of participants while in service. The report analysed the incidence rate for new disability cases (0.79 per thousand participants), which was an increase from the previous rate of 0.57 reported for the previous biennium, from January 2010 to December 2011, the diagnostic categories by gender and the average age, as well as the average contributory service of participants in the Fund to whom new disability benefits were awarded.

145. The medical consultant noted that the leading cause of disability cases continues to be psychiatric (39 per cent), which, combined with the following four diagnostic categories, represented over 85 per cent of all new disability cases: neurological (21 per cent); orthopaedic (11 per cent); neoplasm (9 per cent); and trauma (6 per cent). Of note was the 9 per cent increase in neurological cases compared with the previous biennium. With respect to cases of death, there had been a total of 336 deaths in service reported presenting an average annual mortality rate of 1.39 per thousand, which is similar to the 1.4 per thousand reported in 2010-2011.

146. Pursuant to the fact that the leading cause of disability is psychiatric, the medical consultant reported on mental health in the United Nations system, noting that a total of 41,427 days had been lost by the Secretariat, UNDP and UNICEF staff on account of mental illnesses. This is a worldwide problem and, in that regard, the medical consultant provided excerpts of relevance to the Fund from a study by WHO on mental illness. United Nations medical services has taken the first steps in developing a strategy to start specifically addressing the issues of mental illness, the key elements of which include prevention, early detection, treatment, rehabilitation and workforce retention. The collaboration and involvement of other member organizations of the Fund is under discussion.

147. With respect to new disabled children's benefits, there were a total of 39 new cases awarded during the period under review. The main causes were: neurological, in 33 per cent; psychiatric, in 28 per cent; and genetic, in 25 per cent of cases.

148. In accordance with section D.3 of the Fund's Rules of Procedure, the medical consultant is required to prepare, for each regular session of the Board, a report on the application of the medical standards prescribed by the Board and on the medical information affecting the granting of benefits by the Fund. Since the Board meets outside of New York for regular sessions, the medical consultant requested that the Board approve a change in the timing of the report so that it is presented biennially when the Board meets in New York to allow her to present the report to the Board in person. The next report would be presented to the Board at its next session, in July 2015.

Standard for medical examinations for participation in the Fund

149. At its fifty-seventh session, in July 2010, the Board requested the Secretary/CEO to coordinate with the medical consultant to look into the possibility of establishing a standard for medical examinations for purposes of participation in the Fund pursuant to article 41 of the Regulations. The Board considered the recommendation of the Secretary/CEO in conjunction with the medical consultant that the Board adopt the standard of "fitness for employment" as the basis for participation in the Fund. Following requests for additional information on the extent to which pre-employment medical examinations are standardized among member organizations of the Fund and the manner in which the standard would be applied, the Board considered further papers at its fifty-ninth session, in 2012, and sixtieth session, in 2013, and requested additional information for the sixty-first session on the modalities for applying the standard.

150. As part of her medical report to the Board and in response to the Board's request at its sixtieth session, the medical consultant presented a draft minimum medical review questionnaire for implementation of the proposed standard, which could replace the current detailed medical questionnaire. The medical consultant noted that actions flowing from responses to the questions would be based solely on the individual's personal health history and the requirements and risks of the post to which they are to be appointed. Individuals with more complex medical needs would undergo a more detailed evaluation and might be asked to undergo a medical examination, including the possibility of pathology and/or diagnostic testing. The Board was, therefore, asked to approve the standard of "fitness for employment" for purposes of participation in the Fund, which would require a change to article 41 of the Regulations.

Discussion in the Board

151. In its discussion, members of the Board stated that the oral presentation of the medical consultant differed considerably from the written report and that it contained a significant amount of additional information concerning the pre-employment medical clearance process that was useful and should have been included in the report. In that regard, there was appreciation for the fact that the medical consultant had spoken informally with Board members prior to her presentation.

152. Notwithstanding the Board's request in 2013 that the pre-employment medical clearance process should not be discriminatory, as presented in the written report, the medical review questionnaire still appeared to be discriminatory in its approach and did not adequately cover the areas that posed a potential risk to the Fund. There was a need, therefore, for the questionnaire to be reformulated in conjunction with the medical directors of the other member organizations of the Fund and for a more thorough review to be undertaken of the extent to which medical examinations would no longer be required.

153. Overall, there was insufficient rationale for moving away from pre-employment medical examinations to the questionnaire, which appeared to be an additional step. Members of the Board also expressed an interest in receiving more information on the causes of death in service, in view of the fact that there were more cases of death of staff than disability. It was further noted that an analysis of cause of death, focusing particularly on preventable and non-preventable diseases, should also be factored into the nature of the pre-employment medical clearance process.

154. The participants group welcomed the report and thanked the medical consultant for the informative presentation. In particular, they noted that in addition to the usual update of fundamental statistics, the report touched upon a number of burning issues, such as the need for proper investigations on the reasons of deaths in service and their classification as to preventable and non-preventable casualties.

155. The participants also shared the view of the medical consultant that particular attention should be exercised to avoid discriminatory practices and stigma potentially embedded in pre-recruitment tests. In this respect, they noted that staff on short-term or other temporary contracts, were increasingly reluctant to report any medical condition, understandably, owing to concerns about their chances for contract extension or renewal.

156. Moreover, the participants stressed the cross-cutting function of medical services in each organization, which could and should advise senior managers on many issues, such as the optimal use of rest and recuperation in hardship/non-family areas, or the procedures for return to service following recovery from disability. With reference to the latter, they recalled that more or less a decade ago, the Board had received an interesting report on the most common practices by other international organizations, and they hoped that such a study could be resumed and completed during the year.

157. **The Board considered the report of the medical consultant and noted that the long-established practice of the Fund was to consider the standard of “fitness for employment” as determined by the member organizations, as the basis for participation in the Fund. It requested that additional information on the implementation of the new medical clearance process be submitted at its sixty-second session, in 2015, after consultation with the medical directors of all member organizations of the Fund; the change to article 41 would be considered at its sixty-third session, in 2016. In addition, the Board requested an analysis of the causes of death in service of participants, in view of the fact that the number of deaths exceeds the number of new disability cases. The Board deferred its decision on changing the timing of the biennial report by the medical consultant.**

Chapter VIII
Administrative matters

A. Financial statements for the year ended 31 December 2013

158. The Pension Board considered the audited financial statements of the Fund for the year ended 31 December 2013. These are the Fund's second financial statements prepared in accordance with IPSAS. As requested by the Board at its fifty-seventh session, in July 2010, the Fund transitioned to this new accounting framework, with effect from 1 January 2012. Since this is the second year that IPSAS financials have been issued, comparative information for the financial period ended 31 December 2012 was also presented in the financial statements.

159. It was recalled that, with the transition to IPSAS, the Fund's financial statements had changed substantially in content and presentation. Since IPSAS are largely silent with regard to specific requirements for the financial reporting of pension funds and retirement plans, the Board had requested, at its fifty-ninth session, in July 2012, that the Fund implement the guidance provided in International Accounting Standard 26, Accounting and reporting by retirement benefit plans, in its entirety. Following this guidance, the Fund's financial statements for the year ended 31 December 2013 (see annex VIII) include:

- A statement of internal control (initiated for period ended 31 December 2013);
- Certification of financial statements (initiated for period ended 31 December 2013);
- A statement of net assets available for benefits;
- A statement of changes in net assets available for benefits;
- Statement of comparison of budget and actual amounts (Schedules 1 and 2);
- Notes to the financial statements;
- Statistics on the operation of the Fund.

160. The Board was further reminded of some of the key changes in the statements now being presented under IPSAS. Regarding financial statements of the Fund for 2013, the Board was informed that the Fund's net assets available for benefits (principal of the Fund) had increased from $44.8 billion as at 31 December 2012 to $51.5 billion as at 31 December 2013. The change resulted, for the main part, from the $6.5 billion in net appreciation in fair value in equity. Under IPSAS, the Fund would present audited financial statements on an annual basis.

161. The Board's attention was also drawn to the fact that during the financial period ended 31 December 2013, the total assets of the Fund had increased in value from $45.0 billion to $51.6 billion, reflecting an increase of 14.7 per cent. In this regard, it was noted that, under IPSAS, the Fund had introduced a policy of measuring all investments at fair value and reflecting any change in that fair value as investment income. Following this policy, the Fund recognized all realized and unrealized gains via investment income and introduced positions of net appreciation in fair value of assets and foreign currency gains and (losses). As a result, total investment income amounted to $6.9 billion, including a net appreciation in fair value of investments of $6.4 billion, and foreign currency losses of $559 million.

162. The Board was informed that during the financial period ended 31 December 2013, the contributions to the Fund amounted to $2.2 billion. Over the same period, benefit payments made by the Fund amounted to $2.3 billion, exceeding contributions by $131 million. Compared with 2012, contributions had increased by 2.0 per cent, although the number of participants in the Fund had decreased from 121,098 to 120,294, or -0.7 per cent. Benefit expenses increased by 4.9 per cent, while the number of benefits in award increased from 67,677 to 69,980, or by 3.4 per cent.

Discussion in the Board

163. During its discussion of the financial statements, the Board questioned the makeup of intangible assets included in other assets. It was explained that for the Fund, this account consisted of the capitalization, of development costs of information technology (IT) initiatives, as required under IPSAS accounting standards. The Board asked about the difference between withholding tax receivable and withholding tax expense. It was explained that the receivable account represented taxes that the Fund believes will be collected in due course. The tax expense consisted of taxes that are deemed unrecoverable, at this point, and are reported as expense under IPSAS. The Board also asked about banking charges and what this account reflected. It was explained that banking charges reported in the Secretariat's portion of the budget report consisted of charges for the processing of the Fund's payroll account. This included fees for the payment of the over 60,000 monthly benefits, and other benefit payments of the Fund. A question was asked regarding the cash flow process of the Fund, and how it worked, with regard to the receipt of contributions and the payment of benefits since the period of collection of contributions and disbursement is very short and from an internal control standpoint as well as for efficiency purposes (reducing the cost fees and funds transfers), it would be optimal for the Fund to keep the resources collected from contributions in the operational accounts of the Fund's secretariat and make the benefit payments as well as the funding of the payroll from these accounts. This would avoid unnecessary transfers to investment accounts, reducing risks, reconciliations as well as potential negative fluctuations in foreign exchange. It was explained that monthly contributions from member organizations are received into the secretariat bank account at the beginning of the month. After allowing for immediate requirements of the secretariat, excess cash is transferred to the Investment Management Division for investment. At the end of the month, the secretariat requests a transfer of funds from the Division to cover the month end payroll.

164. The Board expressed its appreciation for the fact that for the second year, the Fund's statements had been prepared in accordance with IPSAS and that the statements provided much more additional information on the Fund's financial operations. The Board also congratulated the CEO, the Representative of the Secretary-General and the CFO, as well as the finance teams in the Fund secretariat and the Investment Management Division, on obtaining a clean audit statement for this second period. It was further noted with appreciation that the process of producing the financial statements this year had been streamlined and was now well established. The Board noted that the Fund secretariat and the Investment Management Division would be following the Audit Committee's recommendation to prepare additional letters of attestation in support of the statement of internal control. **The Board requested the CEO and the Representative of the Secretary-**

General to include an overview statement of the financial statements in future financial statements.

165. **After review of the financial statements and considering the presentations of the Fund's Audit Committee and the Board of Auditors, the Board approved the Fund's financial statements for the year ended 31 December 2013.**

166. The CFO brought another matter to the attention of the Board that may represent a serious operational risk with possible budget implications. The Board was informed that the secretariat had been working on a request for proposal for banking services for a long period of time. The contract negotiations have been in process, with the selected provider, JPMorgan Chase (Chase), for the past two years. The Board was further informed that the CEO of the Fund had very recently been in receipt of two letters from the Procurement Division in regard to the request for proposal process. One letter, from the Director of the Procurement Division, had asked the CEO to sign off on the final negotiating point so as to move the contract forward to completion.

167. The Board was informed that the second letter, from the Assistant Secretary-General of the Office of Central Support Services, advised the CEO that there was a draft resolution of the General Assembly that had recently been circulated, expressing concern over the decision made by several banking institutions, including Chase, to close the bank accounts of many missions and diplomats accredited to the United Nations. The letter further stated that the decision of the banks had been taken in view of the imposition of stricter rules by the United States Government regarding the transfer of funds into and out of the country that might be related to money-laundering and/or terrorism financing. It was noted that the resolution was still pending with the General Assembly. The letter noted that this matter was being brought to the attention of the CEO as he may wish to take this into consideration when making a final decision to enter into a new agreement with Chase to cover banking services of the Fund for the next three years. The letter further noted that the CEO might wish to consider extending the current contract with Chase for two months, while the issue on the impending resolution is involved.

168. The CFO informed the Board that the Fund planned to move forward with the contract finalization. He noted that at this point in time, any change to the present banking arrangements would present a serious operational risk for the Fund. In addition, he noted that there would be budget implications for the cost of IT to set up a new banking provider. Further, he noted that having to establish a new provider for banking services would require changes to the Fund's process and systems which may take close to one year to implement, as this requires extensive testing. The CFO further noted that a change of banking services provider at this stage would have a very negative effect and cause substantial delays in the implementation of the new IPAS operating system.

169. A member of the Executive Heads brought to the Board's attention that many in the diplomatic community were frustrated with the decision by Chase to discontinue servicing certain accounts going forward owing to the cost of regulatory compliance. However, he noted that JP Morgan Chase had assets of $2.4 trillion and net income of $16.5 billion in the year 2013. Given that the Fund was paying approximately $775,000 annually for the services provided by Chase, the bank would likely not miss the Fund's business. However, any decision to drop Chase as

a provider of the very complex global banking services required by the Fund would have a very negative impact on the operations of the Fund.

170. The Board took note of the information provided by the CFO on the draft resolution being considered by the General Assembly that expressed concern over the decision made by several banking institutions, including JP Morgan Chase, to close bank accounts of missions to the United Nations of many developing countries as well as diplomats accredited to the United Nations. The Board noted that the issue covering the impending General Assembly resolution was not related directly to the Fund, as it covers the accounts held by diplomatic missions and other foreign government entities in banking institutions. The Board also noted the significant operational risks, financial costs and delays in the implementation of the IPAS project of discontinuing, at this juncture, the banking services provided by Chase and noted that the Fund would conclude its banking services contract with Chase for the next three years.

B. Status report on the Financial Rules of the Fund

171. The Board was provided with a status report regarding the consultations concerning the Fund's Financial Rules. It was recalled that the Financial Rules of the Fund had been on the Board's agenda since 2004 and have been the subject of the recommendations made by the Board of Auditors, the Audit Committee and the Board itself. The rules were needed to ensure transparency and internal control in the financial management of the Fund as well as to regulate pension-specific issues, in particular with regard to contributions, benefits and investment processes.

172. The introduction of IPSAS further highlighted the need to have a proper regulatory framework on the basis of which new accounting policies were to be established. Such a framework should take into account the Fund's governance structure and its mandate, the regulations governing the Fund's operations as well as management responsibility and accountability.

173. Currently, the Fund's Regulations do not make any reference to the United Nations or to any other member organizations' Financial Regulations and Rules. The Audit Committee had recalled that "at its forty-seventh session, the Pension Board reaffirmed the position it had taken in 1984 to the effect that as an independent inter-agency entity, the Fund was not bound to follow in any area of the regulations and rules of any of its member organizations" and that "while it was the Fund's practice to follow as much as possible the Financial Regulations and Rules of the United Nations, in the administration and management of the Fund, paramount importance had to be given to its special inter-agency status and to the Fund's Regulations and Rules." It was noted that the draft under the review of the Audit Committee focused only on pension-specific issues, in particular with regard to contributions, benefits and investment matters. In accordance with the recommendation made by the Audit Committee, and in order to establish clear authority and reference to the Financial Rules of the Fund as well as to subsequently clarify the mandate of the Board of Auditors vis-à-vis the Fund, the Board was requested to recommend to the General Assembly the proposed amendments to articles 4 and 14 of the Fund's Regulations.

Discussion in the Board

174. Noting that the issue had been suspended from further discussion pending the implementation of IPSAS, the Board was pleased that progress in promulgating the Fund's Financial Rules was being made. The Board noted that the Fund's long-standing practice had been to apply the United Nations Financial Regulations and Rules "mutatis mutandis" to its operations. However, the Financial Regulations and Rules of the United Nations were promulgated for the programmatic activities of the United Nations, which are significantly different in nature from the activities and financial administration of the Fund. The proposed amendments to the Regulations were laying the groundwork for the development of a set of Financial Rules for the Fund, which would take into account the specific nature of the Fund's activities and should, to the extent possible, be consistent with the Financial Regulations and Rules of the United Nations and at the same time ensure full adherence to the Regulations and Rules of the Fund. The Board also recalled its discussions during last year's session with regard to the need to promulgate the agreement between the Fund and the Board of Auditors in order to clarify the terms of reference for the Fund's annual audits.

175. **The Board supported the Fund's efforts to finalize its consultative process with all stakeholders in respect of drafting Fund-specific Financial Rules, which take into account the governance structure, mandate and funding source of the Fund. It requested that such Financial Rules be presented for its review at the sixty-second session, in 2015.**

176. **The Board also recommended that the amendments to articles 4 and 14 of the Fund's Regulations as follows (the new text in bold face type):**

Article 4
ADMINISTRATION OF THE FUND

(b) The administration of the Fund shall be in accordance with these Regulations and with Administrative Rules, **including Financial Rules for the operation of the Fund,** consistent therewith which shall be made by the Board and reported to the General Assembly and the member organizations.

Article 14

(b) There shall be annual audits of the operations of the Fund, in a manner agreed between the United Nations Board of Auditors and the Board. **The agreement with the Board of Auditors on the terms of reference for the annual audits of the operations of the Fund shall be set out in an annex to the Fund's Administrative Rules.** An audit report on the accounts of the Fund shall be made every year by the United Nations Board of Auditors; a copy of the audit report shall be included in the report under (a) above.

C. Status report on the Emergency Fund

177. Since 1976, the Emergency Fund has been used to provide relief in individual cases of proven hardship owing to illness, infirmity or similar cases. The Emergency Fund, which is not an integral part of the pension benefit system, is financed from

the assets of the Fund (and voluntary contributions) through an appropriation of $200,000 each biennium, as approved by the General Assembly.

178. The Board decided in 2011 to change the period for reporting on the activities of the Emergency Fund from a one-year cycle of 1 May to 30 April to a two-year cycle that would coincide with the budgetary appropriation that is approved on a biennial basis. The Board noted that during the two-year period under review, from 1 January 2012 to 31 December 2013, 249 disbursements had been made, amounting to $105,889.84. The largest single payment made during the period under review was to a beneficiary to cover medical expenses in the amount of $7,400. All disbursements during the current reporting period have been one-time payments to beneficiaries who have proven hardship owing to illness, or similar infirmity cases and funeral expenses, or to the serious flooding in Thailand that occurred in 2011. As at 31 December 2013, the cumulative total of expenditures since the inception of the Emergency Fund had reached $1,364,142.

179. The Board was informed that for the two-year reporting period from 1 January 2012 to 31 December 2013, 395 cases had been received, of which 83 cases were found not receivable owing to failure by the pensioners concerned to submit appropriate documentation. It was recalled that the cases that had been closed owing to lack of appropriate documentation would be re-opened again should the required documentation be provided at a later date. There were also 21 cases that were rejected as they were not covered under the Emergency Fund guidelines (requests for financial assistance to supplement small pensions, requests for education expenses, etc.). The Board was also informed that 63 cases were still under consideration, and that most of those related to reimbursement of medical expenses or assistance to cover funeral expenses. As those cases generally lack supporting documentation, such as original bills or invoices, follow-up letters have been sent requesting the required documentation.

180. As part of the efforts of the Fund to promote the Emergency Fund, as well as to publicize the application criteria and requirements to help pensioners file timely and complete requests for emergency fund assistance, an information booklet on the Emergency Fund was published in April 2008. The booklet is available in English, French, Spanish and Arabic, both in hardcopy and on the Fund's official website. The CEO has also been regularly highlighting the availability of the Emergency Fund in his annual letters. Based on the statistics reflected in respect to the current reporting period, which compares the findings to previous reporting periods, the efforts to promote the Emergency Fund and the more proactive approach to certain circumstances are having the desired effects. The increase in the number of disbursements and in the total amounts paid out since the Pension Fund began to better promote the availability of the Emergency Fund is illustrated in table 13, which reflects two-year periods since 1 May 2007.

Table 13
Emergency Fund

Two-year	*Total number of disbursements*	*Total amounts disbursed (United States dollars)*
1 May 2007 to 30 April 2009	26	59 336
1 May 2009 to 30 April 2011	45	71 942
1 Jan 2010 to 31 Dec 2011	50	93 578
1 Jan 2012 to 31 Dec 2013	249	105 890

181. During the discussion, the Fund secretariat agreed to continue its efforts to increase the awareness of the Emergency Fund, particularly in developing countries, and to facilitate the process whenever possible in order to mitigate delays in the settlement of claims. The Fund also agreed to continue to collaborate with the AFICS offices as an effective means to facilitate the process for the retirees and other beneficiaries.

182. **The Board took note of the status report on the Emergency Fund and, in particular, the increasing number of disbursements and total amounts paid out since 2007. In addition, the Board also noted the activities during the two-year period from 1 January 2012 to 31 December 2013, including the 249 disbursements made amounting to $105,890.**

183. **The Board was in general agreement with the proposal to increase the authorization to supplement voluntary contributions to the Emergency Fund by an amount up to $225,000; it requested the Fund to include this increase in its budget proposals for the biennium 2016-2017, which will be presented to the Board in 2015.**

D. Status report on the implementation of the integrated pension administration system

184. The Board considered the status report on the implementation of the integrated pension administration system (IPAS). It was recalled that at its fifty-fifth session, in 2008, the Board had endorsed the high-level business case for IPAS. In 2009 and 2011, the Board, and subsequently the General Assembly, had approved requests for resources for the initiation of the project and for the acquisition and implementation of an integrated pension administration system solution, for new, more modern hardware and for a dedicated project team (of temporary project staff) to assist in the implementation of the new system. In 2012, the CEO noted that this complex enterprise-wide undertaking involved the replacement of all legacy systems of the Fund (including the pension entitlement, financial and accounting, and content manager systems) with a fully integrated system solution capable of supporting the Fund’s full range of operational, financial and management functions. The new system would be centred on re-engineered processes that were more standardized, would reduce the number of hand-offs and were better supported by technology. It was expected that IPAS would increase the Fund’s processing capacity and better support a horizontal approach to transaction management, breaking down established silos in favour of a new process-driven operational paradigm. The CEO reported that the Fund had already concluded the planning and design phase, as well

as all pre-implementation activities, including data clean-up, mapping of re-engineered processes and the identification, cross-referencing and development of logic matrices for all of the Fund's calculations. The contract with the system provider, Vitech Inc., for the provision of a dedicated pension administration system and its implementation services was signed in June 2012, mitigating a key risk associated with possible delays in procuring the system solution.

185. The project is currently in the final stages of its implementation phase. The first major activity completed during this phase was that of completing a fit-gap analysis — conducted with the assistance of a specialized consulting firm — which concluded that the system solution identified and acquired by the Fund has a very "good fit" with the Fund's needs and that there was only a very small number of gaps (representing less than 1 per cent of the requirements). These reduces significantly the level of implementation risk. Furthermore, as of 1 May 2014, 276 of the 334 business requirements have been designed, configured and validated and are in various stages of testing. The system as a whole is undergoing user acceptance/end-to-end testing as part of the deployment phase of the project.

186. Following the decisions of the Board at its sixtieth session, in 2013, additional IPAS requirements associated with changes to the Fund's plan design needed to be introduced into the project. These changes included the new normal age of retirement of 65 and the early retirement reduction factors for the new cohort of participants commencing contributory service as of 1 January 2014. Moreover, the consolidation of the "X" or, paid in advance, and "Y" or, paid in arrears, payrolls were now added as new project requirements. Those changes have now been reflected in the design of IPAS. The Fund has, however, needed to extend the testing phase of the project to ensure that the changes are properly deployed. This additional testing will not affect the delivery of the system in 2014.

187. The system infrastructure is also now finalized and includes disaster recovery and business continuity systems, policies and procedures. Key project implementation roles were established to include data management, data cleansing and testing coordinators. In line with the Fund's emphasis on supporting quality change management, in January 2014 the Fund sponsored an off-site functional managers retreat where change management principles were discussed in the context of the migration to the new processes and features of IPAS.

188. As communicated by the Fund in its annual letter, it is doing everything possible to maintain its usual processing times and service standards during the IPAS transition period. It is anticipated, however, that owing to the scale and complexity of the project, there may be a temporary slowdown in benefit processing times and, therefore, the related performance benchmarks may not be met during the final turnover from the legacy systems to IPAS. This may continue for a few months during the project stabilization period. The Fund will closely monitor performance benchmarks and if necessary adjust its focus, as circumstances dictate during IPAS deployment and throughout the post-implementation stabilization period.

189. As reported to the Pension Board in the Fund's high-level business case, it was anticipated that IPAS could yield savings in the order of $2.3 million per annum. The budget for 2014-2015 reflected those savings. In the 2014-2015 budget, the Fund secretariat reduced $10.9 million from its IT sector, of which $6.9 million was related to the finalization of IPAS and $4.0 million was related to efficiency savings, including a $3.8 million reduction in services provided by the United Nations

International Computing Centre. Of this total reduction of $3.8 million, $3.4 million were directly due to efficiency gains, including $0.8 million related to a reduction of technical support provided by the Centre, and $2.6 million were associated with the decommissioning of the mainframe. Those savings exceed the $2.3 million dollars per annum expected in the high-level business case.

190. The Fund provided the Board with a listing of risk areas and mitigation controls. One unexpected additional risk that had recently been identified involves the Fund's banking relationship with JP Morgan Chase, and the possibility that the bank's relationship with the United Nations may be curtailed. The Fund's Chief Financial Officer informed the Board that any change to the present banking arrangements would present a serious operational risk for the Fund. In addition, he noted that there would be budget implications for the cost of IT to set up a new banking provider. Further, he noted that having to establish a new provider for banking services requires changes to the Fund's processes and systems which may take close to one year to implement as this requires extensive testing. The Chief Financial Officer further noted that a change of banking services provider at this stage would have a very negative effect and cause substantial delays in the implementation of IPAS.

191. As the Fund relies heavily on JP Morgan Chase for banking services to support payments to the majority of its beneficiaries, the Fund estimates it would require around 12 months to convert all affected legacy and IPAS systems to a new banking institution at an estimated cost of $3 million. This cost estimate considers $1 million for transition costs and at least $2 million to continue the IPAS project for one additional year beyond its initial schedule. The Board took note of the potential risk as well as the associated costs and delays of implementing a business continuity measure of an external factor affecting the Fund's ability to maintain a contract with JP Morgan Chase.

192. Notwithstanding the risk noted above, the Board was informed that the project was on track in terms of both the timeline and budget, and that go-live for the project was expected in 2014. The Board appreciated the complexity and enormity of the project and was confident that the project was well managed. The Fund responded to questions from the Board regarding contingency planning as well as its strong recommendation not to go live before critical functionality (including the payroll of benefits) is fully operational and fully tested. The Fund's management agreed with this important recommendation and explained that the Fund would not move to the new system until all testing was complete. It was also stated that existing contractual arrangements with the service provider for the current systems will continue in-force until at least to the end of 2014 and may be extended if necessary. Furthermore, existing budget resources would be made available for redeployment if necessary to support delays for further testing.

193. **The Board took note with appreciation of the status report and the progress achieved towards the implementation of the IPAS project.**

E. Report on possible options for strengthening the client servicing capabilities of the Fund

194. Following a request from the United Nations Staff Pension Committee, the Fund provided a report on possible options to further strengthen the client servicing

capacity of the Fund. The report presented the growing challenges that are being posed by the steady and ongoing growth the Fund has been experiencing and the solutions under consideration to address such challenges through a further strengthening of the Fund's client servicing capacity. It reflected on actions already taken, and on those options currently being considered that would be aimed over the longer term, to address: (a) the continued growth in the overall numbers of individuals being serviced; (b) the increasing geographic dispersion of such individuals; and (c) the increasing complexity associated with an expanded scope of coverage by the Fund to cover a wider range of circumstances.

195. The report also highlighted the Fund's current challenges of implementing its new IPAS, essentially an extensive new enterprise resource planning system for the Fund, while simultaneously maintaining the Fund's heavy day-to-day operational activities.

Past growth, current workloads and increasing challenges

196. The Fund recalled it has reached a critical juncture in its evolution. It has experienced steady growth since its inception and unprecedented growth over the past 15 years in the population it services. Over the years, the Fund has been expanding its benefit provisions to not only cover a greater number of individuals, but also to address a wider scope of unique circumstances. Those developments are resulting in increasing workloads, greater complexities, and a concomitant growth in responsibilities for the client servicing staff of the Fund. These increasing challenges are also culminating at the same time with a steady loss in institutional memory. This issue is particularly significant in the operational arm of the Fund, given the loss of a significant number of key staff with unique technical understandings of the Fund's intricate benefit provisions and its internal processing procedures. At the same time, the remaining staff members are being tasked with the growing complexities and increasing workloads as well as increasing reporting responsibilities. Added to those challenges is the fact that the Fund is currently in the midst of the implementation of a new Integrated Pension Administration System (IPAS), which is having a heavy impact on the operational activities of the Fund. Moreover, the challenges emanating from all of those factors, many of which are external to the control of the Fund, are further compounded by the fact that the Fund, which requires very specific and long-term expertise, must aim to function according to certain organizational policies that pose particular difficulties not normally encountered in outside enterprises. Given its need for specific, long-term expertise, and further recognizing the excessively long-term learning curve for its operational staff tasked with benefit processing and client servicing responsibilities, the Fund has been undertaking a review of the policies governing the recruitment, mobility, promotion and retention of its staff.

197. The growth experienced over the past 15 years and the current workloads were demonstrated in 12 figures in the report. As clearly evident from the two figures below, the numbers of individuals covered and serviced by the Fund, the corresponding workloads and the complexity of the benefit provisions are expected to reflect continued upward trend lines:

Figure I
Growth in the number of active participants plus benefits in payment (total numbers being serviced)
Growth 65% (2013/1999)

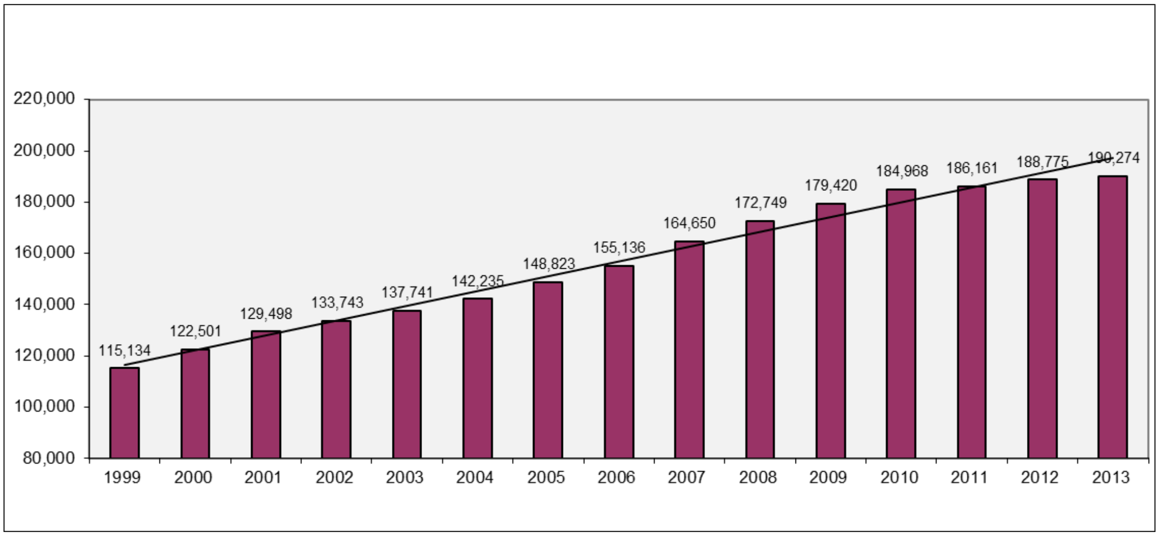
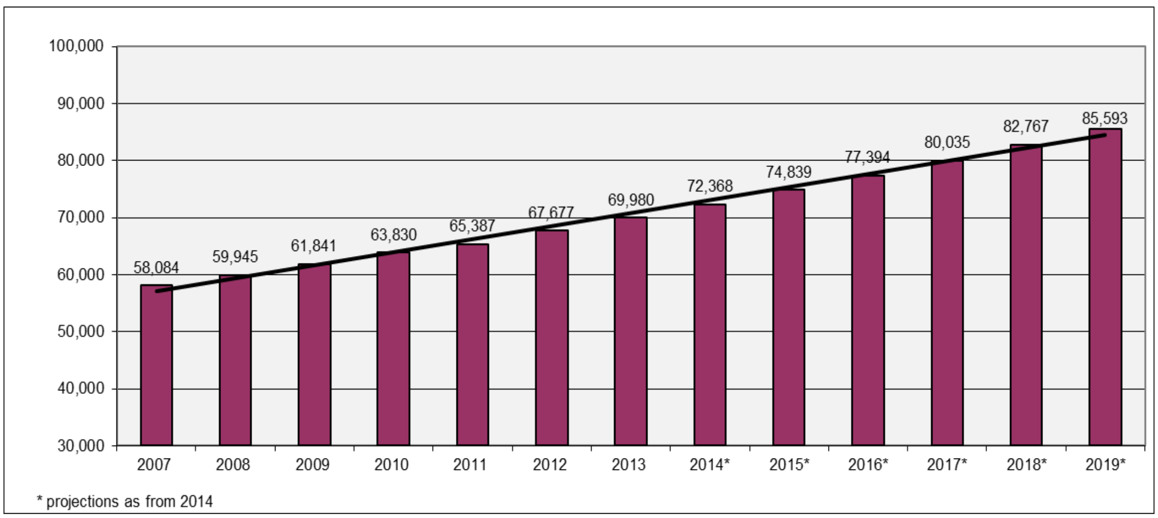


Figure II
Actual and projected growth in periodic benefits in payment (2007-2019)



198. **The projected growth illustrated in figure II is particularly significant, as it highlights what the Fund needs to be prepared for in the intermediate term and, indeed, over the longer term as well.** As a result of the Fund's ongoing efforts to provide benefits to address a wider scope of individuals with more unique circumstances, as well as provide adequate services to growing numbers and an aging and more dispersed population, there is now a greater need for specialization in client servicing staff.

Actions already taken to address past and anticipated growth

199. The report recalled the actions already taken by the Fund to address past and anticipated future growth. It was noted that despite unprecedented growth in the 1990s and early 2000s owing to increasing peacekeeping activities, no link had ever been made between the related spike in the number of active participants covered by the Fund and the equally steep increases in the organizations' peacekeeping activities that were steadily increasing the workloads in the Fund.

200. *Productivity gains*: instead, during that time, the Fund was making significant and effective strides to keep up with such growth through regular productivity gains where the ratio in the total number of individuals being serviced vis-à-vis the total number of the Fund's operational staff continued to increase. The Fund recognized that it had reached a plateau in productivity gains in 2009. In addition, the Joint Staff Pension Fund Administration System (PENSYS), the existing (and soon to be legacy) system, was not designed to adequately address client servicing issues, such as the increasing requirements for personal consultations and the growing number of very specific individual inquiries.

201. *Integrated Pension Administration System*: the Fund had therefore anticipated the need for a new integrated pension administration system (IPAS), which would replace the legacy PENSYS and provide for greater client servicing capabilities, including more enhanced self-service options. While many of the long-term challenges will be met when IPAS is implemented and fully operational, the intermediate challenge facing the Fund today is to complete the implementation of IPAS and to allow for a reasonable period of stabilization and refinements, while simultaneously maintaining the Fund's heavy day-to-day operations.

202. *New posts proposed, approved and not approved* — In its 2010-2011 and 2012-2013 budget proposals, the Fund secretariat requested a number of posts to address the past build-up in workloads, as well as the continued ongoing growth that is anticipated well into the future. While some posts were approved, others were not. In the context of the Board's consideration of the Fund's budget proposals for 2012-2013, which included four new posts in the operational arm of the Fund (three of which had been previously approved by the Board and the Advisory Committee on Administrative and Budgetary Questions, but not by the General Assembly), the Board had noted that the impact and implications of IPAS and other initiatives were not yet fully known. The requests for the four additional posts were therefore not approved.

203. *Redeployment of posts* — Notwithstanding the productivity gains and the soon-to-be implemented IPAS, the challenges and pressures in servicing clients have continued over the past 4-5 years, along with the ongoing growth in the total number of individuals being serviced. In an additional effort to address those challenges without adding new posts, the CEO decided instead to redeploy two posts to the Client Services, Records Management and Distribution Unit in New York and to upgrade that unit to a Section to be headed by a staff member at the P-5 level in a redeployed post rather than by a staff member at the P-4 level.

Other options under consideration to strengthen the long-term client servicing capacity of the Fund

204. The report also provided other additional and very specific options that were under consideration and which would focus on the longer-term growing challenges that are sure to arise (i.e., post-IPAS implementation), given the ongoing growth, the aging of the retiree/beneficiary population and the further geographical dispersion in the total numbers of individuals being serviced by the Fund. More specifically, the report noted the following items, which were under consideration as possible means to further strengthen the client servicing capacity of the Fund:

205. *IPAS refinements*: after a reasonable period of time to allow for the stabilization of IPAS, which is generally expected after implementation of extensive projects such as this, the Fund expects to continue to make ongoing refinements to its new administrative system that will provide greater overall long-term efficiencies over the next several years.

206. *Self-service*: as part of the ongoing refinements to IPAS after its implementation, the Fund intends to focus on developing greater and more expanded self-service options, which will be provided to member organizations, as well as to participants, retirees and other beneficiaries.

207. *Service centres*: as indicated in its previous budget proposals, the Fund also intends to carry out feasibility reviews during the 2016-2017 biennium, with the aim of determining how service centres could best provide valuable cost-effective services to the participants, retirees and other beneficiaries who work and reside in all parts of the world.

208. *Roving benefit officers*: in conjunction with the Fund's review as to the feasibility of service centres, it will also consider the concept of "roving" benefit officers, who could be stationed primarily within its New York and Geneva offices, but who would be tasked with more frequent and more extensive missions to provide pension orientation sessions and other seminars for staff and retirees in the field.

209. *Greater outreach activities*: the Fund intends to provide greater outreach through better and more extensive communications. In connection with enhanced outreach activities, the Fund may also consider establishing a new post of Communications Officer.

210. *Targeted client servicing training*: in addition to the usual training provided by the United Nations, the Fund intends to provide for more targeted training during the 2016-2017 biennium, which would be aimed specifically at client servicing techniques.

211. *Upgrade the Geneva Office Client Services unit to a section*: the Fund is also considering the possibility of upgrading its Geneva Office Client Services unit to a section. In order to address the growing needs and successfully meet its client servicing objectives, the Fund had recognized that both its Client Servicing and Records Management and Distribution components in its Geneva Office may need to be strategically reinforced.

212. *Establishment of General Service (Other level) posts for client services and records management functions*: the Fund may further consider the possibility of establishing a number of new posts at the General Service level, in order to provide

for more progressive career paths for those working in its client servicing and records management units in both the New York and Geneva offices. In order to strengthen its client servicing capacity, the Fund requires staff who are well trained and who have long experience.

213. *General temporary assistance posts at the Professional level*: the Fund anticipates that it may also need to request the regularization of an existing general temporary assistance post at the P-3 level that had been approved for the Client Services, Records Management and Distribution Section in New York in each of the Fund's last two budget proposals (i.e., 2012-2013 and 2014-2015). The post functions are needed on a more permanent basis as the workloads in the Fund's Records Management and Distribution Unit (within the Client Services, Records Management and Distribution Section) have been increasing dramatically and are clearly expected to continue increasing well into the future.

214. *Organizational review, after the implementation of IPAS*: as indicated in the strategic framework, the Fund secretariat also intends to carry out an organizational review. Following the implementation of IPAS and a reasonable period to allow for its stabilization, a comprehensive review of the organizational structure of the Fund will be carried out.

215. *Fund-wide permanent training platform*: the Fund also envisions that in order to provide enhanced and ongoing coordination and collaboration between its offices in New York and Geneva, with the secretariats of the Fund's staff pension committees and with potential service centres and/or roving benefit officers, a full-time Fund-wide training platform should be established.

216. *Memorandum of understanding*: the Fund has also been exploring certain efficiencies that might be available through the existing memorandum of understanding in connection with recruitments, promotions and retention of staff, all of which it is expected could yield certain efficiencies. It was recalled that in 2013, the Board supported the review and update of the memorandum of understanding between the Fund and the Office of Human Resources Management, in order to find a more flexible method of recruiting staff that might best serve the needs of the Fund. The Board had noted that "this flexibility is needed to ensure that the Fund is able to hire, develop and promote the best qualified candidates and thereby preserve the efficiency of its operations". This issue is more fully addressed under a separate Board agenda item.

Conclusion

217. It was recognized that IPAS implementation activities have been accelerating since early 2014. Although the average response time to inquiries continues to be less than the 15-day benchmark, there has been some temporary impact on client services this year. Improvements in the Fund's client servicing capacity will be realized after IPAS is fully implemented, including a reasonable period of time to allow for stabilization and ongoing refinements, which should result in further long-term efficiencies. While IPAS will mitigate the need for additional resources through greater efficiencies, it will not eliminate this need given the highly anticipated ongoing growth of the Fund well into the future. Taking into account the continued and ongoing growth of the Fund, the specific options listed above would all provide additional support and therefore would translate into a greater long-term client servicing capacity for the Fund.

218. **The Board took note of the report and specifically of the options that are under consideration by the Fund to further strengthen its client servicing capacity. Recalling that the core business of the Fund is paying benefits and servicing its clients, it was noted that the information provided in the report should be considered in the context of the Fund's budget proposals for the biennium 2016-2017.**

Chapter IX
Audit

A. Report of the Audit Committee

219. The Chair of the Audit Committee introduced the eighth report of the Committee. The current membership of the Audit Committee is set out in annex XVI. The Chair informed the Board that the Committee had held three meetings since its last report to the Pension Board. As per established practice, during each meeting, the Committee had met with both the internal (Office of Internal Oversight Services (OIOS)) and external auditors (the United Nations Board of Auditors), as well as with the Fund's management: the CEO, the Representative of the Secretary-General, the CFO and various members of their teams. Having all parties actively participating has led to a greater degree of transparency and more productive discussion, and made it easier to resolve specific challenges. On behalf of the Committee, the Chair thanked both internal and external auditors as well as the Fund's management for their excellent support and cooperation.

220. The Chair noted that the Committee was pleased to acknowledge the progress made in many areas within its purview, specifically with respect to the high quality of the IPSAS-compliant financial statements, the preparation of the statement of internal control, the continued integration of the role of CFO, the actions by the secretariat and the Investment Management Division related to internal and external audit recommendations, and the analysis of fraud risk scenarios and controls. Furthermore, the Committee noted that the progress on the Fund's initiatives was facilitated by the excellent communication between the CEO and the former and current Representatives of the Secretary-General, their personal commitment to work together for the success of the Fund, and the dedication of the staff members of the Fund to achieving the critical mandate of the Pension Fund.

221. With respect to internal audit, the Chair reported that the Audit Committee had approved the internal audit workplan for 2014. The Committee stressed the need for OIOS to keep to the schedule and deliver the planned reports in order to ensure the appropriate level of assurance. The Board was also informed that the Committee had suggested the following key performance indicators to OIOS: (a) time elapsed from entry conference to exit meeting less than three months; and (b) the final report issued within two months of exit meeting.

222. The Committee congratulated the CEO and his team for closing all but one internal audit recommendation. The Committee emphasized the importance of the Investment Management Division taking the necessary action to close the open past due recommendations as soon as possible. The Chair also noted that the question of the mandate of OIOS as the Fund's internal auditors had been raised at several sessions. The Committee looks forward to receiving further clarification on this matter, which has now been referred to the Office of Legal Affairs for its legal opinion.

223. With regard to external audit, the Committee congratulated the Fund for receiving an unqualified audit opinion on the 2013 financial statements. The Board was informed that the Committee appreciated the thorough work of the National Audit Office of China. The Chair noted that out of the 22 recommendations made by

the Board of Auditors for the year 2012, the Fund had fully implemented 9 and that 10 were under implementation.

224. With respect to financial management, the Committee noted the high quality of the financial statements and congratulated the CEO, the Representative of the Secretary-General, the CFO and the finance team in the Fund's secretariat and the Investment Management Division for their excellent performance and commitment to work together in producing the financial statements. The Committee also recognized that the development of the statement of internal control was a significant step forward and suggested that it be expanded in the future to cover other key personnel, critical processes and related controls. The Committee further emphasized the need for the internal auditors to test the internal controls for the Statement. The Chair also noted that the Committee supported the Fund's presentation of the revised text of articles 4 and 14 of the Fund's Regulations in order to make a provision for the promulgation of the financial rules in the future.

225. The Board was informed that the Committee found that the Fund's risk policy and internal control framework, in general, were working well. The Committee appreciated the assessment of fraud risk scenarios and controls and is looking forward to receiving updates on annual reviews. The Committee asked that the scope of further presentations regarding risk and compliance of the Investment Management Division be expanded to include additional comprehensive information on the significant overall risks affecting the Division.

226. With respect to information and communications technology of the Investment Management Division, the Committee expressed serious concern at the issues (weaknesses in project governance, planning and monitoring) identified in the course of the OIOS audit of the Murex system implementation at the Investment Management Division and emphasized the need for a comprehensive evaluation of the Division's IT architecture, as well as proper planning and governance for all future IT projects. The Committee also noted the need to identify immediate action to address the recent infrastructure failures in the Division.

227. On the occasion of the expiration of his term, the Committee's Vice-Chair noted that the Committee had significantly improved its effectiveness over the past few years through ensuring the involvement of all stakeholders in discussions and through conducting an opening and closing session with the CEO and the Representative of the Secretary-General, as well as by addressing key issues, such as the adoption of IPSAS, the job description and recruitment of the CFO, and the creation of the statement of internal control.

Discussion in the Board

228. The Board appreciated the high quality of the report, which confirmed that the Audit Committee was effectively performing the role envisaged by the Board when it established the Committee.

229. When asked about the OIOS schedule, the representative of the Office clarified that its work was continuous during the year, and that the two remaining audits from the 2013 workplan were started only in October and November 2013 and were at the reporting stage. The OIOS representative further noted that as important matters arise, they are immediately communicated to managers, and that quality assurance requires detailed planning and a three-phase approach to reporting.

230. With respect to the Pension Board's concern that the report of the Board of Auditors is not finalized until after the Board session, the Committee Chair confirmed that every year the Committee reviews the final report of the Board of Auditors at its first meeting after the Pension Board session and would inform the Board if there were any changes from the draft that is sent to the Board session.

231. With regard to the Board's concern about the shortcomings identified in the implementation of Murex, on which there had been extensive presentations to the Board in the past few years, the Director of the Investment Management Division noted that the implementation had been suspended pending a thorough review of the information architecture and IT infrastructure of the Division for which the Representative of the Secretary-General, in cooperation with the Office of Information and Communications Technology, had developed a request for proposal. She also noted that Murex was intended to be interfaced with a number of other business applications which needed regular updating as banking regulations changed. This was challenging for the small IT team in the Investment Management Division.

232. In response to a question regarding the recruitment of a new CFO, the CEO noted that the job description had been drafted, together with the former Representative of the Secretary-General, following past guidance from the Audit Committee. He noted further that the Financial Services Section, as well as the accounting staff of the Investment Management Division, now reported to the CFO. The CEO informed the Board that the application process for the opening had closed and that interviews would soon be under way.

233. Noting that the question of the mandate of OIOS was a legal issue that had been referred to the Office of Legal Affairs, a Board member recalled that General Assembly resolution 57/287, adopted in 2002, had reaffirmed in part B the prerogative of funds and programmes to decide their own internal audit oversight mechanisms and their relationship with OIOS. It was also noted that in the relevant report of the Secretary-General (A/55/826 and Corr.1), the United Nations Joint Staff Pension Fund had been included under United Nations funds and programmes for the purpose of this particular analysis. The Board member further recalled that the Board had taken a decision to invite OIOS to perform as the Fund's internal auditor and provided the resources. The representative of OIOS noted that it was their understanding that the mandate had been provided by the General Assembly.

234. The Committee Chair stated that the Committee was seeking clarification on this matter, since OIOS seems to have an understanding that differed from past discussions and decisions of the Pension Board, and it was important to have a common understanding on this issue.

235. In reply to a question regarding the risk of fraud, the Chair clarified that the Committee had been proactive in asking for an analysis of fraud risk scenarios and controls; she clarified that this had not been done because of a specific concern. The Committee was particularly appreciative of the thorough analysis undertaken by the Fund secretariat. The Chair noted that the Investment Management Division had met the expectations but was asked to continue further in developing the scenarios.

236. With respect to two investigations in the Investment Management Division, the OIOS representative said that they were not able to share any details but were aware

of the issues, and that it had had an impact on their view of risks and audit work in certain areas.

237. **The Board expressed its appreciation for the high quality of the Committee's report and endorsed the Audit Committee's recommendations that:**

(a) **The Board recommend to the General Assembly the adoption of the amendments to articles 4 and 14 of the Fund's Regulations in order to make a provision for the promulgation of the Financial Rules in the future;**

(b) **The Fund expand its statement of internal control in the future to cover other key personnel, critical processes and related controls;**

(c) **The Investment Management Division identify, together with OIOS and the Information Management Systems Service, immediate options to address the IT risks in the Division and that the Division ensure proper planning and governance for any future IT projects;**

(d) **The Fund address the pending issues related to the mandate of OIOS as the Pension Fund's internal auditors, as well as the written agreement with the external auditors.**

238. **The Board thanked the members of the Committee for their professional service and dedication and expressed particular appreciation to the Chair, S. Frahler, and the Vice-Chair, I. Robertson, for their contribution as they were both coming to the end of their mandates.**

B. Membership of the Audit Committee

239. The members of the United Nations Joint Staff Pension Board Audit Committee are appointed by the Pension Board. They serve for four years and may not be selected for consecutive terms. All members of the Committee shall satisfy the following requirements: be independent; knowledgeable in accounting, auditing, financial management or compliance; and have long-established exposure to and demonstrated expertise in those fields.

240. The terms of three of its members appointed by the Board at its fifty-seventh session, in 2010, are expiring on 31 December 2014. The terms of reference of the Audit Committee also provide that the Board may select experts from outside the Board to serve in their private capacity with the Committee. The term of one of the current expert members is expiring in July 2014. The Board was therefore requested to appoint three new members of the Audit Committee for the period January 2015-December 2018 from among members of the Staff Pension Committee on the basis of recommendations made by each constituent group, and approve the appointment of an expert member to serve for the period July 2014-July 2018.

241. **The Board endorsed the nominations of T. Repasch (Governing Bodies), R. Bhalla (Executive Heads) and C. Monier (participants) as new members of the Audit Committee to serve from January 2015 to December 2018. The curricula vitae of the new members were circulated to the members of the Board. Upon the recommendation of the Audit Committee, the Board also approved the appointment of Aline Vienneau as an expert member of the Audit Committee to serve for the period July 2014-July 2018. The Board expressed its**

appreciation to the outgoing members (S. Frahler, I. Robertson, A. Lakhanpal and C. Cliff) for their commitment and contribution to the work of the Committee.

C. External audit

242. The Board of Auditors, represented by the National Audit Office of China, presented their draft report on the financial statements of the United Nations Joint Staff Pension Fund for the financial year ending 31 December 2013, as contained in annex X.

243. The representative of the Board of Auditors noted that the term of the National Audit Office of China ended in June 2014 and that starting in July 2014, the Indian Audit and Accounts Service would be the external auditors of the Fund. The Board of Auditors expressed gratitude for the strong support and efficient cooperation of the staff of the Fund, which had facilitated the formation of its opinion on the financial statements of the Fund.

244. The representative of the Board of Auditors noted that the audit exercise had been carried out through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Division and the Fund secretariat. It was noted that an advance draft of the report of the Board of Auditors had been circulated to the Pension Board, which would be approved by the Board of Auditors at the end of July 2014.

245. The Board of Auditors reported that it had issued an unqualified audit opinion on the Fund's financial statements for the year ended 31 December 2013, which had been prepared in accordance with IPSAS and included in annex IX. The Board explained that an unqualified audit opinion reflects that the auditors had not identified material misstatements in the financial statements presented or in the accounting standards employed.

246. The representative of the Board highlighted that the adoption of IPSAS in 2012 had enhanced the quality of the Fund's financial statements. The Board of Auditors further noted its satisfaction with the controls in the Fund, but also mentioned the need to enhance the internal controls for accounting and disclosure in investments.

247. The Board highlighted that the Fund secretariat was in the process of transition from its legacy systems to a modern IT environment. The Board of Auditors also noted that the governance and accountability mechanisms in the implementation and management of IT systems at the Investment Management Division needed further improvement and that lessons should be learned for the development and maintenance of other IT systems.

248. The Board reported weaknesses in the Investment Management Division related to investments in unrated assets, the review of year-end manual adjustment of investment accounting records and the valuation of real estate investments. The Board also noted the need to establish comprehensive investments disclosure requirements from the Fund's governing body, noting that many public pension funds disclose detailed investments information. The Board also identified weaknesses in the custody and safeguarding of documents supporting investments in real estate and alternative investment assets.

249. Regarding benefit payments management, the Board of Auditors noted that the Fund could contemplate utilizing in the future additional technologies to improve its certificate of entitlement process, such as the use of online certificate of entitlement forms and automatic signature verification.

250. The Board of Auditors made 16 recommendations, which are contained in its report. The Board recognized management's efforts in addressing previous audit recommendations, noting that of the 22 recommendations made for the year 2012, nine were fully implemented, 10 were under implementation, two had not been implemented, and one had been overtaken by events.

251. The Board of Auditors noted that it had worked in close cooperation with OIOS and had exchanged information on important areas. The Board also expressed its gratitude to the Audit Committee, the Pension Board and the Fund's management for their support during the past two years.

Discussion in the Board

252. The Pension Board thanked the Board of Auditors for its comprehensive report and noted with satisfaction that the Fund had obtained an unqualified external audit opinion on the financial statements for the year ended 31 December 2013. 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.

253. The Pension Board stated its expectation that in future it would receive a final report from the Board of Auditors before the Board meeting. The representative of the Board of Auditors explained that all external audit reports were formally approved by the Board at its annual meeting at the end of July, and that it would be possible to provide a final audit report only if the Pension Board meeting were held after the annual meeting of the Board of Auditors. The Board maintained that the receipt of a final, as opposed to draft audit report, was a question of good governance.

254. The Board expressed appreciation for the efforts and strong progress of the Fund's management in the implementation of audit recommendations.

255. The Pension Board shared the concerns of the Board of Auditors related to the maintenance of legal investment documents. The Board noted the lack of appropriate project management for the implementation of the Murex system and hoped that lessons could be learned and expressed the view that this aspect should be addressed by the Representative of the Secretary-General and the Investment Management Division. In this respect, the Director of the Division explained that the Murex project had not been appropriately followed up, since the Division was implementing different systems at the same time. The Director reported that the Investment Management Division had contracted a study on IT strategy and had taken measures to avoid similar problems in the future. Regarding the need to develop investment disclosure regulations, the Director informed that the Investment Management Division would work with the Representative of the Secretary-General to develop a proposal about disclosure requirements and identify its approval process.

256. The Board also commented on the recommendation related to the completion of staff performance evaluation, and noted that the Fund's management had stated

that it would take action in relation to this recommendation. The Board emphasized that staff performance evaluation is an important tool to manage staff performance and that it was important to ensure that staff were evaluated appropriately.

257. **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. The Board requested the Audit Committee to review the final report of the Board of Auditors and inform the Board of any changes that would alter its conclusions. The Board also expressed its expectation that the Fund would develop terms of reference with the Board of Auditors, as required in article 14 of the Fund's Regulations and Rules.**

D. Office of Internal Oversight Services

258. The representatives of OIOS presented the annual report on the internal audit activities of the Fund for the year ended 30 June 2014. The report provided an overview of OIOS assurance engagements, the implementation of the audit plan, the status of internal audit recommendations and OIOS advisory services.

259. OIOS noted that its audit examinations had focused on the highest risk areas and that the Audit Committee had monitored the implementation of the internal audit plan and audit recommendations.

260. OIOS reported that seven final audit reports had been issued during the year, which included 20 recommendations for the Investment Management Division, one recommendation for both the Fund secretariat and the Division, and no recommendations for the Fund secretariat. It was noted that all recommendations has been accepted by the Fund's management, which had written action plans in response. OIOS also reported that six other audits were ongoing as of 30 June 2014.

261. OIOS also informed the Board that the last three audits completed for the Fund secretariat had been rated as satisfactory. OIOS did not identify any areas of concern, and therefore no Fund secretariat reports contained any recommendations.

262. Two audits completed for the Investment Management Division were partially satisfactory, while the audit of the implementation of the Murex system in the Division was unsatisfactory and included three critical recommendations and six important recommendations. It was also reported that the audit of asset liability management for the Fund as a whole was partially satisfactory, but that the Fund had already initiated the implementation of the two recommendations related to that audit, including the recommendation to define and approve a risk appetite and tolerances and the issuance by the Representative of the Secretary-General of the investment policy.

263. Regarding the status of audit recommendations, OIOS recognized the efforts of the Fund in addressing outstanding audit recommendations. OIOS reported that there were 22 outstanding recommendations for the Fund, of which only one was for the Fund secretariat, one was for the Fund as a whole relative to the risk appetite and tolerance, and that 20 recommendations were for the Investment Management Division. OIOS highlighted that substantial progress had been achieved by the Fund secretariat in reducing the outstanding recommendations to only one, which would be closed soon, pending the filling of a vacant post to support the preparation of the financial statements.

264. OIOS further noted that the 20 outstanding recommendations for the Investment Management Division included three critical recommendations, all related to the implementation of the Murex system.

265. OIOS also informed the Board that during the year, it had provided comments to the draft Financial Rules of the Fund and reference material for the preparation of the statement of internal control.

Discussion in the Board

266. The Pension Board expressed its appreciation for the work of OIOS in reviewing the operations of the Fund and providing recommendations to mitigate critical risks. The Board also noted that the internal audit team of the Fund was fully staffed and able to implement its audit plan.

267. The Pension Board requested OIOS to bring forward the audit of human resources management that was scheduled for 2015. OIOS confirmed that the audit of human resources management would begin in 2014 and that the report of the audit would be issued early in 2015.

268. The Board expressed concern regarding the number of outstanding audit recommendations for the Investment Management Division; the Division noted that it was making all efforts to close open audit recommendations promptly.

269. **The Board took note of the report of OIOS and expressed its appreciation for the audit results and congratulated the CEO and his team for their work and dedication to have an efficient and controlled operation and to close pending audit recommendations.**

Chapter X
Governance matters

A. Strategic framework of the Fund for the biennium 2016-2017

270. The Board had before it a document containing the Fund's strategic framework for the biennium 2016-2017. Following the guidance of the Board, the Fund's strategic framework for 2016-2017 follows the format and approach of the strategic plan documents used in the United Nations budget process. The Board was informed that the strategic framework identifies the main priorities and objectives of the Fund for the biennium 2016-2017, and serves as the basis for planning, budgeting, monitoring and evaluation. The Board was also informed that the strategic framework presents a Fund-wide perspective (including the Fund secretariat and the Investment Management Division) and was prepared with the broad participation of all functional areas of the Fund. It builds on the findings and recommendations of various assessments and reports that have been submitted for the consideration of the Board at its past sessions, as well as the outcome of strategic planning meetings held in the third quarter of 2013 for senior and functional managers.

271. As a result of the strategic planning exercise conducted in 2013, and in line with the Fund's mission and long-term objectives, the following priorities have been identified for the biennium 2016-2017: sustainability and risk management framework; organizational review and establishment of a training platform; continued enhancements to the Fund's operational and financial systems; and information sharing and communication.

Discussion in the Board

272. The Board welcomed the strategic framework for the biennium 2016-2017 and expressed appreciation for its focused and streamlined approach. It noted that the document shows a high level of professional commitment in thinking about the Fund's core business and presented it in a coherent manner. It further noted that the document evidenced significant progress made in many areas and the commitment of management to the Fund's operations and attainment of its goals. The Board appreciated that the indicators were well framed. It further noted that the Fund should continue to assess its indicators to ensure that they remain objective measures.

273. The members of the participants' group thanked the secretariat for the comprehensive document and noted that the long-term challenges along with the priorities for 2016-2017 appear to broadly address the current areas of focus for a multitude of stakeholders. They further noted that while information sharing and communication is an identified priority, the document did not address the need for improved communication/consultation between the management of the Fund and the staff. The group members suggested that the Fund include an expected accomplishment concerning the need to ensure effective participation of staff in identifying, examining and resolving issues relating to staff welfare. The group also suggested that the Fund review the accountability statement and the strategic framework to ensure that the expected accomplishments in the latter are aligned with the measures of accountability in the former.

274. In response, the Deputy CEO noted that management had already reached out to the newly elected staff representatives of the Fund to schedule a meeting. The Fund would add an expected accomplishment in the strategic framework under the Executive Office reflecting that pursuant to Staff Regulations 8.1 and 8.2, regular staff-management meetings of the Fund secretariat and the Investment Management Division would be held.

275. **The Board approved the strategic framework of the Fund for 2016-2017.**

B. Strategic framework for the biennium 2012-2013 — update on indicators

276. The Board had before it the document containing an update on the indicators of the strategic framework of the Fund for 2012-2013. The Board was informed that the Fund had met most of the performance indicators for the biennium. As previously noted, it was becoming increasingly difficult to meet the processing benchmarks considering the increasing transactional volumes, changes and challenges in the environment, increasing demands from an aging population of retirees and beneficiaries, as well as the involvement of staff in the design, implementation and testing of IPAS. It was also noted that the Fund had absorbed and kept operations at a high level of effectiveness by increasing, to the maximum extent possible, operational productivity and by reinforcement of operations through the internal reallocation of staff to client services.

277. The Board thanked the CEO and the Representative of the Secretary-General for the useful and informative document, which had been prepared as part of the overall budget cycle and was in line with the strategic plan documents used by the United Nations. The Board took note with appreciation of the significant progress made in several important initiatives, such as the issuance of the statement of internal control, the update of the internal control policy, the development of fraud prevention scenarios in the Fund secretariat and the Investment Management Division, the new operational arrangement that significantly lowers banking fees for retirees and beneficiaries residing in West and Central Africa, the streamlined process for review and payment of Emergency Fund cases, the preparation and communication of the legal guardianship booklet, and the progress achieved in the IPAS project, which is a large and complex endeavour. It was noted that while the last stage of the implementation of IPAS had been initiated during the period covered by this report, most benchmarks had been met. It was further noted that this document pointed to the need to strengthen the Fund's core business, namely, the servicing of its participants, retirees and other beneficiaries. With respect to the indicator on benefit processing, a representative of FAFICS expressed the hope that the percentage of cases completed within 15 days would increase in the future.

278. **The Board took note of the update on the performance indicators for the two-year period from 1 January 2012 to 31 December 2013.**

C. Report of the Assets and Liabilities Monitoring Committee

279. It was recalled that at its sixtieth session, the United Nations Joint Staff Pension Board created the Assets and Liabilities Monitoring Committee to work

with the support of the Investments Committee, the Committee of Actuaries, the consulting actuary and the CEO of the Fund, as well as the Representative of the Secretary-General, for the investment of the assets of the Fund to monitor the solvency of the Fund and provide advice and recommendations to the Pension Board with regard to risk management, funding policy, asset-liability management and investment policy. The Chair of the Committee presented the report of the Committee noting that it had held two meetings (on 11 and 12 February 2014 and 12 and 13 June 2014), as well as a joint meeting with the Investments Committee on 9 July 2014 (see annex XVII for the current membership of the Assets and Liabilities Monitoring Committee).

280. The Chair also noted that the Assets and Liabilities Monitoring Committee had considered many items associated with its responsibilities, including risk management, investment policy, asset-liability management and actuarial valuation.

Risk management

281. The Chair of the Assets and Liabilities Monitoring Committee presented for the consideration and approval of the Board a proposed risk appetite statement as follows:

> "The Fund recognizes the very long-term scope of its operations, its insurance-like nature which pools resources and risks to provide retirement, death, disability and other defined benefits and related services to its participants, retirees and beneficiaries as well as the importance of ensuring the continuing viability of its operations and finances. The Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments."

282. The Pension Board was informed that the "articulation of risk appetite and risk tolerance" was identified as a high risk for the Fund in the latest comprehensive risk assessment of the Fund, and that the Working Group on Sustainability and OIOS had recommended that the Fund complete the definition of risk appetite and risk tolerances and have them endorsed by the Pension Board. The Assets and Liabilities Monitoring Committee recognized that the need to preserve the long-term sustainability of the Fund was paramount to achieving the Fund's mission and long-term objectives.

283. The Chair of the Assets and Liabilities Monitoring Committee further reported that in order to ensure the Fund's long-term sustainability, it is key to effectively manage the risks associated with asset-liability imbalances, and, at the policy level, the risks associated with investments. Therefore, the Committee recommended that the Pension Board approve or, where appropriate, recommend the establishment of three risk tolerance metrics to reflect the degree of acceptable volatility in relation to both the solvency risk and the investment risks, as follows:

(a) The required contribution rate safety margin of +/-2 per cent of pensionable remuneration;

(b) The funding gap (the funded ratio);

(c) Value at risk for the total investment portfolio.

284. The Board was informed that the first two metrics would be measured and monitored on a deterministic basis, with each actuarial valuation completed for the

Fund, and on a probabilistic basis using results of the Fund's full and interim asset and liability management studies. The limits for the probabilistic metrics related to the required contribution rate, and the funding gap would be decided by the Assets and Liabilities Monitoring Committee after reviewing the results of the third study, and that the limit for the value at risk for the total investment portfolio would be determined by the Representative of the Secretary-General considering the Fund's risk appetite, maturity and long-term solvency requirements, as well as the advice from the Investments Committee and the observations from the Assets and Liabilities Monitoring Committee. Should those metrics be approved, they would be used by the Assets and Liabilities Monitoring Committee in its ongoing monitoring of the Fund's long-term solvency.

Consideration of pension matters by the General Assembly at its sixty-eighth session

285. The Assets and Liabilities Monitoring Committee analysed the potential impact for the Fund of General Assembly resolution 68/244, which requested the Secretary-General to examine and report, with input from the Pension Board, on the option of broadening the mandate of the Pension Fund to include the administration of after-service health insurance benefits. The Committee noted that the specific options being discussed would not result in any financial savings to the organizations or in the elimination of reporting liabilities in the financial statements of the member organizations.

286. The Assets and Liabilities Monitoring Committee reviewed a note prepared by the consulting actuary on the possibility of the Fund expanding its mandate to cover after-service health insurance benefits and noted that those options could jeopardize the Fund's operational viability and could negatively affect its long-term sustainability depending upon the extent of the adopted measures. The Committee therefore requested that the CEO of the Fund participate in the discussions of the HLCM Finance and Budget Network Working Group on After-Service Health Insurance Benefits to ensure that the Fund's concerns can be appropriately considered by that Working Group. The Assets and Liabilities Monitoring Committee strongly recommended that the Working Group pursue other possible options for the administration of after-service health insurance benefits.

287. The Assets and Liabilities Monitoring Committee also reviewed General Assembly resolution 68/247, which requested the Fund to track and report the amount of withdrawal settlements paid to participants who separate with less than five years of contributory service, while stressing the need to avoid any actions that would compromise the long-term sustainability of the Fund. The Committee concluded that a possible measure of returning part or the totality of 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.

Appointment of the full-time Representative of the Secretary-General

288. The Assets and Liabilities Monitoring Committee highlighted the importance of investment performance and the necessary coordination and close collaboration between the management of the Fund's assets and liabilities in order to ensure the

long-term financial sustainability of the Pension Fund. Regarding the appointment of the full-time Representative of the Secretary-General for the Investment of the Assets of the Fund, the Committee recognized that it is the prerogative of the Secretary-General to designate the full-time representative for the investment of the assets of the Fund, but expressed its hope that he will maintain consultation with the Pension Board regarding the candidates short-listed for the post and that the selected candidate will meet all the technical and experience requirements, especially knowledge of the essential aspects of a mature defined-benefit plan.

Investment policy

289. In consideration of its responsibilities of providing advice and making recommendations to the Pension Board on the development and application of the investment policy, the Assets and Liabilities Monitoring Committee considered the investment policy approved by the Representative of the Secretary-General in April 2014 and provided several comments related mainly to the definition of investment objectives, the segregation of duties within the Division, the performance benchmark for the strategic asset allocation, the risk appetite statement and the risk tolerance for investment risks, as well as on the role of the Pension Board and the Committee in the approval of the investment policy.

290. The Assets and Liabilities Monitoring Committee reported that given its responsibilities regarding proposing observations from time to time on investment policy, it required a fluid discussion and exchange of investment information with the Investments Committee. In this respect, the Assets and Liabilities Monitoring Committee requested the Representative of the Secretary-General to provide it on a regular basis with relevant and opportune reports on investments. The Committee also requested the Representative of the Secretary-General to ensure full ongoing representation of the Investments Committee to the Assets and Liabilities Monitoring Committee as approved by the Pension Board.

Asset-liability management

291. The Assets and Liabilities Monitoring Committee provided comments to the technical requirements for the Fund's third asset liability management study to be presented to the Pension Board in 2015. The Board noted that the study would be based upon participant and investment data as at 31 December 2013. The Pension Board was further informed that the key objective of the asset liability management study was to recommend a long-term asset allocation strategy that would optimize asset growth in the context of the Fund's risk appetite and risk tolerances, and that the study would help the Fund to quantify and define the limits for the newly proposed risk tolerance metrics. It was noted that the Assets and Liabilities Monitoring Committee would monitor the completion of the asset liability management study, review the limits for the risk tolerance metrics and approve the results of the asset liability management study in the spring of 2015.

Actuarial valuation

292. The Assets and Liabilities Monitoring Committee reported that the consulting actuary and the Committee of Actuaries representatives had informed the Committee on the main aspects of the thirty-second actuarial valuation of the Fund as of 31 December 2013, and highlighted its results, particularly: (a) the reversal in the

deteriorating trend in the results of the actuarial valuations since 1999; and (b) the significant impact of investment performance on the Fund's solvency and the need to closely monitor the Fund's investments to ensure that required investment returns are achieved.

Assets and Liabilities Monitoring Committee working arrangements

293. The Assets and Liabilities Monitoring Committee approved its Rules of Procedure and recommended that the Pension Board approve the declaration of conflict of interest for the Committee members, experts and the consulting actuary, to ensure adherence to the highest standards of efficiency, competence and integrity. Regarding travel expenses, the Committee recommended that the Board follow United Nations travel policies, except in harmonizing the entitlements for representatives of FAFICS, participants and Executive Heads, with those applicable to staff members of the United Nations Secretariat.

294. The Pension Board was informed that the terms of all Assets and Liabilities Monitoring Committee members would expire in July 2017. To ensure continuity in its work and avoid the risks associated with losing technical knowledge and experience of several members at the same time, the Committee recommended that the Pension Board consider the possibility of term renewal and the extension of the terms of half of the members of the Committee for one additional year.

295. The Pension Board was informed that the Assets and Liabilities Monitoring Committee had approved its programme of work for 2014-2017. The Committee also reported that it would request and consider a study of the governance structure and monitoring over investments of other similar large pension funds.

Discussion in the Board

296. The Board thanked the Assets and Liabilities Monitoring Committee for its report, hard work and excellent results within a short time period and especially thanked the Chair for his effective leadership.

297. The Board noted the intention of the Assets and Liabilities Monitoring Committee to conduct a comparative study of the governance structure and monitoring of investments with those of other similar large pension funds. The Board recommended that the Committee review previous internal audit reports on the Fund's governance, which might be useful in guiding the work of the Committee before conducting another study on governance.

298. **After discussion, the Board endorsed the following conclusions of the Assets and Liabilities Monitoring Committee as presented in its report:**

(a) **The Pension Board agreed that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of after-service health insurance benefits, noting that this option could jeopardize the Fund's operational viability and could also negatively affect the long-term sustainability of the Fund, depending upon the extent of the adopted measure. The Pension Board also supported the participation of the CEO of the Fund in the discussion of the HLCM Finance and Budget Network Working Group on after-service health insurance benefits and requested that the CEO clearly communicate the concerns of the Board in exploring or pursuing any options that would potentially broaden the mandate of the Fund to include the**

administration of after-service health insurance benefits, and recommended that the HLCM Finance and Budget Network Working Group pursue other possible options for funding;

(b) **The Pension Board also agreed that implementing possible measures that would reduce the funding resources of the Fund (such as returning part or the totality of contributions made by 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 and would place the sustainability of the Fund at risk in the long term;**

(c) **The Board recognized the importance of investment performance and the need for close coordination and collaboration between the CEO and the Representative of the Secretary-General, as is the case currently, to ensure proper asset-liability management and adequate monitoring of solvency;**

(d) **The Board expressed its expectation that the Secretary-General would now and in the future engage in consultations with the Pension Board regarding the selection of the incumbent of the post of Representative of the Secretary-General;**

(e) **The Board noted the significant impact of investment performance on the Fund's solvency and the need to closely monitor the performance of the Fund's investments.**

299. **The Board also approved the following recommendations of the Assets and Liabilities Monitoring Committee, as set forth in its report:**

(a) **The Pension Board approved the following risk appetite statement:**

"The Fund recognizes the very long-term scope of its operations, its insurance-like nature which pools resources and risks to provide retirement, death, disability and other defined benefits and related services to its participants, retirees and beneficiaries as well as the importance of ensuring the continuing viability of its operations and finances. The Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments."

(b) **The Pension Board approved and, where appropriate, recommended the establishment of three risk tolerance metrics for solvency risk and investment risks:**

- **The required contribution rate safety margin of +/-2 per cent of pensionable remuneration;**
- **The funding gap (the funded ratio);**
- **Value at risk for the total investment portfolio.**

The Board agreed that the limits for the metrics related to the required contribution rate and the funding gap would be decided by the Assets and Liabilities Monitoring Committee after reviewing the results from the third Assets and Liabilities Monitoring study. Regarding the limit for the value at risk for the total investment portfolio, the Board noted that this would be determined by the Representative of the Secretary-General, considering the

Fund’s risk appetite, maturity and long-term solvency requirements, as well as the advice from the Investments Committee and the observations from the Assets and Liabilities Monitoring Committee;

(c) **The Pension Board endorsed the recommendations of the Assets and Liabilities Monitoring Committee on the approved investment policy as detailed in its report;**

(d) **The Board requested the Representative of the Secretary-General to provide to the Assets and Liabilities Monitoring Committee on a regular basis any updates to the investment policy, and relevant and opportune investment reports, and to ensure an ongoing interaction and full representation of the Investments Committee to the Assets and Liabilities Monitoring Committee as approved by the Pension Board;**

(e) **The Pension Board approved the declaration of conflict of interest for the Assets and Liabilities Monitoring Committee members, experts and the consulting actuary and agreed to require a similar declaration for all Pension Board members;**

(f) **The Pension Board requested the Secretary/CEO to propose the declaration of conflicts of interest by the Pension Board members at its sixty-second session;**

(g) **The Pension Board approved the term renewal and to extend the terms of the half of the members of the Assets and Liabilities Monitoring Committee for one additional year to facilitate the retention of institutional knowledge, and to modify the terms of reference and working methods of the Committee accordingly;**

(h) **The Board agreed that travel entitlements for the members of the Assets and Liabilities Monitoring Committee would follow United Nations travel rules, in consultation with the United Nations Secretariat.**

300. **Finally, the Board thanked the representatives of the Committee of Actuaries, the consulting actuary, the representatives of the Investments Committee, as well as the CEO and Representative of the Secretary-General and their staff, for their support to the work of the Assets and Liabilities Monitoring Committee.**

D. Updated internal control policy

301. The Pension Board was informed that as part of a number of initiatives to strengthen the governance and control environment of the Fund, in 2013 the Fund secretariat decided to update the Fund’s internal control policy, which had originally been published in 2002. It was recalled that the implementation of an enterprise-wide risk management framework, which includes the internal control process as a key element, is one of the main challenges and objectives of the strategic framework approved by the Pension Board. It was noted that in 2012, the Fund’s management had updated the enterprise-wide risk management policy and that the Fund secretariat had prepared the enterprise-wide risk management manual.

302. The Board noted that the updated internal control policy provided a common definition of internal control, clarified the role which internal control plays as an

element of the Fund's enterprise-wide risk management framework, defined the different internal control components, and specified, in a single policy document, the well-defined and multi-layered control structure that the Fund has in place. It was further reported that a key feature of the policy was the definition of the lines of defence of the Fund regarding internal control, with different functions that interact to provide reasonable assurance that objectives are achieved and internal control is effected, assessed and tested. The four layers of defence of the Fund include: management and other personnel; risk, legal and compliance functions; internal audit; and external audit.

303. The preparation of the internal control policy of the Fund followed a wide consultative process involving all areas of the Fund and its internal auditors. The Board was further informed that the updated policy contains all the elements of the internal control — integrated framework published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in May 2013, with a clear adaptation to the enterprise-wide risk management framework, governance and unique operations of the Fund.

304. It was also reported that the Enterprise-wide Risk Management Working Group of the Fund, co-chaired by the CEO and the Representative of the Secretary-General, as well as the Audit Committee of the Board, had reviewed and endorsed the updated internal control policy.

United Nations Joint Staff Pension Fund statement of internal control

305. The Board noted that the proper implementation of the updated internal control policy would strengthen the governance and management practices of the Fund and provide the basis for assessing the effectiveness of its internal controls. In this connection, the Board was informed that following the implementation of IPSAS, the Fund issued its statement of internal control, which accompanies the financial statements for the year ended 31 December 2013.

306. It was recalled that the strategy for the development of the statement of internal control was presented to the Pension Board during its sixtieth session in 2013. The statement presents the approach of the Fund to risk management and internal control and is the means by which the Fund's management states its "ownership" over the internal control framework, transactions and data. It was noted that the implementation of the statement of internal control was recommended by the United Nations IPSAS Working Group and was also supported by the Audit Committee of the Pension Board.

307. The statement of internal control of the Fund for the year 2013 concluded that there were no significant control weaknesses that had an impact on the Fund's operations, and therefore provided the Governing Bodies and the participants and beneficiaries of the Fund with reasonable assurance that it is appropriately managing and controlling the resources for which it is responsible.

308. The Board noted that the statement of internal control has initially focused on the internal functions of the Fund but that it would be expanded gradually to include some means of confirming from the Fund's member organizations the accuracy of the human resources and financial data that those organizations provide to the Pension Fund. It was highlighted that the results of the review of the key internal controls of the Fund for financial reporting risks and related assurance activities on

the effectiveness of internal controls were utilized to prepare the statement of internal control for the year ended 31 December 2013.

309. Finally, the management of the Fund reported that following the recommendations of the Audit Committee, the scope of the statement of internal control would be expanded to cover additional functions and related risks and controls, and that the Audit Committee had requested OIOS to include in its audit plan for 2015 a review of the internal controls over financial reporting risks that support the preparation of the statement of internal control.

Discussion in the Board

310. The Board congratulated the CEO and the Representative of the Secretary-General as well as their management teams for their continuous efforts to improve the governance of the Pension Fund and to align its control environment with best practice in risk management and internal control. The Board noted that the proper implementation of the updated internal control policy would support the preparation of the Fund's statement of internal control. The Board also thanked the Fund's management for all the work involved in the preparation of the statement of internal control.

311. The Board requested clarification regarding the approach that the Fund would follow to expand the statement of internal control to cover its member organizations. In this respect, the Fund's management explained that, recognizing that its member organizations were at different stages of implementation of their own risk management and internal control frameworks, it would adopt a gradual and consultative approach in expanding the statement of internal control to those organizations.

312. **The Board took note of the updated internal control policy of the Fund. The Board also welcomed the preparation of the first version of the statement of internal control of the Fund, which accompanies the financial statements for the year ended 31 December 2013. The Board acknowledged that the statement of internal control had concluded that there were no material issues or significant control matters that had an impact on the Fund's operations or investments during the year.**

E. Revised accountability statement

313. The Board had before it the document containing the Fund's revised accountability statement. It was recalled that an accountability statement for the Fund was first developed as part of the whole office review undertaken in 2008. The accountability statement was subsequently amended to reflect the changes requested by the Board at its subsequent sessions.

314. The Board noted that the accountability statement was updated from time to time to further clarify the roles and responsibilities of the different bodies and their functions within the Fund. The updated version of the document reflects changes such as: the approval of the full-time post of Representative of the Secretary-General and the terms of reference for the post by the General Assembly in April 2014; the creation of the Assets and Liabilities Monitoring Committee of the Board in 2013; the creation of the Risk Management and Legal Service, which was

approved by the Board at its sixtieth session, in 2013, and a reference to the updated terms of reference of the staff pension committees and their secretaries. The document is also aligned with the Fund's risk management and internal control policies and other policy documents. As requested by the Representative of the Secretary-General, the definition of accountability has been modified to be in line with the definition approved by the General Assembly in its resolution 64/259.

315. The Board commended the CEO and the Representative of the Secretary-General for an excellent document which includes clear information regarding the roles and responsibilities of the Fund's bodies and the different functions in the Fund. In response to a question regarding the relationship of the accountability statement and the strategic framework, it was clarified that the former included more general measures of accountability at a higher level which were then translated into specific expected accomplishments for each biennium.

316. **The Board approved the revised accountability statement.**

F. Terms of reference of the staff pension committees

317. At its sixtieth session, the Board was informed that the Fund secretariat continued consultations with its member organizations with regard to updating the terms of reference of the staff pension committees and the committee secretaries. The Board requested the Fund to ensure a collaborative and consultative approach and requested that a finalized document be submitted to the Board at its next session.

318. During the year, the Fund secretariat held extensive consultations with administration staff, legal advisers, the members of staff pension committees and the committee secretaries of member organizations of the Fund. Moreover, the revised draft was shared and discussed during the meeting of the committee secretaries, held in Geneva on 27 March 2014, and the 317th meeting of the United Nations Staff Pension Committee, held on 16 April 2014. The latest version of the terms of reference took into account the comments received.

319. It was recalled that in accordance with article 4 of the Fund's Regulations, the Fund is administered by the Pension Board, staff pension committees and the secretariat of each committee. Furthermore, in accordance with article 8, the secretariat of the Board serves as the secretariat of the United Nations Staff Pension Committee. Staff pension committees are therefore an integral part of the administration of the Fund, and the terms of reference form a key part of the overall control environment of the Fund. The terms of reference contribute to transparency and accountability and are designed to clarify the respective roles and responsibilities of different entities, including the member organizations of the Fund and the Fund itself.

320. The Board was requested to approve the revised terms of reference of the staff pension committees and their secretaries, which would be subsequently promulgated as part of the Rules of the Procedure of the Fund (annex II to the Regulations).

Discussion in the Board

321. The Board had extensive discussions on the topic. The Executive Heads inquired about the additional actuarial costs in cases of administrative error

attributable to the employing organizations as well as corrections made to human resources and financial data in connection with the interface or data “clean-up” exercises. The Fund secretariat clarified that the terms of reference did not introduce any new liabilities; provisions were based on the current Regulations and Administrative Rules of the Fund, in particular article 25 (e) and Administrative Rules B.3 and D.5.

322. The Fund confirmed that corrections made in the context of implementing interfaces or other data “clean up” exercises, no additional actuarial cost was payable, as long as those changes were made before the separation of the staff members/participants in the Fund, and all documentation and proper justification for the changes were provided. **Furthermore, it was agreed that, upon request, the Fund would communicate in individual cases to an employing organization the amount of the liability and the fees of the consulting actuary, if applicable, including the details of assumptions and calculations.**

323. **The Board approved the revised terms of reference for the Staff Pension Committees and their secretaries. In addition, the Board revised paragraph 7 of the terms of reference to read as follows:**

> “7. In particular it should be noted that the contributory service, which will be recognized for each individual participant, accrues only in accordance with **article 22** of the Fund’s Regulations. To the extent that any retroactive participation, recognition of additional contributory service in the Fund, or other change to the reported data relating to a participant or his/her dependants may constitute an additional liability for the Pension Fund, there will be an additional cost to the Fund. Furthermore, where there is a failure (omission or mistake) to report correct data that is attributable to the member organization and where the cost of this liability is identifiable, specific and actuarially quantifiable, it shall have to be paid to the Fund, before any related and ensuing change in a UNJSPF benefit could be certified for payment. To implement **Administrative Rule B.3** in a pragmatic manner, no change shall be accepted after the date of final notification by the employing organization to the Fund of the participant’s separation, and in any case no later than 3 months from the participant’s separation or 6 months from death in service, in respect of records pertaining to the following: (a) the date of birth of a participant or that of each of his or her prospective beneficiaries; or (b) the report of his or her prospective beneficiaries. Changes made before the deadline will not be subject to additional costs.”

324. The Board discussed the terms of reference of the staff pension committees in conjunction with the documents regarding the revised accountability statement and updated internal control policy. It was noted that the member organizations were at different stages of implementation of their own risk management and internal control frameworks, including the statements of internal control. **Therefore, it was decided to delete the references to the statement of internal control from the terms of reference (second sentence in para. 9 and footnote 2).**

325. Executive heads raised the question about a possible mechanism to resolve disputes between the Fund and its member organizations. **The Board requested the Fund secretariat to prepare a document on the matter for its next session, in 2015, including an administrative rule that would provide for a dispute**

resolution mechanism between the member organizations and the Fund for issues arising from the interpretation of the Fund's Regulations and Rules.

326. The terms of reference provided that the member organizations of the Fund would not be considered as third parties within the meaning of Administrative Rule B.4 of the Fund. **The Board approved an amendment to the mentioned confidentiality rule by stating that the staff pension committees may, through the secretariat to the committees, provide relevant pension information of a participant or beneficiary that is considered necessary in the administration of staff members and their entitlements in their employing organizations.**

327. The participants' group inquired about the dual role of the Fund secretariat serving also as the secretariat to the United Nations Staff Pension Committee and about the related roles and responsibilities, particularly as detailed in paragraph 20 of the terms of reference. The secretariat clarified the duties performed in this regard. Moreover, a question was raised with regard to the dual role of the staff pension committee secretaries, who were employees of the member organizations and often performed many other functions in their organizations and, therefore, had dual reporting lines depending on their respective areas of responsibility. It was recalled that staff pension committee secretaries were appointed by the chief administrative officer of each member organization on the recommendation of the respective staff pension committee.

328. The participants' group raised an issue of possible conflict of interest situations, particularly in cases when the staff pension committee secretary was appointed by an administration to represent the Executive Heads in the Board or in the standing committee meetings. In this connection, it was noted that the terms of reference was a "living document" and could be modified in the future when further progress will have been made in clarifying the dual roles of the secretaries or when any other areas would have emerged which could warrant a revision.

329. FAFICS raised the issue of composition of staff pension committees and the participation of AFICS representatives in the meetings, noting that the type and level of participation was inconsistent, with some organizations granting AFICS representatives full participation and others only partial participation. FAFICS recommended that the Fund formally request the member organizations to ensure full participation of AFICS representatives in the meetings of the staff pension committee.

G. Self-evaluation survey of the Board

330. The Chair of the Board reported that the third survey of the Board was scheduled to be completed at the end of the session, with the results to be presented at the Board's sixty-second session, in 2015. The first survey was completed by the Board in 2010 following recommendations from the Fund's internal auditors as presented in the audit on governance, as well as suggestions from the Audit Committee, followed by a second survey in 2012. The survey covers the role of the Board; membership; practice and procedure; and collaboration and style. This third survey includes the same questions as the previous surveys.

331. **The Board took note that the third survey could be filled out on paper or online. The Board also noted that the survey was an important component of**

good governance and looked forward to a high participation rate from its members.

H. Human resources framework review

332. The Board considered the human resources framework review presented in document R.35. The Board was reminded that in 2013, it had requested the CEO 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. In 2013, considering the report of the Working Group on sustainability, the Board took note of the carte blanche document submitted to the CEO, and considered the possible risks arising from the constraints of following the United Nations human resources policies and procedures, owing to the specialized nature of the Fund. The then Representative of the Secretary-General fully agreed with the CEO on the need for human resources flexibility and for a review of the memorandum of understanding. In 2013, the Board had noted that an updated memorandum of understanding would assist the Fund in attaining its goals in a more efficient manner consistent with its mandate and operational activities that were similar to a financial institution. This request echoed the Board's earlier, numerous requests to allow flexibility for the human resources management of the Fund.

333. The Board was presented with the results of the review of the human resources framework the Fund secretariat had undertaken. The review had taken into account the comprehensive history of the management of human resources in the Fund since its inception, as well as the delegation of authority codified in the existing memorandum of understanding, which was concluded between the Fund and the Office of Human Resources Management in 2000. The review confirmed that the present memorandum of understanding with the Office of Human Resources Management is outdated and unclear, causing implementation difficulties for all involved. In line with the human resources guiding principles, presented to the Board in 2010, it was recalled that pension administration and investment management require specific skills and experience, and that this must be reflected in the Fund's management of its human resources.

334. In accordance with the mandate from the Board, the Fund (CEO and the Representative of the Secretary-General) engaged in a partnership with the United Nations Secretariat (Office of Human Resources Management and Office of Legal Affairs) to review the existing memorandum of understanding. The CEO and the Representative of the Secretary-General provided servicing requirements to the United Nations. The Office of Human Resources Management/Office of Legal Affairs then undertook the review of the Fund's human resources servicing requirements; they were to propose the best instrument to adopt, which would respond to the Fund's needs in its current operational environment. The Board was reminded that only the Secretary-General can decide how to delegate his authority. The Board recognized that an updated memorandum of understanding would help the Fund be more responsive, as well as more knowledgeable and effective to the needs of its clients, allow the Fund to respond with agility to the challenges it routinely faces and improve the career prospects of Fund staff. The revised

memorandum of understanding is currently under review by the Office of Human Resources Management and the Office of Legal Affairs.

335. The Board was informed that the revision of the memorandum of understanding would not affect the contractual status of the current staff of the Fund. Once the memorandum of understanding was available, the Office of Human Resources Management, the Representative of the Secretary-General and the CEO will conduct consultations with staff, as required. The key requirements that have been submitted by the Fund included: extensions beyond mandatory retirement age in exceptional cases; exemption from mobility requirements for Professional staff; flexibility in staff movement from the General Service to the Professional category in certain specific technical areas; and flexibility in the use of approved human resources experts for job classifications (oversight by the Office of Human Resources Management for United Nations standards to be retained).

Discussion in the Board

336. The Governing Bodies supported the document as well as the process undertaken by the CEO and the Representative of the Secretary-General with regard to advancing this important initiative. They emphasized that when discussing and deciding on the matter, the Board as a whole, as the principal governing body of the Pension Fund, should recall the sentence in the summary of the report R.35, which reads, “It is important the Board supports these initiatives in order to ensure that the Fund will be able to manage, develop, motivate and retain highly skilled and experienced employees in a sustainable organization capable of achieving its strategic objectives in an efficient, effective and sustainable manner”. The Governing Bodies noted that it had taken longer than expected to conclude the memorandum of understanding and looked forward for the negotiations to be concluded and to hearing about when it is under implementation.

337. Equally, the Executive Heads supported the document and noted that the Fund had concluded a memorandum of understanding with the Office of Human Resources Management in 2000, which already provided the CEO with appropriate authority to make personnel decisions, particularly with regard to the final selection of the staff. It was important to note the difference between the Staff Rules and Regulations and the promulgation of policies. The revised memorandum of understanding would cover only some of those human resources policies that were considered not suitable or applicable to the Pension Fund. The appointing authority of the Secretary-General or deviations from the Staff Regulations were not in question. It was further recalled that the matter had been raised mainly in the context of the Budget Working Group in 2013, but that the Board had also in the past repeatedly requested flexibility in the human resources management of the Fund. The importance of getting the revised memorandum of understanding right was stressed, and the hope was expressed that this could be done by September.

338. The participants’ representative noted that the group had had a lively and extensive discussion on the matter. They wanted to clarify the mandate given to the Fund by the Board and find reasonable solutions to the issues under consideration, namely retention of knowledge and experience in the Fund; career progression of the Fund staff; fast tracking of classification; and tailored mobility policies for some specific occupational groups. While it was stated that the existing memorandum of understanding was outdated, unclear and had implementation problems, the first

sentence of the memorandum of understanding was very clear, i.e., “*the United Nations Joint Staff Pension Fund is not part of the United Nations Secretariat*.” The participants’ group representative stated that the revised memorandum of understanding should include the same sentence.

339. The FAFICS representative informed the Board that the FAFICS Council had discussed the matter at length. FAFICS understood that the Pension Fund, because of its need for highly specialized experience, might require flexibilities and in its report urged the CEO and the Representative of the Secretary-General to conclude the memorandum of understanding with the Office of Human Resources Management in the near future as recommended in paragraph 72 (b) of the report. In sum, FAFICS recognized and supported the mandate given to the Fund to update the memorandum of understanding in consultation with the staff and fully supported the CEO and the Representative of the Secretary-General in this endeavour. The Council saw this as an internal matter for the Fund to resolve in cooperation with the Office of Human Resources Management and having now been apprised of the specific areas in which the CEO is seeking flexibility — which were understood not to be viewed as exceptions, but rather as tools to improve the career progression of staff in the Fund — considered that any micromanagement by the Board as a whole would not be needed nor advisable.

340. Issues were raised with regard to communications and staff-management consultations. The participants’ group referred to the statement made in the context of the strategic framework and its request to include staff-management consultations as a specific performance indicator in the framework. A concern was expressed with regard to the apparent lack of communication with the Fund staff, and a proposal was made to provide an opportunity for Fund staff to address the Board directly, a practice that was in place in some member organizations. The Executive Heads recalled that the Board was not a forum for staff-management consultations of the Fund or for any of its member organizations. The Governing Bodies also recalled that the relations between the CEO and the Representative of the Secretary-General and the staff were not for the Board to discuss and decide if the staff unions should be allowed to speak during the Board sessions, this would change the established governance mechanism of the Fund. The representative of the Executive Heads recalled that this would require a change to the Fund’s Regulations and the Rules of Procedure of the Pension Board. He specifically quoted Rule A.11, which provides that the meetings of the Board shall be held in private and that the records and all correspondence of the Board shall also be kept private and in the care of the Secretary of the Board. It was reiterated on several occasions that management should be allowed “to do their job”, and the CEO and the Representative of the Secretary-General should consult with the staff as required in respect to the implementation of the memorandum of understanding.

341. There was one member of the participants’ group who was dismayed that the issue had been brought to the Board because he considered that it should have been handled on the basis of the Board’s previous mandate to revise the memorandum of understanding, but that in his view, the matter had been mishandled. Therefore, the member dissented from the Board’s consensus.

342. The Chair of the Assets and Liabilities Monitoring Committee recalled that he was also the first Vice-Chair of the ILO Staff Union, which had advised staff to abstain from the petition owing to the misrepresentation of facts. He stated that ILO

could offer some assistance, given its experience in the field of facilitating social dialogues globally. The Chair of the Board noted that it was not the role of the Board to micromanage the Fund's operations. In the spirit of inclusiveness, she allowed FICSA and CCISUA, as observers, as an exception, to make their statements at this stage, even if the normal practice had been to receive such statements towards the end of the meeting under agenda item "other matters". The two statements were made (see annex XV).

343. The Governing Bodies expressed their strong displeasure with the statement by CCISUA, which was considered unnecessary, wholly inaccurate, and unfortunate. The statement was seen as personal defamation, not based on facts, a continued spread of misinformation, and that it had not been helpful in making progress in the matter. Likewise, the Executive Heads found the statement highly regrettable, full of misinformation, both factually and legally, and considered that the statement was not only grossly irresponsible but also far below the level of appropriate discourse and debate to be expected in the Board. The participants' group thanked the Chair for allowing staff federations to make their statements under this agenda item.

344. The Board expressed appreciation for the statement of FICSA, which it felt to provide constructive input to items under consideration at this session.

345. The participants' group expressed its interest in moving forward and not in pointing fingers in respect of past developments and the media campaigns earlier this spring. The group recommended that the CEO and the Representative of the Secretary-General actively engage in urgent consultations with all stakeholders. The group also reiterated that it was important that the Board provide a clear mandate for the Fund to proceed with the revised memorandum of understanding, in which the delegation of authority and its scope, in respect of the CEO and the Representative of the Secretary-General, would be better clarified.

346. The Chair noted that the Board had reached a consensus that the current memorandum of understanding should be revised. The Board also confirmed its earlier decision to ask the CEO and the Representative of the Secretary-General to finalize the memorandum of understanding, as significant progress appeared to have been made already and then report on the results and the implementation of the memorandum of understanding to the Board next year.

The Board decided:

(a) **To reaffirm its earlier decision that the Fund should continue using the United Nations machinery for its administrative services and that the CEO and the Representative of the Secretary-General conclude the memorandum of understanding with the Office of Human Resources Management no later than 30 September 2014;**

(b) **That the memorandum of understanding should outline the scope of the delegation of authority in human resources matters, bearing in mind the unique governance of the Fund, its inter-agency status, mandate and funding source as well as its maturing status and complexity and the scope of its operations;**

(c) **To request the CEO, the Representative of the Secretary-General and the Office of Human Resources Management to advocate and improve the overall knowledge and understanding of all stakeholders regarding the Fund's**

sui generis governance structure; and to actively engage in communication with all stakeholders on the Fund's identity, challenges and priorities, with the support of staff pension committee secretaries and the staff pension committees of all member organizations.

347. **The Board requests the CEO to report on its implementation at the sixty-second session of the Board.**

Chapter XI
Benefit provisions of the Fund

A. Application of paragraph 26 of the pension adjustment system

348. The Board recalled that the Pension Adjustment System of the Fund includes specific provisions associated with the calculation and ongoing comparative feature of the pension benefits under the two-track option.

349. The Board was reminded that paragraph 26 of the Pension Adjustment System addresses the measures that may be exercised by the CEO at his/her discretion when the local currency track benefits cannot be calculated or the calculation results in aberrant benefit levels compared to the dollar track benefit. In general, paragraph 26 is applied when the economic, political or financial situation within a specific country results in circumstances that cause the local currency track benefit paid, to some or all of the beneficiaries residing in a specific country who elected to receive benefits under the two-track system, to no longer meet the principles of the pension adjustment system.

350. The Board was then informed that, in accordance with paragraph 26 of the Pension Adjustment System, the CEO had decided to discontinue the establishment of the local currency track benefit in Argentina as of 30 June 2014, as well as the local currency track benefits already in payment as of 31 July 2011. It was noted that the Fund had been monitoring Argentina for many years. The factors included in the Fund's review were: current and 36-month average exchange rates, historical inflation rates, income replacement ratios, per capita income, date of retirement and reports of the International Monetary Fund. **The Board noted the discontinuation of the application of the local currency track benefits in Argentina.**

351. Owing to the complexities of monitoring the two-track feature within the context of paragraph 26, the Board was informed that the CEO had implemented a semi-annual systematic review of the currency fluctuations vis-à-vis the United States dollar, as well as the inflation in countries where retirees and beneficiaries of the Fund have elected a local currency benefit. The results of the reviews in 2013 were summarized for the Board, and it was noted that, after extensive review, four countries had been posted on a watch list, indicating that detailed reviews would continue to be completed. Those countries were Ethiopia, Nigeria, the Syrian Arab Republic and Uruguay. However, it was noted that this systematic monitoring was only one step in developing consistent and detailed administrative and economic parameters for future administration of the system, given the complexity created for managing over 190 countries in the two-track system.

352. The Board was reminded of the comments of the Committee of Actuaries: (a) on the complexity of the system and that the diverse economic situations that could arise in the many countries where the Fund's retirees and beneficiaries reside, represent a technical challenge in the administration of the pension adjustment system; and (b) that it welcomed the opportunity to assist the Fund secretariat in the review and development of possible financial and administrative parameters, under paragraph 26, should the Board agree to such an analysis.

353. **Considering the complexity of the two-track feature, the change in the global economic environment relative to the United States dollar since the**

inception of this feature, and the difficulty of consistent administration, the Board requested the CEO to develop possible economic and administrative parameters and updated language for the Pension Adjustment System to assist in the administration of paragraph 26, to be presented for the consideration of the Board at its sixty-third session.

B. Report on the monitoring of the impact of currency fluctuations on pension benefits of the Fund

354. At its sixtieth session, in 2013, the Board requested that the secretary/CEO continue to monitor the impact of currency fluctuations on pension benefits of the Fund for staff professionals and to report thereon to the Board on an annual basis. The note presented at its current session provided an update of the income replacement ratio analysis through 31 December 2013 in order to assist the Board in monitoring the effects of currency fluctuation on retirees whose country of residence is outside the United States for those who elect to receive benefits under the two-track feature of the Pension Adjustment System.

355. For the month of December 2013, the distribution of benefit payments by currency for those retirees and beneficiaries receiving benefits in currencies other than the United States dollar is shown in table 14.

Table 14

Currency	*Amount of monthly payment (millions of United States dollars)*	*Percentage*
Euro	43.0	53.3
Swiss franc	23.4	29.0
Pound sterling	3.6	4.5
Other	10.6	13.2
Total	**80.6**	**100.0**

356. Of the countries using the euro, the top four countries by benefit payment amount as at 31 December 2013 were France (43 per cent), Italy (21 per cent), Austria (20 per cent) and Spain (6 per cent).

357. The income replacement ratios for a sample Professional employee retiring at the top step of the P-4 level with 25 years of service, were presented for the local track benefit compared to the target United States income replacement ratio. Also presented were the income replacement ratios for the dollar track benefit, as converted to the local currency. The countries reflected in this monitoring exercise are France, Austria, Italy, Switzerland and the United Kingdom of Great Britain and Northern Ireland, which account for almost 90 per cent of the Fund´s two-track cases.

358. The results for Austria, France and Italy, where no cost-of-living differential factor applied during the period reviewed, showed that the local currency track amounts have been yielding local currency track income replacement ratios either above or equal to the targeted rate for all separations reviewed since January 2008.

During the same period, given the changing value of the United States dollar compared to the euro, the dollar track benefit has been both above and below the local track benefit.

359. With respect to the local currency track income replacement ratios for Switzerland, it was noted that the cost-of-living differential factor had begun to apply to participants retiring since 1 January 2011. The local currency track appears to be within a reasonable range of the targeted rate. It dropped a few percentage points between January 2009 and December 2010, but has been close to the targeted rate since January 2011, when the cost-of-living differential factor became applicable again. The United States dollar track income replacement ratio is significantly below the targeted rate throughout the period reviewed and the difference became more pronounced with the application of the cost-of-living differential factor in 2011. When compared to the local currency track benefit, this illustrates the financial protection being provided under the two-track feature.

360. The local currency track for residents of the United Kingdom appears to be within a reasonable range of the targeted rate throughout the period reviewed. However, the United States dollar track entitlement from October 2008 through December 2010 is notably higher than the local currency track entitlement, following the strength of the United States dollar against the pound sterling for this time period. The local currency track benefit fell below the targeted rate during the second half of 2012, but the application of the cost-of-living differential factor at the beginning of 2013 brought the ratio back to close to the targeted rate.

361. **The Board took note of the fact that the local currency track pension amounts continue to be maintained at or near the targeted levels for the countries under review. It requested the Fund to continue monitoring the local currency track benefits and to report to the Board on its analysis on an annual basis. The Board further specified that should any major anomalies arise between the annual reports, those should be reported in the interim as and when required and that the retirement age used in the analysis should be revised from 60 to 62.**

C. Changes to the Regulations and Administrative Rules of the Fund

362. The Board was requested to provide several changes to the Regulations and Administrative Rules of the Fund. None of the proposed amendments created new benefits or changed the existing ones, but rather clarified or corrected the language of those provisions in accordance with the current practice of the Fund. Several proposed amendments arose from other documents before the Board.

363. The Board inquired about the reasons to change articles 21 (c) (on participation) and 33 (f) (on disability benefit). It was explained that the first had been proposed to simplify the administration and record-keeping of participation of those staff members who were on extended special leave without pay without paying contributions to the Fund. The second concerned the reduction of a disability benefit in case the beneficiary was in paid employment. It was explained that there was no formula as to how a reduction to a disability benefit would be applied in such cases. In this connection, the participants’ group recalled the discussion on the future possibility of partial disability and, therefore, did not agree to the deletion of article 33 (f), even if it had so far never been applied by the Fund’s secretariat.

364. With regard to article 50 (a), (concerning entry into force of the Regulations), it was noted that the effective date of the Regulations was mentioned in a footnote on the first page of the Regulations booklet, and that there was no need to retain and update the same date in article 50 (a). It was further recalled that article 49 (b) specifically stated that any specific amendments to the Regulations would enter into force from the date specified by the General Assembly. Normally, the effective date of the amendments is either 1 January or 1 April.

365. **The Board approved the proposed amendments to the Fund's Regulations and Rules, as provided in annexes XI and XII to the report.**

D. Small pensions

366. The Board recalled that, as part of the review of pensionable remuneration, the secretariats of ICSC and the Fund had considered the subject of "small pensions" paid by the Fund in 2011. In 2012 and 2013, the Fund secretariat presented to the Board the results of studies it had completed regarding the level of benefits provided through both the small pension and minimum benefit provisions, as well as consideration of possible alternatives for simplification. Those studies were completed with consultation from FAFICS.

367. It was recalled that the minimum benefits provided by the Pension Fund under article 28 of the Regulations and under the small pension provisions of the pension adjustment system were considered reasonable in amount, but that they were complicated and overlap. It was further noted that, in terms of replacement ratios, after 10 years of contributory service the minimum benefit provisions contained in article 28 almost double the regular benefit payable from the Fund for all of the locations considered in the study, except Chile, France, Switzerland and the United States. The total replacement ratio for those receiving the minimum benefit adjustment ranges from just above 20 per cent to above 40 per cent of final pensionable remuneration. After 15 years of contributory service, the regular benefit formula provides a more substantial portion of the benefit paid, with the minimum benefit provisions contained in article 28 adding about 6 per cent of final pensionable remuneration for two thirds of the countries. However, for staff at the G-2 and G-4 level with 15 years of service, the small pension adjustment adds substantially to benefit levels, creating replacement ratios ranging between 30 per cent and 70 per cent of final pensionable remuneration for the majority of countries in the study. At higher pay levels, represented by the examples at the G-7 level, the small pension adjustment no longer applies.

368. In considering alternative designs for the minimum benefit and small pension provisions, the secretary/CEO noted in 2013 to the Board that, owing to the uniqueness of the current design, it was not possible to develop an exact replication of the current benefit levels when considering the goal of simplification. However, a sample alternative was presented to the Board at that time to elicit comments and guidance on redesigning the minimum benefit. In a separate sessional note to the Board on Small Pensions, FAFICS supported the approach of the secretariat in the development of the minimum benefit alternative. FAFICS recognized that the Fund would continue to develop additional alternatives and it welcomed continued involvement in that process. However, FAFICS recalled that it had requested the study on small pensions because there had been no increase in the small pension

adjustment thresholds since 1995. Thus, FAFICS also suggested that the secretary/CEO consider a possible interim adjustment to the small pension thresholds in its study.

369. In 2013, the Board took note of the detailed analyses completed by both the Fund secretariat and FAFICS on the current small pension provisions and requested that the secretary/CEO continue the development of sample alternatives, including those presented by FAFICS, as well as a possible interim adjustment to the thresholds. In response to the Board's request, the Fund secretariat presented two alternatives for the Board to consider at its current session for updating the small pension table on an interim basis, as follows:

A. Update the table on a one-time basis, effective 1 April 2016. The date of 1 April would coordinate with other retiree benefit updates, such as periodic cost-of-living increases. A one-time adjustment to this table, in an amount such as 5 per cent or 10 per cent, would have a negligible increase in the actuarial costs of the Fund.

B. Provide for an indexed increase in the table, such as the cost-of-living increase periodically applied to the United States dollar track benefit for all retirees under the pension adjustment system. An ongoing increase to the table would have a higher cost to the Fund as it would result in applying future increases into perpetuity. An alternative to this approach would be a cost-of-living increase only for a specified period of time, say until 2017, to limit the cost of this improvement until a long term solution on minimum benefits can be agreed upon. It was suggested that this could become effective as from the first consumer price index adjustment due on or after 1 April 2016. It was noted that the Fund's consulting actuary had not yet calculated the cost of providing this solution with an unlimited time horizon.

370. In considering an interim adjustment to the threshold, the Board recalled the fact that the Fund was still in a deficit position. It further recalled that it had considered many changes to the benefit provisions of the Regulations and the pension adjustment system over the past decade and had recommended a few benefit improvements to the General Assembly, which it had approved in 2002, in principle, but subject to the Fund showing a clear upward pattern of surpluses. In this connection, one member of the Governing Bodies noted the two benefit improvements that had been considered priorities, namely: (a) the elimination of the 0.5 per cent reduction in the first cost-of-living adjustment due after retirement (estimated actuarial cost determined to be 0.15 per cent of pensionable remuneration); and (b) the commencement of cost-of-living adjustments for deferred retirement benefits as from age 50 (estimated actuarial cost to be 0.36 per cent of pensionable remuneration).

371. The Board also considered that adding the indexed increase (alternative b) to the small pension table could add actuarial costs to the final solution, if it were to be approved without a long term solution, but it did note that using the index would be a more stable solution when considering future increases to the table. It was also noted that that the alternatives for the redesign of the small pension and minimum benefit provisions are anticipated to be presented to the Board at its session in 2015 for suggested implementation after 2016, as the General Assembly would only be considering the budget items during its session in 2015.

372. FAFICS requested that, given the delays that had already been involved in dealing with this matter the effective date should be brought forward to 2015 since, if the Board were to delay further to 2016, it would mean that no adjustment would have been made for twenty-one years. It was recalled that the Fund was in the midst of IPAS implementation and that the stabilization period that would follow the projected go-live would restrict the Fund's capacity to undertake other changes in the course of 2015.

373. **The Board decided the table of small pension threshold amounts should be adjusted by 10 per cent upwards, on a one-time basis, effective 1 April 2016 (as provided in annex XIII). This would be an interim measure pending a more permanent solution to the question of the linkage between the small pension and minimum benefit provisions, with alternatives being presented to the Board at its session in 2015 for its consideration and information, noting that the decision would be taken in 2016 when the results of the next actuarial valuation would be available.**

Chapter XII
Other matters

A. Report of the 195th meeting of the Standing Committee

374. **The Board approved the report of the 195th meeting of the Standing Committee, held in July 2013, during the sixtieth session of the Pension Board.**

B. Proposed new transfer agreements

375. The Board was requested to approve, subject to the required concurrence of the United Nations General Assembly, the proposed new transfer agreements (annex XIV to the present report) between the Fund and the European Organization for the Exploitation of Meteorological Satellites (EUMETSAT), the European Union Satellite Centre (Sat Cen) and the European Union Institute for Security Studies (ISS).

376. The Board was informed that all three draft transfer agreements were identical to agreements the Fund has previously concluded with the so-called "Coordinated Organizations", as approved by the Pension Board at its fifty-third session, in 2006 (para. 238 of A/61/9) and with which the General Assembly concurred (resolution 61/240, sect. I, para. 6 (b)), effective since 1 January 2007. It was also advised that the Committee of Actuaries had taken note of the draft agreements and reaffirmed its previous recommendation that transfer agreements with the Fund should continue to be actuarially cost neutral.

377. The Board was also requested to take note of the withdrawal of the transfer agreement with the African Development Bank, approved by the Pension Board at its fifty-ninth session in 2012 (see A/67/9, para. 330) and with which the General Assembly concurred (resolution 67/240, para. 11), since the African Development Bank had not signed the approved agreement.

378. The Board asked as to why the African Development Bank had not signed the negotiated transfer agreement. The Fund secretariat informed that the Bank had wanted to make some changes to the already approved transfer agreement and after being informed that it was no longer possible, the Bank had not responded to the Fund's repeated communications.

379. **The Board approved, subject to the required concurrence of the United Nations General Assembly the proposed new transfer agreements. It also took note of the withdrawal of the transfer agreement with the African Development Bank.**

C. United Nations Appeals Tribunal judgements of interest to the Board

380. The Secretary/CEO provided information on three judgements issued by the United Nations Appeals Tribunal since the sixtieth session of the Board in cases where the Board was the Respondent, and also a judgement by the International Labour Organization Administrative Tribunal concerning a disability benefit under the Regulations of the Fund.

381. In two of the United Nations Appeals Tribunal judgements, 2013-UNAT-343: *Larghi v. UNJSPB* and 2013-UNAT-344: *Pio v. UNJSPB*, the retirees resided in Argentina and had requested the suspension of the application of the local currency track as well as payment of their benefits solely on the United States dollar track, in accordance with paragraph 26 of the Pension Adjustment System. At its meeting in July 2012, the Standing Committee upheld the decision of the Secretary/CEO to deny the requests on the grounds that the Government of Argentina was still publishing consumer price index data and the situation in Argentina did not demonstrate aberrant results; where applicable, beneficiaries in Argentina were being paid at 80 per cent of the United States dollar benefit adjusted periodically according to the United States consumer price index and then converted at the prevailing exchange rates to the Argentine peso.

382. The retirees appealed the decision of the Standing Committee to the Appeals Tribunal. The Tribunal set aside the decision of the Standing Committee and remanded the case to the Standing Committee, finding that the Committee had erred in law and fact with regard to the powers vested in the Pension Fund under paragraph 26 of the pension adjustment system. The Tribunal determined the purpose of paragraph 26 as seen in the document. In both cases, the Tribunal addressed allegations concerning the manner in which the Fund had handled the cases. In the case of *Larghi v. UNJSPB*, the Tribunal found that there had been no violation of the Appellant's due process rights in regard to the fact that his was not present at the Standing Committee meeting at which his case was considered as the Committee had his full submission, and representatives from FAFICS were present at the meeting. In the case of *Pio v. UNJSPB*, the Tribunal found that the Appellant had not experienced an inordinate delay in the consideration of his case after it was deferred for consideration at the next meeting of the Standing Committee, and he did not establish that the decision by the Fund not to convene a special meeting of the Standing Committee resulted in any legal error or abuse of authority.

383. The third case, Judgement No. 2013-UNAT-348, *Sidell v. UNJSPB*, concerned a request for a widow's benefit under article 34 of the Fund's Regulations. The widow had not been reported to the Fund as the spouse of the late retiree at the time of his separation from service. The late retiree submitted documents to the Fund more than a year after his separation from service. The Tribunal determined that the benefit should be paid, but only with effect from the date of judgement as there had been negligence on the part of the late retiree in not reporting his spouse following their marriage in December 2000 and before his separation from service in July 2002.

384. The fourth case, *Goodale v. WIPO*, was filed before the International Labour Organization Administrative Tribunal by the Appellant against her employing organization (the World Intellectual Property Organization), following the rejection of her request for a disability benefit by the United Nations Administrative Tribunal. The International Labour Organization Administrative Tribunal dismissed the appeal after the appellant refused to undergo specialized medical examinations ordered by the Tribunal.

385. **The Board took note of the above decisions of the United Nations Appeals Tribunal and the International Labour Organization Administrative Tribunal.**

D. Election of members of the Standing Committee (Rules of Procedure, rule B.1)

386. **The members of the Standing Committee, as elected by the Board in 2014, are listed in annex III to the present report.**

E. Recovery of amounts paid as death or disability benefits from third parties found liable by a court or pursuant to national legislation for the injury or death of a participant

387. At its fifty-ninth session, in 2012, the Board considered a note submitted by the Secretary/CEO following its determination at its fifty-seventh session, in 2010, that a provision allowing recovery from a third party of amounts paid by the Fund as death or disability benefits should be included in the Regulations and Administrative Rules of the Fund and that a draft provision be submitted for its consideration at the fifty-ninth session. The note contained the proposed draft provisions to be included in the Fund's Regulations and Administrative Rules for the Board's consideration. The Board reviewed the proposed provisions and requested that the secretariat revise them to incorporate further specificity with regard to the scope and conditions to be applied in the implementation of the provisions. It, therefore, deferred the matter to its next session.

388. The Secretary/CEO held further consultations with the United Nations Secretariat and other member organizations of the Fund in order to address the main concerns arising from the discussions of the Board in 2012. Special attention was paid to the key principle of avoiding double payment to the participant or his/her beneficiaries. Following the consultations, a further paper was submitted to the Board for consideration at its sixty-first session, which noted that Appendix D to the United Nations Staff Regulations and Rules, as well as its equivalent in some of the other Regulations and Rules of member organizations of the Fund, contains provisions on third-party liability, enabling the organization to seek recovery from a third party in the case of compensation paid on the basis of work-related injury or death caused by a third party.

389. At its earlier session, the Board had approved, in principle, such an enabling provision to allow recovery from a third party in cases where the liability has been established by a court, or in accordance with national legislation. Accordingly, the Secretary/CEO recommended that the Board adopt new provisions in the Fund's Regulations and Administrative Rules in cases where a benefit becomes due as a result of injury, illness or death caused by a third party.

390. **The Board noted the report and recalled its earlier decision to approve the concept of recovery from third parties in principle. It further requested an amendment to the scope of the proposed provisions in the Fund's Regulations and Administrative Rules. The Board further requested that the Secretary/CEO submit at its session in 2016 a revised document which better aligns the legal provisions with the paper presented.**

F. Selection of the members of the Budget Working Group for the review of the 2016-2017 budget to be presented at the Board's session in 2015

391. The Board agreed that the process utilized for its sessions in 2011 and 2013 with respect to the review of the proposed budget had been very successful. It then decided that the process should continue for considering the 2016-2017 budget at its sixty-second session, in 2015.

392. **To that end, the Board appointed the following members to the Budget Working Group for 2015:**

Mr. V. Yossifov (WIPO)	Governing bodies
Mr. D. Chumakov (United Nations)	Governing bodies
Mr. H. Kozaki (United Nations)	Governing bodies (alternate)
Mr. D. Thatchaichawalit (United Nations)	Executive heads
Ms. Y. Mortlock (IOM)	Executive heads
Ms. N. Nagayoshi (United Nations)	Participants
Ms. P. Geddes (WMO)	Participants
Ms. K. Chestopalov	FAFICS
Mr. W. Sach	FAFICS

393. **The Board requested that the CEO and the Representative of the Secretary-General transmit the proposed budget to the Budget Working Group 45 days prior to the Board's sixty-second session, in 2015.**

G. Venue and dates of the sixty-second session of the Pension Board

394. The Board took note of the invitation received from the United Nations Secretariat to host the Board's sixty-second session, in 2015, at its Geneva offices. The Board accepted this invitation on the understanding that it would be preferable thereafter if the United Nations could revert to the regular practice of inviting the Board to meet in New York during budget (odd numbered) years. The Board noted that, as per the established practice, the next session would be for five working days, with training to be held the day preceding the start of the session.

395. **The Board tentatively decided to hold its session in 2015 from 20-24 July in Geneva, pending confirmation by ICSC that their summer session would be held from 27 July to 7 August 2015. It agreed to tentatively schedule the training for 19 July and the Budget Working Group meeting for 15 and 16 July, with the dates to be confirmed later. The Board thanked IAEA for its proposal to host the session in 2016 in Vienna.**

H. Other matters

1. Situation of former Fund participants from the former Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic

396. FAFICS submitted a conference room paper on the situation of former participants in the Fund from the former Union of Soviet Socialist Republics, the Ukrainian Soviet Socialist Republic and the Byelorussian Soviet Socialist Republic. Recalling previous information provided in this regard, FAFICS reported that AFICS-Moscow has recently written to a member of Parliament and the Ombudsman for Human Rights in the Russian Federation requesting that a study be carried out by the Constitutional Court of the Russian Federation as to the legality of Decree Number 229 of 23 March 2001 and its consistency with the Constitution and the international obligations of the Russian Federation.

397. **The Board took note of the paper provided by FAFICS.**

2. FAFICS

398. A member of the Executive Heads recalled the long-standing discussions on the need for appropriate representation of the retirees and beneficiaries on the Board, given the long experience and institutional memory that the retirees and beneficiaries brought to the Board. It was noted that FAFICS is currently allowed to send four representatives and two alternates to the Pension Board, and that representatives are accorded all the rights of members, except the right to vote. FAFICS is also contributing to various consultations and working groups. While FAFICS has many common interests with the participants' group and often attends their meetings, it was noted that FAFICS should also feel free to join the other two groups. The Board recognized the valuable contribution of FAFICS.

Annex I

Member organizations of the United Nations Joint Staff Pension Fund

The member organizations of the United Nations Joint Staff Pension Fund are the United Nations and the following:

European and Mediterranean Plant Protection Organization

Food and Agriculture Organization of the United Nations

International Atomic Energy Agency

International Centre for Genetic Engineering and Biotechnology

International Centre for the Study of the Preservation and Restoration of Cultural Property

International Civil Aviation Organization

International Criminal Court

International Fund for Agricultural Development

International Labour Organization

International Maritime Organization

International Organization for Migration

International Seabed Authority

International Telecommunication Union

International Tribunal for the Law of the Sea

Inter-Parliamentary Union

Special Tribunal for Lebanon

United Nations Educational, Scientific and Cultural Organization

United Nations Industrial Development Organization

World Health Organization

World Intellectual Property Organization

World Meteorological Organization

World Tourism Organization

Annex II

Membership of the Board and attendance at the sixty-first session

1. The following members and alternate members were accredited by the staff pension committees of the organizations members of the United Nations Joint Staff Pension Fund, in accordance with the rules of procedure:

Representing	*Members*	*Alternates*
United Nations		
General Assembly	D. Chumakov (Russian Federation)	H. Kozaki (Japan)
General Assembly	V. M. González Posse (Argentina)	L. Mazemo (Zimbabwe)
General Assembly	P. R. O. Owade (Kenya)	Md. M. Rahman[a] (Bangladesh)
General Assembly	T. Repasch (United States of America)	
Secretary-General	S. Van Buerle* (Australia)	M. Dellar (United States of America)
Secretary-General	C. Pollard* (Guyana)	K. Alford (Australia)
Secretary-General	J. Pozenel (United States of America)	
Secretary-General	D. Thatchaichawalit (Thailand)	
Participants	A. K. Lakhanpal (India)	A. O. Adeniyi (Nigeria)
Participants	G. Candusso (United States of America)	F. Mahmood (Pakistan)
Participants	C. Monier (France)	N. Nagayoshi (Japan)
Food and Agriculture Organization of the United Nations		
Governing body	J. Camarrano (United States of America)	V. Navara (Russian Federation)
Executive head	T. Panuccio[b] (United States of America)	A. Hija (Australia)
Participants	A. Rovira (United States of America)	M. Pace[c] (Italy)

Representing	*Members*	*Alternates*
World Health Organization		
Governing body	A. Henning (Argentina)	M. Tailhades (Switzerland)
Executive head	C. Hennetier Rossier (France)	F. Nocquet (France)
Participants	K. Bruchmann (Germany)	E. Tagnon (France)
United Nations Educational, Scientific and Cultural Organization		
Executive head	E. Sarr (Gambia)	
Participants	E. Voli Bi (Côte d'Ivoire)	
International Labour Organization		
Executive head	J.-C. Villemonteix (France)	
International Atomic Energy Agency		
Governing body	S. A. Rashid (Pakistan)	
Participants	M. Kohl (Austria)	I. Zabaar (Austria)
World Intellectual Property Organization		
Executive head	C. Ruggerio (United States of America)	
Participants	Y. Lonergan (Switzerland)	
International Civil Aviation Organization		
Governing body	D. Méndez (Mexico)	
Participants	J.-P. Mercier (Canada)	
International Telecommunication Union		
Executive head	M. Wilson (Ghana)	
World Meteorological Organization		
Participants	P. Geddes (United Kingdom of Great Britain and Northern Ireland)	
International Maritime Organization		
Governing body	M. De Gracia (Panama)	P. Gullo (Germany)

2. The following attended the session of the Board as representatives, observers or secretaries of staff pension committees, in accordance with the rules of procedure:

Representatives	*Organization*	*Representing*
F. Léger	ILO	Participants
A. Lomponda	IAEA	Executive head
S. Antonopoulou	UNIDO	Executive head
G. Boldt	UNIDO	Participants
V. Yossifov	WIPO	Governing body
R. Bhalla	ICAO	Executive head
P. Kantchev	ITU	Governing body
P. Ransome	ITU	Participants
C. Dahoui[d]	IMO	Executive head
S.-J. Kim	IMO	Participants
M. Rampedi	IFAD	Governing body
A. Saitto	IFAD	Participants
K. Chestopalov	FAFICS	Pensioners
A. Prien	FAFICS	Pensioners
L. Saputelli	FAFICS	Pensioners
G. Schramek	FAFICS	Pensioners
M. Seenappa (Alt.)	FAFICS	Pensioners
L. D. Ouedraogo (Alt.)	FAFICS	Pensioners

Observers	*Organization*
S. Hartmann	ITLOS
A. Holmes	IOM
W. Stoeckl	ICSC
B. Fitzgerald	FICSA
E. Ovcharenko	CCISUA

Secretaries	*Staff pension committees*
K. Guseynova	FAO
B. Sperandio de Llull	WHO
I. Welter	UNESCO
C. McGarry	ILO
R. Sabat	IAEA
R. Dotzauer	UNIDO
T. Dayer	WIPO
K. Balram	ICAO
M. Wilson (see above)	ITU
D. Maffi	WMO
T. Bregliano	IMO
L. Orebi	IFAD
B. Pisani (10-11 July)	ICCROM
M. Moriconi (14-18 July)	ICCROM
Y. Mortlock	IOM
M. Kashou	STL
K. Gaba Kpayedo	ITLOS

3. The following attended all or part of the session of the Board:

Committee of Actuaries

D. Latulippe, Chairman

B. KYS Yen, Rapporteur

Consulting actuary

J. McGrath, Buck Consultants

S. Schulman

Audit Committee

S. Frahler, Chairperson

I. Robertson, Vice-chair

Assets and Liabilities Monitoring Committee

P. Sayour

S. Makokha

Medical Consultant

J. Farmer

Board of Auditors[e]

L. Zhang

L. Fang

OIOS[e]

C. Vierula

F. Salon

M. Lawrence-Hume

D. C. Dell'Accio

Investments Committee (11 July)

I. Pictet, Chair

M. Arikawa

M. Klein

N. Kirdar

S. Jiang

G. Oliveros

Representative of the Secretary-General for the Investments of the Fund

Y. Takasu

Investment Management Division

S. Bishopric, Director

A. Singh

T. Shindo

S. Peerthum, Secretary, Investments Committee

Z. Tangonan-Fourcade

A. Rotheroe

T. Hesounova

4. S. B. Arvizú, Chief Executive Officer, and P. Dooley, Deputy Chief Executive Officer, served as Secretary and Deputy Secretary for the session, with the assistance of A. Blythe, F. DeTurris, D. Liberatore, J. Sareva, A. Kapoor, D. Mapondera, K. Toomel, K. Manosalvas, M. Gutierrez and M. C. O'Donnell.

Notes:
* Did not attend.
[a] Second Vice-Chairperson.
[b] Chairperson.
[c] First Vice-Chairperson.
[d] Rapporteur.
[e] By videoconference.

Annex III

Membership of the Standing Committee

Representing	*Members*	*Alternates*
United Nations (Group I)		
General Assembly	V. M. González Posse	L. Mazemo
	T. Repasch	P. R. Owade
		D. Chumakov
Secretary-General	J. Pozenel	D. Thatchaichawalit
	M. Dellar	K. Alford
Participants	N. Nagayoshi[a]	A. O. Adeniyi
	F. Mahmood	G. Candusso
Specialized agencies (Group II)		
Governing body	J. Camarrano (FAO)	
Executive head	C. Hennetier Rossier (WHO)	
Participants	M. Pace (FAO)	
Specialized agencies (Group III)		
Governing body	Did not attend (UNESCO)	
Executive head	A. Lomponda (IAEA)	
Participants	F. Léger (ILO)	
Specialized agencies (Group IV)		
Governing body	V. Yossifov (WIPO)[b]	
Executive head	M. Wilson (ITU)[c]	
Specialized agencies (Group V)		
Participants	P. Geddes (WMO)	

Members	*Alternate/representatives*
Federation of Associations of Former International Civil Servants	
K. Chestopalov	G. Schramek
M. Seenappa	L. D. Ouedraogo

Notes:
[a] First Vice-Chair.
[b] Second Vice-Chair.
[c] Chair.

Annex IV

Statement of the actuarial sufficiency, as at 31 December 2013, of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations

1. In the report on the thirty-second actuarial valuation of the United Nations Joint Staff Pension Fund, the consulting actuary has assessed the actuarial sufficiency of the Fund for the purposes of determining whether there is a requirement for deficiency payments by the member organizations under article 26 of the Regulations of the Fund. The assessment as at 31 December 2013 was based on participant and asset information submitted by the secretariat of the Fund and on the Regulations in effect from 1 January 2014.

2. The demographic and other actuarial assumptions used, including a 6.5 per cent discount rate, were those adopted by the Pension Board at its sixtieth session, in 2013, except that future new participants were not taken into account, and no future salary growth was assumed.

3. The liabilities were calculated on a plan termination methodology. Under that methodology, the accrued entitlements of active participants were measured on the basis of their selecting the benefit of highest actuarial value available to them, assuming termination of employment on the valuation date. The liabilities for pensioners and their beneficiaries were valued on the basis of their accrued pension entitlements as at the valuation date. For the purposes of demonstrating sufficiency under article 26 of the Regulations, no provision was made for pension adjustments subsequent to 31 December 2013.

4. All calculations were performed by the consulting actuary in accordance with established actuarial principles and practices.

5. The results of the calculations are set out in the table below:

Actuarial sufficiency of the Fund as at 31 December 2013

(Millions of United States dollars)

Item	*Amount*
Actuarial value of assets[a]	46 205.1
Actuarial value of accrued benefit entitlements	36 243.5
Surplus	**9 961.6**

[a] Five-year moving average market value methodology, as adopted by the Pension Board for determining the actuarial value of the assets.

6. As indicated in the table above, the actuarial 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. Accordingly, there is no requirement, as at 31 December 2013, for deficiency payments under article 26 of the Regulations of the Fund. The market value of assets as at 31 December 2013 is $51,472.8 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as at the valuation date.

Annex V

Statement of the actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 2013

Introduction

1. The actuarial valuation as at 31 December 2013 was performed on a range of economic assumptions regarding future investment earnings and an assumed long-term inflation assumption of 3.0 per cent. In addition, four sets of participant growth assumptions were used. The remaining actuarial assumptions, which are of a demographic nature, were derived on the basis of the emerging experience of the Fund, in accordance with sound actuarial principles. The assumptions used in the valuation were those adopted by the Pension Board at its sixtieth session, in 2013, based on the recommendations of the Committee of Actuaries.

Actuarial position of the Fund as at 31 December 2013

2. At its meetings in June 2014, the Committee of Actuaries reviewed the results of the actuarial valuation as at 31 December 2013, which was carried out by the consulting actuary. Based on the results of the regular valuation and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the contribution rate of 23.7 per cent of pensionable remuneration was currently sufficient to meet the benefit requirements under the plan, and would be reviewed at the time of the next actuarial valuation, as at 31 December 2015.

Annex VI

Membership of the Committee of Actuaries

Member	*Representing*
B. K. Y. S. Yen (Mauritius)	Region I (African States)
S. Inagaki (Japan)	Region II (Asian States)
T. Parniczky (Hungary)	Region III (Eastern European States)
A. Scardino (Uruguay)	Region IV (Latin American and Caribbean States)
D. Latulippe (Canada)	Region V (Western European and Other States)

Ad hoc member	*Representing*
C. L. Nathal (Mexico)	Region IV (Latin American and Caribbean States)
K. Heubeck (Germany)	Region V (Western Europe and Other States)

Annex VII

Membership of the Investments Committee

Mr. Ivan Pictet (Chair — Switzerland)

Mr. Masakazu Arikawa (Japan)

Mr. Madhav Dhar (India)

Mr. Simon Jiang (China)

Mr. Achim Kassow (Germany)

Mr. Nemir A. Kirdar (Iraq)

Mr. Michael Klein (United States of America)

Ms. Linah K Mohohlo (Botswana)

Mr. Gumersindo Oliveros (Spain)

Annex VIII

Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013

Attached are the financial statements, related schedules and statistical tables of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013. The documentation consists of the following items:

A. Statement of internal control

B. Certification of financial statements

Statement I	**Statement of net assets available for benefits for the years ended 31 December 2013 and 2012**
Statement II	**Statement of changes in net assets available for benefits for the years ended 31 December 2013 and 2012**
Schedule 1	**Statement of comparison of budget and actual amounts in relation to administrative expenses for the biennium 2012-2013**
Schedule 2	**Statement of comparison of budget and actual amounts in relation to administrative expenses for the year ended 2013**

C. Notes to the financial statements for the year ended 31 December 2013

Appendix	**Statistics on the operations of the Fund for the year ended 31 December 2013**
	Table 1. Number of participants
	Table 2. Benefits awarded to participants or their beneficiaries
	Table 3. Analysis of periodic benefits

A. Statement of internal control

Statement of internal control for the year ended 31 December 2013

Scope of responsibility

The United Nations Joint Staff Pension Fund (UNJSPF) was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan and is governed by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.

The Chief Executive Officer of the Fund (CEO), who is also the Secretary of the Board, discharges the Board's responsibility for the administrative supervision of the Fund secretariat. The CEO, under the authority of the Board, collects contributions, ensures record-keeping for the Fund secretariat, certifies benefit payments and deals with other issues related to the Fund's participants and beneficiaries. The CEO is also responsible for ensuring actuarial matters are addressed with a view of maintaining the long-term sustainability and financial health of the Fund.

The investment of the assets of the Fund is the responsibility of the Secretary-General. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the Investment of the Assets of the Fund. The Representative of the Secretary-General has delegated responsibility for the management and accounting of the investments of the Fund. The Representative of the Secretary-General exercises this duty and makes investment decisions after consultation with the Investments Committee and in the light of observations made from time to time by the Pension Board on investment policy.

The CEO and the Representative of the Secretary-General are responsible for establishing and maintaining a sound system of internal controls, in their respective areas of responsibility, to ensure the accomplishment of objectives, the economic use of resources, the reliability and integrity of information, compliance with rules and regulations, and the safeguarding of assets.

The purpose of the system of internal control

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the objectives and to improve performance of the Fund. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness.

Internal control is an ongoing process, effected by the Fund's Governing Bodies, senior management and other personnel, designed to provide reasonable assurance on the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations
- Reliability of reporting
- Compliance with applicable rules and regulations

Capacity to handle risk

The Fund has implemented a well developed governance structure, management process and internal and external oversight mechanisms to adequately identify, assess, manage, monitor and report the risks inherent to its operations. The Fund adopted in 2006 its first enterprise-wide risk management policy aimed at implementing an enterprise-wide risk management framework. The Pension Board approved further updates to the enterprise-wide risk management policy in 2010 and 2012. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development as well as its specific requirements and incorporates risk management best practices developed by the Committee of Sponsoring Organizations of the Treadway Commission.

Risk management and internal control framework of the Fund

The purpose of the enterprise-wide risk management framework is to identify events that may affect the Fund and manage risk within the Fund's risk appetite. The risk management framework of the Fund includes the following components:

- Oversight and advisory bodies: the Pension Board has established specialized committees to conduct oversight and provide advice to the Board on risk management and internal control matters:
  - Audit Committee: the Audit Committee oversees the work of the Fund's internal and external auditors, and receives information on the operation of the enterprise-wide risk management framework;
  - Assets and Liabilities Monitoring Committee: provides advice to the Board with regard to risk management, funding policy, asset-liability management and investment policy.
- Enterprise-wide risk management policy of the Fund: the policy defines the enterprise-wide risk management process that the Fund has in place and specifies its applicability throughout the Fund.
- Enterprise-wide risk assessment: OIOS, the Fund's internal auditors, retains the services of independent consulting firms to prepare risk assessment reports every three years. The last risk assessment exercise was completed in January 2013 and served as a basis to review the Fund's risk management strategies and prepare a risk-based internal audit plan.
- Risk monitoring: the Enterprise-wide Risk Management Working Group, with management representatives from the Investment Management Division and the Fund secretariat, monitors the Fund's risk profile and emerging risks and coordinates the implementation of the Fund-wide risk management strategies. The implementation of risk management process and initiatives is supported by established risk management and compliance functions.

The management of the Fund maintains a comprehensive system of internal controls intended to provide reasonable assurance that assets are safeguarded; that transactions are properly recorded, authorized and are in accordance with applicable rules and regulations; and that there are no material misstatements in the financial statements.

Review of the effectiveness of internal controls

The management review of the Fund and the effectiveness of its internal controls over financial reporting for the financial statement preparation in conformity with IPSAS as of 31 December 2013 is informed by:

- In 2013, the Fund continued with the implementation of several initiatives for the strengthening of the internal control system, including the statement of internal control. The development of the statement of internal control for the year ended 31 December 2013 involved: the analysis of business processes; the identification of key financial reporting risks; and the identification, description and documentation of key controls over financial reporting that support the preparation of the financial statements of the Fund. The preparation of the statement of internal control did not involve the testing of internal controls over financial reporting by the Fund's management;

- The management of the Fund also derives assurance from assertion letters on the effectiveness of internal controls over financial reporting signed by key officers of the Fund. Those letters recognize the responsibility of each of the officers for implementing, maintaining and executing internal controls for financial reporting risks and for reporting any deficiencies identified;
- An independent service auditor performed an independent service audit on the controls applied by Northern Trust — the master record keeper for the Fund's investments. The audit was conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the Internal Auditing and Assurance Standards Board. The audit concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved;
- The Audit Committee monitored the implementation of the annual internal audit plan and reviewed the results of audit examinations and the implementation of audit recommendations. The Fund's CEO, the Representative of the Secretary-General, the CFO, and internal and external auditors were given full access to the Audit Committee, to discuss the adequacy of internal control over external financial reporting and any other matters which they believed should be brought to the attention of the Audit Committee;
- The Fund relies on the work of OIOS, the Fund's internal auditors, for obtaining assurance that internal controls are adequate and functioning effectively. In the execution of its audit plan, OIOS conducted audit examinations in high risk areas to provide assurance on the effectiveness of internal controls and identify control deficiencies. The internal audit examinations have resulted in the issuance of audit recommendations. The CEO and the Representative of the Secretary-General, in their respective areas of responsibility, have taken appropriate actions to address audit recommendations;
- The United Nations Board of Auditors, the external auditors of the Fund, conducted an independent examination of the Fund's financial statements, performing such tests and other procedures as they considered necessary to express an opinion in their annual audit report. The external auditors were given full and unrestricted access to all financial records and related data, and to the Fund's management and the Audit Committee to discuss any findings related to the integrity and reliability of the financial reporting of the Fund and the adequacy of internal control systems. The management of the Fund believes that all representations made to the external auditors during their audit of financial statements and attestations of its internal control over financial reporting were valid and appropriate. The Board of Auditors report accompanies the financial statements.

Significant internal control matters arising during the year

The statement of internal control for the year ended 31 December 2013 draws attention to key areas impacting operations or financial statements where significant progress has been made:

- At its 60th session, in July 2013, the Pension Board approved the establishment of the Assets and Liabilities Monitoring Committee, in order to enhance communications between the Fund's management and the Board on investment policy and strategy and to enable the Fund to better monitor the long-term sustainability of the Fund. The Assets and Liabilities Monitoring Committee had its first meeting in February 2014. The Committee will present a report with recommendations for consideration of the Pension Board in July 2014;

- During the year 2013, the Fund maintained discussions with the secretaries of the staff pension committees of its member organizations to review the terms of reference for the staff pension committees and secretaries. The Fund works in partnership with its member organizations, staff pension committees and committee secretaries to best serve the participants and beneficiaries of the Fund. The revised terms of reference aim to clarify the roles of the member organizations of the Fund, the staff pension committees and committee secretaries and properly delineate their responsibilities and accountability among other aspects in regard to the financial and human resources information provided to the Fund. The Fund will present a revised version of the terms of reference for the approval of the Pension Board in July 2014.

Statement

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error or circumvention. Accordingly, even effective internal controls can provide only reasonable but not absolute assurance. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

We are committed, within the scope of our respective areas of responsibility, to address any weaknesses in internal controls noted during the year and to ensure that continuous improvement of the system of internal controls in place.

On the basis of the above, we conclude that to our best knowledge and information, there are no material weaknesses, in our respective areas of responsibility, that would need to be raised in the present document for the year ended 31 December 2013.

(*Signed*) Sergio B. **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Maria Eugenia **Casar**
Representative of the Secretary-General
for the Investment of the Assets of the Fund

21 April 2014

B. Certification of financial statements

Certification of financial statements for the year ended 31 December 2013

The financial statements of the United Nations Joint Staff Pension Fund are prepared by management and submitted for approval to the Pension Board. The financial statements have been prepared in accordance with IPSAS issued by the International Public Sector Accounting Standards Board. They include certain amounts based on management's judgements and best estimates when deemed appropriate.

The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. These notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by these statements, for which the CEO and the Representative of the Secretary-General for the Investment of the Assets of the Fund have administrative responsibility. The CEO and the Representative of the Secretary-General certify the financial statements within the scope of their respective functions.

The Chief Financial Officer (CFO) reports to the CEO and to the Representative of the Secretary-General in their respective substantive responsibilities and certifies the integrity and reliability of the financial statements.

(*Signed*) Sergio B. **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Maria Eugenia **Casar**
Representative of the Secretary-General
for the Investment of the Assets of the
United Nations Joint Staff Pension Fund

(*Signed*) Dennis **Liberatore**
Chief Financial Officer, ad interim
United Nations Joint Staff Pension Fund

21 April 2014

Statement I

Statement of net assets available for benefits for the years ended 31 December 2013 and 2012

(United States dollars)

	Reference	*2013*	*2012*
Assets			
Cash and cash equivalents	Note 5	2 005 890	1 227 333
Investments	Notes 4, 6, 7		
Short-term investments		47 478	49 079
Equities		33 492 217	28 267 504
Fixed income		12 219 906	12 352 135
Real assets		2 400 046	2 073 880
Alternatives and other investments		1 184 413	701 302
		49 344 060	**43 443 900**
Contributions receivable		34 309	25 417
Accrued income from investments	Note 8	163 466	176 749
Receivable from investments traded	Note 6	18 413	33 113
Withholding tax receivable	Note 9	9 355	13 980
Other assets	Note 10	52 983	31 925
Total assets		**51 628 476**	**44 952 417**
Liabilities			
Benefits payable	Note 11	60 493	54 800
Payable from investments traded	Note 6	14 513	51 188
After-service health insurance and other employee benefits payable	Note 12	56 319	58 195
Other accruals and liabilities	Note 13	24 397	29 165
Total liabilities		**155 722**	**193 348**
Net assets available for benefits		**51 472 754**	**44 759 069**

Statement II

Statement of changes in net assets available for benefits for the years ended 31 December 2013 and 2012

(United States dollars)

	Reference	*2013*	*2012*
Investment income	Note 14		
Net appreciation (depreciation) in fair value of investments		6 386 946	3 898 576
Interest income		398 072	442 007
Dividend income	Note 4	761 728	686 913
Income from real assets	Note 4	36 587	32 220
Income from alternative and other investments	Note 4	–	–
Foreign currency (losses) and gain		(558 924)	120 447
Less: transaction costs and management fees		(101 548)	(86 801)
		6 922 861	**5 093 362**
Contributions	Note 15		
From participants		737 197	724 514
From member organizations		1 464 879	1 435 039
Other		4 596	3 805
		2 206 672	**2 163 358**
Other income	Note 16	1 083	5 116
Benefit payments	Note 17		
From withdrawal settlements and full commutation benefits		142 669	122 235
From retirements benefits		2 193 340	2 104 557
Other		1 779	1 091
		2 337 788	**2 227 883**
Administrative expenses	Note 18		
Administrative expenses		60 850	67 815
Small capitalization fund management fees		8 653	6 795
		69 503	**74 610**
Other expenses	Note 19	6 430	3 970
Withholding tax expense	Note 4	3 210	5 490
Change in net assets available for benefits		**6 713 685**	**4 949 883**

Schedule 1

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2012-2013

(Thousands of United States dollars)

	Initial appropriation 2012-2013			*Final appropriation 2012-2013*			*Acutals on a comparable basis 2012-2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
A. Secretariat administrative expenses													
Established posts	30 916.5	12 225.2	43 141.7	30 395.0	12 484.8	42 879.8	29 531.3	12 275.8	41 807.1	(863.7)	(209.0)	(1 072.7)	-3
Other staff costs	2 862.1	803.3	3 665.4	3 133.8	782.4	3 916.2	2 999.0	737.1	3 736.1	(134.8)	(45.3)	(180.1)	-5
Consultants	306.7	–	306.7	372.3	–	372.3	354.5	–	354.5	(17.8)	–	(17.8)	-5
Travel of staff	728.5	–	728.5	728.3		728.3	633.2	–	633.2	(95.1)	–	(95.1)	-13
Committee of actuaries and audit committee	523.0	–	523.0	493.0		493.0	484.3	–	484.3	(8.7)	–	(8.7)	-2
Travel	**1 251.5**	**–**	**1 251.5**	**1 221.3**	**–**	**1 221.3**	**1 117.5**	**–**	**1 117.5**	**(103.8)**	**–**	**(103.8)**	**-8**
Training	**339.4**	**–**	**339.4**	**280.0**	**–**	**280.0**	**214.0**		**214.0**	**(66.0)**	**–**	**(66.0)**	**-24**
International Computing Centre Services	12 900.2	2 742.1	15 642.3	13 810.2	2 742.1	16 552.3	13 032.5	2 742.1	15 774.6	(777.7)	–	(777.7)	-5
Contractual services	16 182.5	723.9	16 906.4	14 273.3	723.7	14 997.0	12 696.9	688.9	13 385.8	(1 576.4)	(34.8)	(1 611.2)	-11
Contractual services	**29 082.7**	**3 466.0**	**32 548.7**	**28 083.5**	**3 465.8**	**31 549.3**	**25 729.4**	**3 431.0**	**29 160.4**	**(2 354.1)**	**(34.8)**	**(2 388.9)**	**-8**
Hospitality	**4.1**	**–**	**4.1**	**4.6**	**–**	**4.6**	**5.8**	**–**	**5.8**	**1.2**	**–**	**1.2**	**26**
Rental and maintenance of premises	6 591.2	3 167.4	9 758.6	6 590.9	3 167.5	9 758.4	6 136.6	3 001.5	9 138.1	(454.3)	(166.0)	(620.3)	-6
Rental and maintenance of equipment	72.4	–	72.4	82.2	–	82.2	65.0	–	65.0	(17.2)	–	(17.2)	-21
Communications services	1 149.8	–	1 149.8	1 149.8	–	1 149.8	779.7	–	779.7	(370.1)	–	(370.1)	-32
Operating expenses	361.7	8.5	370.2	333.3	8.4	341.7	564.9	0.1	565.0	231.6	(8.3)	223.3	65
Bank charges	3 066.0	–	3 066.0	3 066.0	–	3 066.0	2 088.7	–	2 088.7	(977.3)	–	(977.3)	-32
General operating expenses	**11 241.1**	**3 175.9**	**14 417.0**	**11 222.2**	**3 175.9**	**14 398.1**	**9 634.9**	**3 001.6**	**12 636.5**	**(1 587.3)**	**(174.3)**	**(1 761.6)**	**-12**
Supplies and materials	135.4	54.5	189.9	143.5	47.8	191.3	122.3	49.8	172.1	(21.2)	2.0	(19.2)	-10
Furniture and equipment	1 527.4	528.0	2 055.4	1 524.6	534.4	2 059.0	922.1	243.9	1 166.0	(602.5)	(290.5)	(893.0)	-43
Supplies furniture and equipment	**1 662.8**	**582.5**	**2 245.3**	**1 668.1**	**582.2**	**2 250.3**	**1 044.4**	**293.7**	**1 338.1**	**(623.7)**	**(288.5)**	**(912.2)**	**-41**
Total	**77 666.9**	**20 252.9**	**97 919.8**	**76 380.8**	**20 491.1**	**96 871.9**	**70 630.8**	**19 739.2**	**90 370.0**	**(5 750.0)**	**(751.9)**	**(6 501.9)**	**-7**

Schedule 1 (continued)

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2012-2013

	Initial appropriation 2012-2013			*Final appropriation 2012-2013*			*Acutals on a comparable basis 2012-2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
B. Investment administrative expenses													
Established posts	17 830.9	–	17 830.9	16 237.0		16 237.0	15 883.9		15 883.9	(353.1)		(353.1)	-2
Other staff costs	2 385.9	–	2 385.9	2 411.3		2 411.3	2 063.3		2 063.3	(348.0)		(348.0)	-14
Consultants	1 201.7	–	1 201.7	1 060.6		1 060.6	504.4		504.4	(556.2)		(556.2)	-52
Travel of staff	1 546.2	–	1 546.2	968.3		968.3	732.9		732.9	(235.4)		(235.4)	-24
Investment Committee	497.7	–	497.7	497.7		497.7	463.9		463.9	(33.8)		(33.8)	-7
Travel	**2 043.9**	**–**	**2 043.9**	**1 466.0**	**–**	**1 466.0**	**1 196.8**	**–**	**1 196.8**	**(269.2)**	**–**	**(269.2)**	**-18**
Training	**567.3**	**–**	**567.3**	**406.5**		**406.5**	**189.9**		**189.9**	**(216.6)**		**(216.6)**	**-53**
Electronic-data processing and other contractual services	13 224.9	–	13 224.9	13 126.6		13 126.6	6 966.4		6 966.4	(6 160.2)		(6 160.2)	-47
External legal consultants	3 066.0	–	3 066.0	3 066.9		3 066.9	1 717.3		1 717.3	(1 349.6)		(1 349.6)	-44
Investment reference services	–	–	–	–		–	0.2		0.2	0.2		0.2	–
Advisory and custodial fees	47 628.3	–	47 628.3	42 743.9		42 743.9	37 350.9		37 350.9	(5 393.0)		(5 393.0)	-13
Contractual services	**63 919.2**	**–**	**63 919.2**	**58 937.4**	**–**	**58 937.4**	**46 034.8**	**–**	**46 034.8**	**(12 902.6)**	**–**	**(12 902.6)**	**-22**
Hospitality	**22.5**	**–**	**22.5**	**22.6**		**22.6**	**19.6**		**19.6**	**(3.0)**		**(3.0)**	**-13**
Rental and maintenance of premises	3 827.8	–	3 827.8	3 827.8		3 827.8	3 356.7		3 356.7	(471.1)		(471.1)	-12
Rental and maintenance of equipment	36.8	–	36.8	36.8		36.8	26.5		26.5	(10.3)		(10.3)	-28
Operating expenses	648.0	–	648.0	647.4		647.4	262.5		262.5	(384.9)		(384.9)	-59
General operating expenses	**4 512.6**	**–**	**4 512.6**	**4 512.0**	**–**	**4 512.0**	**3 645.7**	**–**	**3 645.7**	**(866.3)**	**–**	**(866.3)**	**-19**
Supplies and materials	163.5	–	163.5	162.6		162.6	150.6		150.6	(12.0)		(12.0)	-7
Furniture and equipment	715.5	–	715.5	714.8		714.8	86.0		86.0	(628.8)		(628.8)	-88
Supplies furniture and equipment	**879.0**	**–**	**879.0**	**877.4**	**–**	**877.4**	**236.6**	**–**	**236.6**	**(640.8)**	**–**	**(640.8)**	**-73**
Total	**93 363.0**	**–**	**93 363.0**	**85 930.8**	**–**	**85 930.8**	**69 775.0**	**–**	**69 775.0**	**(16 155.8)**	**–**	**(16 155.8)**	**-19**

Schedule 1 (continued)

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2012-2013

	Initial appropriation 2012-2013			*Final appropriation 2012-2013*			*Acutals on a comparable basis 2012-2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
C. Audit expenses													
External audit	**659.8**	**132.0**	**791.8**	**645.6**	**129.1**	**774.7**	**645.5**	**129.1**	**774.6**	**(0.1)**	**–**	**(0.1)**	**0**
Internal audit	**1 518.6**	**303.4**	**1 822.0**	**1 546.9**	**309.4**	**1 856.3**	**1 450.1**	**290.0**	**1 740.1**	**(96.8)**	**(19.4)**	**(116.2)**	**-6**
Total	**2 178.4**	**435.4**	**2 613.8**	**2 192.5**	**438.5**	**2 631.0**	**2 095.6**	**419.1**	**2 514.7**	**(96.9)**	**(19.4)**	**(116.3)**	**-4**
D. Board expenses	**204.4**	**–**	**204.4**	**296.9**	**–**	**296.9**	**269.9**	**–**	**269.9**	**(27.0)**	**–**	**(27.0)**	**-9**
Total administrative expenses	**173 412.7**	**20 688.3**	**194 101.0**	**164 801.0**	**20 929.6**	**185 730.6**	**142 771.3**	**20 158.3**	**162 929.6**	**(22 029.7)**	**(771.3)**	**(22 801.0)**	**-12**

The purpose of Schedule 1 is to compare budget to actual amounts for the biennium 2012-2013 on a comparable basis, i.e., actual amounts on the same basis as the budget. As the budget of the Pension Fund is prepared on a modified cash basis biannually and the actual on a comparable basis are consequently also on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis annually.

Schedule 1 (continued)

Explanation of significant differences (> +/-10%) between budget and actuals on a comparable basis

Fund secretariat administrative expenses

Training: The underutilization is attributable mainly to reduced expenditure in the Information Management Systems Service related to the IPAS implementation and forecasted future efficiencies. The change management that will drive the staff through a new process-driven methodology indirectly impacted the training budget forecasts. Training needs were less than anticipated in 2013 due to the gradual shifting to the new enterprise resource planning platform and its new processes. The Fund has developed a training plan for IPAS users which will be implemented in 2014.

Hospitality: The slight overutilization is owing to the cost of hosting an additional hospitality event.

General operating expenses: The underutilization is owing partly to a reduction in bank fees attributable to negotiations undertaken to implement a new reduced bank fee structure and efforts to streamline payment instructions. The underutilization is also attributable to reduced expenditure on maintenance of premises owing to the deferral of a planned project to replace carpet; and underutilization of communications services due to efficiencies resulting from the reorganization of communication equipment and the new usage policies. Further savings were achieved thorough a centralized approach to communications management.

Supplies and materials and furniture and equipment: The underutilization of supplies and materials is owing to lower than anticipated requirements and to efficiencies that were implemented in preparation for the new enterprise resource planning environment. The underutilization of IT equipment is related mainly to the IPAS project, as the installation of some critical systems that was planned for 2013 has been postponed to 2014.

Investment administrative expenses

Other staff costs: the underutilization is attributable mainly to staff in general temporary assistance positions leaving earlier than anticipated and to some delays in the recruitment of general temporary assistance positions owing to selected staff not being released in a timely manner or in cases where the selected candidate was not able to take up the position. The filling of some positions in the Information Systems Service that are funded by general temporary assistance were also deferred to late 2013 owing to delays in procuring and implementing some of the projects related to the restructure of systems in the Investment Management Division.

Consultants: the underutilization resulted from the postponement of planned consultancies relating to hedge fund monitoring procedures, frontier market strategy, and socially responsible investments owing to the fact that the market environment was not supportive of those types of investments; and from services and data being provided by service providers who had contracts with the Investment Management Division. The underutilization also resulted from the postponement of a consultancy with a technical writer, owing to the need for a comprehensive review of the entire information technology and systems infrastructure of the Investment Management Division.

Travel: the underutilization is owing to a number of factors, including a reduced number of trips and a reduction in the number of travel days owing to the limited number of staff and to exigencies of service in order to ensure proper portfolio coverage and the completion of priority projects. When possible, the travel was limited by the use of videoconferences, by combining trips and by taking advantage of company visits to New York.

Training: the underutilization is owing to: an intensified effort to take advantage of training in the greater New York area to reduce related travel costs; seminars and conferences that were organized by business partners of the Investment Management Division which staff of the Division were able to attend at zero or reduced cost; and the deferral or postponement of training owing to exigencies of service.

Contractual services: the underutilization is primarily the result of negotiated savings in fees and from delays in procuring new services. In particular, there was a deferral and rearrangement of the execution of cost analysis services, the data hub project, and the upgrade of the trade order management system Charles River and implementation of Murex. There were also delays in the procurement of contracts with the public real estate manager and the analytical tools provider; in addition, the decision was made to delay contractual arrangements with a hedge funds adviser until adequate staffing was in place for that asset class.

Hospitality: the underutilization is attributable mainly to lower numbers than anticipated of participants in hospitality events.

General operating expenses: the overall underutilization is attributable mainly to reduced expenditure on rental and maintenance of premises owing to a contribution received from the landlord towards the cost of improvements to the Fund's premises; and to an underutilization of operating costs as a result of the absorption of disaster recovery services in Geneva and New York by rebates that the vendor, UNICC, provided to the Fund.

Supplies and materials and furniture and equipment: the underutilization is attributable mainly to deferral of the upgrade of the UNIX hardware and Oracle database that support the business applications and the purchase of related IT equipment of the Investment Management Division.

Schedule 2

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2013

(Thousands of United States dollars)

	Initial appropriation 2013			*2012 budget balance*[a]			*Revision to appropriations*			*Final budget 2013*			*Actuals on a comparable basis 2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Per-cen-tage*
A. Secretariat administrative expenses																			
Established posts	15 458.3	6 112.6	21 570.9	898.5	(33.1)	865.4	(521.3)	259.5	(261.8)	15 835.5	6 339.0	22 174.5	14 971.5	6 130.1	21 101.6	(864.0)	(208.9)	(1 072.9)	-5
Other staff costs	1 426.7	402.4	1 829.1	(34.9)	9.7	(25.2)	271.7	(20.9)	250.8	1 663.5	391.2	2 054.7	1 528.7	345.9	1 874.6	(134.8)	(45.3)	(180.1)	-9
Consultants	153.8	–	153.8	(219.4)	–	(219.4)	65.6		65.6	–	–	–	(17.8)	–	(17.8)	(17.8)	–	(17.8)	–
Travel of staff	365.5		365.5	(5.5)	–	(5.5)	(0.2)		(0.2)	359.8	–	359.8	264.7	–	264.7	(95.1)	–	(95.1)	-26
Committee of actuaries and audit committee	262.1		262.1	27.7	–	27.7	(30.0)		(30.0)	259.8	–	259.8	251.1	–	251.1	(8.7)	–	(8.7)	-3
Travel	627.6	–	627.6	22.2	–	22.2	(30.2)	–	(30.2)	619.6	–	619.6	515.8	–	515.8	(103.8)	–	(103.8)	-17
Training	170.3	–	170.3	91.9	–	91.9	(59.5)		(59.5)	202.7	–	202.7	136.8	–	136.8	(65.9)	–	(65.9)	-33
International Computing Centre Services	6 469.0	1 375.1	7 844.1	(108.7)	433.6	324.9	910.1		910.1	7 270.4	1 808.7	9 079.1	6 492.7	1 808.8	8 301.5	(777.7)	0.1	(777.6)	-9
Contractual services	8 091.4	362.9	8 454.3	1 214.0	(127.7)	1 086.3	(1 909.3)	(0.1)	(1 909.4)	7 396.1	235.1	7 631.2	5 819.7	200.3	6 020.0	(1 576.4)	(34.8)	(1 611.2)	-21
Contractual services	**14 560.4**	**1 738.0**	**16 298.4**	**1 105.3**	**305.9**	**1 411.2**	**(999.2)**	**(0.1)**	**(999.3)**	**14 666.5**	**2 043.8**	**16 710.3**	**12 312.4**	**2 009.1**	**14 321.5**	**(2 354.1)**	**(34.7)**	**(2 388.8)**	**-14**
Hospitality	2.1		2.1	(1.6)	–	(1.6)	0.5		0.5	1.0	–	1.0	2.2	–	2.2	1.2	–	1.2	120
Rental and maintenance or premises	3 450.6	1 597.0	5 047.6	(2 667.7)	(1 458.8)	(4 126.5)	(0.3)		(0.3)	782.6	138.2	920.8	328.3	(27.7)	300.6	(454.3)	(165.9)	(620.2)	-67
Rental and maintenance of equipment	36.3		36.3	3.1		3.1	9.7		9.7	49.1	–	49.1	32.0	–	32.0	(17.1)		(17.1)	-35
Communications services	576.6		576.6	256.1	–	256.1	–		–	832.7	–	832.7	462.4	–	462.4	(370.3)	–	(370.3)	-44

	Initial appropriation 2013			*2012 budget balance*[a]			*Revision to appropriations*			*Final budget 2013*			*Actuals on a comparable basis 2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Per-cen-tage*
Operating expenses	182.9	4.3	187.2	(100.5)	4.1	(96.4)	(28.4)		(28.4)	54.0	8.4	62.4	285.6	–	285.6	231.6	(8.4)	223.2	358
Bank charges	1 537.5		1 537.5	333.9	–	333.9	–		–	1 871.4	–	1 871.4	894.2	–	894.2	(977.2)	–	(977.2)	-52
General operating expenses	**5 783.9**	**1 601.3**	**7 385.2**	**(2 175.1)**	**(1 454.7)**	**(3 629.8)**	**(19.0)**	**–**	**(19.0)**	**3 589.8**	**146.6**	**3 736.4**	**2 002.5**	**(27.7)**	**1 974.8**	**(1 587.3)**	**(174.3)**	**(1 761.6)**	**-47**
Supplies and materials	71.0	28.8	99.8	10.6	1.1	11.7	8.1	(6.7)	1.4	89.7	23.2	112.9	68.5	25.1	93.6	(21.2)	1.9	(19.3)	-17
Furniture and equipment	766.0	264.8	1 030.8	498.8	162.1	660.9	(2.8)	6.4	3.7	1 262.0	433.3	1 695.3	659.6	142.8	802.4	(602.4)	(290.5)	(892.9)	-53
Supplies, furniture and equipment	**837.0**	**293.6**	**1 130.6**	**509.4**	**163.2**	**672.6**	**5.3**	**(0.3)**	**5.1**	**1 351.7**	**456.5**	**1 808.2**	**728.1**	**167.9**	**896.0**	**(623.6)**	**(288.6)**	**(912.2)**	**-50**
Total	**39 020.1**	**10 147.9**	**49 168.0**	**196.3**	**(1 009.0)**	**(812.7)**	**(1 286.0)**	**238.2**	**(1 047.8)**	**37 930.3**	**9 377.1**	**47 307.4**	**32 180.2**	**8 625.3**	**40 805.5**	**(5 750.1)**	**(751.8)**	**(6 501.9)**	**-14**

[a] Carried forward.

Schedule 2 (continued)

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses

	Initial appropriation 2013			*2012 budget balance[a]*			*Revision to appropriations*			*Final budget 2013*			*Actuals on a comparable basis 2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Per-cen-tage*
B. Investment administrative expenses																			
Established posts	8 915.4		8 915.4	1 338.3	–	1 338.3	(1 593.8)		(1 593.8)	8 659.9	–	8 659.9	8 306.6	–	8 306.6	(353.6)		(353.6)	-4
Other staff costs	1 168.4		1 168.4	133.6	–	133.6	25.4		25.4	1 327.4	–	1 327.4	979.4	–	979.4	(348.0)		(348.0)	-26
Consultants	379.3		379.3	512.3	–	512.3	(141.1)		(141.1)	750.5	–	750.5	194.3	–	194.3	(556.2)		(556.2)	-74
Travel of staff	775.4		775.4	380.0	–	380.0	(578.0)		(578.0)	577.4	–	577.4	342.1	–	342.1	(235.3)		(235.3)	-41
Investment committee	249.6		249.6	(17.5)	–	(17.5)	–		–	232.1		232.1	198.3	–	198.3	(33.8)		(33.8)	-15
Travel	1 025.0	–	1 025.0	362.5	–	362.5	(578.0)	–	(578.0)	809.5	–	809.5	540.4	–	540.4	(269.1)	–	(269.1)	-33
Training	284.5		284.5	172.3	–	172.3	(160.8)		(160.8)	296.0	–	296.0	79.4	–	79.4	(216.6)		(216.6)	-73
EDP and other contractual services	6 657.4		6 657.4	2 242.7	–	2 242.7	(98.2)		(98.2)	8 801.9	–	8 801.9	2 641.6	–	2 641.6	(6 160.3)		(6 160.3)	-70
External legal consultants	1 537.5		1 537.5	301.6	–	301.6	0.9		0.9	1 840.0	–	1 840.0	490.4	–	490.4	(1 349.6)		(1 349.6)	-73
Investment reference services	–		–	(0.2)		(0.2)	–		–	(0.2)		(0.2)	–		–	0.2		0.2	–
Advisory and custodial services	25 800.3		25 800.3	(7 081.0)	–	(7 081.0)	(4 884.4)		(4 884.4)	13 834.9	–	13 834.9	8 441.8	–	8 441.8	(5 393.1)		(5 393.1)	-39
Contractual services	**33 995.2**	**–**	**33 995.2**	**(4 536.9)**	**–**	**(4 536.9)**	**(4 981.7)**	**–**	**(4 981.7)**	**24 476.6**	**–**	**24 476.6**	**11 573.8**	**–**	**11 573.8**	**(12 902.8)**	**–**	**(12 902.8)**	**-53**
Hospitality	11.3		11.3	5.6	–	5.6	0.1		0.1	17.0	–	17.0	14.0	–	14.0	(3.0)		(3.0)	-18
Rental and maintenance of premises	1 915.0		1 915.0	(1 478.0)	–	(1 478.0)	–		–	437.0	–	437.0	(34.1)	–	(34.1)	(471.1)		(471.1)	-108
Rental and maintenance of equipment	18.5		18.5	4.9	–	4.9	–		–	23.4	–	23.4	13.1	–	13.1	(10.3)		(10.3)	-44
Operating expenses	325.0		325.0	185.6	–	185.6	(0.7)		(0.7)	509.9	–	509.9	125.1	–	125.1	(384.8)		(384.8)	-75

	Initial appropriation 2013			2012 budget balance[a]			Revision to appropriations			Final budget 2013			Actuals on a comparable basis 2013			Variance			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
General operating expenses	**2 258.5**	**–**	**2 258.5**	**(1 287.5)**	**–**	**(1 287.5)**	**(0.7)**	**–**	**(0.7)**	**970.3**	**–**	**970.3**	**104.1**	**–**	**104.1**	**(866.2)**	**–**	**(866.2)**	**-89**
Supplies and materials	82.0		82.0	10.8	–	10.8	(0.9)		(0.9)	91.9	–	91.9	79.9	–	79.9	(12.0)		(12.0)	-13
Furniture and equipment	358.8		358.8	271.9	–	271.9	(0.7)		(0.7)	630.0	–	630.0	1.2	–	1.2	(628.8)		(628.8)	-100
Supplies, furniture and equipment	**440.8**	**–**	**440.8**	**282.7**	**–**	**282.7**	**(1.6)**	**–**	**(1.6)**	**721.9**	**–**	**721.9**	**81.1**	**–**	**81.1**	**(640.8)**	**–**	**(640.8)**	**-89**
Total	**48 478.4**	**–**	**48 478.4**	**(3 017.1)**	**–**	**(3 017.1)**	**(7 432.2)**	**–**	**(7 432.2)**	**38 029.1**	**–**	**38 029.1**	**21 873.1**	**–**	**21 873.1**	**(16 156.0)**	**–**	**(16 156.0)**	**-42**

[a] Carried forward.

Schedule 2 (continued)

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year 1 January to 31 December 2013

(Thousands of United States dollars)

	Initial appropriation 2013			*2012 budget balance*[a]			*Revision to appropriations*			*Final budget 2013*			*Actuals on a comparable basis 2013*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Per-centage*
C. Audit expenses																			
External audit	330.9	66.2	397.1	328.9	65.8	394.7	(14.3)	(2.9)	(17.2)	645.5	129.1	774.6	645.5	129.1	774.6	–	–	–	0
Internal audit	763.3	152.5	915.8	(24.7)	(5.1)	(29.8)	28.3	6.0	34.3	766.9	153.4	920.3	670.1	134.0	804.1	(96.8)	(19.4)	(116.2)	-13
Total	**1 094.2**	**218.7**	**1 312.9**	**304.2**	**60.7**	**364.9**	**14.0**	**3.1**	**17.1**	**1 412.4**	**282.5**	**1 694.9**	**1 315.6**	**263.1**	**1 578.7**	**(96.8)**	**(19.4)**	**(116.2)**	**-7**
D. Board expenses	102.5	–	102.5	(60.9)	–	(60.9)	92.5		92.5	134.1	–	134.1	107.1	–	107.1	(27.0)	–	(27.0)	-20
Total administrative expenses	**88 695.2**	**10 366.6**	**99 061.8**	**(2 577.5)**	**(948.3)**	**(3 525.8)**	**(8 611.7)**	**241.3**	**(8 370.4)**	**77 505.9**	**9 659.6**	**87 165.5**	**55 476.0**	**8 888.4**	**64 364.4**	**(22 029.9)**	**(771.2)**	**(22 801.1)**	**-26**

[a] Carried forward.

The purpose of schedule 2 is to compare budget to actual amounts on a comparable basis, i.e., actual amounts on the same basis as the budget. As the budget of the Pension Fund is prepared on a modified cash basis and the actual on a comparable basis are consequently also on a modified cash basis, the total for actual costs on a comparable basis does not agree to the administrative expenses shown in the statement of changes in net assets, as that statement is prepared on an accrual basis. A reconciliation of the differences is provided in note 23.2.

C. Notes to the financial statements for the year ended 31 December 2013

1. Description of the plan

The following is only a brief description of the United Nations Joint Staff Pension Fund. The Regulations and Administrative Rules of the Fund are available at the Fund's website (www.unjspf.org).

1.1 General

The Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see note 3.5).

The Fund is governed by a Pension Board made up of (a) 12 members appointed by the United Nations Staff Pension Committee, four of whom are elected by the General Assembly, four from those appointed by the Secretary-General, and four from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the Rules of Procedure of the Fund, seven of whom are chosen by the bodies of the member organizations corresponding to the General Assembly, seven from those appointed by the chief administrative officers of the member organizations and seven from those chosen by the participants in service.

1.2 Administration of the Fund

The Fund is administered by the United Nations Joint Staff Pension Board (the "Board"), a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.

The Chief Executive Officer of the Fund, who also serves as Secretary of the Pension Board, is appointed by the Secretary-General on the recommendation of the Pension Board.

The CEO is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Regulations and Rules of the Fund and the pension adjustment system. This includes responsibility for: the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions to ensure the smooth functioning of the Investment Management Division.

The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with an Investments Committee. The Secretary-General shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board. Prior to 18 February 2013, the Assistant Secretary-General of the Office of Central Support Services of the United Nations Secretariat was designated as the Representative of the Secretary-General, with responsibility for the management and accounting of the investments of the Fund. Following his retirement, the Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller of the United Nations, was designated as the Representative of the Secretary-General.

The Chief Financial Officer, who reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities, is responsible for formulating financial policy for the Fund, reviewing budgetary, financial and accounting operations of the Pension Fund and ensuring that an adequate financial control environment is in place to protect the Fund’s resources and guarantees the quality and reliability of financial reporting. In addition, the Chief Financial Officer is responsible for setting the rules for the collection from the various information systems and areas of the Fund, of the financial and accounting data necessary for the preparation of the Fund’s financial statements, to which full access is provided. The Chief Financial Officer ensures that the financial statements are in compliance with the Regulations and Rules of the Fund, the accounting standards adopted by the Fund and the decisions of the Pension Board and the General Assembly. The Chief Financial Officer also certifies, together with the Chief Executive Officer and the Representative of the Secretary-General, the Fund’s financial statements.

1.3 Participation in the Fund

Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer or upon completion of six months service without an interruption of more than thirty days. As of 31 December 2013, the Fund had over 120,000 active contributors (participants). Member organizations/agencies include the United Nations Secretariat, UNICEF, UNDP and UNHCR as well as the various specialized agencies, such as WHO, ILO, IAEA, ICAO and UNESCO (see appendix for a complete list of member organizations). There are currently more than 69,900 periodic benefits in payment being made to individuals in some 190 countries. The total annual pension payments, which total approximated are $2.3 billion, are paid in 15 different currencies.

1.4 Operation of the Fund

Participant and beneficiary processing and queries are handled by the operations area of the Fund, at offices located in New York and Geneva. All of the accounting for operations is handled in New York by the centralized Financial Services Section, which also manages receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

The Representative of the Secretary-General is assisted by the staff of the Investment Management Division where investments are actively traded and processed, and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

Article 12 of the Regulations of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.18) provides that the Pension Board shall carry out an actuarial valuation of the Fund at least once every three years. Currently, the Fund is performing actuarial valuations every two years. Article 12 also provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, as well as the recommendations, if any, for appropriate action (see note 20 for the summary of the actuarial situation of the Fund as of the most recent actuarial valuation (31 December 2013)).

1.6 Retirement benefit

Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of his or her life. “Normal retirement age” means age 60 for participants whose service commenced prior to 1 January 1990 and age 62 for participants whose service commenced or recommenced on or after 1 January 1990. On 12 April 2013, the General Assembly decided to support the recommendation of the United Nations Joint Staff Pension Board to raise the mandatory age of separation to age 65 years for new staff of member organizations of the United Nations Joint Staff Pension Fund, effective 1 January 2014.

The standard annual rate of retirement benefit for a participant who enters the Fund on or after 1 January 1983 is the sum of:

(a) 1.5 per cent of final average remuneration multiplied by the first five years of contributory service;

(b) 1.75 per cent of final average remuneration multiplied by the next five years of contributory service;

(c) 2 per cent of final average remuneration multiplied by the years of contributory service in excess of 10, but not exceeding 25; and

(d) The years of contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

The standard annual rate of retirement benefit for a participant who entered the Fund prior to 1 January 1983, is 2 per cent of final average remuneration multiplied by contributory service not exceeding 30 years plus 1 per cent of final average remuneration multiplied by such service in excess of 30 years, not exceeding 10 years.

The maximum benefit to participants at the equivalent level of Under-Secretary-General or Assistant Secretary-General is the greater of 60 per cent of pensionable remuneration at date of separation or the maximum benefit that would be payable, at that date, to a participant at the D-2 level (who has been at the top step for the preceding five years).

The minimum annual rate of retirement benefit is the smaller of $1,003, or one thirtieth of final average remuneration, multiplied by contributory service not exceeding 10 years. The annual rate of the benefit is not less than the smaller of $300 or the final average remuneration of the participant.

"Final average remuneration" means the average annual pensionable remuneration of a participant during the 36 completed months of highest pensionable remuneration within the last 5 years of contributory service.

A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive (a) if the retirement benefit is $300 per annum or more, a lump sum not greater than the larger of one third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level) or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than $300 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

An early retirement benefit is payable to a participant whose age on separation is at least 55 but less than the normal retirement age and who has 5 years or more of contributory service at separation.

The early retirement benefit is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between retirement date and normal retirement age, except that: (a) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year, and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year; provided however that the rate in (a) or (b) applies to no more than five years.

The early retiree may elect to receive a lump sum on the same terms as for a retirement benefit.

Separation from service prior to eligibility for early retirement

A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has 5 years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at or after age 55 on the same terms as for an early retirement benefit.

A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives his or her own contributions increased by 10 per cent for each year of contributory service in excess of 5 years, to a maximum increase of 100 per cent.

1.7 Disability benefit

A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant has reached at least normal retirement age at the time of disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit to which the participant would have been entitled if he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on the account of the participant, than the smaller of $2,541 or the final average remuneration of the participant.

1.8 Survivor's benefit

A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement, or disability benefit at the date of his or her death, or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child benefit

A child's benefit is payable to each child under the age of 21 of a participant who is entitled to a retirement, early retirement, or disability benefit or who has died in service, while the child remains under 21. The benefit may also be payable in certain circumstances to a child that is over the age of 21, such as when the child is found to have been incapacitated for substantial gainful employment. The child benefit for each child is generally one third of any retirement or disability benefit due to a participant or that would have been due in the case of a participant who died in service, subject to certain minimum amounts and also limited in maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Pension adjustment system

The provisions of the Fund's pension adjustment system provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the United States dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its United States dollar amount, as determined under the Regulations, Administrative Rules and pension adjustment system, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (the two-track system).

The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States consumer price index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the consumer price index in the recipient's country of residence.

1.11 Funding policy

As a condition of participation in the United Nations Joint Staff Pension Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan. Present participants' accumulated contributions at 31 December 2013 and 31 December 2012 were $737 million and $725 million, respectively, including interest credited (at an interest rate of 3.25 per cent per year in accordance with article 11 (c) of the Regulations of the Fund).

The member organizations' funding policy is to make contributions on an estimated monthly basis and then to reconcile those estimated amounts in an annual year-end process. The member organizations' contributions are also expressed as a percentage of the participants' pensionable remuneration as defined in article 54 of the Regulations of the Fund. The member organizations' contribution rate is currently 15.8 per cent; those contributions to the Fund totalled $1,465 million and $1,435 million during calendar years 2013 and 2012, respectively. When combined with the participants' contributions and expected investments returns, total funding is estimated to be sufficient to provide for all employees' benefits by the time they retire.

The assets of the Fund are derived from:

(a) The contributions of the participants;

(b) The contributions of the member organizations;

(c) The yield from the investments of the Fund;

(d) Deficiency payments, if any, under article 26;

(e) Receipts from any other source.

1.12 Plan termination terms

Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Board, following application for termination by a member organization or continued default by an organization in its obligations under these Regulations.

In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date, pursuant to an arrangement mutually agreed between such organization and the Board.

The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under these Regulations, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency.

Each member organization shall contribute to this sum an amount proportionate to the total contributions which each paid under article 25 during the three years preceding the valuation date.

The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.13 Changes in funding policy and plan terminations terms during the reporting period

There were no changes in the funding policy and plan termination terms during the reporting period.

2. General information

2.1 Basis of presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (IPSAS), as issued by the International Public Sector Accounting Standards Board. The Fund adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Financial Reporting Standards International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans. While the standard provides accounting guidance, it also offers direction on the presentation of financial statements as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As the Fund has incorporated the guidance in IAS 26 into its financial policies, its financial statements presentation is based on this guidance. Additional information is presented where requested by IPSAS standards, as for instance IPSAS 24, Presentation of budget information in financial statements. As required by this standard, the Fund has included in its financial statements a comparison of budget and actual on a comparable basis (schedules 1 and 2) and a reconciliation of actual and actual on a comparable basis (see note 23). While IPSAS 24 states that the actual on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities as per cash flow, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is owing to the fact that the Fund does not include a cash flow statement in its financial statements and because the Fund's budget is limited to the administrative expenses incurred in a biennium.

The financial statements are prepared on an annual basis. The financial statements are presented in United States dollars, and all values are rounded to the nearest thousand United States dollars except where otherwise indicated.

2.2 Standards, interpretations, and amendments issued but not yet effective

The Fund is not aware of any standards issued that are not yet in effect that would apply to the Fund.

2.3 Other general information

The Fund compiles its own financial statements which consist of data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper collected and reconciled from source data provided by the Investment Management Division, global custodians and fund managers. For its administrative expenses, the Fund utilizes United Nations systems (IMIS) to record and compile its administrative expense activity. The information provided by IMIS is provided on a modified cash basis and subsequently reworked to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the United Nations Staff Pension Committee, are reimbursed by the United Nations under the terms of a cost sharing arrangement. Consequently, the Fund has decided to reflect the reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting as per IPSAS requirements.

3. Significant accounting policies

3.1 Cash and cash equivalents

Cash and cash equivalents are held at nominal value and include cash on hand, cash held with external managers, and short-term highly liquid time deposits held with financial institutions with maturities of three months or less from date of acquisition.

3.2 Investments

3.2.1 Classification of investments

All investments of the Fund are designated at fair value through surplus and deficit. Consequently, the Fund's investments are carried and reported at fair value on the statement of net assets available for benefits with changes in fair value recognized in the statement of changes in net assets available for benefits. Purchases and sales of securities are recorded on trade date basis. The designation and classification of the investments are carried out at initial recognition and reassessed at each reporting date.

Any transaction costs arising as part of an investment trade designated at fair value are expensed and recognized in the statement of changes in net assets.

The Fund splits its investments into the following categories:

- Short-term investments (include fixed income investments maturing more than three months but less than one year from date of acquisition)
- Equities (including exchange-traded funds, common and preferred stocks, stapled securities, publicly traded real estate investment trusts)
- Fixed income (fixed income investments maturing more than a year from acquisition date)
- Real assets (include investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (include investments in private equity, commodity and hedge funds).

3.2.2 Valuation of financial instruments

The Fund uses the established and documented process of its master record keeper for determining fair values which is reviewed and validated by the Fund at reporting date. Fair value is based on quoted market prices where available. If these are not available, valuation techniques are used.

Investments in commingled funds, private equity and private real estate investment funds are usually not quoted in an active market and therefore may not have a readily determinable fair market value. However, the fund managers generally report investments of the funds on a fair value basis. Therefore, the Fund determines fair value using the net asset value information as reported by the investee fund managers in the latest available unaudited quarterly capital account statements. Where the fourth quarter capital account statements are not received by the time the Fund's financial statements are prepared, the fair value is calculated based on the third quarter net asset value reported by the investee fund managers adjusted by any cash flows in the fourth quarter. For financial assets and liabilities not fair valued, the carrying value approximates fair value.

Interest and dividend income

Interest income is recognized on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents, short-term and fixed income investments.

Dividend income is recognized on ex-dividend date when the right to receive payment is established.

3.2.3 Treatment of income distribution on real assets and alternative investments

Income distributed from unitized funds is treated as income in the period in which they are earned.

3.2.4 Receivable/payable from/to investments traded

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits respectively. Those amounts are recognized at the amounts expected to be paid or received to settle the balances. Return of capital under real assets and alternative fund investments declared prior to year end for which the underlying transaction is waiting to be settled, is also included under receivable from investments traded.

A provision for impairment of receivable from investments traded is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the receivable from investments traded is impaired.

3.3 Tax status and withholding tax receivables

The Fund is exempt from national taxation by Member States on the Fund's direct investments in accordance with Article 105 of the Charter of the United

Nations and with article II, section 7 (a) of the 1946 Convention on the Privileges and Immunities of the United Nations. While some Member States grant relief at source for the Fund's income from investments, others withhold taxes at the time dividends are paid. In those instances, the Fund's custodian banks then file claims to the governmental taxing authorities for refund on behalf of the Fund. Although those Member States confirmed the Fund's tax-exempt status, some countries have no formal tax reclamation mechanism in place; i.e., Brazil, China and Turkey. The Fund's Global Custodians and/or sub-custodians have thus far been unable to file and/or reclaim the taxes withheld. The Fund continues its efforts to inform the representatives of such jurisdictions about its tax-exempt status with the objective of accelerating the implementation of tax reclamation procedures. Taxes withheld on direct investments in the jurisdictions cited above are accrued and fully provided for in 2013.

The Fund measures its withholding tax receivable at the amount deemed recoverable.

For disclosure purposes, the tax balances are recorded under "withholding tax receivable" in the statement of net assets available for benefits. Any amount considered to be unrecoverable is taken to the statement of changes in net assets available for benefits and is included under withholding tax expense.

3.4 Critical accounting estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of financial instruments

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed and modified as required. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

Fair value of financial instruments not quoted in an active market may also be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgement on the quantity and quality of pricing sources used. Where no market data is available, the Fund may price positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed and modified as required.

Models use observable data, to the extent practicable. However, areas such as credit risk (both the Fund and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about those factors could affect the reported fair value of financial instruments.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding tax. Given the wide range of international investments, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

Impairment

Annual review to assess potential impairment is another area where the Fund exercises significant judgement.

Bad debt provision for the Fund's non-investment-related receivables

A provision is established to properly reflect the accurate position of the accounts receivable, for all non-performing overpayments of pension benefits that are two years or older as of the respective year-end date of the financial statements.

Please refer to disclosure note 20 for information on assumptions used for actuarial purposes.

3.5 Contributions

Contributions are recorded on an accrual basis. Participants and their employing member organizations are required to contribute 7.9 per cent and 15.8 per cent, respectively, of their pensionable remuneration to the Fund. Each month the Fund accrues a receivable amount for contributions expected. When contributions are actually received, the receivable is offset. Contributions are due to be paid by member organizations by the second business day of the month following the month for which the contributions relate. The contributions vary based on changes in the number of participants, in the distribution of participants, in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and in the yearly grade step-increase to the individual pensionable remuneration received by all participants.

3.6 Benefits

Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

3.7 Accounting for non-United States dollar denominated currency translations and balances

Non-United States dollar denominated currency transactions are translated using the spot exchange rate between the functional currency and the non-United States dollar denominated currency at the date of the transaction.

At each reporting date, non-United States dollar denominated monetary items are translated using the closing spot rate. Exchange differences arising on the settlement of these monetary items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the change in net assets available for benefits in the period in which they arise.

3.8 Leases

All of the Fund's leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. All assets acquired for a cost of $20,000 and above will be capitalized. The Fund reviews this threshold annually for reasonableness. The Fund owns no land or buildings.

Depreciation is provided for property, plant and equipment over their estimated useful life using the straight line method. The estimated useful lives for property, plant and equipment classes are as follows:

Class	*Estimated useful life, in years*
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audiovisual equipment	7

Leasehold improvements are recognized as assets and valued at cost and are depreciated over the lesser of 7 years or the lease term. Impairment reviews are undertaken if indicators of impairment exist.

3.10 Intangible assets

Intangible assets are capitalized if their cost exceeds the threshold of $20,000, except for internally developed software where the threshold is $50,000. The capitalized cost of internally developed software excludes those costs related to research and maintenance. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is recognized over the estimated useful life using the straight line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life, in years*
Software acquired externally	3
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

3.11 Emergency fund

The appropriation is recorded when the authorization is approved by the General Assembly. Participants wishing to avail themselves of this benefit make application to the Fund. After review and authorization, approved amounts are paid to the participant. Payments are charged directly against the appropriation account, and any unexpended balance reverts to the Fund at the end of the year. Current expense for the biennium is reported in the statement of changes in net assets available for benefits.

3.12 Provisions and contingent liabilities

Provisions are made for future liabilities and charges where the Fund has a present legal or constructive obligation as a result of past events and it is probable that the Fund will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the Fund.

3.13 Employee benefits

Among certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

After-service health insurance benefits, repatriation grant and death benefits are classified as defined benefit schemes and accounted for as such.

The employees of the Fund are themselves participating in the United Nations Joint Staff Pension Fund. While the Fund is a defined benefit scheme, it has been classified as a multi-employer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The Fund, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The contributions of the Fund to the plan during the financial period are recognized as expenses in the statement of financial performance.

3.14 Reconciliation of budget information

The Fund's budget is prepared on a modified cash basis and the financial statements on an accrual basis.

The General Assembly approves the biennial budget for administrative expenses of the Fund. Budgets may be subsequently amended by the General Assembly or through the exercise of delegated authority.

As required by IPSAS 24, schedules 1 and 2, "Statements of comparison of budget and actual amounts in relation to administrative expenses for the year 2013 and for the biennium 2012-2013", provide a comparison of budget and actual on a comparable basis. The comparison includes: the original and final budget amounts; the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences (> +/-10%) between the actual and budget amounts.

Note 23 provides a reconciliation of actual amounts presented on the same basis as the budget and actual amounts included in the IPSAS financial statements.

3.15 Related party transactions

Parties are considered to be related when one has the ability to control the other or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The following are considered related parties for the Fund:

(a) Key management personnel: Chief Executive Officer, Representative of the Secretary-General, Deputy Chief Executive Officer, Director of the Investment Management Division, Chief Financial Officer

(b) General Assembly

(c) 23 member organizations participating in the Fund

(d) International Computing Centre

A summary of the relationship and transactions with the above parties is given in note 25.

3.16 Subsequent events

Any information that is received after the reporting period, but before the financial statements are issued, about conditions that existed at the balance sheet date is incorporated into the financial statements.

In addition, any event that occurs after the balance sheet date but before the financial statements are published that is material to the Fund will be disclosed in the notes to the financial statements.

4. Reclassification and comparative figures

In 2013, the Fund reclassified the following items:

(1) Financial instruments have been reclassified in the 2012 financial statements to enhance comparability with the 2013 financial statements following

the Fund's approach to classify financial instruments in line with the underlying nature rather than following the investment teams' portfolio classification;

(2) Refunds of taxes withheld from private real estate funds have been reclassified from withholding tax expense to investment income to align investment income accounting on a gross basis for indirect investments, consistent with that of direct investments.

As a result, certain line items have been amended in the statement of net assets available for benefits and the statement of changes in net assets available for benefits and the related notes to the financial statements. All comparative figures have been adjusted to conform to current year's classification.

This reclassification has no impact on the changes in net assets available for benefits and the net assets available for benefits.

The items below summarize the change in the comparative figures as a result of the reclassification:

(1) All publicly traded real estate investment trusts amounting to $283.9 million as at 31 December 2012 have been reclassified from real assets to equities;

(2) Exchange-traded funds invested into as part of the risk control strategy amounting to $612.7 million as at 31 December 2012 have been reclassified from alternative and other investments to equities;

(3) Tax refunds amounting to $1.368 million have been reclassified from withholding tax expense to income from real assets. Income from real assets amounting to $32.220 million is inclusive of the tax refund of $1.368 million.

The net zero effect of the change is summarized below:

(Thousands of United States dollars)

	Previously reported (2012)	*After reclassification (2012)*
Statement of net assets available for benefits		
Equities	27 370 793	28 267 504
Real assets	2 357 835	2 073 880
Alternatives and other investments	1 314 058	701 302
Statement of changes in net assets available for benefits		
Dividend income	668 176	686 913
Income from real assets	38 545	32 220
Income from alternatives and other investments	11 044	–
Change in fair value for assets designated at fair value		
Equities	3 376 804	3 424 632
Real estate investments	241 785	210 004
Alternative investments	11 990	(4 057)
Withholding tax expense	4 122	5 490

5. Cash and cash equivalents

Cash and cash equivalents for the years ended 31 December 2013 and 2012 can be broken down as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Cash on hand	1 968 037	1 192 047
Cash held by external managers	37 853	35 286
Total cash and cash equivalents	**2 005 890**	**1 227 333**

6. Financial instruments by category

The following tables provide an overview of all financial instruments, held by category:[2]

(Thousands of United States dollars)

As at 31 December 2013	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	2 005 890	–	–
Investments			
Short-term investments	47 478	–	–
Equities	33 492 217	–	–
Fixed income	12 219 906	–	–
Real assets	2 400 046	–	–
Alternative and other investments	1 184 413	–	–
Contributions receivable		34 309	
Accrued income from investments	–	163 466	–
Receivable from investments traded	–	18 413	–
Withholding tax receivables	–	9 355	–
Other assets	–	38 663	–
Total financial assets	**51 349 950**	**264 206**	**–**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable			60 493
Payable from investments traded			14 513

[2] Non-financial assets and liabilities are excluded from the table, as this analysis is required only for financial instruments.

As at 31 December 2013	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
After-service health insurance and other employee benefit payable			56 319
Other accruals and liabilities			24 397
Total financial liabilities	**–**	**–**	**155 722**

And as at 31 December 2012:

(Thousands of United States dollars)

As at 31 December 2012	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	1 227 333	–	–
Investments			
Short-term investments	49 079	–	–
Equities	28 267 504	–	–
Fixed income	12 352 135	–	–
Real assets	2 073 880	–	–
Alternative and other investments	701 302	–	–
Contributions receivable		25 417	
Accrued income from investments		176 749	–
Receivable from investments traded		33 113	–
Withholding tax receivables		13 980	–
Other assets		20 477	
Total financial assets	**44 671 233**	**269 736**	
Financial liabilities as per statement of net assets available for benefits			
Benefits payable			54 800
Payable from investments traded			51 188
After-service health insurance and other employee benefit payable			58 195
Other accruals and liabilities			29 165
Total financial liabilities	**–**	**–**	**193 348**

Investments exceeding 5 per cent of net assets

There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2013. The Fund held a total of $300.8 million in two real estate funds as at 31 December 2013, which represented 5 per cent or more of real asset class. The Fund also held investments of $482.8 million in one hedge fund, $84.3 million in one commodity fund, and $98.3 million in one limited partnership, which represented 5 per cent or more of the alternative and other investments category.

7. Fair value measurement

IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized based on the priority of inputs to the valuation technique. Level 1 includes those securities where unadjusted quoted prices are available in active markets for identical assets or liabilities. Level 2 includes those securities where inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 includes those securities where inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level of information that is significant to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement and consideration of factors specific to the asset or liability.

The following tables present the fair value hierarchy of the Fund's financial investments (by asset class) measured at fair value as at 31 December 2013 and 31 December 2012:

(Thousands of United States dollars)

Final hierarchy disclosure as at 31 December 2013				
	Level			
	1	*2*	*3*	*Total*
Short-term investments		**47 478**		**47 478**
Equities				
Common and preferred stock	30 407 707	–	–	30 407 707
Funds — exchange-traded funds	2 509 654	–	–	2 509 654
Real estate investment trusts	340 575	–	–	340 575
Funds — common stock	–	–	155 695	155 695
Unit trust equity	–	–	54 466	54 466
Stapled securities	24 120	–	–	24 120
Total equities	**33 282 056**	**–**	**210 161**	**33 492 217**
Fixed-income				
Government and agencies securities	–	9 255 984	455 344	9 711 328
Corporate bonds	–	1 814 959	92 620	1 907 579
Municipal/provincial bonds	–	397 901	–	397 901
Commercial mortgage-backed	–	136 255	–	136 255

Final hierarchy disclosure as at 31 December 2013				
	Level			
	1	*2*	*3*	*Total*
Funds — corporate bond	–	–	46 689	46 689
Guaranteed fixed income	–	20 154	–	20 154
Total fixed income	**–**	**11 625 253**	**594 653**	**12 219 906**
Real assets				
Real estate funds	53 269	153 254	2 126 181	2 332 704
Infrastructure assets	–	–	51 102	51 102
Timberlands	–	–	16 240	16 240
Total real assets	**53 269**	**153 254**	**2 193 523**	**2 400 046**
Alternatives and other investments				
Hedge funds	–	482 812	–	482 812
Private equity	–	–	525 196	525 196
Commodity funds	–	–	176 405	176 405
Total alternatives and other investments	**–**	**482 812**	**701 601**	**1 184 413**
Total	**33 335 325**	**12 308 797**	**3 699 938**	**49 344 060**

Final hierarchy disclosure as at 31 December 2012				
	Level			
	1	*2*	*3*	*Total*
Short-term investments		**49 079**		**49 079**
Equities				
Common and preferred stock	25 438 781	15 026	59 346	25 513 153
Funds — exchange-traded funds	2 245 379	–	–	2 245 379
Real estate investment trusts	283 955	–	–	283 955
Funds — common stock	–	–	154 237	154 237
Unit trust equity			35 381	35 381
Stapled securities	35 399	–	–	35 399
Total equities	**28 003 514**	**15 026**	**248 964**	**28 267 504**
Fixed-income				
Government and agencies securities		9 208 565	624 304	9 832 860
Corporate bonds		1 758 532	133 031	1 891 563
Municipal/provincial bonds		419 293		419 293
Commercial mortgage-backed		143 681		143 681

Final hierarchy disclosure as at 31 December 2012				
	Level			
	1	2	3	Total
Funds — corporate bond			43 937	43 937
Guaranteed fixed income		20 792		20 792
Total fixed income	**–**	**11 550 863**	**801 272**	**12 352 135**
Real assets				
Real estate funds	40 119		2 003 163	2 043 282
Infrastructure assets			30 598	30 598
Total real assets	**40 119**	**–**	**2 033 761**	**2 073 880**
Alternatives and other investments				
Hedge funds			249 998	249 998
Private equity			255 763	255 763
Commodity funds			195 541	195 541
Total alternatives and other investments	**–**	**–**	**701 302**	**701 302**
Total	**28 043 633**	**11 614 968**	**3 785 299**	**43 443 900**

Equities:

All common and preferred stocks were classified under level 1 in 2013 with bid prices available from institutional vendors. Depositary receipts amounting to $59.3 million and $15.0 million classified under levels 3 and 2, respectively, in 2012 were disposed of in 2013, and hence no common stock was classified under levels 3 and 2 in 2013.

Common stock funds and unit trust equity fund amounting to $155.7 million and $54.5 million, respectively (December 2012: $154.2 million and $35.4 million) were valued using a net asset value approach and were hence classified under level 3.

Fixed income:

The vast majority of the fixed income securities prices were not obtained from an active market directly, which would have led to a level 1 classification. Instead, prices were obtained through brokers' bids, which were indicative quotes and therefore classified as level 2.

Index-linked non-United States government bonds amounting to $455.3 million (December 2012: $624.3 million) were classified as level 3, since their values were based on brokers' bid evaluations adjusted for indexing, which was generally uncorroborated market data.

Corporate bonds amounting to $92.6 million (December 2012: $133.0 million) were considered to be level 3. Inputs for the prices of those investments, while available from third-party sources, were not well-defined readily observable market data. Consequently, the Fund decided to classify such investments as level 3.

Real assets and alternatives and other investments:

Real assets amounting to $2.194 billion (December 2012: $2.034 billion) as well as alternative and other investments amounting to $701.6 million (December 2012: $701.3 million) were classified under level 3, as they were priced using the net asset value methodology for which the Fund was unable to corroborate or verify using observable market data. In addition, limited options were available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

The following table presents the significant transfers between levels for the year ended 31 December 2013.

(Thousands of United States dollars)

Transfers in the year ended 31 December 2013				
	Level			
	1	*2*	*3*	*Total*
Transfer into				
Debt securities		105 481	25 683	131 164
Real estate		157 806		157 806
Alternatives and other investment		249 998		249 998
	–	**513 285**	**25 683**	**538 968**
Transfer out of				
Debt securities		(25 683)	(105 481)	(131 164)
Real estate			(157 806)	(157 806)
Alternatives and other investment			(249 998)	(249 998)
	–	**(25 683)**	**(513 285)**	**(538 968)**

The transfers out of level 3 into level 2 were attributable to continued improvement in the liquidity of the markets trading such investments and higher transaction volumes for the underlying securities. This led to securities being priced by multiple vendors, and hence, to more observable data being available. In 2013, real estate funds amounting to $157.8 million and alternatives and other investments amounting to $249.9 million were transferred from level 3 to level 2, as significant redemption of units occurred throughout the year, evidencing liquidity in the Fund.

Transfers in the year ended 31 December 2012				
	Level			
	1	*2*	*3*	*Total*
Transfer into				
Equities	290 581	–	59 346	349 927
Debt securities	–	42 384	–	42 384
	290 581	**42 384**	**59 346**	**392 311**

Transfers in the year ended 31 December 2012				
	Level			
	1	*2*	*3*	*Total*
Transfer out of				
Equities	(59 346)	–	(290 581)	(349 927)
Debt securities	–	–	(42 384)	(42 384)
	(59 346)	**–**	**(332 965)**	**(392 311)**

The following table sets out the movements in level-3 instruments for the period ended 31 December 2013, by class of financial instrument.

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternative and others investments*	*Total*
Opening balance	248 964	801 272	2 033 761	701 302	3 785 299
Purchases	2 924	44 766	480 028	284 558	812 276
Sales/return of capital	(105 806)	(116 569)	(354 870)	(51 503)	(628 748)
Transfers out of level-3		(79 798)	(157 806)	(249 998)	(487 602)
Net gains and loses recognized in the statement of changes in net assets available for benefits	64 079	(55 018)	192 410	17 242	218 713
Closing balance	**210 161**	**594 653**	**2 193 523**	**701 601**	**3 699 938**
Change in unrealized gains and losses for level-3 assets held at the period end and included in statements of changes in net assets available for benefits	57 415	(85 952)	204 364	41 640	217 467

And for the period ended 31 December 2012:

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternative and others investments*	*Total*
Opening balance	429 630	814 554	1 722 096	196 195	3 162 475
Purchases	60 308	–	428 483	542 691	1 031 482
Sales/return of capital	(66 941)	–	(298 772)	(33 123)	(398 836)
Transfers out of level-3	(231 235)	(42 384)	–	–	(273 619)

	Equities	*Fixed income*	*Real assets*	*Alternative and others investments*	*Total*
Net gains and loses recognized in the statement of changes in net assets available for benefits	57 202	29 102	181 954	(4 461)	263 797
Closing balance	**248 964**	**801 272**	**2 033 761**	**701 302**	**3 785 299**
Change in unrealized gains and losses for level-3 assets held at the period end and included in statements of changes in net assets available for benefits	87 599	29 102	427 800	(3 935)	540 566

8. Accrued income from investments

Accrued income from investments is income earned which has yet to be received from the Fund's investments during the financial period. Accrued income from temporary investments is mainly from interest earned on cash balances.

(Thousands of United States dollars)

	Accrued income from investments	
Investments	*31 December 2013*	*31 December 2012*
Cash and cash equivalents	36	20
Fixed-income securities	127 339	137 864
Dividends receivable on equities	33 673	35 605
Real assets and alternative investments	2 418	3 260
Total accrued income from investments	**163 466**	**176 749**

Note: 2012 comparative figures have been amended in line with note 4.

9. Withholding tax receivables

The outstanding balances of withholding income taxes as of 31 December 2013 and 31 December 2012 and can be broken down as follows:

		Denominated in local currency					Equivalent in	Tax amounts deemed not recoverable	Recoverable withholding tax amount
Country	*Currency*	*Prior to 2012*	*2012*	*2013*	*Total as at 31 December 2013*	*Foreign exchange rate*	*Thousands of United States dollars*		
Australia	Australian dollar	–	–	92 371	92 371	1.117756	83		83
Austria	Euro	–	–	6 575	6 575	0.725716	9		9
Brazil	Brazilian real	1 317 527	143 901	150 623	1 612 051	2.359250	683	(683)	0
China	Hong Kong dollar	28 261 481	13 068 448	14 398 321	55 728 251	7.753750	7 188	(6 694)	494
Canada	United States dollar	–	–	13 963	13 963	1.000000	14		14
Germany	Euro	–	–	–	–	0.725716	–		–
Greece	Euro	98 632	–	–	98 632	0.725716	136		136
Malaysia	Malaysian ringgit	308 398	–	361 035	669 433	3.275500	204		204
Netherlands	Euro	–	–	375 451	375 451	0.725716	517		517
Russian Federation	United States dollar	90 090	–	–	90 090	1.000000	90		90
Singapore	Singapore dollar	51 781	–	–	51 781	1.262600	41		41
South Africa	South African rand	–	–	–	–	10.473750	–		–
Spain	Euro	–	–	–	–	0.725716	–		–
Sweden	Euro	26 819	–	–	26 819	0.725716	37		37
Switzerland	Swiss franc	–	–	5 079 475	5 079 475	0.889350	5 712		5 712
	Euro	–	5 675	6 048	11 723	0.725716	16		16
Turkey	Turkish lira	1 016 981	369 422	–	1 386 403	2.148500	645	(645)	0
United Kingdom of Great Britain and Northern Ireland	Pound sterling	–	129 698	75 138	204 836	0.603774	339		339
	Euro	–	–	1 178 020	1 178 020	0.725716	1 623		1 623
United States	United States dollar	–	–	39 900	39 900	1.000000	40		40
Withholding tax receivable net of provision							**17 377**	**(8 022)**	**9 355**

Country	Currency	Denominated in local currency: Prior to 2011	2011	2012	Total as at 31 December 2012	Foreign exchange rate	Equivalent in	Tax amounts deemed not recoverable	Recoverable withholding tax amount
							Thousands of United States dollars		
Austria	Euro	–	36 338	18 785	55 123	0.758495	73	–	73
Brazil	Brazilian real	1 248 066	69 461	143 901	1 461 427	2.047500	714	714	–
China	Hong Kong dollar	17 169 353	11 092 128	13 068 448	41 329 929	7.750850	5 332	5 332	–
Germany	Euro	–		4 797 677	4 797 677	0.758495	6 325	–	6 325
Greece	Euro	95 553	–		95 553	0.758495	126	126	0
Malaysia	Malaysian ringgit		308 398		308 398	3.058000	101	–	101
Netherlands	Euro	–		112 193	112 193	0.758495	148	–	148
Russian Federation	United States dollar	63 756	26 334		90 090	1.000000	90	–	90
Singapore	Singapore dollar	51 781	–		51 781	1.221500	42	–	42
South Africa	South African rand			5 954 730	5 954 730	8.484400	702	–	702
Spain	Euro				–	0.758495	–	–	–
Sweden	Euro	26 819	–		26 819	0.758495	35	–	35
Switzerland	Swiss franc	–		5 050 043	5 050 043	0.915350	5 517	–	5 517
	Euro	–	8 495	5 675	14 080	0.758495	19	–	19
Turkey	Turkish lira	665 552	428 429	369 422	1 463 403	1.784700	820	820	–
United Kingdom of Great Britain and Northern Ireland	Pound sterling	–	78 769	268 124	346 893	0.615195	564	–	564
	Euro	–		276 270	276 270	0.758495	364	–	364
Withholding tax receivable net of provision							**20 972**	**6 992**	**13 980**

10. Other assets

The other asset balance included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Advance payment on security purchase	20 000	–
Prepaid benefits and benefits receivable	15 885	17 074
Property, plant and equipment	3 809	5 093
Intangible assets in use	888	439
Intangible assets under development	9 623	5 916
United Nations receivable	2 430	3 148
Other receivables	348	255
Total	**52 983**	**31 925**

10.1 Prepaid benefits and benefits receivables

An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Prepaid benefits	12 790	13 805
Prepayments	277	560
Benefits receivable	5 549	5 123
Benefits receivable — provision	(2 731)	(2 414)
Total	**15 885**	**17 074**

10.2 Property, plant and equipment

An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*	***Total assets in use***
Cost			
1 January 2013	4 778	10 880	**15 658**
Additions	–	–	**–**
Disposals	–	–	**–**
31 December 2013	4 778	10 880	**15 658**

	Information technology equipment	Leasehold improvements	***Total assets in use***
Accumulated depreciation			
1 January 2013	3 499	7 066	**10 565**
Depreciation	615	669	**1 284**
31 December 2013	4 114	7 735	**11 849**
Net book value as at 31 December 2013	**664**	**3 145**	**3 809**

	Information technology equipment	Leasehold improvements	***Total assets in use***
Cost			
1 January 2012	4 197	8 109	**12 306**
Additions	581	2 771	**3 352**
Disposals	–	–	**–**
31 December 2012	4 778	10 880	**15 658**
Accumulated depreciation			
1 January 2012	2 889	6 152	**9 041**
Depreciation	610	914	**1 524**
31 December 2012	3 499	7 066	**10 565**
Net book value as at 31 December 2012	**1 279**	**3 814**	**5 093**

The leasehold improvements included above relate to the Fund's improvements to its offices in New York.

10.3 Intangible assets

The intangible asset amount included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	Intangible assets in use	Under construction	***Total intangible assets***
Cost			
1 January 2013	1 774	5 916	**7 690**
Additions	60	4 886	**4 946**
Transfers	1 057	(1 057)	**–**
Impairments		(122)	**(122)**
31 December 2013	2 891	9 623	**12 514**

	Intangible assets in use	*Under construction*	***Total intangible assets***
Accumulated amortization			
1 January 2013	1 335	–	**1 335**
Amortization charge	668	–	**668**
31 December 2013	2 003	–	**2 003**
Net book value as at 31 December 2013	**888**	**9 623**	**10 511**

	Intangible assets in use	*Under construction*	***Total intangible assets***
Cost			
1 January 2012	1 774	640	**2 414**
Additions	–	5 276	**5 276**
Transfers	–	–	**–**
31 December 2012	1 774	5 916	**7 690**
Accumulated amortization			
1 January 2012	916	–	**916**
Amortization charge	419	–	**419**
31 December 2012	1 335	–	**1 335**
Net book value as at 31 December 2012	**439**	**5 916**	**6 355**

The costs incurred for the customization of the software development in progress mainly relate to the IPAS interface project. The impairments are related mainly to phase 2 of the Murex project, which was in process in 2012 and suspended in the beginning of 2013.

11. Benefits payable

The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Withdrawal settlements	16 749	16 319
Lump-sum payments	17 371	16 278
Periodic benefit payable	24 664	20 564
Other benefits payables	1 709	1 639
Total	**60 493**	**54 800**

12. After-service health insurance and other employee benefits

A breakdown of the after-service health insurance and other benefits payable amount shown in the statement of net assets is as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
After-service health insurance actuarial liability	51 174	53 962
Repatriation grant and related costs	2 365	1 897
Education grant and related costs	256	249
Death benefit	96	110
Annual leave	2 204	1 760
Home leave	224	217
Total	**56 319**	**58 195**

After-service health insurance, annual leave, repatriation grants and death benefit liability:

The Fund provides its employees who have met certain eligibility requirements with the following after-service and end-of-service benefits:

- Health-care benefits after they retire. This benefit is referred to as after-service health insurance;
- Repatriation benefits to facilitate the relocation of expatriate staff members;
- Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for purposes of health, rest, and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days;
- Death benefits payable in case of death in service to any dependant(s).

The obligations as at 31 December 2013 were calculated based on census data as at 30 September 2013, provided to the actuary by the United Nations, and:

- Health insurance premium and contribution data provided by the United Nations;
- Actual retiree claims experience under health insurance plans;
- Estimated travel and shipment costs and annual leave balances reported by the United Nations in the census data;
- Various economic, demographic, and other actuarial assumptions;
- Generally accepted actuarial methods and procedures.

The key assumptions in the calculation of after-service liabilities are the discount rate and health-care trend rates. The discount rate is based on the “spot” rate that reflects the market expectations at the time of the calculations to meet future expected benefit payments, based on high quality bonds. The discount rate is then the equivalent single rate that would produce the same liability as the full spot curve using the multiple bonds necessary to meet the future cash flow expectations. For the calculations for the year 2012, the single equivalent discount rate for all plans combined was 4.07 per cent and the United Nations agencies selected 4.0 per cent for its disclosure. For 31 December 2013, the single equivalent discount rates were selected and determined by plan, as follows:

- 4.52 per cent for the after-service health insurance scheme
- 4.32 per cent for repatriation benefits
- 4.34 per cent for annual leave
- 4.00 per cent for death benefits.

For comparison purposes, the table below shows the change resulting from a 1 per cent change in the discount rate.

		Impact on accrued liability		
Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*	*Death benefit*
Increase of 1.0 per cent	19 per cent decrease	10 per cent decrease	7 per cent decrease	7 per cent decrease
Decrease of 1.0 per cent	24 per cent increase	12 per cent increase	8 per cent increase	8 per cent increase

The comparison of health-care cost trend rates is as follows:

	31 December 2013	*31 December 2012*
Non-United States medical	5 per cent per year	8 per cent trending down to 4.5 per cent after 15 years
United States medical — non-Medicare	7.3 per cent trending down to 4.5 per cent after 10 years	8 per cent trending down to 4.5 per cent after 15 years
United States medical — Medicare	6.3 per cent trending down to 4.5 per cent after 10 years	7 per cent trending down to 4.5 per cent after 15 years
United States dental	5.0 per cent trending down to 4.5 per cent after 10 years	5 per cent trending down to 4.5 per cent after 15 years

The decrease in the total after-service health insurance liabilities reported from 31 December 2012 to 31 December 2013 is due primarily to the impact of changing the actuarial assumptions, in particular the increase in the discount rate and decrease in health-care trend rates.

Other specific key assumptions used in the calculations as at 31 December 2013 were as follows:

After-service health insurance

A total of 208 active staff were included in the calculation: 177 United States-based and 31 non-United States-based; 70 retired staff or their surviving spouses were included in the calculation: 59 United States-based and 11 non-United States-based. In addition, two active staff members and three retirees or their surviving spouses that participate in dental only plans were included. For active staff, the average age was 45 years with 10 years of service. The average age of retirees was 68 years.

Repatriation benefits

Staff members who are appointed as international staff are eligible for the payment of a repatriation grant after one year of active service outside his or her country of nationality as long as the reason for separation is not summary dismissal or abandonment of post.

The amount ranges from 2-28 weeks of salary, depending on the category of employment and years of service of the eligible staff member. Travel and shipment of personal effects may also be authorized to the recognized country of home leave.

For the current calculation, 57 eligible staff with an average salary of $82,356 were considered.

Annual leave

Staff are entitled to accrue annual leave from the date of their appointment. Staff members who, upon separation from service, have accrued leave will be paid up to a maximum of 60 days if on a fixed-term appointment or up to 18 days on a temporary appointment. Payment amount is calculated at 1/261 of applicable salary amounts for each unused annual leave day.

For the current calculation, 239 active staff with an average salary of $98,808 were considered.

13. Other accruals and liabilities

The amount shown as other accruals and liabilities in the financial statements can be broken down as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
After-service health insurance benefits payable to member organizations	5 795	5 408
Restoration payable	3 631	4 304
United Nations payable	11 129	14 988
Operating leases rent accrual	3 214	3 451
Audit fee accrual	194	581
Other	434	433
Total	**24 397**	**29 165**

14. Investment income

The table below summarizes the Fund's income from investments net of transaction costs recognized during the period. Any transaction cost which can be allocated to a single transaction or trade are netted off against investment income. Examples are broker commissions, other transaction costs and management fees. In

2013, any management expense charged to the income statements of real assets and alternative funds were recorded separately as management expenses in the Fund's statement of changes in net assets and included under transaction costs. It should be noted that management fees paid to small capitalization investment managers amounting to $8.7 million (2012: $6.8 million) are reported under administrative expenses.

In some jurisdictions, the Fund receives dividend income, interest income and real estate income gross of withholding tax. This is primarily a result of the fact that pension funds are exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds but recognize that the Fund is part of the United Nations and hence is exempt from national taxation of Member States on its direct investments in accordance with Article 105 of the Charter of the United Nations and with article II, Section 7 (a) of the 1946 Convention on the Privileges and Immunities of the United Nations (refer to note 3.3). The Fund is not able to reliably measure the value of the additional tax exemption obtained by being part of the United Nations and therefore does not disclose the value of this additional benefit on the face of the statement of changes in net assets available for benefits as non-exchange income in accordance with IPSAS 23, revenue from non-exchange transactions.

The following table summarizes the Fund's income from investments recognized during the periods 31 December 2013 and 2012.

(Thousands of United States dollars)

For the year ended 31 December	*2013*	*2012*
Change in fair value for assets designated at fair value		
Short-term investments	115	132
Equities	6 539 722	3 424 632
Fixed income	(432 804)	267 865
Real estate investments	258 017	210 004
Alternative investments	21 896	(4 057)
Total change in fair value for financial assets designated at fair value	**6 386 946**	**3 898 576**
Interest income		
Interest income on cash and cash equivalents	1 577	2 255
Interest income on fixed income instruments	369 495	439 752
Total interest income	**398 072**	**442 007**
Dividend income	761 728	686 913
Total dividend income	**761 728**	**686 913**
Income from real assets	**36 587**	**32 220**
Income from alternatives and other assets	**–**	**–**
Total income under real assets and alternatives	**36 587**	**32 220**

For the year ended 31 December	*2013*	*2012*
Changes in foreign exchange gain and losses	(558 924)	120 447
Net foreign exchange (losses)/gain	**(558 924)**	**120 447**
Transaction costs		
Management fees and other related fees	(69 885)	(62 311)
Brokerage commissions	(20 121)	(17 414)
Other transactions cost	(11 542)	(7 076)
Total transaction cost	**(101 548)**	**(86 801)**
Net investment income	**6 922 861**	**5 093 362**

15. Contributions

Contributions received in the periods ended 31 December 2012 and 2013 can be broken down as follows:

(Thousands of United States dollars)

	2013	*2012*
Contributions from participants		
Regular contributions	731 660	716 387
Contribution for validation	852	1 135
Contribution for restoration	4 685	6 992
	737 197	**724 514**
Contributions from member organizations		
Regular contributions	1 463 320	1 432 774
Contribution for validation	1 559	2 265
	1 464 879	**1 435 039**
Other contributions		
Contributions for participant transferred in under agreements	3 251	3 239
Receipts of excess actuarial value over regular contributions	626	804
Other contributions/adjustments	719	(238)
	4 569	**3 805**
Total contributions for the period	**2 206 672**	**2 163 358**

The contribution income varies based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil

Service Commission, and the yearly increase in step to the individual pensionable remuneration received by all participants.

16. Other income

Other income earned in the periods ended 31 December 2013 and 2012 can be broken down as follows:

(Thousands of United States dollars)

	2013	*2012*
Forfeitures/adjustment of pension benefits	(8)	2 695
Class action proceeds	319	1 261
Notional interest income	722	1 110
United Nations University management fees	50	50
Total other income for the period	**1 083**	**5 116**

17. Benefit payments

Benefit payments in the same periods can be broken down as follows:

(Thousands of United States dollars)

	31 December 2013	*31 December 2012*
Withdrawal settlements and full commutation of benefits		
For contributory services of 5 years or less	53 038	48 893
For contributory services more than 5 years	89 631	73 342
	142 669	**122 235**
Retirement benefits		
Full retirement benefits	1 165 465	1 105 249
Early retirement benefits	634 751	618 326
Deferred retirement benefits	86 405	88 040
Disability benefits	59 675	55 957
Survivor’s benefits	221 315	212 273
Children’s benefits	25 729	24 712
	2 193 340	**2 104 557**
Other benefits		
Payments for participants transferred out under agreements	2 074	1 201
Other benefits/adjustments	(295)	(110)
	1 779	**1 091**
Total benefit payments for the period	**2 337 788**	**2 227 883**

18. Administrative expenses

Expenses incurred in the period ended 31 December 2013 are as follows:

(Thousands of United States dollars)

	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts	13 541	7 897			21 438
Other staff costs	1 529	979			2 508
Consultants	71	399			470
Travel	529	597			1 126
Training	137	78			215
Contractual services[a]	8 190	25 918			34 108
Hospitality	2	14			16
General operating expenses	5 035	2 324			7 359
Supplies and materials	70	82			152
Furniture and equipment	878	90			968
Audit costs			970		970
Board expenses				173	173
Total for the period	**29 982**	**38 378**	**970**	**173**	**69 503**
[a] Small capitalization fund management fees included in contractual services		8 653			8 653
Total administrative expenses		**29 725**			**60 850**

And for 31 December 2012:

(Thousands of United States dollars)

	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts	21 866	9 683			31 549
Other staff costs	1 482	1 084			2 566
Consultants	308	196			504
Travel	546	622			1 168
Training	81	111			192
Contractual services[a]	9 104	20 707			29 811
Hospitality	4	6			10
General operating expenses	4 391	1 645			6 036
Supplies and materials	50	68			118
Furniture and equipment	661	304			965
Audit costs			1 601		1 601
Board expenses				90	90
Total for the period	**38 493**	**34 426**	**1 601**	**90**	**74 610**

	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
[a] Small capitalization fund management fees included in contractual services		6 795			6 795
Total administrative expenses		**27 631**			**67 815**

19. Other expenses

Other expenses incurred in the periods ended 31 December 2013 and 2012 can be broken down as follows:

(Thousands of United States dollars)

	2013	*2012*
Emergency Fund expense	17	89
Notional interest expense	5 938	3 626
Other expenses and claims	475	255
Total other expenses for the period	**6 430**	**3 970**

20. Actuarial situation of the Fund (see also note 1.5)

The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service staff have rendered as of the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

Benefits payable under all circumstances — retirement, death, disability, and termination of employment — are included to the extent they are deemed attributable to service staff have rendered as of the valuation date.

The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries and the amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal, or retirement) between the valuation date and the expected date of payment.

The Fund is applying the guidance included in IAS 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

Key assumptions

The significant actuarial assumptions used in the valuation as at 31 December 2013 were:

- Life expectancy of participants (2007 United Nations mortality tables adjusted for forecast improvements in mortality);
- Age-specific retirement and turnover assumptions;
- Annual investment return of 6.5 per cent, which serves as the discount rate for liabilities;
- Annual rate of 3 per cent for cost-of-living increases in pensions.

These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixtieth session, in July 2013. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits.

Statement of accumulated benefits

The actuarial present value of accumulated plan benefits as at 31 December 2013 is as follows (all amounts are in millions of United States dollars, see note 1.10 for the description of the pension adjustment system):

	If future pension payments are made:	
	Under regulations without pension adjustments	*Under regulations with pension adjustments*
	(millions of United States dollars)	
Actuarial value of vested benefits		
Participants currently receiving benefits	21 105	28 744
Vested terminated participants	218	370
Active participants	12 026	17 304
Total vested benefits	**33 349**	**46 418**
Non-vested benefits	1 218	1 472
Total, actuarial present value of accumulated plan benefits	**34 567**	**47 890**

Information on participation in the United Nations Joint Staff Pension Fund

The last valuation was provided by the consulting actuaries as at 31 December 2013 based on participation below. The participation in the plan developed as follows:

	Values as of 31 December 2013
Active participants	
Number	120 294
Annual remuneration (in millions of United States dollars)	10 375
Average remuneration (in United States dollars)	86 245

	Values as of 31 December 2013
Retired participants and beneficiaries	
Number	69 980
Annual benefit (in millions of United States dollars)	2 050
Average benefit (in United States dollars)	**29 292**

21. Commitments and contingencies

21.1 Investment commitments

As at 31 December in 2013 and in 2012, the Fund was committed to the following:

(Thousands of United States dollars)

	2013	2012
Real estate funds	979 474	735 436
Private equity	1 268 442	701 217
Infrastructure funds	171 909	68 661
Timberland funds	58 740	–
Total commitments	**2 478 565**	**1 505 314**

In the private equity and real estate, infrastructure and timberland partnership investments, funds are drawn down only under the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to: (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement. Investment commitments are drawn down and recorded by the Fund when the contractual terms of the fund agreement have been met.

21.2 Lease commitments

(Thousands of United States dollars)

	31 December 2013	31 December 2012
Obligations for property leases:		
Under 1 year	5 311	5 253
1-5 years	21 768	21 918
Beyond 5 years	8 623	13 741
Total property leases obligations	**35 702**	**40 912**

21.3 Legal or contingent liabilities and contingent assets

There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Fund.

22. Risk assessment

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Fund's investment risk management programme seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. The United Nations Investments Committee provides advice to the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Investments Committee advises on long-term policy, asset allocation and strategy, diversification by type of investments, currencies and economic sectors and any other matters which in the view of the Committee should be brought to the attention of the Secretary-General or on which the latter may deem the advice of the Committee to be desirable.

The Fund uses different methods to measure, monitor and manage the various types of financial risks to which it is exposed. These methods are explained below.

22.1 Credit risk

Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligors face. Ensuring adequate control over credit risk and effective risk management is critical to the long term sustainability of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards;
- Establishing limits for amounts and concentrations of credit risk, monitoring and implementing a review process for credit exposure;
- Ensuring adequate controls over credit risk.

The Fund is exposed to credit risk primarily in its debt securities. The Fund's policy to manage this risk is to invest in debt securities that have an investment grade by at least one well-known credit rating agency, Standard and Poor's, Moody's or Fitch. For purposes of consistency in this disclosure, the Fund used Moody's Investors Service, which rated most of its debt securities in 2013. As of December 2013, more than 90 per cent (2012: 85 per cent) of the debt portfolio was rated between Aa3 to A1. Of the unrated debt securities totalling $652.1 million as at 31 December 2013, $550.8 million is in debt securities that present a very low credit risk as they carry an implied issuers' credit rating of "investment grade" thereby providing evidence of their credit worthiness. Of the remaining unrated debt securities amounting to $101.3 million for which no implied issuer rating was available, one debt security amounting to $54.6 million was rated AAA by the other two rating agencies (Standard and Poor's and Fitch), and the other security, amounting to $46.7 million, is a bond fund and, as such, is not evaluated by a credit rating agency. In addition, the short-term bill and notes amounting to $47.8 million presented a low credit risk for the Fund due to an implied issuer's credit rating of Aaa.

The analysis below summarizes the credit quality of the Fund's debt portfolio as at 31 December 2013 and 31 December 2012, respectively, as provided by Moody's rating agency.

(Thousands of United States)

31 December 2013	*Aa3 to A1*	*Baa3 to Baa1*	*Not rated*	*Total*
Commercial mortgage-backed	81 638	–	54 617	136 255
Corporate bonds	1 399 389	365 603	142 587	1 907 579
Funds — corporate bond	–	–	46 689	46 689
Government agencies	2 367 460	42 108	84 965	2 494 533
Government bonds	6 218 657	16 853	149 639	6 385 149
Government mortgage	–	–	135 750	135 750
Guaranteed fixed income	20 154	–	–	20 154
Index-linked government bonds	606 647	51 354	37 895	695 896
Municipal/provincial bonds	397 901	–	–	397 901
Total	**11 091 846**	**475 918**	**652 142**	**12 219 906**
Short-term bills and notes			**47 478**	**47 478**

31 December 2012	*Aa3 to A1*	*Baa3 to Baa1*	*Not rated*	*Total*
Commercial mortgage-backed	86 382	–	57 299	143 681
Corporate bonds	1 447 013	283 100	161 451	1 891 564
Funds — corporate bond	–	–	43 937	43 937
Government agencies	2 378 540	40 434	60 573	2 479 547
Government bonds	5 621 786	354 309	258 813	6 234 908
Government mortgage backed	–	–	246 289	246 289
Guaranteed fixed income	20 792	–	–	20 792
Index-linked government bonds	696 909	175 215	–	872 124
Municipal/provincial bonds	419 293	–	–	419 293
Total	**10 670 715**	**853 058**	**828 362**	**12 352 135**

All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Non-rated bonds are reviewed by the Representative of the Secretary-General and are also subject to compliance review on a quarterly basis.

22.2 Liquidity risk

Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

The Fund’s long-term cash flow requirements are reviewed quarterly together with the strategic and tactical asset allocation during the Investments Committee meetings. In addition, it is reviewed by the Investment Management Division as part of its weekly investment rebalancing meetings.

22.3 Market risk

Market risk is the risk of change in the value of plan assets due to various market factor movements, such as interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk (VaR) as a parameter to measure the market risk, in addition to standard deviation and tracking risk. Value at risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also has risk tolerance for investment risks in the Investment Policy approved by the Representative of the Secretary-General. Based on this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

Value at Risk as a single number summarizes the portfolio’s exposure to market risk as well as the probability of an adverse move or in other words, level of risk. The main purpose of VaR is to assess market risks that result from changes in market prices. There are three key characteristics of VaR: (a) the amount (in percentage or dollar terms); (b) the time horizon (in this case, one year); and (c) the confidence level (in this case, 95 per cent). When reported as 95 per cent confidence, VaR(95) number (in percentage or in dollar terms) indicates that there is 95 per cent chance that portfolio losses will not exceed the given VaR95 number (percentage or dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5 per cent of the times when the losses exceed VaR(95). The Fund also reports contribution to the risk. Considering the risk of the whole Fund as 100 per cent, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100 per cent). VaR(95) is not additive owing to diversification effect.

The table below depicts four important aspects of risk. It shows volatility or standard deviation in percentage, followed by VaR(95) for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class is contributing to the total Fund risk. Clearly, total Fund risk is 100 per cent, and each asset class below indicates the contribution to the risk. Expected shortfall at 5 per cent (because the Fund is indicating VaR at 95 per cent), indicates average value or expected value of losses for the 5 per cent of the times when losses exceed VaR95.

All numbers in the table below are annualized using historical simulation.

2013:

Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	11	17.74	100	28
Total equity	14.82	24.40	86.24	37.09
Minimum volatility equity	9.14	14.35	0.63	22.21
Fixed income	4.36	7.05	4.81	10.15
Cash and short-term	2.90	4.71	0.85	6.99
Real estate	17.96	28.29	5.39	41.59
Private equity	20.52	34.25	1.67	52.10
Commodities	14.02	22.68	0.25	34.96
Infrastructure	19.73	33.57	0.17	50.47

Note: Figures are reported from MSCI RiskMetrics as at 27 December 2013 using historical simulation.

2012:

Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	16.03	24.44	100.0	39.53
Total equity	21.89	33.70	88.54	54.08
Minimum volatility equity	5.26	5.67	0.16	14.74
Fixed income	6.10	9.07	3.38	13.25
Cash and short-term	7.19	11.52	0.56	16.08
Real estate	30.99	49.08	5.90	75.77
Private equity	30.72	51.36	0.90	76.39
Commodities	20.97	34.64	0.45	51.42
Infrastructure	30.09	50.36	0.11	75.11

Note: Figures are reported from MSCI RiskMetrics as at 28 December 2012 using historical simulation.

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments — for example, equity securities — are denominated in currencies other than the United States dollar, the price initially expressed in non-United States dollar denominated currency and then converted into United States dollars will also fluctuate because of changes in currency exchange rates.

As at 31 December 2013 and 31 December 2012, the fair values of equities exposed to price risk were as follows:

(Thousands of United States dollars)

	2013	*2012*
Common and preferred stock	30 407 707	25 513 153
Funds — equities exchange trade fund	2 509 654	2 245 379
Real estate investment trusts	340 575	283 955
Funds — common stock	155 695	154 237
Stapled securities	24 120	35 399
Unit Trust Equity	54 466	35 381
Total equity instruments	**33 492 217**	**28 267 504**

Note: 2012 comparative figures have been amended in line with note 4.

Considering the total Fund risk as 100 per cent, the contribution to risk due to price risk is 83 per cent (2012: 80.19 per cent). For the total price risk, equities contributed 91.34 per cent (2012: 86.30 per cent) to the total Fund price risk, and the rest is contributed by all other asset classes.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed.

The Fund's equity investment portfolio by industrial sector in 2013 and 2012 were as follows:

	Fund's equity portfolio	*Benchmark*
2013 (General industry classification standards)	*(Percentage)*	
Financials	20.86	21.52
Information technology	13.05	12.52
Consumer discretionary	11.80	11.97
Energy	8.35	9.63
Health care	10.81	10.26
Industrials	9.99	10.97
Consumer staples	8.36	9.77
Materials	5.56	6.09
Telecommunication services	3.23	4.16
Utilities	2.04	3.11
Others	5.95	Not applicable
Total	**100**	**100**

2012 (General industry classification standards)	Fund's equity portfolio	Benchmark
	(Percentage)	
Financials	18.75	21.11
Information technology	13.42	12.14
Consumer discretionary	10.73	10.73
Industrials	9.38	10.38
Energy	9.88	10.58
Health care	9.48	9.30
Consumer staples	8.76	10.37
Materials	6.70	7.61
Telecommunication services	3.11	4.33
Utilities	2.33	3.45
Others	7.46	Not applicable
Total	**100**	**100**

Note: 2012 comparative figures have been amended in line with note 4.

The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (based on counterparty's place of primary listing or, if not listed, place of domicile).

	2013	2012
	(Percentage)	
North America	53.8	52.7
Europe	22.5	19.8
Asia Pacific	11.5	13.7
Emerging markets	10.4	12.0
International regions	1.8	1.8
Total	**100.0**	**100.0**

Note: 2012 comparative figures have been amended in line with note 4.

Currency risk

The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates owing to changes in currency exchange rates. Management monitors the exposure to all currencies.

The Fund does not use hedging to manage its non-United States dollar denominated currency risk exposure. Currency risk refers to risk due to foreign exchange rate changes. The table below illustrates the foreign exchange risk exposure of the Fund by class of investments: the table below also summarizes the

Fund's cash and investments at fair value as at 31 December 2013 and 2012, respectively, which are denominated in a currency other than the United States dollar. Net financial assets amounting to $108.5 million (2012: $76.4 million), not held at fair value (see note 6) are excluded from this table. Assets held in exchange-traded funds or externally managed specialty funds are shown as United States dollar assets.

As at 31 December 2013:

	Equity instruments	*Fixed-income instruments*	*Real assets*	*Alternative and other*	*Short-term investments*	*Cash*
	(Percentage)					
United States dollar	36.77	10.95	3.73	2.17	–	2.01
Euro	6.37	4.52	0.31	0.14	–	0.41
British pound sterling	5.32	1.10	0.16	–	–	0.28
Japanese yen	4.96	0.79	0.14	–	–	–
Swiss franc	2.11	–	–	–	–	0.02
Canadian dollar	2.07	0.95	0.18	–	–	0.17
Hong Kong dollar	1.66	–	–	–	–	0.16
Australian dollar	1.59	0.96	0.15	–	–	0.13
Won	0.86	0.30	–	–	–	–
Swedish krona	0.65	0.71	–	–	–	0.05
Brazilian real	0.49	0.13	–	–	–	0.16
Indian rupee	0.45	–	–	–	–	0.06
South African rand	0.40	0.09	–	–	–	0.03
Singaporean dollar	0.35	0.08	–	–	0.09	0.07
Mexican peso	0.34	0.46	–	–	–	0.20
Malaysian ringgit	0.28	0.51	–	–	–	0.07
Danish krone	0.20	–	–	–	–	–
Turkish lira	0.14	–	–	–	–	0.04
Philippine peso	0.10	–	–	–	–	–
Columbian peso	0.04	–	–	–	–	–
Polish zloty	0.03	1.32	–	–	–	–
Norwegian krone	0.03	0.78	–	–	–	0.03
New Zealand dollar	0.02	0.15	–	–	–	–
Total assets	**65.22**	**23.80**	**4.67**	**2.31**	**0.09**	**3.91**

As at 31 December 2012:

	Equity instruments	*Fixed-income instruments*	*Real assets*	*Alternative and other*	*Short-term investments*	*Cash*
			(Percentage)			
United States dollar	34.92	11.79	3.62	1.52	–	0.79
Euro	4.99	4.86	0.32	0.06	–	0.34
British pound sterling	4.79	1.57	0.17	–	–	0.03
Japanese yen	4.66	1.10	0.16	–	–	0.39
Canadian dollar	2.71	1.16	0.2	–	–	0.12
Australian dollar	1.91	1.27	0.19	–	–	0.09
Hong Kong dollar	2.17	–	–	–	–	–
Won	1.01	0.22	–	–	–	0.23
Swiss franc	1.65	–	–	–	–	0.01
Swedish krona	0.81	0.7	–	–	–	0.20
Malaysian ringgit	0.33	0.64	–	–	–	0.05
Polish zloty	–	1.54	–	–	–	–
Brazilian real	0.95	0.18	–	–	–	0.28
Norwegian krone	0.03	1.17	–	–	–	–
Mexican peso	0.47	0.87	–	–	–	0.03
Singapore dollar	0.41	0.30	–	–	0.11	–
South African rand	0.61	0.13	–	–	–	–
Indian rupee	0.43	–	–	–	–	0.08
Turkish lira	0.20	–	–	–	–	0.02
New Zealand dollar	0.02	0.15	–	–	–	0.02
Danish krone	0.12	–	–	–	–	-
Czech koruna	–	–	–	–	–	0.07
Colombian peso	0.06	–	–	–	–	–
Total assets	**63.25**	**27.65**	**4.66**	**1.58**	**0.11**	**2.75**

Note: 2012 comparative figures have been amended in line with note 4.

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets' interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed-interest securities that expose the Fund to fair value interest rate risk. The Fund also holds a limited amount of United States dollar-denominated floating rate debt, cash and cash equivalents that expose the Fund to cash flow interest rate risk.

The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Total Aggregate Bond Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

	Fund	*Benchmark*
	(Percentage)	
Effective duration	3.99	6.22

Effective duration is the sensitivity to interest rate. This means if the interest rate goes up by 1 per cent, the Fund can lose 3.99 per cent compared to benchmark, which can lose 6.22 per cent. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents.

23. Budget information

23.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2013	*2012 budget balance carried forward*	*Approved increases/decreases*	*Final appropriation 2013*
Administrative costs	49 168	(813)	(1 048)	47 307
Investment costs	48 478	(3 017)	(7 432)	38 029
Audit costs	1 313	365	17	1 695
Board expenses	103	(61)	93	135
Total	**99 062**	**(3 526)**	**(8 370)**	**87 166**

23.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified into the following:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 3.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Fund for the purposes of comparison of budget and actual amounts;

(c) Entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for the Fund.

(Thousands of United States dollars)

Actual amount on a comparable basis for 2013	**55 476**
Basis differences	
Asset additions/disposals	(4 946)
Depreciation, amortization and impairment	2 074
Unliquidated obligations	19 048
Prepayments	239
Employee benefits	(1 876)
Other accruals	(512)
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**69 503**

Actual amount on a comparable basis for 2012	**87 295**
Basis differences	
Asset additions/disposals	(8 628)
Depreciation and amortization	1 943
Unliquidated obligations	(15 473)
Prepayments	86
Employee benefits	9 340
Other accruals	47
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**74 610**

The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- Depreciation expense: fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated over their useful lives on an IPSAS basis. Only depreciation expense is recognized over the useful lives of the asset, whereas the total expense is recognized on a budget basis at the time of acquisition.

- Expense recognition: on a budget basis, expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.

- Employee benefits: on a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of time of payment. IPSAS therefore recognizes expenses for post-employment benefits such as after-service health insurance, annual leave or repatriation benefits.

24. Funds under management

Funds under management are defined as other United Nations funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

24.1 United Nations Library Endowment Fund

In accordance with Secretary-General's bulletin SGB/76, dated 28 November 1947, establishing the rules for the administration of the United Nations Library Endowment Fund, the Investment Management Division had been providing oversight services for the investments of the United Nations Library Endowment Fund that were outsourced to Fiduciary Trust Company International. There had been no commingling of investment funds with those of the United Nations Joint Staff Pension Fund, which were maintained separately under separate custodial arrangements. On 16 May 2013, a decision was made to transfer those functions to the United Nations Treasury and Accounts Division, to liquidate the assets of the Endowment Fund, and to transfer the proceeds to the United Nations Euro Headquarters Pool cash account. On 16 September 2013, the assets of the Endowment Fund were fully liquidated, and the net proceeds transferred to the said cash account.

24.2 United Nations University Endowment Fund

Pursuant to General Assembly resolution 2951 of 11 December 1972, establishing the United Nations University, and resolution 3081, and article IX of the Charter of the United Nations University (A/9149/Add.2), the Investment Management Division is providing oversight services for the investments of the United Nations University Endowment Fund that are currently outsourced to Nikko Asset Management Co., Ltd., with a separate custodian bank. Formal arrangements between the Division and the Endowment Fund regarding these services have not been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the United Nations Joint Staff Pension Fund, which are maintained separately. The cost of management advisory fees amounting to $50,000 per year are reimbursed to the Division by the Endowment Fund and recorded as other income.

25. Related party transactions

Key management personnel

(Thousands of United States dollars)

	Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
Key management personnel remunerated by the Fund	4	688	69	152	908	–	–

Key management personnel are the Chief Executive Officer, the Deputy CEO, the Director of the Investment Management Division, the Chief Financial Officer and the Representative of the Secretary-General, as they have the authority and responsibility for planning, directing and controlling the activities of the Fund. The Representative of the Secretary-General is not remunerated by the Fund; hence, that amount is not included in the above table.

The aggregate remuneration paid to key management personnel includes: net salaries; post adjustment; entitlements, such as representation allowance and other allowances; assignment and other grants; rental subsidy; costs related to shipment of personal effects; and employer pension and current health insurance contributions.

There were no outstanding advances against entitlements of key management personnel as at 31 December 2013.

Key management personnel are also qualified for post-employment benefits (see note 12) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel as at 31 December in 2013 and 2012 is as follows:

(Thousands of United States dollars)

	2013	*2012*
After-service health insurance	1 122	1 404
Repatriation	97	99
Annual leave	128	97
Death benefit	2	3
Total	**1 349**	**1 603**

Other related parties

While no transactions occurred with the following parties, they are considered as related parties, and a summary of the Fund's relationship with these parties is as follows:

United Nations General Assembly

The General Assembly is the highest legislative body for the Fund. It reviews reports submitted by the Pension Board, approves the budgets for the Fund, decides on new member organizations of the Fund and amends the Regulations of the Fund.

Twenty-three member organizations participating in the Fund

The member organizations of the Fund (international, intergovernmental organizations) join the Fund by decision of the General Assembly and at the time of admission agree to adhere to the Regulations of the Fund. Each member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the administration of the Fund.

International Computing Centre

The United Nations International Computing Centre was established in Geneva in 1971 as an interorganization facility, providing a wide range of information technology and communication services, on a cost recovery basis, to its users worldwide. The Centre is governed by a Management Committee representing the organizations to which it provides services.

The role of the Centre is to:

- Provide information technology services on a full cost-recovery basis;
- Assist in exploiting networking and computing technology;
- Provide information management services;
- Advise on questions related to information management;
- Provide specialized training.

26. Subsequent events

At the time of issuance of the financial statements, the management of the Fund was not aware of any reportable event after the reporting date in accordance with IPSAS 14.

Appendix

Statistics on the operations of the Fund for the year ended 2013

Table 1
Number of participants

Member organization	*Participants as at 31 December 2012*	*New entrants*	*Transfer*		*Separations*	*Participants as at 31 December 2013*	*Percentage increase/ (decrease)*
			In	*Out*			
United Nations[a]	86 190	7 080	208	185	7 572	85 721	(0.5)
International Labour Organization	3 644	376	30	20	431	3 599	(1.2)
Food and Agriculture Organization of the United Nations	6 081	362	63	62	412	6 032	(0.8)
United Nations Educational, Scientific and Cultural Organization	2 520	104	7	12	177	2 442	(3.1)
World Health Organization	10 391	628	66	61	871	10 153	(2.3)
International Civil Aviation Organization	778	41	8	5	77	745	(4.2)
World Meteorological Organization	308	34	2	5	24	315	2.3
International Atomic Energy Agency	2 447	199	13	13	182	2 464	0.7
International Maritime Organization	308	11	1	–	29	291	(5.5)
International Telecommunication Union	834	47	2	3	66	814	(2.4)
World Intellectual Property Organization	1 173	102	8	3	38	1 242	5.9
International Fund for Agricultural Development	556	29	12	19	38	540	(2.9)
International Centre for the Study of the Preservation and Restoration of Cultural Property	34	–	–	–	1	33	(2.9)
European and Mediterranean Plant Protection Organization	13	1	–	–	1	13	0.0
International Centre for Genetic Engineering and Biotechnology	183	8	1	–	8	184	0.5
World Tourism Organization	97	5	–	–	5	97	0.0
International Tribunal for the Law of the Sea	36	1	1	–	–	38	5.6
International Seabed Authority	32	6	–	–	3	35	9.4
United Nations Industrial Development Organization	769	39	8	11	70	735	(4.4)
International Criminal Court	936	49	16	23	64	914	(2.4)
Inter-Parliamentary Union	46	1	2	–	2	47	2.2
International Organization for Migration	3 326	441	9	30	318	3 428	3.1
Special Tribunal for Lebanon	396	47	13	18	26	412	4.0
Total	**121 098**	**9 611**	**470**	**470**	**10 415**	**120 294**	**(0.7)**

[a] The United Nations Headquarters, regional offices and all funds and programmes.

Table 2
Benefits awarded to participants or their beneficiaries during the year ended 31 December 2013

	Number of benefits awarded											
				Withdrawal settlement								
Member organization	*Retirement benefit*	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child's benefit*	*Widow's and widower's benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant's benefit*	*Transfer under agreements*	***Total***
United Nations[a]	934	437	198	3 763	1 951	968	93	22	57	2	14	**8 439**
International Labour Organization	50	25	11	273	63	34	3	1	2	–	2	**464**
Food and Agriculture Organization of the United Nations	104	53	12	167	48	67	3	7	4	–	2	**467**
United Nations Educational, Scientific and Cultural Organization	56	26	7	62	20	27	4	1	2	–	1	**206**
World Health Organization	211	75	50	352	133	216	16	2	9	–	1	**1 065**
International Civil Aviation Organization	28	8	4	26	4	11	–	–	3	–	–	**84**
World Meteorological Organization	12	3	1	5	–	7	2	–	1	–	–	**31**
International Atomic Energy Agency	73	39	20	37	7	35	1	–	6	–	–	**218**
International Maritime Organization	17	4	1	4	2	7	1	–	1	–	–	**37**
International Telecommunication Union	28	10	–	24	2	15	–	–	2	–	–	**81**
World Intellectual Property Organization	13	6	4	8	3	3	–	–	3	–	1	**41**
International Fund for Agricultural Development	6	14	1	12	3	6	–	–	1	–	–	**43**
International Centre for the Study of the Preservation and Restoration of Cultural Property	–	–	1	–	–	–	–	–	–	–	–	**1**
European and Mediterranean Plant Protection Organization	–	–	–	1	–	–	–	–	–	–	–	**1**

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child's benefit	Widow's and widower's benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	**Total**
	Number of benefits awarded											
International Centre for Genetic Engineering and Biotechnology	2	1	1	3	1	1	–	–	–	–	–	**9**
World Tourism Organization	3	1	–	–	–	2	–	–	–	1	–	**7**
International Tribunal for the Law of the Sea	–	–	–	–	–	–	–	–	–	–	–	**–**
International Seabed Authority	1	–	–	–	1	–	1	–	–	–	–	**3**
United Nations Industrial Development Organization	24	23	1	16	2	10	1	1	2	–	–	**80**
International Criminal Court	–	1	2	44	16	2	–	–	1	–	–	**66**
Inter-Parliamentary Union	1	–	–	1	–	–	–	–	–	–	–	**2**
International Organization for Migration	18	3	1	225	65	17	3	1	2	–	–	**335**
Special Tribunal for Lebanon	–	1	2	18	3	2	1	–	–	–	–	**27**
Total	**1 581**	**730**	**317**	**5 041**	**2 324**	**1 430**	**129**	**35**	**96**	**3**	**21**	**11 707**

[a] The United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2013

Type of benefit	*Total as at 31 December 2012*	*New*	*Reinstatement*	*Benefits discontinued, resulting in award of survivor's benefit*	*Benefit type changes*	*All other benefits discontinued*	*Total as at 31 December 2013*
	Number of periodic benefits						
Retirement	24 147	1 580	–	(343)	(3)	(212)	25 169
Early retirement	14 833	727	–	(171)	(2)	(134)	15 253
Deferred retirement	7 308	319	–	(43)	–	(94)	7 490
Widow	10 517	105	6	522	4	(291)	10 863
Widower	838	24	–	50	1	(36)	877
Disability	1 299	94	–	(17)	–	(15)	1 361
Child	8 696	1 430	5	–	–	(1 205)	8 926
Secondary dependant	39	3	–	2	–	(3)	41
Total	**67 677**	**4 282**	**11**	**–**	**–**	**(1 990)**	**69 980**

Annex IX

Audit opinion on the financial statements and schedules for the year ended 31 December 2013

Audit opinion

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013, which comprise the Statement of net assets available for benefits, the statement of changes in net assets available for benefits, statement of comparison of budget and actual amounts, and the Notes to the financial statements. The annexes accompanying the financial statements, which present supplementary information, have not been audited.

Management's responsibility for the financial statements

The Chief Executive Officer of the Fund, the Representative of the Secretary-General for the Investments of the Fund and the Chief Financial Officer are responsible for the preparation and fair presentation of these financial statements in accordance with IPSAS, and for such internal control as management deems necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit includes the performance of procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of United Nations Joint Staff Pension Fund as at 31 December

2013 and its financial performance for the year then ended in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations Joint Staff Pension Fund that have come to our notice, or that we have tested as part of our audit, have in all significant respects been in accordance with the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

(*Signed*) Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor General of China
(Lead auditor)

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor General
of the United Republic of Tanzania

30 June 2014

Annex X

Report of the Board of Auditors on the financial statements of the United Nations Join Staff Pension Fund for the year ended 31 December 2013 — long-form report

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013. The audit was carried out through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Division and the secretariat of the Fund. The annexes accompanying the financial statements, which present supplementary information, have not been audited.

Audit opinion

The Board issued an unqualified audit opinion on the financial statements of the United Nations Joint Staff Pension Fund for the period under review, as reflected in Chapter I.

Overall conclusion

The adoption of IPSAS in 2012 enhanced the quality of the Fund's financial statements. The Fund succeeded in consolidating information from stand-alone systems to produce the IPSAS-compliant financial statements; however, since many manual adjustments, requiring professional judgements, are involved during the year-end financial reporting, the Board considers that the Fund's internal controls over financial reporting, especially for investment accounting and disclosure, need to be further enhanced.

Unsuccessful implementation of the Murex system indicates that the governance and accountability mechanisms, especially in information technology system implementation and management at the Investment Management Division, needs further improvement.

Financial overview

As at 31 December 2013, the total assets of the Fund amounted to $51,628 million (2012: $44,952 million), and the net assets available for benefits were $51,473 million (2012: $44,759 million), showing an increase of $6,714 million compared with the previous year. The increase of net assets is mainly from the increase of investment asset of $5,900 million.

For the period under review, total income amounted to $9,131 million, while total expenditure amounted to $2,416 million, making a net excess income over expenditure of $6,714 million.

The investment income amounted to $6,923 million, accounting for 76 per cent of the total income in 2013. A majority of investment income was from the net appreciation in fair value of equities.

Key findings

Financial management and financial statement disclosure

The Board identified weaknesses in financial management and financial statements disclosure, including a lack of: (a) guidance on investing in “unrated” assets; (b) review of the year end manual adjustment of investments; (c) valuation guidance for funds without formal confirmation; and (d) comprehensive disclosure requirements or regulation framework from the governing body, in which the scope, content and procedures of the disclosure should be standardized.

Investment management

The Board identified weaknesses in, and a lack of policy or procedures covering, the custody and safeguarding of documents supporting the existence of real estate and alternative investment assets.

Contribution collection and benefits payment management

The Fund could utilize additional technology to improve its certificate of entitlement process, for example, through the online certificate of entitlement forms and automatic signature/thumbprint/live image verification.

Information technology system management

Owing to multiple weaknesses and ineffective governance, further implementation of the Murex system for processing of securities transactions has been suspended since November 2013. Lessons should be learned for future development and maintenance of other information technology systems.

Recommendations

The Board has made a number of recommendations based on its audit that are contained in the present report. The main recommendations are that the Fund should:

(a) **Update its disclosure checklist to ensure that all necessary information regarding the credit risk are properly included in the financial statements; and formulate the instructions on the credit management of investment in fixed income and update the investment manuals accordingly;**

(b) **Strengthen the oversight of manual adjustment process to ensure that the risk of manual errors during this process are minimized;**

(c) **Continue to closely monitor the invested funds whose financial reports are still pending at the year-end and document the confirmation of their healthy operating and financial situations; and disclose the detailed information of those investments without formal confirmation from fund managers;**

(d) **Consider developing its disclosure regulations to be approved by the governing body, to ensure that the disclosures of the Fund’s investment information are adequate and standardized;**

(e) **Formulate a policy on the maintenance of important documents relating to real estate and alternative investments with clear instructions on key elements, such as responsibilities, timeline, coverage of required documents, methodology and procedure; and ensure that all required documents are maintained in the fund files and archived in a timely manner;**

(f) **Utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of the Integrated Pension Administration System; and consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process;**

(g) **Draw lessons from the Murex system implementation and establish best practices for planning and managing information technology projects.**

Follow-up of previous recommendations

Of the 22 recommendations made for the year 2012, 9 (41 per cent) were fully implemented; 10 (45 per cent) were under implementation; 2 (9 per cent) had not been implemented; and 1 (5 per cent) was overtaken by events. The implementation rate of recommendations decreased compared with the previous year, for which 71 per cent of 28 recommendations were fully implemented.

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund and has reviewed its operations for the year ended 31 December 2013 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2013 and the results of its operations for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) as well as International Financial Reporting Standards (IFRS) International Accounting Standards (IAS) 26, which offers accounting guidance and direction on the presentation of financial statements for retirement benefit plans and is allowed by IPSAS. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the Governing Bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the United Nations Joint Staff Pension Fund operations under Regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the operations of the United Nations Joint Staff Pension Fund.

4. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up of previous recommendations

5. Of the 22 recommendations made for the year 2012, 9 (41 per cent) were fully implemented; 10 (45 per cent) were under implementation; 2 (9 per cent) had not been implemented; and 1 (5 per cent) was overtaken by events. The Board notes the decrease in the implementation rate of its recommendations compared with the previous year, for which 28 recommendations were raised and 71 per cent were fully implemented. Details are set out in the appendix.

6. Of the two recommendations not implemented, one related to the disclosure of the Fund's top 10 investment holdings under each category to increase transparency. The Board revisited this issue during the current audit and recommended that the Fund develop regulation frameworks approved by the governing body to standardize the scope, content and procedures for investment disclosures.

7. Regarding the other unimplemented recommendation relating to the disclosure of its tax status and appropriately quantify the effect of tax exemptions (and methodology used) to increase transparency and comparability of the financial statements, the Board noted that the Fund's tax status was disclosed in the financial statements of the year under review, but the tax effect was not quantified. Management explained that it cannot be reliably measured since no benchmark fund or tax environment can be established. The Board considers that the tax effect due to the Fund's unique nature should be sufficiently disclosed.

8. The recommendation on monitoring of the Murex system implementation was considered overtaken by events, since implementation of the Murex system has been suspended since November 2013.

9. The Board noted that many of its previous recommendations (45 per cent) were under implementation, which need close monitoring. For example, the vacancy rate was still high, and the lead-time of recruitment was far beyond its target.

2. Financial overview

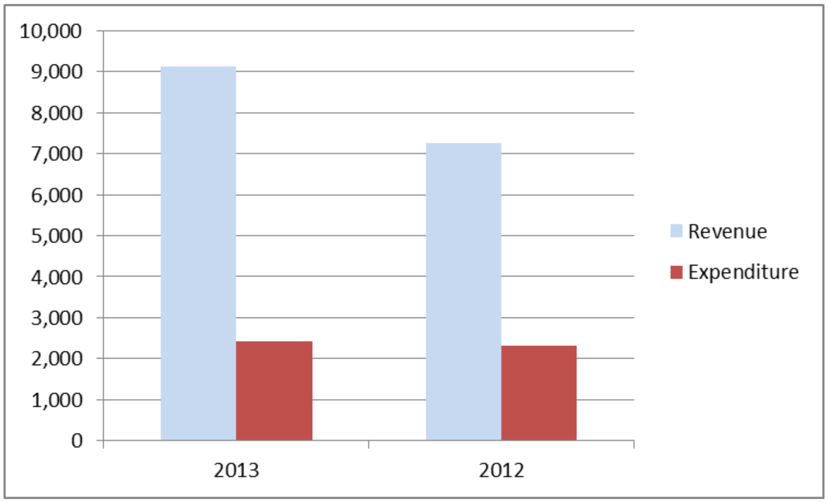
10. As at 31 December 2013, total assets of the Fund amounted to $51,628 million (2012: $44,952 million), and total liabilities amounted to $156 million (2012: $193 million), making the net assets available for benefits of $51,472 million (2012: $44,759 million), an increase of $6,713 million compared with the previous year. The increase of net assets is owing mainly to the increase of investments of $5,900 million, from $43,444 million as at 31 December 2012 to $49,344 million as at 31 December 2013.

11. As at 31 December 2013, equities and fixed income accounted for 68 per cent and 25 per cent of the investments, respectively, in line with the Fund's investment strategy. Cash and investment assets accounted for 97 per cent of the total assets, showing a high liquidity of the Fund's assets.

12. For the period under review, total income amounted to $9,131 million (2012: $7,261 million), mainly from investment income of $6,923 million (76 per cent) and contributions of $2,207 million (24 per cent); while in the previous year, the investment income was $5,093 million (70 per cent) and contributions amounted to $2,163 million (30 per cent).

13. For 2013, total expenditure amounted to $2,417 million, mainly including benefit payments of $2,338 million (97 per cent) and administrative expense of $70 million (3 per cent); while for the previous year, total expenditure amounted to $2,311 million, benefit payments and administrative expense were $2,228 million (96 per cent) and $75 million (3 per cent), respectively. The net excess income over expenditure for 2013 was $6,714 million (2012: $4,950 million). Comparative income and expenditure for the financial period 2012 and 2013 are shown in figure II.1.

Figure I
Comparative income and expenditure for 2012 and 2013
(Millions of United States dollars)



14. The investment income of 2013 amounted to $6,923 million, showing an increase of $1,830 million compared with the previous year, or 36 per cent. The increase of investment income is mainly from the income from net appreciation in fair value of investments, which increased by $2,488 million netted by the foreign currency loss of $559 million (compared to $120 million gain in the year of 2012). Based on the financial statements, the return on investment in 2013 reached 15 per cent, which outperformed the benchmark, showing good profitability.

15. The pension contribution of 2013 increased slightly, by 2 per cent, to $2,207 million. As at 31 December 2013, the Fund had 120,294 participants, a slight decrease of 1 per cent compared with the previous year; while the number of periodic benefits granted (beneficiaries) increased from 67,677 for 2012 to 69,980 for 2013, showing an increase of 3.4 per cent.

3. Financial management and financial statements disclosures

Submission of financial statements

16. Historically, the Fund has not been able to comply with the deadline of 31 March to submit United Nations financial statements, and in fact, owing to the dependency on submission by member organizations of year-end information, it normally submits the financial statements by 30 April. While recognizing management's efforts in preparing the financial statements, the Board noted that for the financial year 2013, the Fund submitted the draft financial statements only on 22 April 2014, because the actuarial present value of promised retirement benefits as required by IAS 26 was still being worked on by the consulting actuary. The formal financial statements with updated actuarial information were transmitted to the Board on 30 May 2014.

17. The Fund explained that after receiving year-end contribution data, reconciled information is submitted to the consulting actuary along with the "Final Draft" financial statements for the completion of an actuarial valuation on a biennium basis. As this process is dependent on receiving year-end data, the process cannot be

initiated with the consulting actuary before the preparing of the Fund's financial statements.

18. The Board encourages the Fund to expedite the data collection from member organizations as soon as the financial year ends and to closely monitor the actuarial valuation process to ensure a more timely submission of its financial statements.

19. **The Board recommends that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner and keep in close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.**

Disclosure of credit risk of bonds

20. The Fund is exposed to credit risk primarily in its debt securities, and its policy to manage this risk is to invest in debt securities with an investment grade. Thus, it is important to sufficiently disclose the credit risk of all the debt securities, which is also a requirement of IPSAS.

21. However, the Board noted insufficient disclosure of credit risk in the financial statements for the year under review, including:

(a) In the draft financial statements for 2013, the Fund's credit quality of the debt portfolio was disclosed, but there was a lack of credit risk information for other debts assets under short-term investment totalling $47.48 million (mainly sovereign T-bills). This omission was addressed by adding additional information in the updated financial statements; however, the comparative information of 2012 was lacking; and

(b) The Fund may invest in unrated assets only when exemption has been granted by the Representative of the Secretary-General. However, the scope and procedures regarding the exemption operation of investing in "unrated" assets was not clarified. For example, there is an investment in an open mutual fund amounting to $46.7 million, the underlying assets of which are bonds that are diversified in the emerging market and thus were not rated by rating agencies; but the scope and exemption procedures in investing in such funds was not clearly documented.

22. **The Board recommends that the Investment Management Division: (a) update its disclosure checklist to ensure that all necessary information regarding credit risk are properly included in the financial statements; and (b) formulate the instructions on the credit management of investment in fixed income and update the investment manuals accordingly**.

Year-end manual adjustment for investments

23. Under current practice of the Fund, there is an intensive manual review and adjustment process for investment records from the master record keeper, which requires robust control. During this audit, the Board's review of the manual adjustment process revealed that one error amounting to $1.18 million was identified by Investment Management Division in the reconciliation process. This error was the result of a duplicated entry posted by the Investment Management Division owing to an adjustment entry that had already been done by the master record keeper, which was overlooked.

24. This error was not identified until May, after the financial statements were submitted to the Board; thus, the subsequent reversal was done in the updated financial statements. The Board expanded its sample tests and did not observe further errors, but is concerned about the inherent risk in the manual reconciliation prior to the preparation of financial statements. The Board considers that with the increase in real estate and alternative investments, there should be a more robust review control in the manual adjustment process to ensure the accuracy, completeness and timeliness of its financial reports.

25. **The Investment Management Division agreed with the Board's recommendation to strengthen the oversight of the manual adjustment process to ensure that the risks of manual errors during this process are minimized.**

Valuation and presentation of investment assets

26. IPSAS 30 states that for each class of financial asset and financial liability, both recognized and unrecognized, an entity shall disclose information about fair value, and when it is not practicable within constraints of timeliness or cost to determine the fair value of financial asset or financial liability with sufficient reliability, that fact shall be disclosed together with information about the principal characteristics of the underlying financial instrument that are pertinent to its fair value.

27. However, the Board noted that some funds without confirmed market value were not sufficiently disclosed as required. For the year 2013, there were five funds (real estate funds), whose financial capital account statements were not submitted to the Investment Management Division by the reporting date (21 April 2014) or even the audit date (15 May 2014), and that the Investment Management Division could not receive any formal confirmation regarding their operation and financial condition. The total amount of those five investment asset items was $174.9 million, about 5 per cent of the Fund's total real assets and alternatives assets. The value presented on the financial statements was calculated based on the third quarter net asset value adjusted by cash flows in the fourth quarter according to the Fund's accounting policy. However, this situation was not disclosed in the draft financial statements as required. In the previous year, the total amount of such "estimated" investment assets was $96.24 million, about 3 per cent of the Fund's total real assets and alternative assets, showing an increase trend. After this issue was raised, the Investment Management Division got the updated records from those funds, showing no evidence of impairment.

28. Considering the risk of inaccurate valuation of growing real estate funds and alternative investments with no capital account statement, the Investment Management Division should establish standard procedures regarding the assurance of its valuation for those funds without any formal confirmation to ensure reliable financial reporting.

29. **The Investment Management Division agreed with the Board's recommendation to: (a) continue to closely monitor the invested funds whose financial reports are still pending at the year end and document the confirmation of their healthy operating and financial situation; and (b) disclose the detailed information of those investments without formal confirmation from fund managers.**

30. The Investment Management Division stated that it would continue its annual post-financial statements review and further track any major change between the audited and unaudited year-end net asset value as reported by the fund managers.

Enhancing financial statements disclosure

31. Detailed and standardized financial disclosure requirements are the basis for effective monitoring and are of vital importance for the transparency and management of any public pension Fund. IPSAS also encourages entities to present additional information to assist users in assessing the performance of the entity and its stewardship of assets, as well as making and evaluating decisions about the allocation of resources.

32. The Board reviewed the Fund's financial statements and its notes, and noted the opportunities for improvement of disclosure, for example:

(a) In note 6, it generally disclosed several investments whose single value exceeded 5 per cent of the corresponding class of security. However, there were no details of those investments, which is not in compliance with the disclosure requirement of IAS 26;

(b) There was a foreign currency loss totalling $558.92 million, accounting for 8 per cent of the total investment income. However, such significant loss was not sufficiently explained in notes to the financial statements; and only concluded that "the Fund does not use hedging to manage its non-United States dollar-denominated currency risk exposure. Currency risk refers to risk due to foreign exchange rate changes", but no reason for such policy was disclosed. The Board was informed that those would be explained in its performance report; however, such report was not provided to the Board at the time of audit along with the financial statements, and no reference was made in notes to the financial statements;

(c) In its previous report, the Board recommended that the Fund disclose its top 10 investment holdings to increase transparency. For this year, the Board continued to note the practice of many public pension funds who publicly disclosed detailed information of their investment portfolio and equity commissions and management fees. Those disclosures are due either to legislation/regulatory requirements, or to voluntary disclosure as encouraged by the accounting standards, and has largely increased the transparency of those funds. However, in the context of the Fund, there is a lack of disclosure requirement or regulation framework from the governing body, compared to other pension funds which are governed by national and local regulations, in which the scope, content and procedures of the disclosure should be provided.

33. **The Board recommends that the Investment Management Division consider developing its disclosure regulations to be approved by the governing body to ensure that the disclosures of the Fund's investment information are adequate and standardized.**

34. The Investment Management Division commented that it took note of this recommendation and would further discuss it with the Representative of the Secretary-General.

4. Investment management

Custody and safeguarding of investment documentation

35. At 31 December 2013, the Fund had 107 real estate and alternative investments, valued at $1.2 billion. Such investments are often supported by extensive documentation, but the Board noted that there was a lack of formal policies and procedures for the safeguarding and custody of the relevant documents, such as limited partnership agreements title deeds.

36. The Board examined the documentation maintained for 15 funds and found that the files were disorganized and incomplete; for example, at the end of May 2014:

- Three legal file folders could not be located;
- Two financial folders had to be created for external audit review;
- Limited partnership agreements or subsequent amendments/supplements were not available in some folders.

37. Although there were alternative ways to validate the related investments, considering the importance of the documents for real estate and alternative assets, and the fact that some funds have been and would be in existence for decades, the Board considers that those documents should be properly safeguarded.

38. The Investment Management Division explained that important files were held electronically and in hard copy and that it had prepared a log to track the collection of those files, while they were still in the process of being transferred to a centralized electronic location as of the time of audit.

39. **The Investment Management Division agreed with the Board's recommendation to: (a) formulate a policy on the maintenance of important documents relating to real estate and alternative investments with clear instructions on key elements, such as responsibilities, timeline, coverage of required documents, methodology and procedure; and (b) ensure that all required documents are maintained in the fund files and archived in a timely manner.**

Custodian procurement arrangements

40. The custodian service is fundamental to the Fund's operation. It is responsible for the safekeeping and settlement services in multiple jurisdictions, collecting income, processing investment transactions, maintaining physical control of security instruments and other assets deposited with it, seeking tax reclamation, as well as monitoring and notifying the Investment Management Division of the corporate actions.

41. The Northern Trust Company was awarded the custodian contract in 2006 for an initial period of three years which has now been extended eight times, until June 2015. The responsibility for the custody of the emerging market assets was transferred to Citibank from 1 June 2012.

42. The Fund initiated the selection of a new custodian for its developed market in 2010; however, this is progressing slowly and the terms of reference to support the request for proposal remained in draft form at the end of May 2014. Given the time

taken from issuing the request for proposal to finalizing the existing custodian contracts with the Northern Trust Company (17 months) and Citi (15 months), it is unlikely that new arrangements will be established before the expiry of the current contract (13 months).

43. The Investment Management Division stated that it would not be possible to complete the request for proposal process and contract negotiations before 30 June 2015 and that it planned to initiate discussions with the Procurement Division shortly. The Investment Management Division also commented that custodian services are fundamental to the proper functioning of the investment management operation and should only be rebidded every 10 to 15 years. More frequent competitive bidding exercises for such investment infrastructure services would be unnecessarily disruptive, and thus it would request a permanent waiver/exception from the Procurement Division.

44. **The Investment Management Division agreed with the Board's recommendation to: (a) regularly monitor the status of its contracts with external service providers and take action well in advance to ensure that all contracts were renewed/awarded in a timely manner; (b) expedite the solicitation process in its procurement activities; and (c) consider setting up a high-level mechanism with the Procurement Division to address the special requirements on the procurement of fundamental system services in the context of the Fund, if deemed necessary.**

5. Contribution collection and benefits payment management

Participant reconciliation exceptions process

45. Each year end, the Fund estimates the contributions for each participant based on the reported pensionable remuneration rates and human resources records. Discrepancies between the estimates and the contributions reported by member organizations are produced and distributed to each member organization. The 2012 participant reconciliation exception summary reflected the contribution discrepancies amounting to $19.23 million for 12,366 exception cases. The majority of the discrepancies are resolved by updating the human resources records or adjusting contributions on the year-end schedules in the following year.

46. As of the time of audit in May 2014, the 2013 participant reconciliation exception report was not available. Discrepancies that have not been investigated and reconciled in a timely manner by member organizations may have an impact on the accuracy of human resources data, contributions recorded in the pension administration system and the financial statements. While the Board acknowledges that the Fund strives for enhanced efficiency and better business strategy each year in handling participant reconciliation exceptions cases, it encourages the Fund to continue its efforts to reconcile contributions with member organizations on a more timely basis.

47. **The Fund secretariat agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exception process to ensure the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the**

contributions and receivables recorded in pension system and financial statements.

48. The Fund stated that the Integrated Pension Administration System (IPAS) project is a key tool to improve contribution reconciliation and participant reconciliation exception efficiency, which will introduce the possibility for member organizations to convert to monthly reported contributions through interfaces, and the discrepancies could then be corrected within the same year rather than in the following year-end cycle. The Fund would continue its efforts in the IPAS project and pension interface project.

Certificate of entitlement process

49. The annual random certificate of entitlement exercise is conducted by the Fund to prevent overpayment of benefits in case of death and to detect fraud/forgery cases through beneficiaries' signature verification in the Fund. However, the current practices to prepare annual mailings, dispatch them, and visually check and reconcile the signatures after receiving the returned forms, which usually last for one year, are time-consuming and costly, with high risk of judgement error. In addition, there is a risk that the local postal services could malfunction and that forms are not delivered or are even lost.

50. Considering the increasing number of retirees with Internet access and skills, there is the opportunity for the Fund to utilize technology to improve its certificate of entitlement service, for example:

(a) Online access to the certificate of entitlement form could be considered as an enhancement and additional tool to facilitate those beneficiaries with Internet and printer access;

(b) Establish a formal practical plan to develop an automatic signature verification system, or other advanced systems such as thumbprint or live image verification, in the long run for higher coverage, efficiency and accuracy.

51. **The Fund secretariat agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of the integrated pension administration system; and (b) consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.**

52. The Fund secretariat commented that further refinements in this process are envisaged after the new IPAS platform goes live and only after a reasonable stabilization period has passed.

6. Information system and project management

Failure of the Murex project

53. Murex is a back-office reconciliation and portfolio accounting system for the settlement and processing of securities transactions to support back-office operations, which was selected in January 2010; the contract was concluded in February 2011. This project was expected to be completed by 31 December 2011; however, up to the time of this audit, only the first phase had been completed.

Following an unsatisfactory report of OIOS and a project board recommendation in November 2013, the project has been indefinitely suspended. Up to the time the project was frozen, expenditure for the project was reported as $3.87 million.

54. There were multiple weaknesses and ineffective governance in the system implementation, including:

- Unclear project goals and insufficient planning;
- Unclear responsibilities in project implementation;
- Ineffective monitoring, leading to reactive management of change;
- Weak internal controls in key processes.

55. The Board is of the view that the unsuccessful implementation of the Murex system reflects not only weak controls at the operational level, but also ineffective governance. The lessons learned from the Murex implementation process should be captured for the future development and maintenance of other IT systems. There is also a need to document an alternative solution to reduce the operational risks during the suspension of the current Murex system.

56. **The Board recommends that the Investment Management Division draw lessons from the Murex system implementation and establish best practices for planning and managing IT projects.**

57. The Investment Management Division commented that the existing contract with Murex is part of the Division's management deliberations and that the request for proposal regarding the Division's operating model and related ICT infrastructure was expected to be published in May 2014.

Internal control issues over information systems in use

58. The Board examined the management and controls over IT systems in use at the Investment Management Division and observed the following:

(a) There was no signed contract for fundamental IT services. The United Nations International Computing Centre provides fundamental IT services to the Division. However, no approved service delivery agreement was in place at the time of audit in May 2014. The absence of a formal agreement could expose the Investment Management Division to a risk of unexpected termination of technical support and services without a back-up plan and clear responsibility. The Board considers that any fundamental services should always be guaranteed by formal agreement. Subsequent to the audit, the Investment Management Division signed a service delivery agreement with the United Nations International Computing Centre;

(b) There were technical defects of the Charles River system. In March 2013, the Investment Management Division encountered and logged several technical issues with the Charles River system (the electronic trading system for equities). It was recommended that the current system be enhanced by upgrade or replacement in December 2013; however, as of the audit in May 2014, this issue was still in discussion. As the Business Case Analysis for Trade Order Management System dated 2 May 2014 indicates, owing to the functional limitation of the version 8 of the Charles River system currently in use, some of the logged issues, such as duplicate trades and inadvertent execution of a trade, cannot be completely solved and tend to appear repeatedly, implying potential risks of unexpected loss. The

Board considers that the Investment Management Division should make a timely assessment and a decision on whether to continue to use and upgrade the Charles River system or switch to another system;

(c) There is unclear business ownership and inadequate use of the OMGEO system, the trade confirmation and affirmation system, which went live in December 2012. By May 2014, only four out of 38 brokers were connected to OMGEO with no reduction of manual match workload. However, owing to a lack of clearly defined business ownership and user requirements, there is no specific timeline for the promotion of OMGEO. Moreover, until this system was fully operational, the Investment Management Division could not safely execute basket trading to implement portfolio rebalancing as recommended by the Investments Committee.

59. **The Board recommends that the Investment Management Division: (a) make a timely decision on the Charles River enhancement/replacement based on its IT strategy and study; (b) analyse the difficulties in the timely promotion of OMGEO and ensure the full and effective application of such system where possible; and (c) strengthen communications and coordination among various sections within the Investment Management Division and comprehensively clarify respective responsibilities in the IT system implementation, maintenance, promotion and management.**

7. Administration of the Fund

Staff performance evaluation

60. In May 2014, 46 per cent of the Fund's staff had not completed their performance appraisals for the 2012-2013 cycle ending 31 March 2013, including 14 per cent of whom had not even completed annual workplans. In addition, 47 per cent of staff members had been awarded salary increments without proper performance evaluation for the year.

61. The Fund explained that some staff members had not had their e-Performance document completed owing to outside factors; for example, their supervisor may have retired. However, the Board considers that actions should be taken to ensure the timely completion of performance evaluation, as required by United Nations policy.

62. **The Fund agreed with the Board's recommendation to 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, to ensure that all staff members are properly evaluated in a timely manner as required by United Nations policy.**

C. Disclosures by management

63. Management reported to the Board that there had been no write-offs of losses of cash, receivables or properties, no ex gratia payments, and no cases of fraud or presumptive fraud that relate to the staff of the Fund during the year 2013.

D. Acknowledgement

64. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer of the Fund and the Representative of the Secretary-General and the staff members of the Fund.

Sir Amyas C. E. **Morse**
Comptroller and Auditor General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the Board of Auditors

Liu Jiayi
Auditor General of China
(Lead auditor)

Ludovick S. L. **Utouh**
Controller and Auditor General of the United Republic of Tanzania

30 June 2014

Appendix

Status of implementation of recommendations for the year ended 31 December 2012[a]

	Summary of recommendation	*Para. reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1.	Closely monitor the granting of access to sensitive systems	18	2012	X			
2.	Establish clear and objective evaluation criteria and monitor the performance of advisers	24	2012	X			
3.	Communicate with the United Nations University and request formal confirmation regarding the termination of oversight service to the Library Endowment Fund	28	2010-2011		X		
4.	Establish proper policy to ensure better disclosure of performance	31	2012	X			
5.	Disclose top 10 investment holdings under each category	36	2012			X	
6.	Establish consolidated procedures and a checklist to enhance the preparation and review process	39	2012	X			
7.	Review the financial reporting structure to ensure the financial reporting responsibility	43	2010-2011	X			
8.	Review the classification of small capitalization fund management fees	47	2012	X			
9.	Review and revise its accounting manual regarding the withholding tax	50	2012	X			
10.	Sufficiently disclose its tax status and quantify the effect of tax exemptions	53	2012			X	
11.	Review and implement strategies and monitor the implementation of IPAS and Murex	60	2012		X		
12.	Introduce a monthly comparisons process and improve the participant reconciliation exception process	71	2000-2001		X		
13.	Monitor member organizations' enterprise resource planning initiatives as well as improve progress in contribution reporting	78	2012	X			
14.	Approve the detailed Murex project; define the timeline; monitor the project process	83	2012				X
15.	Monitor the implementation of the new Charles River system and the manual adjustment of bonds	85	2012		X		
16.	Request formal approval on a funding plan for end-of-service liabilities and the management procedures for such a plan	91	2008-2009	X			

[a] See A/68/303, annex VIII.

	Summary of recommendation	Para. reference	Financial period first made	Implemented	Under implementation	Not implemented	Overtaken by events
17.	Revise the policy for the valuation of annual leave liability	95	2008-2009		X		
18.	Establish physical inventory check policy; cooperate with relevant departments of the United Nations; support the staff to attend training	98	2012		X		
19.	Review all the leave records; ensure that all leave records are well documented	103	2012		X		
20.	Investigate the reason for the failure to respond to attendance reports; adhere to human resources management requirements	104	2012		X		
21.	Manage the mandatory leave by OnTime records; revise the relevant policy	107	2010-2011		X		
22.	Assess the possible adverse effect of each vacant post; expedite filling management positions	111	2010-2011		X		
	Total		**22**	**9**	**10**	**2**	**1**
	Percentage		**100**	**41**	**45**	**9**	**5**

Annex XI

Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Article 4 **Administration of the Fund**	**Article 4** **Administration of the Fund**	
(a) The Fund shall be administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.	(a) The Fund shall be administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.	No change
(b) The administration of the Fund shall be in accordance with these Regulations and with Administrative Rules consistent therewith which shall be made by the Board and reported to the General Assembly and the member organizations.	(b) The administration of the Fund shall be in accordance with these Regulations and with Administrative Rules, **including Financial Rules for the operation of the Fund**, consistent therewith which shall be made by the Board and reported to the General Assembly and the member organizations.	To reflect the decision of the Pension Board, after the recommendation of its Audit Committee, to make a provision for the promulgation of Financial Rules in the future that would govern the financial management of the Fund.
(c), (d)	(c), (d)	No change
Article 14 **Annual report and audit**	**Article 14** **Annual report and audit**	
(a) The Board shall present to the General Assembly and to member organizations, at least once every year, a report, including financial statements, on the operation of the Fund, and shall inform each member organization of any action taken by the General Assembly upon the report.	(a) The Board shall present to the General Assembly and to member organizations, at least once every year, a report, including financial statements, on the operation of the Fund, and shall inform each member organization of any action taken by the General Assembly upon the report.	No change
(b) There shall be annual audits of the operations of the Fund, in a manner agreed between the United Nations Board of Auditors and the Board. An audit report on the accounts of the Fund shall be made, every year by the United Nations Board of Auditors; a copy of the audit report shall be included in the report under (a) above.	(b) There shall be annual audits of the operations of the Fund, in a manner agreed between the United Nations Board of Auditors and the Board. **The agreement with the Board of Auditors on the terms of reference for the annual audits of the operations of the Fund shall be set out in an annex to the Fund's Administrative Rules**. An audit report on the accounts of the Fund shall be made, every year by the United Nations Board of Auditors; a copy of the audit report shall be included in the report under (a) above.	In accordance with the recommendation of the Audit Committee, the Pension Board recommends an addition to article 14 (b) 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.

[a] Proposed additions appear in boldface type that has been underlined, and proposed deletions are indicated by strikethrough in square brackets.

Existing text	*Proposed text*	*Comments*
Article 21 **Participation**	**Article 21** **Participation**	
(c) Notwithstanding the provisions of (b) above, a participant is deemed to have separated when he or she has completed (i) a consecutive period of three years on leave without pay without concurrent contributions having been paid in accordance with article 25 (b), or (ii) four years under the conditions described in (i) above within a total period of five years. To re-enter the Fund, such former participant would have to satisfy the requirements for participation set out in (a) above.	(c) Notwithstanding the provisions of (b) above, a participant is deemed to have separated when he or she has completed ~~(i)~~ a consecutive period of three years on leave without pay without concurrent contributions having been paid in accordance with article 25(b). [~~, or (ii) four years under the conditions described in (i) above within a total period of five years.~~] To re-enter the Fund, such former participant would have to satisfy the requirements for participation set out in (a) above.	To simplify the administration of participation of those staff members who are on extended special leave without paying concurrent contributions to the Fund.
Article 33 **Disability Benefit**	**Article 33** **Disability Benefit**	
(b) The benefit shall commence on separation or, if earlier, on the expiration of the paid leave due to the participant and shall continue for as long as the participant remains incapacitated, provided that after age 55 incapacity shall be deemed to be permanent.	(b) The benefit shall commence on separation or, if earlier, on the expiration of the paid leave due to the participant and shall continue for as long as the participant remains incapacitated, provided that [~~after age 55~~] incapacity shall be deemed to be permanent **once the former participant reaches an age seven years less than that when he or she would have been entitled to receive a normal retirement benefit, except in cases where the normal retirement age is 60 in which case the period shall be five years less than the normal retirement age**.	To reflect the Pension Board's decision that following the increase in the normal retirement age to 65 for participants entering, or re-entering, the Fund as of 1 January 2014, a change is recommended to Article 33 (b) and Administrative Rule H.6(a) so that depending on the normal retirement age, a disability benefit will be deemed permanent seven years before the age at which the former participant would have been entitled to receive a normal retirement benefit had he or she not been eligible for a disability benefit.
Article 46 **Forfeiture of benefits**	**Article 46** **Forfeiture of benefits**	
(a) The right to a withdrawal settlement or residual settlement shall be forfeited if for two years after payment has been due the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.	(a) The right to a withdrawal settlement or residual settlement shall be forfeited if for two years after payment has been due the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.	No change
(b) The right to a retirement, early retirement, deferred retirement or disability benefit shall be forfeited if, for five years after the first payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.	(b) The right to a retirement, early retirement, deferred retirement, disability benefit, **widow's or widower's benefit, divorced spouse's benefit, child's benefit or secondary dependant's benefit** shall be forfeited if, for five years after the first payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.	Wording in article 46 is changed to reflect the current practice and to extend forfeiture provisions explicitly to cover survivors' benefits: widow's/widower's benefit, divorced spouse's benefit, child's benefit and/or secondary dependant's benefit. Furthermore, as the current wording of article 46 (c) does not explicitly cover the Certificate of Entitlement (CE) exercise but refers only to situations when the beneficiary has "failed to submit payment instructions"
(c) The right to continued periodic payments of a retirement, early retirement,	(c) The right to continued periodic payments of a retirement, early	

Existing text	*Proposed text*	*Comments*
deferred retirement or disability benefit shall be forfeited if, for two years after a periodic payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.	retirement, deferred retirement, disability benefit, **widow's or widower's benefit, divorced spouse's benefit, child's benefit or secondary dependant's benefit** shall be forfeited if, for two years after a periodic payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment **or has failed to submit the duly signed Certificate of Entitlement.**	or "failed or refused to accept payment", explicit language is added to cover situations where the benefit has been suspended due to the failure to return duly signed Certificate of Entitlement.
(d) The right to a benefit shall nevertheless not be forfeited under (a), (b) or (c) above if its exercise has been prevented by circumstances beyond the control of the beneficiary.	(d) The right to a benefit shall nevertheless not be forfeited under (a), (b) or (c) above if its exercise has been prevented by circumstances beyond the control of the beneficiary.	No change
(e) The Board may, if in its opinion there are circumstances which so warrant, restore the right to any benefit which has been forfeited.	(e) The Board may, if in its opinion there are circumstances which so warrant, restore the right to any benefit which has been forfeited.	No change
Article 50 **Entry into force**	**Article 50** **Entry into force of the provisions or their amendment**	
(a) These Regulations shall enter into force and supersede all previous Regulations with effect from 1 January 2014.	[~~(a) These Regulations shall enter into force and supersede all previous Regulations with effect from 1 January 2014.~~]	The effective date of the Regulations is mentioned in the footnote on the first page of the Regulations booklet and there is no need to retain and update the same date in article 50 (a). Article 49 (b) specifically states that any specific amendments to the Regulations shall enter into force from the date specified by the General Assembly.
(b) No provision shall be construed as applying retroactively to participants in the Fund prior to the date of its entry into effect, unless expressly stated therein or specifically amended to such effect by the General Assembly with due regard to the provisions of article 49.	[~~(b)~~] No provision shall be construed as applying retroactively to participants in the Fund prior to the date of its entry into effect, unless expressly stated therein or specifically amended to such effect by the General Assembly with due regard to the provisions of article 49.	
Articles 51-53 **LIMITATION ON PARTICIPATION**	~~**[Article 51**~~ ~~**LIMITATION ON PARTICIPATION**~~	
"An associate participant in the Fund on 31 December 1966 shall continue to be an associate participant in accordance with article II bis of the Regulations in force on that date and shall only become a participant if during such associate participation he or she receives:	~~"An associate participant in the Fund on 31 December 1966 shall continue to be an associate participant in accordance with article II bis of the Regulations in force on that date and shall only become a participant if during such associate participation he or she receives:~~	All transitional provisions in part VIII of the Regulations are obsolete; current article 54 to be renumbered as 51.
(a) A permanent appointment or an appointment certified by a member organization to lead normally to a permanent appointment; or	~~(a) A permanent appointment or an appointment certified by a member organization to lead normally to a permanent appointment; or~~	
(b) An appointment which will extend the total continuous period of service to or beyond five years.	~~(b) An appointment which will extend the total continuous period of service to or beyond five years.~~	

Existing text	*Proposed text*	*Comments*
For the purpose of (b) above, service before 1 January 1967 shall be deemed to have been continuous if a break or breaks therein do not total more than one year."	~~For the purpose of (b) above, service before 1 January 1967 shall be deemed to have been continuous if a break or breaks therein do not total more than one year."~~]	
Article 52 **PRESERVATION OF ENTITLEMENT TO RETIREMENT BENEFITS**	[~~**Article 52**~~ ~~**PRESERVATION OF ENTITLEMENT TO RETIREMENT BENEFITS**~~	
A participant in the Fund on 31 December 1966 whose service has been continuous since that date shall be entitled to a retirement benefit under article 28 of these Regulations notwithstanding that his or her contributory service was less than five years.	~~A participant in the Fund on 31 December 1966 whose service has been continuous since that date shall be entitled to a retirement benefit under article 28 of these Regulations notwithstanding that his or her contributory service was less than five years.~~]	All transitional provisions in part VIII of the Regulations are obsolete; current article 54 to be renumbered as 51.
Article 53 **PRESERVATION OF RIGHTS TO VOLUNTARY DEPOSITS**	[~~**Article 53**~~ ~~**PRESERVATION OF RIGHTS TO VOLUNTARY DEPOSITS**~~	
A participant who, prior to the entry into force of these Regulations, had been authorized by the Board to deposit an amount in the Fund in accordance with article XVIII of the Regulations then in force shall be entitled, in respect of such authorization, to the benefit of that article as though it were still in force."	~~A participant who, prior to the entry into force of these Regulations, had been authorized by the Board to deposit an amount in the Fund in accordance with article XVIII of the Regulations then in force shall be entitled, in respect of such authorization, to the benefit of that article as though it were still in force."~~]	All transitional provisions in part VIII of the Regulations are obsolete; current article 54 to be renumbered as 51.

Annex XII

Amendments to the Administrative Rules of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Section B **Participation**		
Administrative Rule (AR) B.4 (Section B, Participation)	**Administrative Rule (AR) B.4 (Section B, Participation)**	
B.4 Information provided by or in respect of a participant or beneficiary under the Regulations or these Rules shall not be disclosed without written consent or authorization by the participant or beneficiary concerned, except in response to a court order or a request from a judicial or civil authority in the context of divorce or family maintenance obligations. In such case the Chief Executive Officer shall immediately notify the participant or beneficiary of the order or request. If after 30 days the participant or beneficiary has not acted in response to the court order or request, the Chief Executive Officer may supply the following information:	B.4 **<u>(a)</u>** Information provided by or in respect of a participant or beneficiary under the Regulations or these Rules shall not be disclosed without written consent or authorization by the participant or beneficiary concerned, except in response to a court order or a request from a judicial or civil authority in the context of divorce or family maintenance obligations. In such case the Chief Executive Officer shall immediately notify the participant or beneficiary of the order or request. If after 30 days the participant or beneficiary has not acted in response to the court order or request, the Chief Executive Officer may supply the following information:	
(i) amount of benefits received and in payment for a beneficiary;	(i) amount of benefits received and in payment for a beneficiary;	
(ii) accrued entitlements for an active participant; and	(ii) accrued entitlements for an active participant; and	
(iii) address of the beneficiary.	(iii) address of the beneficiary.	
The information shall be provided by the Chief Executive Officer in a manner that clearly reflects that it is being provided on a voluntary basis and without waiver of the privileges and immunities of the organization	**<u>(b)</u>** The information **<u>in (a) above</u>** shall be provided by the Chief Executive Officer in a manner that clearly reflects that it is being provided on a voluntary basis and without waiver of the privileges and	

[a] Proposed additions appear in **<u>boldface type and underlined</u>**, and proposed deletions are indicated by ~~strikethrough~~ in square brackets.

Existing text	*Proposed text*	*Comments*
with respect to any such order or request from the judicial or civil authorities.	immunities of the organization with respect to any such order or request from the judicial or civil authorities.	
	(c) Notwithstanding this confidentiality rule, the staff pension committees may, through the secretariat to such committees, provide the UNJSPF member organizations with relevant pension information of a participant or a beneficiary that is considered necessary in the administration of staff members and their entitlements in their employing organizations.	The revised terms of reference of the Staff Pension Committees (SPCs) and their Secretaries clarify that the members of SPCs and the SPC Secretaries are not considered to be a third party for the purpose of Administrative Rule B.4. A revision to Rule B.4 is proposed to reflect this policy, i.e., that relevant pension information of a participant or a beneficiary may be given to an employing organization if such information is considered necessary in the administration of staff members and their entitlement in that organization.
Section H **Determinations of incapacity and inability to engage in gainful employment**		
H.6 (a) A determination that a participant is incapacitated within the meaning of article 33(a) shall, until the participant reaches age fifty-five, be reviewed by the committee from time to time for the purpose of establishing the participant's continued eligibility for a disability benefit, in accordance with article 33(b).	H.6 (a) A determination that a participant is incapacitated within the meaning of article 33(a) shall ~~until the participant reaches age fifty-five~~, be reviewed by the committee from time to time for the purpose of establishing the participant's continued eligibility for a disability benefit, in accordance with article 33(b) **until the participant reaches an age seven years less than that when he or she would have been entitled to receive a normal retirement benefit, except in cases where the normal retirement age is 60, in which case the period shall be five years less than the normal retirement age.**	In accordance with the change to article 33(b), there is a corresponding change to Administrative Rule H.6 (a) with regard to the age when the incapacity is considered permanent.

Existing text	Proposed text	Comments
Section K **Review and appeal**		
(a) Where the outcome of the review turns in whole or in part on the medical conclusions on which the disputed decision was based, the staff pension committee, or the Standing Committee as the case may be, shall obtain the advice of a medical board on the correctness or otherwise of such conclusions before proceeding with the review.	(a) Where the outcome of the review turns in whole or in part on the medical conclusions on which the disputed decision was based, the staff pension committee, or the Standing Committee as the case may be, shall obtain the advice of a medical board **<u>or request a review by an independent medical practitioner on the correctness or otherwise of such</u>** conclusions before proceeding with the review.	Due to the cost of a medical board, the Pension Board decided that the option of a review by an independent medical practitioner be included as an alternative in cases where there is a disputed decision or uncertainty concerning medical conclusions.
(b) The medical board shall consist of a medical practitioner selected by the participant or person requesting the review, the medical officer of the organization or a medical practitioner designated by him or her, and a third medical practitioner selected in agreement by the former two who shall not be the medical officer of a member organization; the board shall undertake such further examination of the medical conclusions at issue, and/or of the person who is the subject of the review, as it considers desirable, and shall report its conclusions in writing to the staff pension committee or the Standing Committee, as the case may be, which shall thereupon proceed with the review.	(b) The medical board shall consist of a medical practitioner selected by the participant or person requesting the review, the medical officer of the organization or a medical practitioner designated by him or her, and a third medical practitioner selected in agreement by the former two who shall not be the medical officer of a member organization; the board shall undertake such further examination of the medical conclusions at issue, and/or of the person who is the subject of the review, as it considers desirable, and shall report its conclusions in writing to the staff pension committee or the Standing Committee, as the case may be, which shall thereupon proceed with the review. **<u>Where the Committee determines that the review shall be undertaken by an independent medical practitioner, he or she shall be identified by the medical officer of the organization and agreed to by the participant or beneficiary.</u>**	

Existing text	*Proposed text*	*Comments*
	(c) If the decision resulting from the review varies the disputed decision, the medical fees and expenses of the medical board shall be borne by the Fund; if the disputed decision is confirmed, the medical fees and expenses of the practitioner selected by the participant or person requesting the review and half the medical fees and expenses of the third practitioner shall be borne by the applicant and the remainder by the Fund; indebtedness by a participant under this rule may be recovered in accordance with article 43 of the Regulations. **In cases where the review is undertaken by the independent medical practitioner, the cost shall be borne by the Fund.**	

Annex XIII

Recommendations to the General Assembly for a change in the pension adjustment system of the United Nations Joint Staff Pension Fund

Comment: The proposed addition to the table in paragraph 7 of section E reflects the 10 per cent adjustment to small pension threshold amounts for separations on or after 1 April 2016, as recommended by the Board.

Existing text		*Proposed text*	
E. Special adjustment for small pensions[a]			
Separations on or after 1 July 1995		Separations on or after 1 July 1995 **but before 1 April 2016**	
Annual amount of pension	Special adjustment (percentage)	Annual amount of pension	Special adjustment (percentage)
$6 500	0	$6 500	0
6 250	3	6 250	3
6 000	7	6 000	7
5 750	12	5 750	12
5 500	17	5 500	17
5 250	22	5 250	22
5 000	28	5 000	28
4 750	34	4 750	34
4 500	40	4 500	40
4 250	52	4 250	52
4 000	60	4 000	60
3 750	68	3 750	68
3 500	76	3 500	76
3 250	85	3 250	85
3 000	94	3 000	94
2 750 or less	104	2 750 or less	104

[a] Proposed additions are indicated by boldface type that has been underlined.

	Separations on or after 1 April 2016	
	Annual amount of pension	Special adjustment (percentage)
	$7 150	0
	6 875	3
	6 600	7
	6 325	12
	6 050	17
	5 775	22
	5 500	28
	5 225	34
	4 950	40
	4 675	52
	4 400	60
	4 125	68
	3 850	76
	3 575	85
	3 300	94
	3 025 or less	104

Annex XIV

Draft agreements on the transfer of pension rights of participants

A. Draft agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of officials in the European Organization for the Exploitation of Meteorological Satellites

Whereas, pursuant to the policy of international intergovernmental organizations to facilitate the exchange of personnel, it is desirable to secure continuity of pension rights of staff members transferring between these organizations;

Whereas the Regulations of the United Nations Joint Staff Pension Fund and the Pension Scheme Rules of the European Organization for the Exploitation of Meteorological Satellites authorize the conclusion of such agreements with other international organizations and with the Governments of member States for the transfer and continuity of such rights;

It has been agreed as follows:

Article 1
Definitions

1.1 For the purposes of the present agreement:

(a) "Pension Fund" means the United Nations Joint Staff Pension Fund;

(b) "Fund participant" means a participant in the United Nations Joint Staff Pension Fund;

(c) "EUMETSAT" means the European Organization for the Exploitation of Meteorological Satellites;

(d) "EUMETSAT Scheme" means the Pension Scheme applicable to officials of EUMETSAT;

(e) "Official" means a staff member of EUMETSAT affiliated to the EUMETSAT Scheme.

Article 2
Transfers from the United Nations Joint Staff Pension Fund to the European Organization for the Exploitation of Meteorological Satellites

2.1 A former Pension Fund participant who has not received a benefit under the Regulations of the Pension Fund may elect to be covered by the provisions of the present Agreement upon becoming affiliated with the EUMETSAT Scheme within six months after participation in the Pension Fund has ceased, by electing within a further period of six months to transfer the accrued entitlements from the Pension Fund to the EUMETSAT Scheme.

2.2 Upon such election, the Pension Fund shall pay to EUMETSAT, as soon as possible, an amount equal to the larger of:

(a) The equivalent actuarial value, calculated in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund, of the retirement benefit which the Fund participant had accrued in the Pension Fund based on the contributory service and final average remuneration up to the date participation in the Pension Fund ceased; or

(b) The withdrawal settlement to which the former Fund participant would have been entitled under article 31 of the Regulations of the Pension Fund, upon separation from the service of a member organization of the Pension Fund.

2.3 On the basis of the amount determined in this way, the former Fund participant shall be credited with reckonable years of service in accordance with article 12, paragraph 1, of the Rules of the EUMETSAT Scheme and its relevant implementing instructions.

2.4 Upon such election, the former Fund participant shall cease to be entitled to any benefit under the Regulations of the Pension Fund.

Article 3
Transfers from the Pension Scheme of the European Organization for the Exploitation of Meteorological Satellites to the United Nations Joint Staff Pension Fund

3.1 A former official of EUMETSAT who has not received a benefit under the EUMETSAT Scheme may elect to be covered by the provisions of the present agreement upon entering the service of a member organization of the Pension Fund and becoming a Fund participant within six months after separation from the service with EUMETSAT, by electing within a further period of six months to transfer the accrued entitlements from the EUMETSAT Scheme to the Pension Fund.

3.2 Upon such election, EUMETSAT shall pay to the Pension Fund, as soon possible, an amount equal to:

(a) The actuarial equivalent of the pension rights acquired by the former official in the EUMETSAT Scheme, established in accordance with article 12, paragraph 2, of the Rules of the EUMETSAT Scheme and its relevant implementing instructions; or

(b) The total amount of the entitlement, under article 11 of the Rules of the EUMETSAT Scheme, at the date the official left the service of the organization, whichever is applicable.

3.3 On the basis of the amount determined in this way, the former official shall be credited for purposes of the Pension Fund with contributory service equal to such period as the actuarial advisers to the Pension Fund shall determine as of the date of the election and in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund to be equal in value to the amount paid to the Pension Fund by EUMETSAT.

3.4 Upon such election, the former official shall cease to be entitled to any benefit under the EUMETSAT Scheme.

Article 4
Transitional provisions

4.1 Fund participants or officials of EUMETSAT at the date of entry into force of the present agreement, who had been affiliated to the EUMETSAT Scheme or Fund participants and who are not in receipt of any benefit from one of these schemes, may, on the same conditions and within 12 months of the date of entry into force of the Agreement, elect to avail themselves of the provisions of the present Agreement.

Article 5
Implementation of the agreement

5.1 In order to implement the provisions of the present agreement, the parties shall keep each other informed of the precise modalities to effect transfers, and of any change in the applicable procedures.

Article 6
Consultations and settlement of disputes

6.1 The Parties shall consult on any matter arising out of the present agreement. The Parties shall use their best efforts to resolve any issue concerning the interpretation or implementation of the terms of the present agreement.

6.2 Each Party shall report to the appropriate supervising authority or authorities on the operation of the present agreement.

Article 7
Date of the agreement

7.1 The present agreement shall enter into force on 1 January 2015 and shall continue in effect until modified or terminated by the mutual consent in writing of the Parties hereto, or terminated unilaterally upon not less than one year's prior notice given in writing by either of them.

In witness whereof, the present agreement was signed

For the United Nations Joint Staff Pension Fund	For the European Organization for the Exploitation of Meteorological Satellites
______________________	______________________
Sergio Arvizú Chief Executive Officer	Alain Ratier Director-General
Date: New York	Date: Darmstadt, Germany

B. Draft agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of officials in the European Union Satellite Centre

Whereas, pursuant to the policy of international intergovernmental organizations to facilitate the exchange of personnel, it is desirable to secure continuity of pension rights of staff members transferring between these organizations;

Whereas the Regulations of the United Nations Joint Staff Pension Fund and the Pension Scheme Rules of the European Union Satellite Centre authorize the conclusion of such agreements with other international organizations and with the Governments of member States for the transfer and continuity of such rights;

It has been agreed as follows:

Article 1
Definitions

1.1 For the purposes of the present Agreement:

(a) "Pension Fund" means the United Nations Joint Staff Pension Fund;

(b) "Fund participant" means a participant in the United Nations Joint Staff Pension Fund;

(c) "SatCen" means the European Union Satellite Centre;

(d) "SatCen Scheme" means the Pension Scheme applicable to officials of the SatCen;

(e) "Official" means a staff member of the SatCen affiliated to the SatCen Scheme.

Article 2
Transfers from the Pension Fund to the European Union Satellite Centre

2.1 A former Fund participant who has not received a benefit under the Regulations of the Pension Fund may elect to be covered by the provisions of the present agreement upon becoming affiliated with the SatCen Scheme within six months after participation in the Pension Fund has ceased, by electing within a further period of six months to transfer the accrued entitlements from the Pension Fund to the SatCen Scheme.

2.2 Upon such election, the Pension Fund shall pay to the SatCen, as soon as possible, an amount equal to the larger of:

(a) The equivalent actuarial value, calculated in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund, of the retirement benefit which the Fund participant had accrued in the Pension Fund based on the contributory service and final average remuneration up to the date participation in the Pension Fund ceased; or

(b) The withdrawal settlement to which the former Fund participant would have been entitled under article 31 of the Regulations of the Pension Fund, upon separation from the service of a member organization of the Pension Fund.

2.3 On the basis of the amount determined in this way, the former Fund participant shall be credited with reckonable years of service in accordance with article 12, paragraph 1, of the Rules of the SatCen Scheme and its relevant implementing Instructions.

2.4 Upon such election, the former Fund participant shall cease to be entitled to any benefit under the Regulations of the Pension Fund.

Article 3
Transfers from the European Union Satellite Centre Scheme

3.1 A former official of the SatCen who has not received a benefit under the SatCen Scheme may elect to be covered by the provisions of the present agreement upon entering the service of a member organization of the Pension Fund and becoming a Fund participant within six months after separation from service with the SatCen, by electing within a further period of six months to transfer the accrued entitlements from the SatCen Scheme to the Pension Fund.

3.2 Upon such election, the SatCen shall pay to the Pension Fund, as soon possible, an amount equal to:

(a) The actuarial equivalent of the pension rights acquired by the former official in the SatCen Scheme, established in accordance with article 12, paragraph 2, of the Rules of the SatCen Scheme and its relevant implementing Instructions; or

(b) The total amount of the entitlement, under article 11 of the Rules of the SatCen Scheme, at the date the official left the service of the organization, whichever is applicable.

3.3 On the basis of the amount determined in this way, the former official shall be credited for purposes of the Pension Fund with contributory service equal to such period as the actuarial advisers to the Pension Fund shall determine as of the date of the election and in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund to be equal in value to the amount paid to the Pension Fund by the SatCen.

3.4 Upon such election, the former official shall cease to be entitled to any benefit under the SatCen Scheme.

Article 4
Transitional provisions

4.1 Fund participants or officials of the SatCen at the date of entry into force of the present agreement, who had been affiliated to the SatCen Scheme or Fund participants and who are not in receipt of any benefit from one of those schemes, may, on the same conditions and within 12 months of the date of entry into force of the agreement, elect to avail themselves of the provisions of the present agreement.

Article 5
Implementation of the agreement

5.1 In order to implement the provisions of this agreement, the parties shall keep each other informed of the precise modalities to effect transfers, and of any change in the applicable procedures.

Article 6
Consultations and settlement of disputes

6.1 The parties shall consult on any matter arising out of the present agreement. The parties shall use their best efforts to resolve any issue concerning the interpretation or implementation of the terms of the present agreement.

6.2 Each Party shall report to the appropriate supervising authority or authorities on the operation of the present agreement.

Article 7
Date of the agreement

7.1 The present agreement shall enter into force on 1 January 2015 and shall continue in effect until modified or terminated by the mutual consent in writing of the Parties hereto, or terminated unilaterally upon not less than one year's prior notice given in writing by either of them.

In witness whereof, the present agreement was signed

For the United Nations Joint Staff Pension Fund	For the European Union Satellite Centre
___________________	___________________
Sergio Arvizú Chief Executive Officer	Tomaž Lovrenčič Director
Date: New York	Date: Torrejón de Ardoz, Spain

C. Draft agreement on the transfer of pension rights of participants in the United Nations Joint Staff Pension Fund and of officials in the European Union Institute for Security Studies

Whereas, pursuant to the policy of international intergovernmental organizations to facilitate the exchange of personnel, it is desirable to secure continuity of pension rights of staff members transferring between these organizations;

Whereas the Regulations of the United Nations Joint Staff Pension Fund and the Pension Scheme Rules of the European Union Institute for Security Studies authorize the conclusion of such agreements with other international organizations and with the Governments of member States for the transfer and continuity of such rights;

It has been agreed as follows:

Article 1
Definitions

1.1 For the purposes of the present Agreement:

(a) "Pension Fund" means the United Nations Joint Staff Pension Fund;

(b) "Fund participant" means a participant in the United Nations Joint Staff Pension Fund;

(c) "ISS" means the European Union Institute for Security Studies;

(d) "ISS Scheme" means the Pension Scheme applicable to officials of the European Union Institute for Security Studies;

(e) "Official" means a staff member of the European Union Institute for Security Studies affiliated to the European Union Institute for Security Studies Scheme.

Article 2
Transfers from the Pension Fund to the European Institute for Security Studies

2.1 A former Fund participant who has not received a benefit under the Regulations of the Pension Fund may elect to be covered by the provisions of the present Agreement upon becoming affiliated to the ISS Scheme within six months after participation in the Pension Fund has ceased, by electing within a further period of six months to transfer the accrued entitlements from the Pension Fund to the ISS Scheme.

2.2 Upon such election, the Pension Fund shall pay to ISS, as soon as possible, an amount equal to the larger of:

(a) The equivalent actuarial value, calculated in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund, of the retirement benefit which the Fund participant had accrued in the Pension Fund based on the contributory service and final average remuneration up to the date participation in the Pension Fund ceased; or

(b) The withdrawal settlement to which the former Fund participant would have been entitled under article 31 of the Regulations of the Pension Fund, upon separation from the service of a member organization of the Pension Fund.

2.3 On the basis of the amount determined in this way, the former Fund participant shall be credited with reckonable years of service in accordance with article 12, paragraph 1, of the Rules of the European Union Institute for Security Studies Scheme and its relevant implementing instructions.

2.4 Upon such election, the former Fund participant shall cease to be entitled to any benefit under the Regulations of the Pension Fund.

Article 3
Transfers from the European Union Institute for Security Studies Scheme

3.1 A former official of ISS who has not received a benefit under the ISS Scheme may elect to be covered by the provisions of the present agreement upon entering the service of a member organization of the Pension Fund and becoming a Fund participant within six months after separation from the service of ISS, by electing within a further period of six months to transfer the accrued entitlements from the ISS Scheme to the Pension Fund.

3.2 Upon such election, ISS shall pay to the Pension Fund, as soon possible, an amount equal to:

(a) The actuarial equivalent of the pension rights acquired by the former official in the ISS Scheme, established in accordance with article 12, paragraph 2, of the Rules of the ISS Scheme and its relevant implementing instructions; or

(b) The total amount of the entitlement, under article 11 of the Rules of the ISS Scheme, at the date the official left the service of the organization, whichever is applicable.

3.3 On the basis of the amount determined in this way, the former official shall be credited for purposes of the Pension Fund with contributory service equal to such period as the actuarial advisers to the Pension Fund shall determine as of the date of the election and in accordance with articles 1, paragraph (a), and 11 of the Regulations of the Pension Fund to be equal in value to the amount paid to the Pension Fund by the ISS.

3.4 Upon such election, the former official shall cease to be entitled to any benefit under the ISS Scheme.

Article 4
Transitional provisions

4.1 Fund participants or officials of the ISS at the date of entry into force of the present Agreement, who had been affiliated to the ISS Scheme or Fund participants and who are not in receipt of any benefit from one of these schemes, may, on the same conditions and within twelve months of the date of entry into force of the Agreement, elect to avail themselves of the provisions of the present Agreement.

Article 5
Implementation of the Agreement

5.1 In order to implement the provisions of the present Agreement, the Parties shall keep each other informed of the precise modalities to effect transfers, and of any change in the applicable procedures.

Article 6
Consultations and settlement of disputes

6.1 The parties shall consult on any matter arising out of the present agreement. The parties shall use their best efforts to resolve any issue concerning the interpretation or implementation of the terms of the present agreement.

6.2 Each Party shall report to the appropriate supervising authority or authorities on the operation of the present agreement.

Article 7
Date of the agreement

7.1 The present agreement shall enter into force on 1 January 2015 and shall continue in effect until modified or terminated by the mutual consent in writing of the Parties hereto, or terminated unilaterally upon not less than one year's prior notice given in writing by either of them.

In witness whereof, the present agreement was signed

For the United Nations Joint Staff Pension Fund	For the European Union Institute for Security Studies
____________________	____________________
Sergio Arvizú Chief Executive Officer	Antonio Missiroli Director
Date: New York	Date: Paris

Annex XV

Statement by the Federation of International Civil Servants' Association

FICSA would firstly like to congratulate you on being elected Chair of this sixty-first session of the United Nations Joint Staff Pension Board. We would also like to express our congratulations to the two Vice-Chairs on their election. FICSA joins the representatives of the participants, Governing Bodies and Executive Heads in offering our appreciation to the Representative of the Secretary-General, the former Representative of the Secretary-General, the Investment Management Division and the secretariat for their contributions in continuing to deliver invaluable services to the pensioners and participants during this past year.

The rate of return on the Fund's investments is well noted, and we look forward to receiving equally positive news next year. At the same time, we have also noted the comments of the CEO regarding the secretariat's ever increasing workload with respect to client servicing.

While listening to some of the presentations during the first two days of this session, we could not help but notice the repeated statement that as the Fund continues to mature, there is a vital need, in order for it to remain healthy, for new participants to join the Fund. We understand that this requires not only that participating organizations continue to recruit new staff, but also that the types of contracts offered to those new staff allow for participation in the Fund. FICSA, therefore, is deeply concerned by what seems to be an ever-increasing use of non-staff contracts in many of the organizations. We would like to draw the Board's attention to the letter sent by the three Staff Federations to the Chair of the Chief Executives Board for Coordination with copy to the Executive Heads and the Chair of ICSC on 17 January 2013. This letter refers to document CEB/2011/HLCM/HR/21, entitled "Review of personnel working for United Nations common system organizations on non-staff contracts" and draws attention to the uncontrolled growth in the number of non-staff colleagues. The data provided by the organizations for purposes of this study demonstrate that an average of 45 per cent of the total workforce employed by the United Nations common system is constituted of non-staff. In individual organizations the percentage varies from 10 per cent up to as much as 70 per cent. The situation is alarming. Therefore, FICSA would like to request the Board to mandate the actuaries with the task of assessing the actuarial impact which this practice has on the value of the Fund. In the interest of the Fund's well-being we request that all three of the groups represented here on the Board enter into a serious dialogue this week on the effects which the use of non-staff contracts has on the Fund. Although we understand that some organizations may be looking for less costly ways of achieving their mandates, we trust that members of the Board will first and foremost be guided by their responsibilities to the Fund as members of this Board.

Having served as a representative of the participants' group on the Budget Working Group last year, and having closely followed the discussions in plenary relative to the Board's consideration of increasing the position of Representative of the Secretary-General to full-time, and considering some members' initial reservations to the suggestion that the post of full-time Representative of the Secretary-General be funded by the Board, I must express my deep dismay that the

General Assembly did not agree to the proposed article 19 (c), which would have provided for consultation with the Board during the Secretary-General's selection of the new Representative of the Secretary-General. Although we are pleased to hear that the current Representative of the Secretary-General is open to listening to and reporting back on all views expressed, we would like to support the position of the participants' group in their request to better understand the reasons for which the General Assembly came to its conclusions with regard to consultation of the Board.

FICSA played an active role in the discussions of ICSC last year when it recommended to the General Assembly that the mandatory age of separation be increased to 65 for currently serving staff. Although disappointed to learn that the General Assembly was not yet ready to accept this ICSC recommendation, FICSA noted the General Assembly's request that ICSC further consult with all bodies concerned with this issue. We are surprised therefore, that this item does not appear on the provisional agenda of this session of the Board. In order to comply with the General Assembly's decision on this matter, we trust that representatives of the groups, in accordance with A.4 of this Board's Rules of Procedure, will request that this item be added to the agenda of this session. Although FICSA has noted the view of the actuaries that increasing the normal age of retirement for currently serving staff would have a minimal influence on the actuarial value of the Fund, we have difficulty in understanding how this could be the case when considering the fact that such an increase in retirement age for future staff who are not yet on board has such an important actuarial impact.

Following recent developments in which the Secretary-General issued a revised United Nations policy, effective 26 June, announcing that determination of a staff member's personal status will now be determined by reference to the law of the competent authority under which the personal status has been established instead of the law of the country of which the staff member is a national, and considering the implications which this new definition will have on Pension Fund participants and spouses, FICSA supports the proposal that the Board's contact group be mandated to provide guidance to the Fund's secretariat in a manner which would allow the secretariat to accommodate this revised policy. FICSA would also like to draw the attention of the Board to the fact that this revised policy with regard to the determination of personal status has already been implemented in four other common system organizations prior to its implementation at the United Nations. In addition, FICSA has been informed that other organizations are already drafting bulletins to announce, in their respective organizations, the implementation of this revised policy. Consequently, this change will soon be in place in most common system organizations.

Referring to agenda item 11(i) and document R.35, which is under consideration by the Board, FICSA recalls that last year's session of the Board had requested the CEO and the Representative of the Secretary-General to update, if necessary, the memorandum of understanding which exists between the Pension Fund and the Office of Human Resources Management in order to address issues such as recruitment. This came about following budget and human resources-related discussions in which Board members had learned that some of the posts which had been previously approved via the budgetary process had not yet been filled.

Board members were later informed in writing by the Fund's secretariat that a task force had been created to look into those issues.

The understanding of FICSA of the matter is that the Fund's secretariat is requesting that the memorandum of understanding be revised to allow for the following:

1. Faster recruitment and classification;

2. Exemption from sitting for the United Nations exam for promotion from the General Service to the Professional category;

3. Exemption from United Nations mobility requirements for specific posts; and

4. Exceptions to allow some staff, who are about to retire, to continue working beyond retirement so that they can complete implementation of the IPSAS project.

Without prejudice to the rights of currently serving and future Pension Fund staff, FICSA is of the view that the four above-listed requests would appear to be in line with the Board's previous discussions concerning the Fund's specific needs as a financial body and believes that the memorandum of understanding with the Office of Human Resources Management can be revised so as to allow for the above issues to be addressed in a satisfactory manner. FICSA believes that it is in everyone's interest that the Fund continue to function in an efficient and effective manner and, therefore, supports requests for enhanced communication and consultation not only between the Fund's managers and its staff, but also with the members of the Board.

Statement by the Coordinating Committee of International Staff Unions and Associations

I would like to thank you for this opportunity to speak on behalf of the 60,000 active participants of the Fund, who are represented by the Coordinating Committee of International Staff Unions and Associations (CCISUA). Included in those 60,000 are the staff of the Fund working in New York and Geneva as well as staff representatives of the Fund in New York who have been providing you with pertinent information on the actions being taken by the Fund's management in relation to changes to the regulations governing human resources and financial management.

The 60,000 active participants I represent before you today are very concerned about the changes in financial and human resources regulations proposed by the management of the Fund. They are also concerned about the dire relations between the Fund's staff and their management, which have plunged staff morale at the Fund and led staff to view their management with distrust.

In May, the three staff federations launched an internet petition against those changes. The petition collected over 13,000 signatures, and those were handed to the Office of the Secretary-General by the leaders of the Geneva and New York staff unions.

We launched the petition because we felt that the management of the Fund and its entourage were straying from its role of running the institution and were acting in their own interests, clear of any oversight. There are many incidents and events that brought us to this conclusion, and I shall list them here.

Firstly, we received in April draft staff rules, a draft Secretary-General's bulletin and draft letters to staff from Catherine Pollard, which she says were written by the Fund and not by her, preparing to make the Fund an independent agency, where the Chief Executive Officer (CEO) would be able to recruit and promote staff outside any recognized competitive process. The CEO would also be able to retain staff beyond retirement. The staff of the Fund voiced their concerns with this proposed framework, which was meant originally to be implemented prior to this meeting and behind your backs, clear to us. The changes would also limit the career opportunities of staff members as they would no longer be able to move within the Secretariat and United Nations system, and their permanent contracts would lose all value.

On this note, we should be aware that when the Office of Human Resources Management requested an update to the memorandum of understanding, it was because certain provisions were out of date and redundant. Also, certain wordings were not clear. What the Office of Human Resources Management did not intend, even if the Fund's management has led you to believe it, was a spinning off of the Fund into a separate agency. We should also note that the current memorandum of understanding already gives enormous power to the CEO in terms of appointments and promotions that are specific to the Fund, and we are already aware of how those provisions have been abused.

Non-specialized staff are being promoted to the P-5 level without lateral move requirements. Friends of the CEO and his entourage, who could easily have been replaced, have been retained beyond retirement, and posts have been kept vacant for extended periods so that favourites could be brought in on temporary assignment without a real competitive process. This point was also highlighted in a recent audit of the Fund.

We understand that for some extremely specialized posts, exceptions are required. However, exceptions must stay exceptions and be used sparingly, for genuinely specialized posts only, and with better oversight. Meanwhile, established rules must be observed, for the benefit of both the staff and of the organization.

And even when it comes to the implementation of the new enterprise resource planning system, there is no need to keep anyone beyond retirement. With proper planning, that any manager is competent to do, succession plans can be developed, and new staff trained to take over the role.

Our concerns are not just limited to human resources. The CEO is also trying to change the financial regulations to authorize him to bypass the United Nations procurement rules without any oversight from the Pension Board and even the Office of Internal Oversight Services. Indeed, a separate internal oversight body would be created and report directly to him instead of the Secretary-General. This would lead to a change in the governance structure of the Fund, contrary to paragraph 12 of section VII of General Assembly resolution 68/247 A, and it is not hard to imagine the conflicts of interest this will create. As members of the Board, you have a responsibility to ensure good governance. This will do the opposite.

We therefore need to read the intentions of the General Assembly carefully. When it requested a change in the financial rules, it was to reflect the fact that the Fund deals not only with benefits and contributions, but also with investments. Therefore, the sound way forward is to add to the financial rules of the Fund the requirement of conformity with International Public Sector Accounting Standards (IPSAS) concerning financial instruments (in reality only with IPSAS 30, as IPSAS 28 and 29 are already included).

This leads us to have strong concerns with how the Fund's management has been trying to circumvent the General Assembly and present it with a fait accompli. The General Assembly, in its resolution, asked the Pension Board to report to it on any changes proposed by a human resources review. However, document R.35 continues to misinterpret the resolution, changing the word "proposed" to the word "introduced". The General Assembly has asked for the final say, which is indeed their formal governance role, and we must give them that. Therefore, the Fund's management is being less than honest with you on the situation, and we must again question their motivations.

Back in May, and in order to resolve the situation, the three federations met with the CEO. We hoped he would turn over a new leaf, and our communications to staff said as much. But it is now clear that we were misguided.

Section IX of JSPB/61/R.35 devotes significant space to staff-management relations. Its tone is aggressive, misleading, defensive and very personalized — not what is expected from the management of a $52 billion fund. In it, the CEO and his entourage focus significant fire on the New York Staff Union, whose authority they seek to undermine. It reproduces several communications that serve to illustrate some internal political issues in the Union that have yet to be resolved and that are completely unrelated to the issue at hand for staff in the Pension Fund. This constitutes an interference in union business of a nature never seen before at the

United Nations. Furthermore, it breaches the United Nations standards of conduct of international civil servants, and we believe this should be sanctioned. The section also contains inaccuracies as to the right of staff of the Pension Fund in New York to be represented. Pension Fund staff have been reintroduced into the New York Staff Union electoral lists since 2011, and the Union has indeed been representing them. The management of the Fund is well aware of this but conveniently chose to ignore it. The management of the Fund is also well aware, but has tried not to tell you, that its staff in Geneva have always been represented by the United Nations Office at Geneva staff council.

It is quite clear that this attempt at "union busting" comes in retaliation for our efforts to prevent the bypassing of the current regulations by the Fund's management. It was the staff unions that protested, and rightly so, when management attempted, in March and April this year, to present the Pension Fund staff with a fait accompli in the change in human resources policies, prepared without the required consultations with staff or the approval of the Pension Board. It was also the staff unions that protested against the signature of the new memorandum of understanding between the Fund and the Office of Human Resources Management before it had even been considered by the Pension Board. It is also telling that the CEO highlights that he does not need agreement from staff during staff-management consultations to proceed with his objectives. He stated this before the consultations had even begun.

One particular action by the Fund management might well illustrate where things are headed. Mr. Arvizú recognizes that a Pension Board member was hired as a consultant to prepare the text for the proposed change in the human resources policy. What he apparently fails to recognize, however, is that this consultancy creates a clear conflict of interest, especially considering that this Board member has travelled on the Pension Fund dime to the tune of $22,000 to do this consulting.

Before concluding, let me thank the staff of the Fund who blew the whistle and informed their unions of what was going on. Without their brave actions, neither you nor we would be any wiser about the serious management difficulties at the Fund. Unfortunately, the Fund's management has announced its intention to pursue those staff and take disciplinary action against them. I therefore ask, in the interest of ethics and good governance, that you order a stop to this. Their livelihoods and careers are in your hands, and I beg you to back the values of the United Nations that they have truly embodied.

On behalf of the 60,000 participants, for whom I speak today, I would like to conclude with this. We are seriously concerned about the direction this Fund is taking: about the conflicts of interest; the misrepresentation to Member States; the mismanagement taking place; regulations broken; oversight removed; job security destroyed; and staff morale in the Fund at an all-time low. A Fund that now has a reputation for mismanagement and infighting is not one that in the long term will ensure our retirement income. The Fund should be managed in the interests of its participants and staff, not as a convenient vehicle to serve the private interests of its management and entourage.

As the Board, we believe you have an important role to play to bring the Fund's management back in line, to ensure regulations are upheld, oversight reinforced, violations stopped, honesty restored, labour regulations respected and whistleblowers protected. Furthermore, you have a key role to ensure that those who run the Fund and advise its leaders are worthy of this role, that they inspire the confidence of its participants, of the General Assembly, and of the member organizations. They must earn the trust and respect of their own staff, and this leader must improve to be worthy of that title.

Like you, we believe in the United Nations Joint Staff Pension Fund. Like you, we hope it can regain competent management and see better days ahead.

Annex XVI

Membership of the Audit Committee as of July 2014

Member

Caroline Cliff (IAEA)	Governing bodies
Valerie M. González Posse (United Nations)	Governing bodies
Sharon G. Frahler (WHO) (Chairperson)	Executive heads
Jay Pozenel (United Nations)	Executive heads
Ajay Lakhanpal (United Nations)	Participants
Florian Léger (ILO)	Participants
Paula Saddler	FAFICS

Expert member

Michael Schrenk

Ian Robertson (Vice-Chair)

Annex XVII

Membership of the Assets and Liabilities Monitoring Committee as of July 2014

Member	
Valerie M. González Posse (United Nations)	Governing bodies
Silvanus Makokha (UNESCO)	Governing bodies
Pierre Sayour (ILO) (Chair)	Participants
Adeniji Adeniyi (United Nations)	Participants
Theresa Panuccio (FAO)	Executive heads
Jay Pozenel (United Nations)	Executive heads
Grerhard Schramek	FAFICS
Pauline Barrett-Reid	FAFICS

Annex XVIII

Draft resolution proposed for adoption by the General Assembly

[The draft resolution covers those matters discussed in the report of the United Nations Joint Staff Pension Board which require action by the General Assembly, as well as other matters in the report that the Assembly may wish to note in its resolution.]

The General Assembly,

Recalling its resolutions 65/249 of 24 December 2010, section V of its resolution 66/247 of 24 December 2011, 67/240 of 24 December 2012, section VII of its resolution 68/247 A of 27 December 2013, and section VIII of its resolution 68/247 B,

Having considered the report of the United Nations Joint Staff Pension Board for 2014,[a] including the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the Board and of the Audit Committee, the report of the Secretary-General on the investments of the Fund and the related report of the Advisory Committee on Administrative and Budgetary Questions,

1. *Takes note* of the report of the United Nations Joint Staff Pension Board for 2014,[a] in particular, the actions taken by the Board as set out in chapter II of the report;

2. *Endorses* the recommendations of the Advisory Committee on Administrative and Budgetary Questions, subject to the provisions of the present resolution;

I
Actuarial matters

3. *Takes note* of the results of the actuarial valuation of the United Nations Joint Staff Pension Fund, which revealed a deficit of 0.72 per cent of pensionable remuneration as at 31 December 2013, which was a significant improvement over the deficit of 1.87 per cent of pensionable remuneration revealed by the prior actuarial valuation as at 31 December 2011;

4. *Also takes note* that the pattern of increasing deficits since the 31 December 1999 actuarial valuation has been reversed as of this valuation;

II
Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

5. *Notes* that the Board of Auditors in their report on the accounts of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013 indicated that the financial statements presented fairly, in all material respects, the

[a] *Official Records of the General Assembly, Sixty-ninth Session, Supplement No. 9* (A/69/9).

financial position of United Nations Joint Staff Pension Fund as at 31 December 2013 and its financial performance for the year then ended in accordance with the International Public Sector Accounting Standards;

6. *Also notes* the conclusions of the Board of Auditors that the adoption of International Public Sector Accounting Standards in 2012 has enhanced the quality of the financial statements of the Fund;

III

Amendments to the Regulations and Administrative Rules of the United Nations Joint Staff Pension Fund

7. *Approves* the amendment to article 4, as set out in annex XI to the report of the Pension Board, in order to establish clear authority and reference to the United Nations Joint Staff Pension Fund Financial Rules;

8. *Also approves* the amendment to article 14, as set out in annex XI to the report of the Pension Board, which specifies that the agreement with the Board of Auditors on the terms of reference for the annual audits of the operations of the Fund shall be set out in an annex to the Fund's Administrative Rules;

9. *Further approves* the technical changes in the Regulations of the United Nations Joint Staff Pension Fund in accordance with past decisions and amendments adopted by the United Nations Joint Staff Pension Board and the General Assembly, as set out in annex XI to the report of the Board;

10. *Takes note* of the amendments to the Administrative Rules of the United Nations Joint Staff Pension Fund, as set out in annex XII to the report of the Board, to refine the Administrative Rules and align them with the Regulations of the Fund;

IV

Pension adjustment system

11. *Approves* the amendment in the table under paragraph 7 in section E (Special adjustment for Small Pensions) in the pension adjustment system of the United Nations Joint Staff Pension Fund, as set out in annex XIII to the report of the Pension Board, to reflect the 10 per cent adjustment to small pension threshold amounts for separations on or after 1 April 2016;

12. *Concurs* with the recommendation of the Pension Board that the following assessments be discontinued, considering the Committee of Actuaries' comments that the assessments were consistent with the Consulting Actuary's initial estimates and were subsumed in the overall cost of the two-track feature, which would continue to be monitored in conjunction with each actuarial valuation: (a) assessment of the costs of the April 1992 modification of the cost-of-living differential factors as applicable to the Professional and higher categories; (b) assessment of actual savings from the reduction of the "120 per cent cap" provision to 110 per cent, effective for separations on 1 July 1995 or later; and (c) assessment of the costs/savings of the minimum guarantee at 80 per cent of the United States dollar track amount;

V
Other matters

13. *Concurs*, in accordance with article 13 of the Regulations of the United Nations Joint Staff Pension Fund and with a view to securing continuity of pension rights, with the new transfer agreements of the Fund with the European Organization for the Exploitation of Meteorological Satellites, the European Union Satellite Centre and the European Union Institute for Security Studies, as approved by the United Nations Joint Staff Pension Board and set out in annex IV to the report of the Board for 2014, which will become effective 1 January 2015;

14. *Takes note* that the transfer agreement of the Fund with the African Development Bank has been withdrawn, since the African Development Bank has not signed the approved agreement;

VI
Investments of the United Nations Joint Staff Pension Fund

15. *Also takes note* of the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and the observations of the United Nations Joint Staff Pension Board, as set out in its report.

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