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Programme budget for the biennium 2018–2019

Proposed programme budget for 2020

Administrative expenses of the United Nations Joint Staff Pension Fund and report of the United Nations Joint Staff Pension Board on the work of its sixty-sixth session

Report of the United Nations Joint Staff Pension Board

* A/74/150.

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Contents

Abbreviations

CTBTO	Comprehensive Nuclear-Test-Ban Treaty Organization
EEPO	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
IAEA	International Atomic Energy Agency
IAS	International Accounting Standard
ICAO	International Civil Aviation Organization
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
ILO	International Labour Organization
IMO	International Maritime Organization
IOM	International Organization for Migration
IPAS	Integrated pension administration system
IPSAS	International Public Sector Accounting Standards
IPU	Inter-Parliamentary Union
ISA	International Seabed Authority
ISAE	International Standard on Assurance Engagements
ISO	International Organization for Standardization
ITLOS	International Tribunal for the Law of the Sea
ITU	International Telecommunication Union
OIOS	Office of Internal Oversight Services
STL	Special Tribunal for Lebanon
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNWTO	World Tourism Organization

WFP	World Food Programme
WHO	World Health Organization
WIPO	World Intellectual Property Organization
WMO	World Meteorological Organization

Summary

Part one of the present report contains the revised budget for the United Nations Joint Staff Pension Fund for the biennium 2018–2019, which indicates a reduction in appropriations amounting to $6,699,800. The revised budget for the biennium 2018–2019 would then amount to $185,122,400.

Revised estimates for the biennium 2018–2019

(Thousands of United States dollars)

Category	*Approved appropriation* (a)	*Increase (decrease) for 2018–2019* (b)	*Proposed final appropriation 2018–2019* (c) = a + b
Pension Board secretariat[a]	1 006.5	326.3	1 332.8
Pension administration[b]	100 477.5	639.3	101 116.8
Office of Investment Management	87 269.8	(8 139.3)	79 130.5
Audit	2 906.0	430.7	3 336.7
Extrabudgetary[c]	162.4	43.2	205.6
Total	**191 822.2**	**(6 699.8)**	**185 122.4**

[a] Formerly categorized as board expenses.
[b] Formerly categorized as administration.
[c] One extrabudgetary General Service (Other level) post funded by member organizations.

Part one of the report also contains budget estimates for the year 2020, which amount to $97,883,800 (before recosting) and provide for a total of 312 established posts and one extrabudgetary post.

Resource requirements for 2020

(Thousands of United States dollars)

	Resources		*Posts*	
Category	*2019 appropriation*	*2020 (before recosting)*	*2019*	*2020*
Pension Board secretariat	512.2	1 719.6	–	3
Pension administration	50 220.4	51 490.3	190	198
Office of Investment Management	43 702.4	43 071.7	85	111
Audit	1 458.0	1 521.0	–	–
Extrabudgetary[a]	81.2	81.2	1	1
Total	**95 974.2**	**97 883.8**	**276**	**313**

[a] One extrabudgetary General Service (Other level) post funded by member organizations.

Part two of the report contains the report of the United Nations Joint Staff Pension Board on the work of its sixty-sixth session, held from 22 to 26 July 2019, which is submitted pursuant to General Assembly resolution 73/274.

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 and such other organizations as might be admitted to membership, 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 24 member organizations. 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 Assembly on the operations of the Fund and on matters related to the management of its investments. When necessary, it recommends amendments to the Regulations of the Fund and to its 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.

3. The present report is submitted by the Board following its sixty-sixth session, held from 22 to 26 July at the United Nations Office at Nairobi. 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 V of part two.

4. The major items addressed by the Board were: (a) actuarial matters, including the methodology and assumptions for the thirty-fifth actuarial valuation of the Fund, as at 31 December 2019, 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 2018, and the membership of the Investments Committee; (c) the reports of the Assets and Liabilities Monitoring Committee and the asset-liability management study; (d) the reports of the Audit Committee, the Board of Auditors and OIOS; (e) the budget estimates for the year 2020; (f) report of the Governance Working Group and the resulting changes to the Regulations and Administrative Rules; (g) and appointment of the CEO/Pension Benefits Administrator.

5. The Board examined and approved the financial statements and schedules of the Fund for the year ended 31 December 2018.

6. Sections A and B below provide an overview of the decisions taken by the Board at its sixty-sixth session. A summary of the operations of the Fund for the year ended 31 December 2018 is contained in paragraphs 10–13 below. The report consists of two parts: part one contains revised budget estimates for the biennium 2018–2019 and the budget estimates for 2020 and part two addresses other issues on which action is required by the General Assembly, as well as matters on which the Board is informing the Assembly. The salient observations, conclusions and recommendations set out in the present report are highlighted in bold print.

Funding source

7. All the expenses of the Fund are met by the Fund and expenses incurred by member organizations are met by the organizations. The budget of the Fund is not financed from assessed contributions from Member States. In addition to undertaking the administration of the Fund, the secretariat of the Fund also serves as the secretariat of the United Nations Staff Pension Committee on behalf of the United Nations (including its funds and programmes), whereas all other member organizations administer their own staff pension committees. The United Nations reimburses the Fund for the expenses incurred in providing these services. As the Fund's host organization, the United Nations also provides a number of administrative services to the Pension Fund and charges the Fund accordingly. The budget for 2020 proposes a revised methodology to measure the valuation of the services exchanged between the Fund and the United Nations which better reflects reality than the methodology utilized up to 2019. The previous methodology approximated the cost at one third of the Fund secretariat staff and related costs, whereas the new methodology estimates costs directly attributable to the Staff Pension Committee and applies a percentage for indirect support costs. The new methodology establishes a clear separation between the expenses met by the Fund and the cost of the Committee met by the United Nations regular budget. It will also require additional resources to be met by the Fund, as the United Nations Secretariat will no longer provide services to the Fund free of charge. The total estimated charges from the United Nations for the administrative services provided to the Fund for 2020 amount to $2.4 million, of which $1.3 million relate to pension administration and $1.1 million relate to the Office of Investment Management.

Overview of decisions taken by the Board

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

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

Part one

(a) In respect of the revised budget estimates for the biennium 2018–2019 and the budget estimates for 2020, the Pension Board recommends that the General Assembly approve:

(i) A reduction in appropriations for the biennium 2018–2019 amounting to $6,743,000. The revised appropriations for the biennium would then amount to $184,916,800, divided into:

a. Secretariat of the Pension Board ($1,332,800);

b. Secretariat of the Fund ($101,116,800);

c. Office of Investment Management ($79,130,500);

d. Audit ($3,336,700).

Of this amount, $162,898,000 would be apportioned to the Fund and $22,018,800 would be directly chargeable to the United Nations under the cost-sharing arrangement;

(ii) A revised estimate for the biennium 2018–2019 amounting to $205,600 for extrabudgetary resources;

(iii) The Fund budget estimates for 2020 amounting to $102,134,800 comprising:

a. Secretariat of the Pension Board ($1,781,800);

b. Secretariat of the Fund ($53,821,700);

c. Office of Investment Management ($44,923,300);

d. Audit ($1,608,000).

Of this amount, $7,782,200 would be directly chargeable to the United Nations for services related to the Staff Pension Committee;

(iv) Estimates for 2020 amounting to $85,300 for extrabudgetary resources;

(v) An amount not exceeding $112,500 to supplement the contributions to the Emergency Fund.

Part two

(b) The change, approved by the Board, to article 6 of the Regulations of the Fund to align it with section C.1 of its rules of procedure;

(c) The amendment, approved by the Board, to article 48 of the Regulations of the Fund to clarify the scope of the jurisdiction of the United Nations Appeals Tribunal in relation to the Fund's review and appeals procedure;

(d) The Board adopted and is submitting to the Assembly amendments to the Regulations and rules of procedure of the Fund (part two, annex XI, for approval, and annex XII, for information, respectively) to appropriately reflect the separation of roles of the Chief Executive Officer/Pension Benefits Administrator and the Secretary of the Board.

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

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

(a) The Board agreed with the recommendation of the Committee of Actuaries concerning the assumptions for the actuarial valuation as at 31 December 2019;

(b) The Board agreed to recommend to the Secretary-General the reappointment of three members of the Committee of Actuaries, as well as the appointment of a new ad hoc member;

(c) The Board recommended to the Secretary-General that Buck be appointed as the Fund's consulting actuary for a four-year period beginning on 1 January 2020, with the possibility of two two-year extensions;

(d) The Board took note of the results of the 2019 asset-liability management study and the conclusions of the Committee of Actuaries and the Assets and Liabilities Monitoring Committee, specifically that the real rate of return earned by the Fund continues to be the most significant factor in maintaining solvency and that there are no expected future liquidity problems for the 30 years covered by the study. The Board agreed that the study aids the Office of Investment Management in deciding on an optimal asset mix and amending its long-term investment policy when appropriate, taking into account the risk appetite established by the Board;

(e) The Board was presented with the report of the Assets and Liabilities Monitoring Committee, which summarized the major findings and conclusions of the Committee. The Board approved with appreciation the report of the Committee and endorsed its recommendations;

(f) The Board took note of the Secretary-General's proposals for nominating members to the Investments Committee;

(g) The Board took note of the unqualified audit opinion of the Board of Auditors on the financial statements for the year ended 31 December 2018, and approved the financial statements for presentation to the General Assembly;

(h) The Board took note of the interim status report on the Emergency Fund during the period from 1 January 2018 to 31 December 2018, including the total of $106,076 paid out, representing 73 disbursements, and the proposed procedural changes to note A of the Regulations, Rules and Pension Adjustment System of the Fund;

(i) The Board took note of the information provided in the report on the strategic framework indicators and congratulated the Fund secretariat for exceeding the benefit-processing benchmark;

(j) The Board took note of the report on the status of ICT systems and initiatives;

(k) The Board considered the report of the Governance Working Group and made a number of decisions on governance matters referred to the Working Group by the Board and by the Assembly;

(l) The Board decided to recommend by consensus to the Secretary-General of the United Nations, in accordance with article 7 (a) of the Regulations of the Fund, the appointment of a new Chief Executive Officer/Pension Benefits Administrator of the Fund for a term of five years;

(m) The Board was presented with the report of the Audit Committee, which summarized the major findings and conclusions of the Committee. The Board expressed its appreciation for the Committee's work and its report and endorsed its recommendations;

(n) The Board took note of the OIOS report on the internal audit activities of the Fund for the year ended 30 June 2019;

(o) The Board considered the question of restoration of deferred retirement benefits and requested that the Fund secretariat work with the consulting actuary to submit to the Board in 2020 a proposal to implement a cost-neutral option;

(p) The Board took note of the suspension of the local currency track benefit in 29 countries for which reliable consumer price index data has not been available for an extended period of time;

(q) The Board considered a proposal regarding the ceiling under article 28 of the Fund's Regulations on the pensions payable to officials at the levels of Under-Secretary-General and Assistant Secretary-General, and requested that the Fund secretariat study the issue for the Board's review in 2020;

(r) The Board considered and did not accept a proposal to limit the disability benefits payable in the case of higher level officials on non-renewable contracts;

(s) The Board considered a proposal for an amendment to the existing provisional payment mechanism and asked the Fund Secretariat to revert in 2020 with statistics on the number of cases that could benefit from the proposed expanded measure to enable the Board to properly consider the matter more fully;

(t) The Board took note of the judgments of the United Nations Appeals Tribunal of interest to the Board;

(u) The Board took note of the report of the 201st meeting of the Standing Committee, held in July 2018, and elected new members of Standing Committee;

(v) The Board elected the members for the Budget Working Group in 2020 and requested the Fund secretariat to prepare draft terms of reference and rules of procedure for the Working Group to be considered in 2020;

(w) The Board asked the secretariat to coordinate with WMO regarding the arrangements for the next session and inform the Board in a timely manner.

Summary of the operations of the Fund for the year ended 31 December 2018

10. During the year ended 31 December 2018, the number of participants in the Fund increased from 126,736 to 128,594, or by 1.4 per cent; the number of periodic benefits in award increased from 78,247 to 78,716, or by 0.6 per cent. As at 31 December 2018, the breakdown of the periodic benefits in award was as follows: 29,179 retirement benefits, 16,744 early retirement benefits, 7,847 deferred retirement benefits, 12,635 widows' and widowers' benefits, 10,629 children's benefits, 1,676 disability benefits and 34 benefits for secondary dependants. In the course of the year, 6,986 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 2018 is shown in tables 1 and 2 of the appendix to annex XVI of part two.

11. During the one-year period from 1 January 2018 to 31 December 2018, the net assets available for benefits decreased from $64,365,908,000 to $60,776,047,000 (see part two, annex XVI, financial statements for the year ended 31 December 2018, statement of net assets available for benefits). The investment loss of the Fund during the period amounted to $4.5 billion and contributions and other income amounted to $2.5 billion.

12. Benefit payments and expenses for the one-year period ended 31 December 2018 amounted to $2.7 billion.

13. Benefit payments exceeded contributions for the one-year period ended 31 December 2018 by $212 million.

14. The Fund's overall investment performance for the calendar year ended 31 December 2018 was minus 4.7 per cent, as compared with the Fund's performance benchmarks for the same period of minus 4.9 per cent.

15. A summary of the Fund's investments as at 31 December 2018 and their market values are given in the report of the Board on its sixty-sixth session (part two, annex XVI, financial statements for the year ended 31 December 2018, statement of net assets available for benefits).

Part one

I. Overview

A. Proposed programme plan for 2020

1. The current budget proposal continues to be results based and follows the new results-based framework used by the United Nations Secretariat in its proposed programme budget for 2020. The Fund consists of the secretariat of the Pension Board, the secretariat of the Pension Fund and the Office of Investment Management.

2. The objectives of the programme of work, comprising pension administration and the Office of Investment Management, are aligned with the Fund's purpose, which is to provide retirement, death, disability and related benefits for the staff of the United Nations and the other organizations admitted to membership in the Fund. The Office of Investment Management works to ensure that the United Nations Joint Staff Pension Fund can fully discharge its obligations by ensuring that the assets of the Fund are managed prudently and optimally and that it can achieve its long-term investment return objective so as to ensure the financial sustainability of the Fund.

3. Table 1 lists, by category and subcategory, the deliverables at the overall fund level for the period 2018–2020 that contributed and are expected to contribute to the attainment of the objective stated above.

Table 1
Deliverables for the period 2018–2020, by category and subcategory

	2018		*2019*	*2020*
Category	*Planned*	*Actual*	*Planned*	*Planned*
Quantified deliverables				
A. Facilitation of the intergovernmental process and expert bodies				
Parliamentary documentation (number of documents)	3	3	3	3
Substantive services for meetings (number of three-hour meetings)	76	76	74	78
B. Generation and transfer of knowledge				
Seminars, workshops, fellowships and training events (number of days)	1	1	1	1
C. Substantive deliverables				
Pension administration				
Number of active participants being served	128 262	128 594	129 880	131 179
Number of retirees and other beneficiaries being served	77 032	78 716	81 077	83 509
Entitlements processed within 15 business days against the 75 per cent benchmark (percentage)	75	80	75	75
Office of Investment Management				
Meet or exceed the real rate of return annualized in United States dollar terms over the long-term, i.e. 15 years or longer (rate of return, percentage)	3.5	3.96	3.5	3.5
Meet or exceed the policy benchmark return over the short-term, i.e. three years (yes/no)	Yes	Yes	Yes	Yes

Most significant relative variances in deliverables

Variances between the actual and planned figures in 2018

4. The number of entitlements processed within 15 business days that exceeded the benchmark was driven mainly by having a flexible workforce and the continued stabilization of IPAS, as well as better coordination with the member organizations.

B. Proposed post and non-post resource requirements for 2020

5. The total resource requirements for 2020, including the breakdown of resource changes, as applicable, are reflected in tables 2 and 3. The proposed resources provide for the full, efficient and effective implementation of the Fund's mandates.

6. The following factors have been used in the calculation of resources: (a) delayed recruitment factors for both New York and Geneva for 2020 have been applied to continuing Professional posts (incumbency rate of 91.4 per cent), new Professional posts (50.0 per cent), continuing General Service posts (93.4 per cent) and new General Service posts (50.0 per cent), based on the standard salary costs for 2020; (b) an average annual inflation rate of 1.6 per cent for New York and 1.5 per cent for Geneva; and (c) an exchange rate of SwF 0.947 to one United States dollar for Geneva.

Table 2

Overview of financial and post resources, by office and funding source (before recosting)

(Thousands of United States dollars/number of posts)

	Pension Fund			*United Nations (United Nations Staff Pension Committee services)*[a]			*Extrabudgetary resources*			*Total*		
	2019 appropriation	*2020 estimate*	*Variance*	*2019 appropriation*	*2020 estimate*	*Variance*	*2019 appropriation*	*2020 estimate*	*Variance*	*2019 appropriation*	*2020 estimate*	*Variance*
Financial resources												
Secretariat of the Pension Board	512.2	1 719.6	1 207.4	–	–	–	–	–	–	512.2	1 719.6	1 207.4
Secretariat of the Pension Fund	39 124.1	44 128.1	5 004.0	11 096.3	7 362.2	(3 734.1)	81.2	81.2	–	50 301.6	51 571.5	1 269.9
Office of Investment Management	43 702.4	43 071.7	(630.7)	–	–	–	–	–	–	43 702.4	43 071.7	(630.7)
Audit	1 458.0	1 521.0	63.0	–	–	–	–	–	–	1 458.0	1 521.0	63.0
Total	**84 796.7**	**90 440.4**	**5 643.7**	**11 096.3**	**7 362.2**	**(3 734.1)**	**81.2**	**81.2**	**–**	**95 974.2**	**97 883.8**	**1 909.6**
Post resources												
Secretariat of the Pension Board	–	3	3	–	–	–	–	–	–	–	3	3
Secretariat of the Pension Fund	190	198	8	–	–	–	1	1	–	191	199	8
Office of Investment Management	85	111	26	–	–	–	–	–	–	85	111	26
Total	**275**	**312**	**37**	**–**	**–**	**–**	**1**	**1**	**–**	**276**	**313**	**37**

[a] The budget estimates for 2020 are based on the new methodology for the costing of services related to the United Nations Staff Pension Committee. The 2019 appropriation is in line with the cost-sharing appropriation presented in the proposed programme budget for the United Nations Joint Staff Pension Fund (see A/74/6 (sect.1), supplementary information).

Table 3
Evolution of financial resources, by office
(Thousands of United States dollars)

	2018 expenditure	*2019 appropriation*	*Resource change: Technical adjustments*	*Resource change: Other*	*Resource change: Total*	*Resource change: Percentage*	*2020 estimate (before recosting)*	*Recosting*	*2020 estimate (after recosting)*
Secretariat of the Pension Board	450.7	512.2	–	1 207.4	1 207.4	235.7	1 719.6	62.2	1 781.8
Pension administration	53 875.9	50 220.4	324.8	945.1	1 269.9	2.5	51 490.3	2 331.4	53 821.7
1. Secretariat of the Pension Fund	41 817.0	39 124.1	324.8	4 679.2	5 004.0	12.8	44 128.1	1 911.4	46 039.5
2. United Nations Staff Pension Committee services, payment from the United Nations Secretariat[a]	12 058.9	11 096.3	–	(3 734.1)	(3 734.1)	(33.7)	7 362.2	420.0	7 782.2
Office of Investment Management	35 973.9	43 702.4	–	(630.7)	(630.7)	(1.4)	43 071.7	1 851.6	44 923.3
Audit	1 593.0	1 458.0	–	63.0	63.0	4.3	1 521.0	87.0	1 608.0
Subtotal	**91 893.5**	**95 893.0**	**324.8**	**1 584.8**	**1 909.6**	**2.0**	**97 802.6**	**4 332.2**	**102 134.8**
Extrabudgetary resources	107.4	81.2	–	–	–	–	81.2	4.1	85.3
Total	**92 000.9**	**95 974.2**	**324.8**	**1 584.8**	**1 909.6**	**2.0**	**97 883.8**	**4 336.3**	**102 220.1**

[a] Payment from the United Nations relates to the services for the United Nations Staff Pension Committee provided by the Pension Fund. A new methodology for the valuation of the payment has been introduced for the budget estimates for 2020.

C. Budget estimates for the biennium 2018–2019: performance report

7. Table 4 summarizes the total estimated expenditures for the biennium 2018–2019. In order to make the performance report of the Fund more meaningful, the expenditures for the biennium are divided into two distinct elements: (a) actual expenditures for the 16-month period from 1 January 2018 to 30 April 2019; and (b) estimated expenditures for the 8-month period from 1 May 2019 to 31 December 2019.

8. In its resolution 72/262, the General Assembly approved appropriations for the biennium 2018–2019 totalling $191,659,800. In addition, resources amounting to $162,400 were authorized for extrabudgetary costs and funded by a number of member organizations.

9. Total expenditure for the biennium 2018–2019 is estimated at $184,916,800 resulting in an underexpenditure of $6,743,000, or 3.5 per cent of the total appropriations. The projected expenditure of $205,600 for extrabudgetary costs will result in an overexpenditure of $43,200 of the extrabudgetary appropriation. The breakdown of resources is reflected in table 4.

Table 4

Overview of the revised estimates for the biennium 2018–2019, by office

(Thousands of United States dollars)

	Approved appropriation			*Expenditure 1 January 2018–30 April 2019*			*Estimated expenditure 1 May–31 December 2019*			*Increase (decrease) for 2018–2019*			*Proposed final appropriation 2018–2019*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
	(a)			*(b)*			*(c)*			*(d)=(b)+(c)-(a)*			*(e)=(a)+(d)*		
Secretariat of the Pension Board	1 006.5	–	1 006.5	824.0	–	824.0	508.8	–	508.8	326.3	–	326.3	1 332.8	–	1 332.8
Secretariat of the Pension Fund	78 770.0	21 707.5	100 477.5	50 669.3	14 647.7	65 317.0	28 984.9	6 814.9	35 799.8	884.2	(244.9)	639.3	79 654.2	21 462.6	101 116.8
Office of Investment Management	87 269.8	–	87 269.8	49 319.0	–	49 319.0	29 811.5	–	29 811.5	(8 139.3)	–	(8 139.3)	79 130.5	–	79 130.5
Audit	2 421.6	484.4	2 906.0	1 640.8	328.1	1 968.9	1 139.7	228.1	1 367.8	358.9	71.8	430.7	2 780.5	556.2	3 336.7
Total	**169 467.9**	**22 191.9**	**191 659.8**	**102 453.1**	**14 975.8**	**117 428.9**	**60 444.9**	**7 043.0**	**67 487.9**	**(6 569.9)**	**(173.1)**	**(6 743.0)**	**162 898.0**	**22 018.8**	**184 916.8**
Extrabudgetary resources (after-service health insurance)															
Operational activities	162.4	–	162.4	137.0	–	137.0	68.6	–	68.6	43.2	–	43.2	205.6	–	205.6

II. Secretariat of the Pension Board

A. Proposed post and non-post resource requirements for 2020

Overview of resources

10. The Pension Board reports to the General Assembly and functions as the main oversight, policymaking and decision-making body of the United Nations Joint Staff Pension Fund. The Pension Board has ultimate responsibility for the administration of the Fund and protects the best interests of the Pension Fund participants, retirees and other beneficiaries by setting strategic goals and policies and by providing general oversight and monitoring.

11. In response to General Assembly resolution 73/274, the position of Chief Executive Officer has been replaced by two distinct and independent positions, namely the Pension Benefits Administrator and the Secretary of the United Nations Joint Staff Pension Board, as from January 2020.

12. It is proposed in the 2020 budget to create an independent secretariat of the Pension Board, which would be separate from the secretariat of the Pension Fund. The secretariat of the Board would be responsible for the overall planning, development, management, coordination and delivery of a full range of conference management and technical support services to the Pension Board and its subsidiary bodies. The Secretary of the Board would direct all the related activities, review policies and practices and ensure effective and efficient delivery of secretariat services to these bodies in all aspects of their mandates, provide guidance and advice to the chairs and other members of these bodies on their work and on the application of procedures and practices and direct the day-to-day assistance provided by the Office of the Secretary to the chairs and other members.

13. The proposed resources for 2020 amount to $1,719,600 and reflect a net increase of $1,207,400 compared with the appropriation for 2019. Additional details are reflected in table 5.

Table 5
Pension Board Secretariat: evolution of financial and post resources

			Resource change				
	2018 expenditure	*2019 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2020 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	–	–	–	518.5	518.5	–	518.5
Non-post	450.7	512.2	–	688.9	688.9	134.5	1 201.1
Total	**450.7**	**512.2**	**–**	**1 207.4**	**1 207.4**	**235.7**	**1 719.6**
Post resources by category							
Professional and higher	–	–	–	2	2	–	2
General Service and related	–	–	–	1	1	–	1
Total	**–**	**–**	**–**	**3**	**3**	**–**	**3**

14. The variance of $1,207,400 reflects:

Other changes

(a) The net increase of $518,500 under post resources relates to the establishment of the secretariat of the Pension Board in line with the decision of the General Assembly (resolution 73/274, para. 13) to replace the existing post of Chief Executive Officer with two distinct and independent posts, namely, the Pension Benefits Administrator and the Secretary of the Pension Board. Accordingly, the increase reflects three proposed inward redeployments:

(i) Secretary of the Pension Board (D-1) from the Geneva Office;

(ii) Programme Management Officer (P-4) from the Office of the Pension Benefits Administrator, proposed to be reclassified as a Senior Programme Management Officer (P-5), to support the Secretary of the Pension Board in the overall planning, development, management, coordination and delivery of the full range of conference management and technical support services to the Board and its subsidiary bodies;

(iii) Meeting Services Assistant (General Service (Other level)) from the Office of the Pension Benefits Administrator to support the Secretary of the Pension Board;

(b) The net increase of $688,900 under non-post resources reflects mainly the provision for travel related to meetings of the Governance Working Group, an additional meeting of the Pension Board and the estimated cost for the advertisement of the post of Deputy Pension Benefits Administrator and recruitment of the selected candidate.

B. Budget estimates for the biennium 2018–2019: performance report

15. Total expenditure for the biennium 2018–2019 is estimated at $1,332,800, resulting in an overexpenditure of $326,300. This is attributable mainly to the increased requirements for travel related to the meetings of the Governance Working Group of the Pension Board and the cost related to the recruitment of the Pension Benefits Administrator. Neither the establishment of the Working Group nor the recruitment of the Pension Benefits Administrator were foreseeable in 2017.

III. Pension administration

Foreword

Since assuming leadership of the Pension Fund, I have been inspired by the recognition that the Fund is an integral part of the package of pay and benefits that makes the United Nations and the Fund's other member organizations competitive and attractive employers in the labour market. The Fund marks its seventieth anniversary in 2019. It is our wish that the Fund remain attractive well into the future by being well managed and meeting the specific needs of international civil servants.

The message from the Pension Board and General Assembly is clear: continue to build on the achievements of the past 70 years and provide participants and retirees with consistent, accessible and high-quality service. In response to the mandates from the Board and the Assembly, I have instituted changes that will further enhance the capacity of the Fund to service all our clients in an efficient, timely and equitable manner. This is indeed my first priority. To that end, we are implementing a functional leadership approach, resulting in increased flexibility, consistency and accountability, as well as better use of resources.

For over two years now, the Fund has met the target of processing 75 per cent of initial benefits within 15 business days of receiving the required documents. We have implemented important client-service initiatives, including a new call centre and toll-free numbers in many countries. Based on my encounters with our clients and member organizations, I have experienced how much the efforts of the Fund are appreciated.

I will work closely with the staff of the Fund and the Pension Board to ensure that all requests from the General Assembly are appropriately followed up. I intend to strengthen our relationships with all stakeholders to ensure that their concerns are addressed. I will look for new ways to improve our services, while seeking efficiencies, as evidenced by the present budget document.

(*Signed*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

Overall orientation

16. The secretariat of the Pension Fund is responsible for the day-to-day operations of the Fund. This includes:

(a) Contribution management (collecting and updating participant information and contributions necessary for retirement);

(b) Entitlement processing (including communicating with staff and participants about their options);

(c) Benefits management (paying retirement and disability benefits, cost-of-living adjustments and processing survivors' benefits);

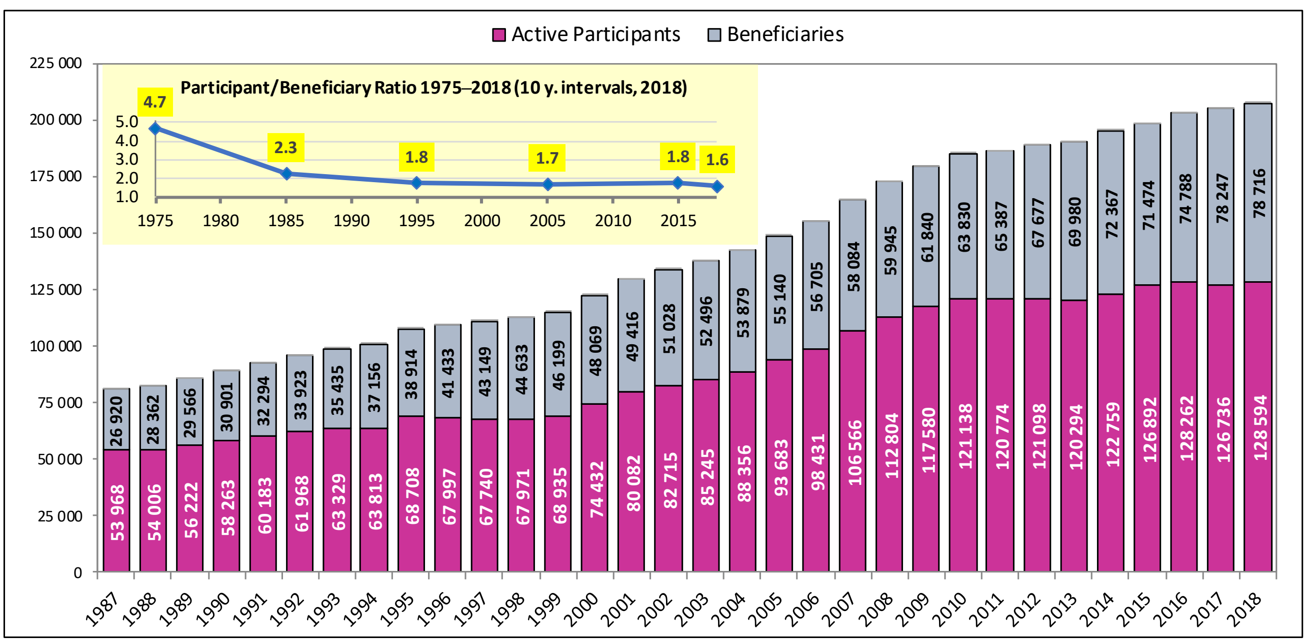
(d) Providing client services to all participants, retirees and other beneficiaries.

17. The secretariat of the Fund establishes the strategy and policy for the Fund, assesses the risk to which the Fund is exposed by virtue of its plan design and its operations and ensures that the Fund complies with its Regulations and Rules. It also includes the staff who provide human resources and facilities management for the entire Fund.

Recent developments

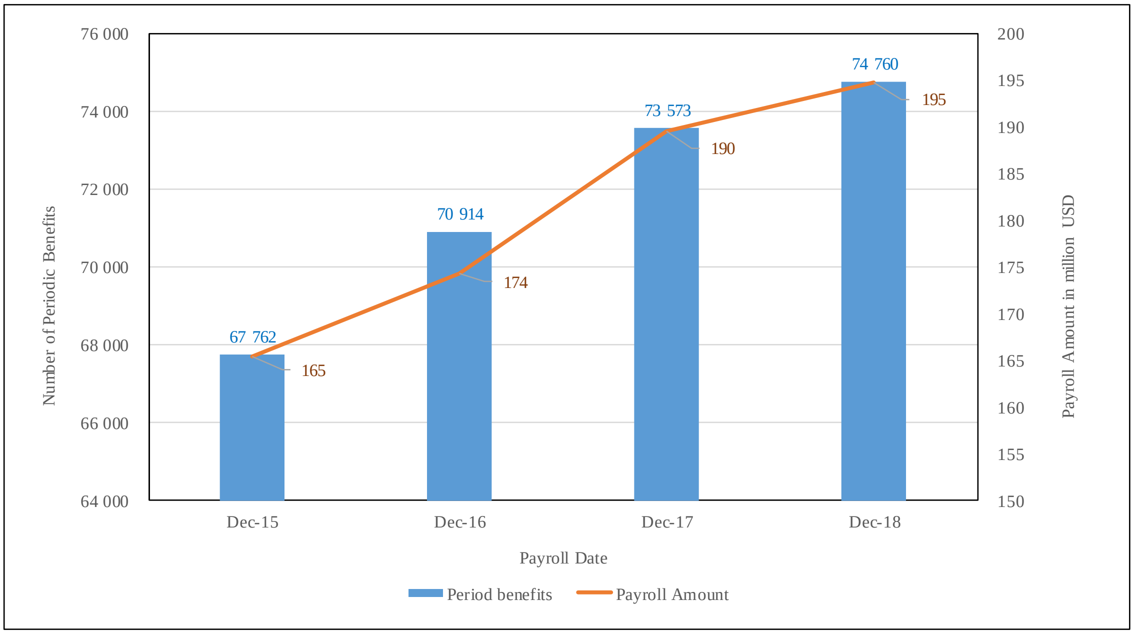
18. The Fund has observed an atypically high rate of growth in the number of participants, retirees and other beneficiaries. Figure I reflects the overall growth of the Fund in terms of the number of participants, retirees and other beneficiaries at the end of each year since 1987. It also presents the ratio of participants to retirees and other beneficiaries, reflecting a maturing Fund. As retirees and other beneficiaries require more administrative resources than participants, the Fund's overall workload is increasing disproportionally.

Figure I
Growth in the number of participants, retirees and other beneficiaries at the end of each year



19. The Fund's monthly payroll has continuously increased in terms of both number of beneficiaries and overall amount. Figure II shows a steady upward trend in the monthly payroll for the past four years. Comparing the December payroll at each year-end in the period 2015–2018, the number of periodic benefits has risen from 67,762 to 74,760 and the payroll amount has gone up from $165 million to $195 million.

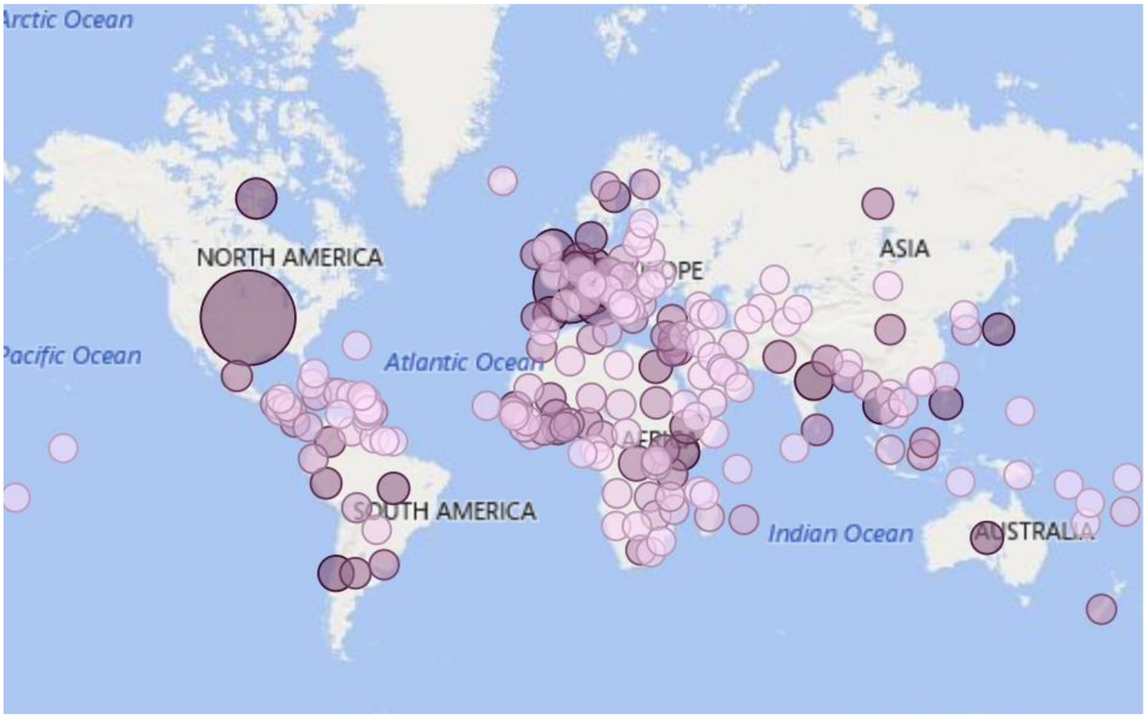
Figure II
Monthly payroll trend



Note: The number of periodic benefits shows only benefits included in the Fund's monthly payroll closing, excluding benefits not included in the payroll, such as benefits suspended from payroll due to re-entry into participation, deferred retirement benefits not yet payable and child benefits not yet payable until the participant who has chosen an early retirement benefit reaches the normal retirement age.

20. The Fund's distribution of retirees and other beneficiaries is unique among defined benefit plans. Furthermore, an increased geographical dispersion of clients places growing demands for more global reach. Periodic benefits are being paid in 15 currencies throughout the world in more than 190 countries and territories, including countries with limited banking structures. Figure III displays the Fund's service coverage from the world map.

Figure III
Periodic benefits by country



Note: A darker and larger circle means a greater number.

Strategy for 2020

21. The longer-term strategic objectives of the secretariat of the Fund remain valid for the year 2020:

(a) Ensuring the Fund is an agile organization;

(b) Enhancing the service-oriented nature of the Fund;

(c) Using information technology as an agent for change.

Innovative and new approaches to fit the changing operational and governance environment

22. The Fund is responding to its mandate and addressing its objectives in an ever-changing, complex and uncertain environment. The drivers for change include the dramatic growth in membership of the Fund over the past 15 years (from 137,741 participants, retirees and other beneficiaries in 2003 to 207,310 in 2018) and the increasing longevity of retirees with specific service needs related to advanced old age, the highly volatile financial and economic environment, the complex and evolving plan design that reflects societal and legislative changes, the high level of maturity of the Fund, which requires enhanced solvency management processes to respond to the challenges of the interdependency of assets and liabilities, the global change in information technology systems and technology itself, coupled with changes in the Fund's member organizations, and, finally, the strive for efficiency.

23. The organizational culture of the Fund is adapting to this uncertainty. The Fund needs to recognize that constant change has, today, become more of a norm than an exception. While the Fund has undertaken a number of modernization initiatives over

the years, it needs to respond to the challenges by becoming more agile. It needs to become responsive, flexible, adaptable and innovative. It must also adapt to volatility in its pension processing volumes resulting from closure of missions, different lengths of participation due to changes in the normal retirement age and the increasing number of staff with shorter term contracts eventually becoming eligible for participation in the Fund. This is being achieved through different strategies. The use of general temporary assistance rather than creating new, established posts provides the flexibility and adaptability needed for the changing processing demands and other requirements. By streamlining the organizational structure and establishing full functional management and reporting, work can be assigned more effectively based on available capacity. Functional reporting reflects modern management culture: it enhances accountability, facilitates strategic planning and execution, offers quality control and shared best practices and ensures that risks are successfully managed. In addition, the paradigm of administrative services will be reviewed and aligned with the management reform in the United Nations Secretariat. Following the implementation of IPAS, the second phase of modernizing processes for further productivity gains and excellence in service delivery has started. All the above will need strengthened change management.

Enhancing the service-oriented nature of the Fund

24. The vast majority of the personnel in the secretariat of the Fund is involved in client servicing activities. The Fund has reaffirmed its strong commitment to being a service-oriented organization. The ongoing growth in the transactional volume related to active participants serviced by the Fund, combined with increasing numbers of individuals reaching retirement age and further increases in life expectancy, continue to translate into heavier workloads for the Fund. The growing numbers, as well as the ageing of the Fund’s retirees, will call for greater care and attention to unique needs that only a state of the art client servicing section would be able to provide. The Fund must therefore continue to strengthen its client servicing capabilities, including its overall workflows and its document and data management and distribution functions. Through the separation of client services from operations and a new, modernized and professionalized structure, the Fund will be able to better focus on client services and provide a more consistent and responsive service to all.

25. The Fund is well aware that a large share of its clients live in the various regions of the world that are not within close proximity to the Fund’s New York or Geneva offices. The Fund will continue to identify ways to better reach and provide full client services for participants, retirees and other beneficiaries residing in all parts of the world, including enhancing self-service capabilities, significantly increasing its outreach efforts and reviewing the possibility of expanding small regional service centres. The Fund has included in its 2020 budget proposal the continuation of its call centres and the establishment of two client services liaison offices, in Bangkok and Nairobi.

Using information technology as an agent for change

26. With the completion of the IPAS project, the Fund will focus its efforts on leveraging the new system to effect additional process improvements in its operations. The Fund will introduce process changes that re-engineer existing workflows and embed new ways of working. Moreover, the Fund will begin to achieve the operational benefits and collaborative working environment that the system inherently provides, along with a comprehensive and systematic approach to knowledge-sharing. In addition, the Fund’s change management process will be expanded to provide a structured and disciplined forum for change in all areas of the Fund. Electronic interfaces with member organizations and associated financial

processes will also be strengthened to accommodate monthly contribution reporting and reconciliation, thereby improving quality and mitigating risk. New initiatives will also be introduced to streamline benefit processing in line with changes in some outdated administrative processes.

External factors

27. The overall plan for 2020 is based on the following planning assumptions:

(a) The client population served by the Fund continues to grow and live longer and is increasingly geographically dispersed. This evolution is outside the Fund's control;

(b) Transactional volumes are not significantly above expectations;

(c) Participants and member organizations provide timely information and documents/data to the Fund;

(d) There are no significant changes in the Fund's operating environment (such as changes to available human and financial resources, significant modifications to plan design provisions, serious political conflicts or natural disasters, etc.).

Evaluation activities

28. The following evaluations completed in 2018 have guided the programme plan for 2020: comprehensive audit by the Office of Internal Oversight Services (OIOS) of the governance structure and related processes of the United Nations Joint Staff Pension Board (A/73/341).

29. The audit made a number of recommendations related to the governance of the Pension Board, which were reviewed by the Governance Working Group of the Board. Notably, the General Assembly requested that the Fund implement the recommendation to split the post of Chief Executive Officer into two separate posts, which led to the creation of a separate secretariat of the Pension Board to service the Board (see paras. 10 and 11 above).

A. Proposed programme plan for 2020 and programme performance for 2018

Programme of work

1. Objective

30. The objective of the United Nations Joint Staff Pension Fund is to provide retirement, death, disability and related benefits for the staff of the United Nations and other member organizations of the Fund.

2. Highlighted result in 2018

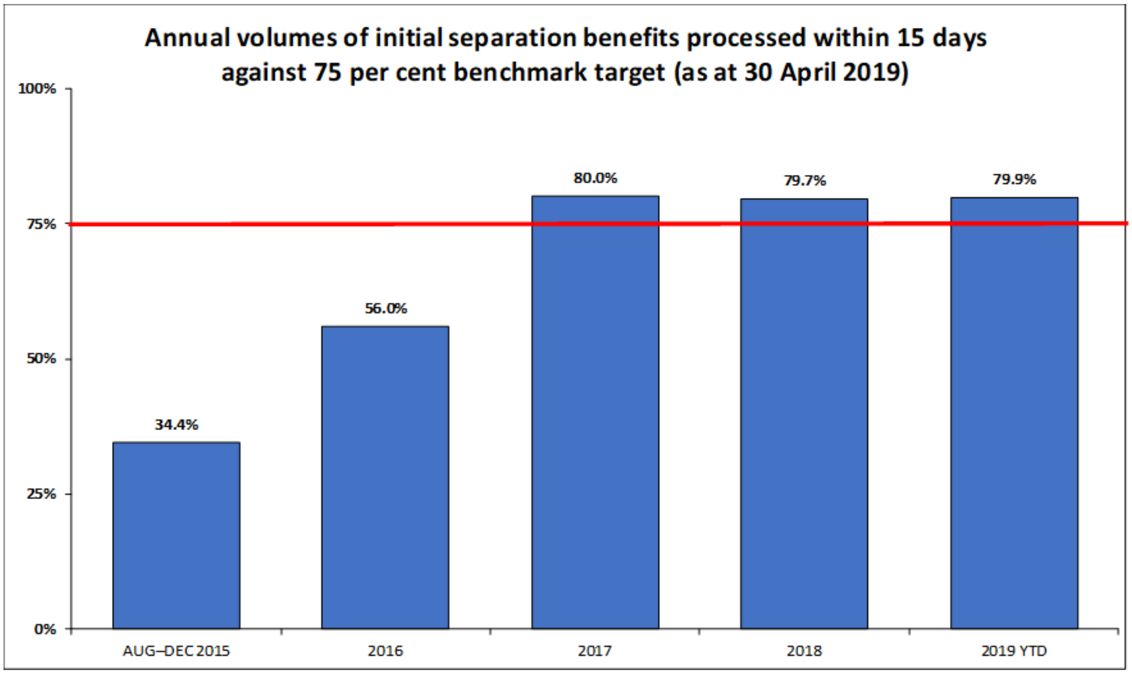
Meeting the benefit processing benchmark and low inventory of outstanding cases

31. In 2018, the Fund met and exceeded the target for benefit processing every month of the year.

32. The Fund's strategic planning documents specify the indicator of achievement and target for benefits processing. In these documents, the current benchmark has

been set at 75 per cent of benefits (initial separations) being processed within 15 business days of the receipt of all the required separation documents. The same benchmark is applied to all initial benefit types. As reflected in figure IV, in 2018 the Fund met and exceeded the benefit processing benchmark by processing 79.7 per cent of initial separations within 15 business days. As a result, the caseload inventory has dropped to manageable levels and processing rates are meeting the benchmark. In addition, the Fund continued to maintain the payment of all its periodic benefits across the globe on time, including the timely collection and reconciliation of contributions.

Figure IV
Performance benefits benchmark



33. Many functions have contributed to the improved benefits processing rates. The Fund has strengthened the exchange of information and cooperation with member organizations to expedite the submission of separation documents to the Fund. There are focal points both in the Fund and in member organizations, and information and reports are regularly exchanged with member organizations. As part of its efforts to inform and educate not only separating staff but also the member organization focal points in the areas of human resources and finance concerning the separation process and the Fund’s specific requirements for processing benefits, particularly for offices facing downsizing or closure, the Fund proactively seeks to provide pension briefings, pre-retirement seminars and pension clinics and workshops, either by videoconference or in person. At the same time, the Fund continues to introduce enhancements and fixes to IPAS and further develop business intelligence reports to better monitor and control its case inventory.

Result and evidence

34. Deliverables contributed to the result, which is the processing of benefits against the benchmark.

35. Evidence of the results includes:

(a) Processing statistics that show that the 75 per cent benchmark was met or exceeded every month;

(b) A low inventory of outstanding cases (currently standing at less than a month's worth of processing).

3. Highlighted planned result for 2020

Implementing full functional leadership: increased accountability and more flexible use of resources

36. The Fund is implementing the practice of full functional leadership in 2020, whereby each work unit of the Geneva office will report directly to the respective chiefs in the New York headquarters office. In recent organizational reviews of the Fund, the interactions and interdependencies between the New York and Geneva offices were found to be unclear in terms of functional responsibilities and reporting lines. This also distorts accountability. As a result, global coordination, efficiency and service delivery at the operational level within the Fund had become suboptimal. As seen in figure V, the parallel operation with each office having autonomy for running all aspects of pension administration was resulting in an inequity in the administration of pension benefits. It was recognized that over time such an arrangement could result in differences in policy interpretation, which would represent a serious and unacceptable risk to the Fund. The recent review also found that maintaining the parallel operations led to a significant loss of potential synergy, such as the ability to balance workloads between the two offices on a regular basis, thereby adapting more quickly to operational challenges.

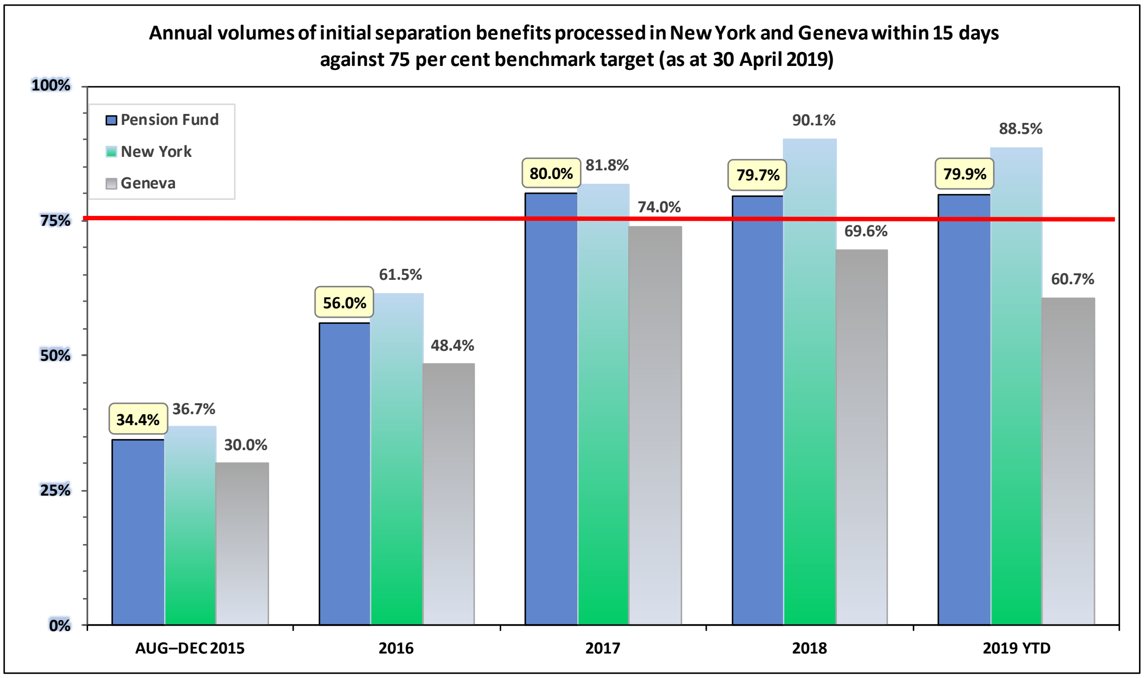
37. The new organizational structure therefore represents the move to better global coordination and functional management. This change in the Fund's organizational structure is aimed at ensuring more efficient and more consistent benefit processing at both the New York and Geneva offices. Functional reporting will also allow for the sharing of best practices, lessons learned and problem solving, leading to continuous training of staff, more comprehensive and consistent policy development, high-quality and reliable services to clients and global efficiency.

38. It will also provide for enhanced accountability and clearer lines of reporting, as the overall quality control will be assured respectively by the Chiefs of the services and sections of the Fund's programme of work, with the leadership posts and functions all being in the Fund's New York headquarters. Each of the chiefs of service will supervise the respective functional sections in the Geneva office, while the administrative resources of the Geneva office will report to the Chief Financial Officer in his role of supervising the Budget Unit and the Executive Office.

Result and evidence

39. Evidence of the result, if achieved, will include more consistent processing rates regardless of the geographical location of the client, rather than the notable inconsistency between the New York and Geneva offices, as shown in figure V below.

Figure V
Functional management, leading to more consistent servicing of clients regardless of their location



B. Proposed post and non-post resource requirements for 2020

Overview of resources

40. The total resource requirements for 2020 are reflected in tables 6 and 7. The proposed resource level provides for the full and effective implementation of the mandates.

41. The proposed resources reflect an increase of $1,269,900, of which $324,800 is from the technical adjustment for the full cost of new posts approved in the biennium 2018–2019 and $945,100 relates mainly to the additional requirements for the estimated charges from the United Nations for the administrative services provided to the secretariat of the Fund, based on the revised measurement methodology utilized for the cost-sharing arrangement between the Fund and the United Nations as reflected in paragraph 7. The details on the variance and proposed adjustments between the budget classes are reflected in the paragraphs below.

Table 6
Evolution of financial resources, by component and main category of expenditure

(Thousands of United States dollars)

	2018 expenditure	2019 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2020 estimate (before recosting)	Recosting	2020 estimate (after recosting)
Component									
Executive direction and management	2 310.2	2 225.2	–	(210.2)	(210.2)	(9.4)	2 015.0	94.0	2 109.0
Programme of work	39 353.6	40 538.1	324.8	1 365.2	1 690.0	4.2	42 228.1	2 076.9	44 305.0
Programme support	12 212.1	7 457.1	–	(209.9)	(209.9)	(2.8)	7 247.2	160.5	7 407.7
Total	**53 875.9**	**50 220.4**	**324.8**	**945.1**	**1 269.9**	**2.5**	**51 490.3**	**2 331.4**	**53 821.7**
Main category of expenditure									
Post	23 197.8	23 329.6	324.8	170.4	495.2	2.1	23 824.8	1 614.0	25 438.8
Non-post	30 678.1	26 890.8	–	774.7	774.7	2.9	27 665.5	717.4	28 382.9
Total	**53 875.9**	**50 220.4**	**324.8**	**945.1**	**1 269.9**	**2.5**	**51 490.3**	**2 331.4**	**53 821.7**
United Nations Staff Pension Committee services[a]	(12 058.9)	(11 096.3)	–	3 734.1	3 734.1	(33.7)	(7 362.2)	(420.0)	(7 782.2)
Total	**41 817.0**	**39 124.1**	**324.8**	**4 679.2**	**5 004.0**	**12.8**	**44 128.1**	**1 911.4**	**46 039.5**

[a] Payment from the United Nations relates to the United Nations Staff Pension Committee services provided by the Pension Fund.

Table 7
Evolution of established post resources, by category

Category	*Approved 2019*	*Changes*	*Proposed 2020*
Professional and higher			
ASG	1	–	1
D-2	1	–	1
D-1	5	(1)	4
P-5	11	1	12
P-4	24	(1)	23
P-3	30	5	35
P-2/1	1	–	1
Subtotal	**73**	**4**	**77**
General Service			
Principal level	10	1	11
Other level	107	1	108
Local level	–	2	2
Subtotal	**117**	**4**	**121**
Total	**190**	**8**	**198**

Notes: Excludes one extrabudgetary General Service (Other level) post funded by the member organizations. The breakdown of post changes by component, subprogramme and post level is provided in annex III.
Abbreviation: ASG, Assistant Secretary-General.

Executive direction and management

42. In response to General Assembly resolution 73/274, the post of Chief Executive Officer will be replaced by two distinct and independent positions, namely, the Pension Benefits Administrator and the Secretary of the Pension Board, as of January 2020. This will allow for increased independence of the Board from the management of the Fund. At the same time, it will allow the Chief Executive Officer/Pension Benefits Administrator to focus on ensuring that the Fund is in a position to provide high-quality, responsive and reliable services to its clients.

43. The Pension Benefits Administrator is responsible for managing the Pension Fund, under the authority of the Pension Board, in order to provide related services to the member organizations and to more than 207,000 participants, retirees and other beneficiaries around the world.

44. The Pension Benefits Administrator leads the secretariat of the Fund and is responsible for providing services to the stakeholders, that is, the participants, retirees and other beneficiaries, Pension Board members and participating employing organizations, and for ensuring the observance, by all concerned, of the Pension Fund's Regulations, Rules and Pension Adjustment System. In providing those services, the Pension Benefits Administrator ensures that a framework is in place to ensure the full implementation of the Fund's work programme through overall policy-setting, direction, supervision and management of the Fund.

45. The Pension Benefits Administrator will continue to lead several important Fund-wide administrative mechanisms aimed at human resources management, risk management, business continuity/disaster recovery and information technology, and asset/liability management. These mechanisms are increasingly important, given the bifurcated governance structure of the Fund.

46. Information on compliance with regard to the timely submission of documentation and advance booking for air travel is reflected in table 8.

Table 8
Compliance rate
(Percentage)

	Planned 2018	*Actual 2018*	*Planned 2019*	*Planned 2020*
Timely submission of documentation	100	100	100	100
Air tickets purchased at least two weeks before the commencement of travel	100	77	77	100

47. The proposed resources for 2020 amount to $2,015,000 and reflect a decrease of $210,200 compared with the appropriation for 2019. Additional details are reflected in figures VI to VIII and table 9.

Figure VI
Resources for executive direction and management as a percentage of the budget for pension administration
(Millions of United States dollars)

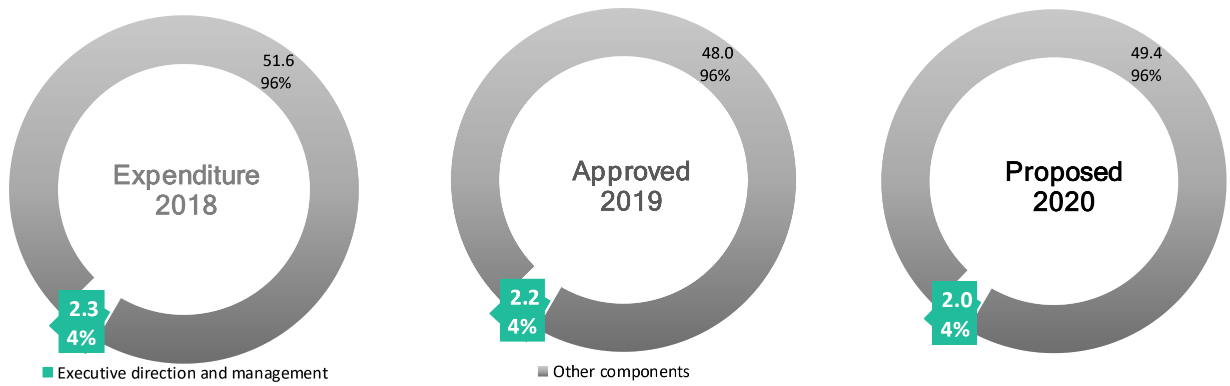
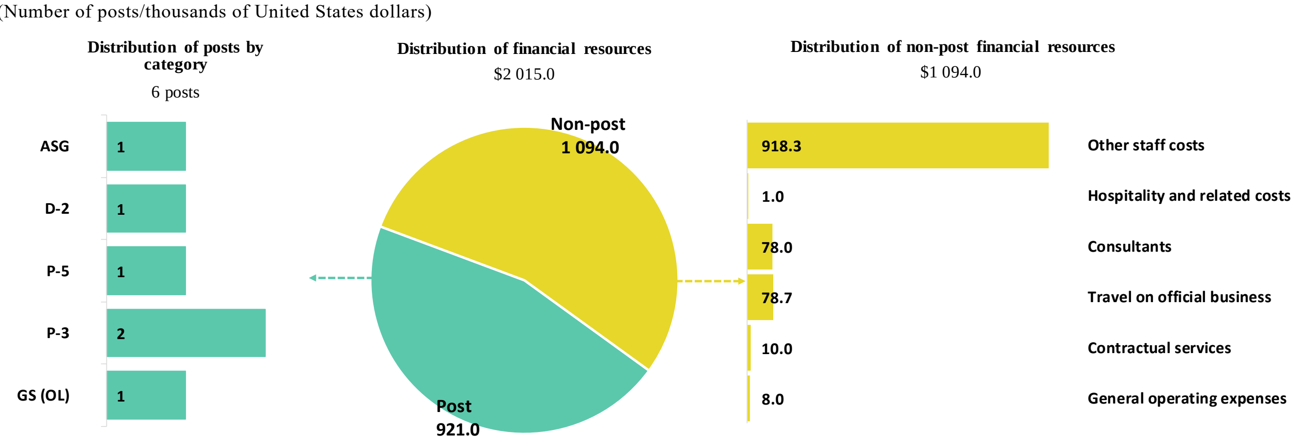


Table 9
Executive direction and management: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

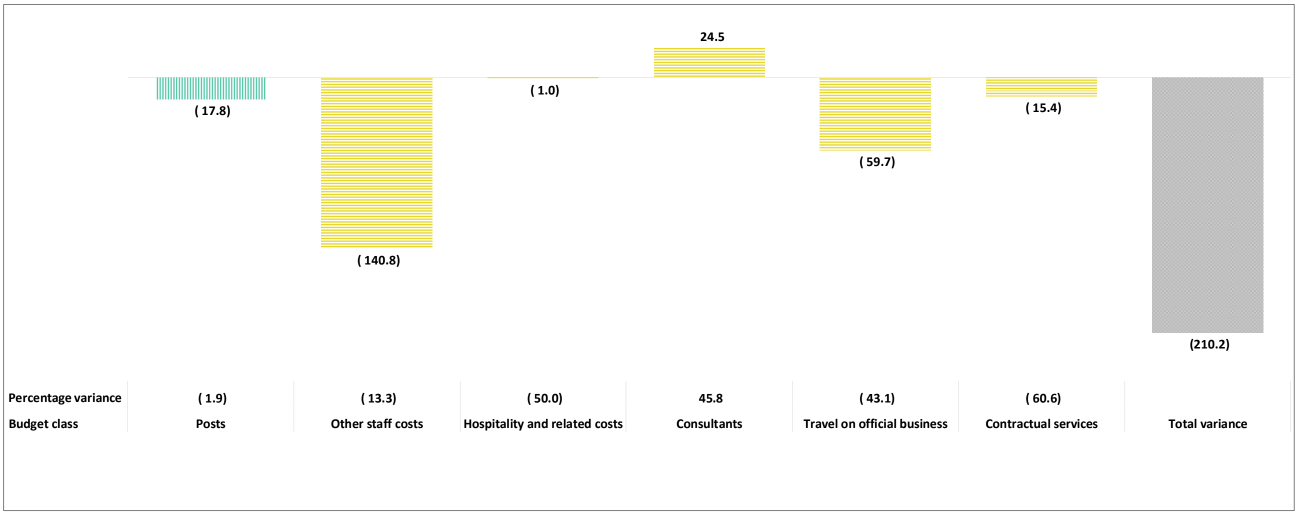
	2018 expenditure	*2019 appropriation*	*Changes*				*2020 estimate (before recosting)*
			Technical adjustments	*Other*	*Total*	*Percentage*	
Financial resources by main category of expenditure							
Post	849.0	938.8	–	(17.8)	(17.8)	(1.9)	921.0
Non-post	1 461.2	1 286.4	–	(192.4)	(192.4)	(15.0)	1 094.0
Total	**2 310.2**	**2 225.2**	**–**	**(210.2)**	**(210.2)**	**(9.4)**	**2 015.0**
Post resources by category							
Professional and higher	–	4	–	1	1	25.0	5
General Service and related	–	1	–	–	–	–	1
Total	**–**	**5**	**–**	**1**	**1**	**20.0**	**6**

Figure VII
Executive direction and management: distribution of proposed resources for 2020 (before recosting)
(Number of posts/thousands of United States dollars)



Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level).

Figure VIII
Executive direction and management: variance between proposed resources for 2020 and appropriation for 2019, by budget class
(Thousands of United States dollars)



48. The variance of $210,200 reflects:

Other changes

(a) The net decrease of $17,800 under post resources relates to two outward redeployments and the proposed establishment of three new posts:

(i) Outward redeployment of two posts (1 P-4 and 1 General Service (Other level)) to the secretariat of the Pension Board to provide support to the Secretary of the Board;

(ii) The proposed establishment of one post of Special Assistant (P-5) to the Pension Benefits Administrator to provide support, enhance the overall internal and external coordination of the secretariat of the Fund, improve management/performance reporting and transparency, provide real time communications and outreach and serve as the focal point for the Administrator to enhance communications, while enhancing all the relationships that are vital to the administration of pensions within the secretariat of the Fund and with the Fund's over 207,000 active participants and beneficiaries; and one General Service (Other level) to provide support to the Office of the Pension Benefits Administrator;

(iii) One Human Resources Officer (P-3) to support hiring managers in the secretariat of the Fund in performing recruitment related actions. The role of recruitment support has been implemented and was found to be very useful in the context of the delegation of authority to heads of department resulting in increased decentralization of recruitment processes and thus an increased workload. In addition, in accordance with human resources policies, the role of the hiring manager in the recruitment process is designated to line managers and not covered by the Executive Office. The Human Resources Officer will provide hands-on support to line managers in carrying out this role. The Human Resources Officer will also provide strategic human resources advice to the Pension Benefits Administrator, senior managers and staff and for the implementation of the Fund's human resources strategy, with a focus on workforce planning, training, performance management and career development.

Currently, these roles are filled by general temporary assistance resources and have proven to successfully reduce the vacancy rates;

(b) The net decrease of $192,400 under non-posts resources reflects mainly:

(i) The decreased requirements under other staff costs relate mainly to the decrease in general temporary assistance owing to the reorganization of staffing in the office with the establishment of the secretariat of the Pension Board ($140,800);

(ii) The decreased requirement for travel is attributable to efforts to reduce travel costs through the use of video- and teleconferencing as well as reducing the number of staff travelling ($59,700), and the decrease for contractual services reflects the estimates for training requirements ($15,400);

(iii) The increased requirements for consultancy services relate to performance reporting benchmarking with other pension funds ($24,500).

Programme of work

49. The programme of work includes Operations, the Client Services and Outreach Section, Financial Services, the Risk Management and Legal Services Section and the Information Management Systems Service.

50. The new structure for the programme of work reflects the change of the Geneva office from a parallel operation to a satellite office, as had been recommended in a 2008 review and reconfirmed in a subsequent review on the organizational structure of the Fund carried out during 2019.[1] Given the inconsistent rates for the processing of benefits between its two offices, the Fund decided it would need to move towards full functional leadership and management. Once implemented, the new arrangement would provide managers with greater flexibility and adaptability and ensure a more efficient use of resources. The new arrangement in the programme of work is also expected to culminate ultimately in more consistent benefit processing rates between the two offices.

51. As indicated earlier, under the new structure, each of the different work units of the Geneva office will report directly to the respective chiefs in the New York office. The post of chief of the Geneva office (D-1) will therefore be available for redeployment to the new office of the Secretary of the Board.

Operations

52. Operations will include the Pension Entitlements Sections in New York and Geneva and the Operations Support Section, to be led by a chief of section (P-5). With a view towards implementing this arrangement within existing resources, the post for leading the Operations Support Section will be met through the redeployment of a P-5 post from Geneva (Senior Administrative Officer) to head the new Section, with the leadership post and functions for the section therefore being placed in the Fund's New York headquarters. Each of these three sections (two Pension Entitlement Sections and the Operations Support Section) will report to the Chief of Operations in New York. Under the new structure, Operations will also include the Records Management

[1] In addition, and as requested by the General Assembly in its resolution 73/274, the Fund also carried out a review in 2019 as to the efficiency and geographical coverage of its call centres and client services operations. Based on its initial assessment of the two reviews, the management of the Fund decided it was more critical to first address the inconsistent processing rates between the two offices, through fuller functional leadership and management, before proposing more fundamental changes in its client services operations.

and Distribution Unit as part of the Operations Support Section, with staff serving in both the New York and Geneva offices.

53. Operations is responsible, through its two Pension Entitlement Sections, for the determination of eligibility to participate in the Fund and the subsequent affiliation of new participants into the Fund, as well as for the processing, calculation and setting up of payments for all pension entitlements. Operations also ensures the integrity of the benefit calculation, which, once established, remains valid for the lifetime of the retiree and any eligible survivor. Under the new functional reporting arrangement, the Geneva office will retain its current significant benefits processing capabilities. The office will also continue, through its substantial physical presence, to address the geographical dispersion of the Fund's clients. Moreover, the new structure will provide an enhanced capacity for balancing workloads between the two offices on a more regular basis.

54. In 2020, Operations will process, calculate, verify and set up payment for some 10,000 new benefit entitlements and will also be responsible for all the documents and data received by the Fund each year, which are subsequently reviewed, validated and forwarded by the Records Management and Distribution Unit. This ensures that there is a dedicated initial entry point for all incoming information.

Client Services and Outreach Section

55. The Client Services and Outreach Section will include the client services work units of both the New York and Geneva offices and the call centres located in Valencia (United Nations International Computing Centre) and New York for the first tier of client inquiries and for onward routing of second tier inquiries to the appropriate specialists. The Section will also include two client service hubs as liaison offices in Bangkok and Nairobi.

56. In line with the Fund's overriding commitment to enhancing its service orientation, and in accordance with a recommendation following the overall review of the Fund carried out in 2016 and confirmed in the subsequent review of the organizational structure of the Fund in 2019, the Fund intends to separate its client services from Operations. As part of its move towards better global coordination and functional management, both client servicing units will receive direction from New York and the section will be renamed the Client Services and Outreach Section. Client services will therefore continue to have a presence and significant capabilities in Geneva, so as to adequately manage the complexities associated, inter alia, with time zones, currency, language and customs. As in the case with Operations, leadership and coordination for the Section will emanate from the Chief of Section, located in the Fund's headquarters office in New York.

57. During the review of the organizational structure, it was recalled that the primary focus of client services was the provision of services to the member organizations, the participants, the retirees and other beneficiaries. It was also determined that the maintenance of documentation and records management was not the best use of client services staff. The Records Management Units of both the New York and the Geneva offices will therefore remain part of Operations as the new Records Management and Distribution Unit.

58. Under the new organizational structure to be in place from 2020, the Client Services and Outreach Section will be better able to service the Fund's growing, ageing and more dispersed clientele, including meeting unique needs in different regions of the world. The challenges of addressing the growing volume of work related to the Fund's more than 207,000 clients, the critical need for consistent application of the Fund's Regulations and the dissemination of information can best

be met through a single lead post (currently at the P-5 level) to head the Client Services and Outreach Section.

59. As indicated above, the Fund carried out two reviews in early 2019: one on the organizational structure of the Fund and one on the Fund's client services operations following the request made by the General Assembly in its resolution 73/274. Based on the Fund's initial assessment, the second review substantiated the need to maintain the existing call centre and to establish the two long-envisioned client service hubs as liaison offices in Bangkok and Nairobi, as is currently being proposed. The Fund decided, however, that it would be more prudent to address the organizational structure in the present budget, with a view towards first moving to full functional management and reporting, before proposing any further fundamental changes in its client services operations. This will ensure clearer lines of accountability when considering fundamental changes in the client services model. The Fund therefore intends to provide its full assessment with respect to its review of overall client services operations, along with any subsequent budget proposals, to the Board in 2020 in the context of its 2021 budget.

Financial Services

60. Financial Services include the Payments Section, the Accounts Section, the Cashier's Unit and the Budget Unit and are responsible for all financial reporting matters, collection and reconciliation of contributions and the payment of benefits. This area focuses on the integrity of payments, including ongoing adjustments to reflect changes in exchange rate relativities and movements in consumer price indexes. The Fund's financial transactions now amount to some $5 billion each year (including both contribution collections and benefit payments). Every month some 75,000 periodic benefit payments are processed in 15 currencies and payments made to retirees and other beneficiaries living in more than 190 countries. The payments include quarterly adjustments to the benefit entitlement for retirees and other beneficiaries who chose the two-track (comparative) feature. The payments also include adjustments to the entitlement amounts to reflect changes in the cost of living in accordance with the Fund's pension adjustment system. Each year, Financial Services also ensure accurate contribution recording for some 128,000 active participants and monitor the monthly remittances from the Fund's 24 member organizations. The area is also responsible for producing each year accurate and timely financial statements for the Fund as a whole, including all investment activity reported by the Office of Investment Management. As part of the move to global coordination and functional management, all finance functions performed in Geneva will be under the direction and leadership of the Payments and Accounts Sections, which in turn report to the Chief Financial Officer.

Risk Management and Legal Services Section

61. The Risk Management and Legal Services Section includes the Risk Management and Technical Analysis Unit and the Legal and Compliance Unit. The Section is responsible for monitoring and advising on the Fund's long-term funding, solvency and sustainability by responding to the challenges of the interdependency of assets and liabilities, identifying and assessing risks, and analysing and technically assessing policies as well as existing and proposed benefit provisions. The Section was established in October 2014 and its functional role is technical and advisory in nature. The Section brings together in an integrated manner legal, actuarial, operational and risk management expertise. It advises the Pension Benefits Administrator and the Pension Board, as well as its various committees and working groups, on the implementation of pension policy issues, the interpretation of regulations and rules, the management of various types of risk and the strengthening

of the internal control framework, which includes maintaining liaison with and representing the Pension Benefits Administrator in dealings with internal and external oversight mechanisms. In line with the move to global coordination and functional management, all related functions performed in the legal office in Geneva will continue to be under the direction and leadership of the Legal and Compliance Unit, which in turn reports to the Chief of the Section.

Information Management Systems Service

62. The Information Management Systems Service includes the Enterprise Operations Section, the Enterprise Applications Section, the Enterprise Security Unit and the Contracts Management Unit. The Service is responsible for the Fund's information systems and communications technologies. It coordinates the implementation of the strategic decisions taken by the Information Technology Executive Committee and provides the necessary tools for supporting knowledge-sharing and collaborative working practices. The Service provides overall computing and office automation support, software and systems design, development and implementation of technology-driven solutions, hardware support, software maintenance, telecommunications and shared infrastructure services, supervision and technical leadership of information technology operations in the Fund's Geneva office, management of resources and infrastructure and conference room support. The Service also provides first-line support functions for systems infrastructure and analysis services in coordination with system vendors and external contractors. As with the other services and sections in the programme of work and in line with the Fund's move to global coordination and functional management, all functions related to the Service will continue to be under the direction and leadership of the Chief of the Service.

63. For 2020, the strategic goal of the Information Management Systems Service will be to continue to manage the Fund's ICT systems. It will achieve this by maintaining, supporting and enhancing infrastructure, systems and applications. For 2020, this will include: (a) stabilizing the core information system of the Fund (IPAS); (b) enhancing business intelligence and reporting; (c) expanding monthly reconciliation interfaces; and (d) strengthening cybersecurity. In addition, the Service will continue expanding its ICT support to the vastly geographically dispersed clients (participants, beneficiaries, staff pension committee secretaries, member organizations and reporting entities), with additional communication mechanisms and improved and more secure remote connectivity and collaboration tools. The Service will also implement an innovative initiative in collaboration with the member organizations to experiment with an automated process in support of the annual verification of certificates of entitlement.

Resources

64. The proposed resources for 2020 under the programme of work for pension administration amount to $42,228,100 and reflect a net increase of $1,690,000 compared with the appropriation for 2019. Additional details are reflected in figures IX to XI and table 10.

Figure IX
Resources for the programme of work as a percentage of the pension administration budget
(Millions of United States dollars)

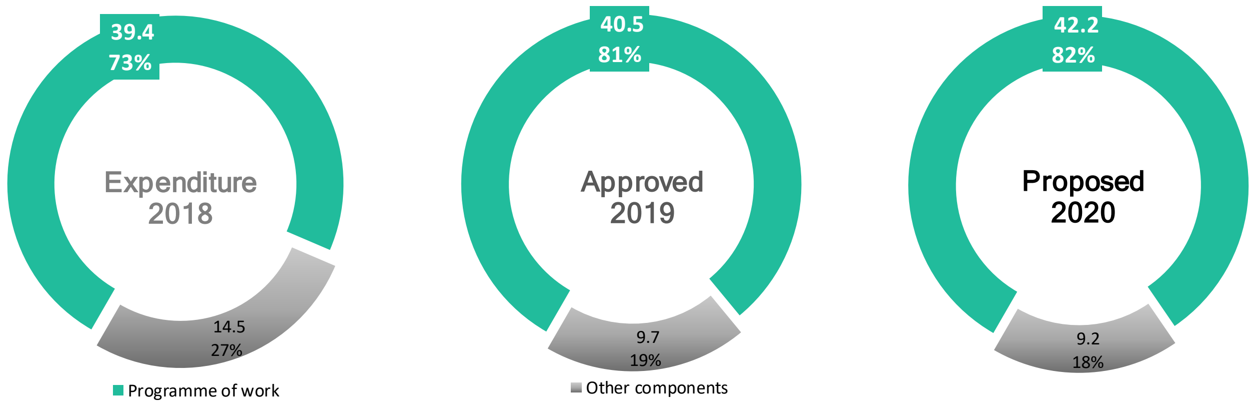
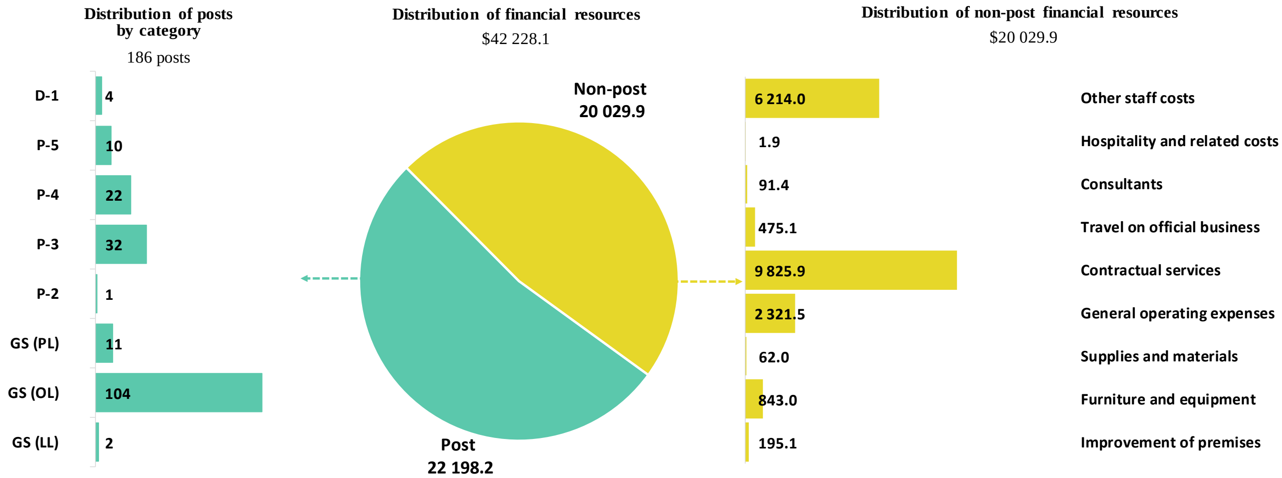


Table 10
Programme of work: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

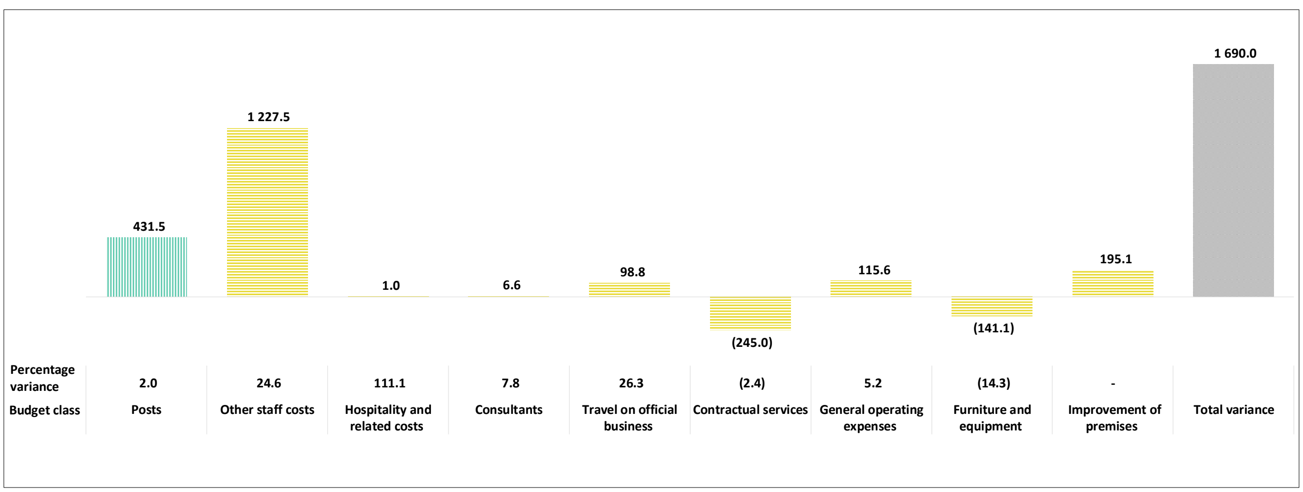
	2018 expenditure	*2019 appropriation*	*Changes: Technical adjustments*	*Other*	*Total*	*Percentage*	*2020 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	21 691.3	21 766.7	324.8	106.7	431.5	2.0	22 198.2
Non-post	17 662.3	18 771.4	–	1 258.5	1 258.5	6.7	20 029.9
Total	**39 353.6**	**40 538.1**	**324.8**	**1 365.2**	**1 690.0**	**4.2**	**42 228.1**
Post resources by category							
Professional and higher	–	67	–	2	2	3.0	69
General Service and related	–	113	–	4	4	3.5	117
Total	**–**	**180**	**–**	**6**	**6**	**3.3**	**186**

Figure X
Programme of work: distribution of proposed resources for 2020 (before recosting)
(Number of posts/thousands of United States dollars)



Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level); GS (LL) General Service (Local level).

Figure XI
Programme of work: variance between proposed resources for 2020 and appropriation for 2019, by budget class
(Thousands of United States dollars)



65. The variance of $1,690,000 reflects:

Technical adjustments

(a) The increase of $324,800 under post resources reflects the full cost of four new posts (one P-5 and three P-4) approved in the biennium 2018–2019 for which a 50 per cent vacancy rate was applied;

Other changes

(b) The increase of $1,365,200 reflects:

(i) The net increase of $106,700 under post resources relates to:

a. The proposed conversion of two Benefits Officer positions (two P-3) from general temporary assistance to established posts in the regional offices of Bangkok and Nairobi and the establishment of two Benefits Assistant posts (two General Service (Local level)) for each office to strengthen and reflect the commitment to client services in the regional hubs, as these will represent the Fund's critical interests in the regions;

b. The proposed establishment of the post of Chief of the Pension Interface Unit (P-4) to maintain, enhance and oversee the interfaces between the secretariat of the Fund and member organizations for the exchange of human resources, financial/contribution, legacy year-end and after-service health insurance interface data; and the proposed establishment of the post of Information Systems Officer (P-3) to provide support to the Chief of the Pension Interface Unit;

c. The proposed establishment of three Information Systems Assistant posts (three General Service (Other level)):

i. One General Service (Other level) to provide help desk support for an increased demand for ICT services caused by the introduction of new services and the expansion of the client base, both internally and externally, and ensure adequate support for activities such as the periodic printing of certificates of entitlement, videoconferencing, the use of mobile devices and ICT security;

ii. One General Service (Other level) to provide support related to platform services so as to ensure availability and continuity of these services and support and back-up services to the Fund's only Professional staff member responsible for managing and supporting platform services (i.e. document repositories and shared applications), which are heavily utilized by internal users, members of the committees of the Board and member organizations;

iii. One General Service (Other level) to provide support related to information security systems, including the large number of periodic tasks required for monitoring and configuring the security parameters of the ICT infrastructure of the Fund, to support the conduct of automated vulnerability assessments and application security tests, to perform periodic extracts of data to generate security key performance indicators and reports, and to provide the first level of assistance in response to security incidents;

d. The proposed reclassification of one post of Accounting Assistant to Senior Accounting Assistant (General Service (Other level) to General Service (Principal level) to reflect the growing complexity of payroll operations, the steady annual increase in the number of periodic benefits and the ongoing efforts to enhance information technology functionalities in support of payroll processing;

e. Outward redeployment of one D-1 post from the Geneva office to the secretariat of the Pension Board as the Secretary of the Pension Board (as detailed in para. 50);

f. Outward redeployment of two posts to the Office of Investment Management, comprising one Information Systems Officer (P-4) to help manage the Office's ICT infrastructure requirements and its relationship with external vendors that support this critical part of the business; and one Information Systems Assistant (General Service (Other level)) to support the management of the Office's ICT infrastructure needs;

(ii) The net increase of $1,258,500 under non-post resources reflects mainly:

a. The net increase in other staff costs relates mainly to general temporary assistance for the full cost of positions approved in 2019 for a period of nine months (increase from 9 to 12 months), and the proposed increase of general temporary assistance in the finance area to implement the monthly reconciliation process for contributions and a permanent forfeiture process to apply article 46, as requested by the Board of Auditors, and in the information systems area to create a dedicated unit for the management and support of the data interface programme of work, also in accordance with relevant recommendations of the oversight bodies, and to strengthen support for the core enterprise resource planning system of the Fund (IPAS, business intelligence reporting, help desk support and information security) ($1,227,500);

b. The increase in the improvement of premises relates to the relocation of the Geneva office from the DuPont Building to the premises of WMO, including the estimated cost of the restoration of the DuPont Building and the refurbishment of the new office space at WMO ($195,100);

c. The net increase in general operating expenses reflects mainly the costs related to information technology associated with the relocation of the Geneva office, partially offset by the decrease in the estimates to cover independent medical evaluations ($115,600);

d. The net increase in travel relates mainly to client services outreach missions, regional office support, Pension Board and working group meetings and visits related to management and administration ($98,800);

e. The net decrease in contractual services relates mainly to the asset-liability management study not being conducted in 2020 ($245,000);

f. The net decrease in furniture and equipment reflects mainly savings in information technology software and equipment related to mass printing operations ($141,100).

66. The programme of work is supported by extrabudgetary resources estimated at $81,200, which would provide for one General Service (Other level) position. At its 186th meeting, the Standing Committee reviewed a note on the after-service health insurance premium deduction programme undertaken by the Fund. As a result, those extrabudgetary resources were approved and funded by participating organizations at no cost to the Fund.

Programme support

67. Programme support comprises the Fund's reconstituted Executive Office.

68. In its resolution 73/274, the General Assembly requested the Fund to reconstitute the Executive Office of the Pension Fund so that it is directly responsible for the provision of administrative services to the entities of the Fund, within existing resources. To implement this recommendation, the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund and the Acting Chief Executive Officer assigned oversight of the Executive Office to the Chief Financial Officer, as the only officer in the Fund reporting to each entity. The Chief Financial Officer supervises the Executive Office.

69. With respect to administrative services, such as human resources management, procurement and payments, the Fund follows the Staff Regulations and Rules of the United Nations and the Financial Regulations and Rules of the United Nations. Accordingly, the Fund is utilizing the United Nations machinery in delivering these

services and is therefore integrated with and utilizing the United Nations enterprise resource planning system, Umoja.

70. The Executive Office includes the posts of an Executive Officer (P-5) and an Administrative Officer (P-4), as well as three General Service (Other level) positions.

71. In order to benefit from the related technical expertise and experience in the United Nations Secretariat and to achieve efficiencies, the Fund is considering integrating the Executive Office into the United Nations Secretariat and reimbursing the United Nations for the administrative support services provided to the Fund. This would align the Fund with the approach taken by the United Nations Secretariat to centralize administrative support and guarantee the continuity of services provided. The change is planned to take effect once such an agreement with the United Nations is established.

72. The proposed resources for 2020 amount to $7,247,200 and reflect a net decrease of $209,900 compared with the appropriation for 2019. Additional details are reflected in figures XII to XIV and table 11.

Figure XII
Resources for programme support as a percentage of the budget for pension administration
(Millions of United States dollars)

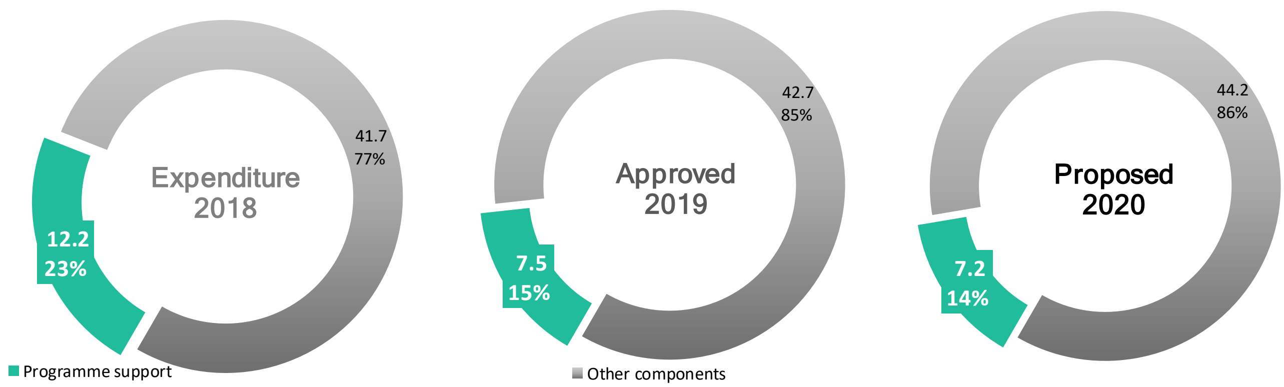
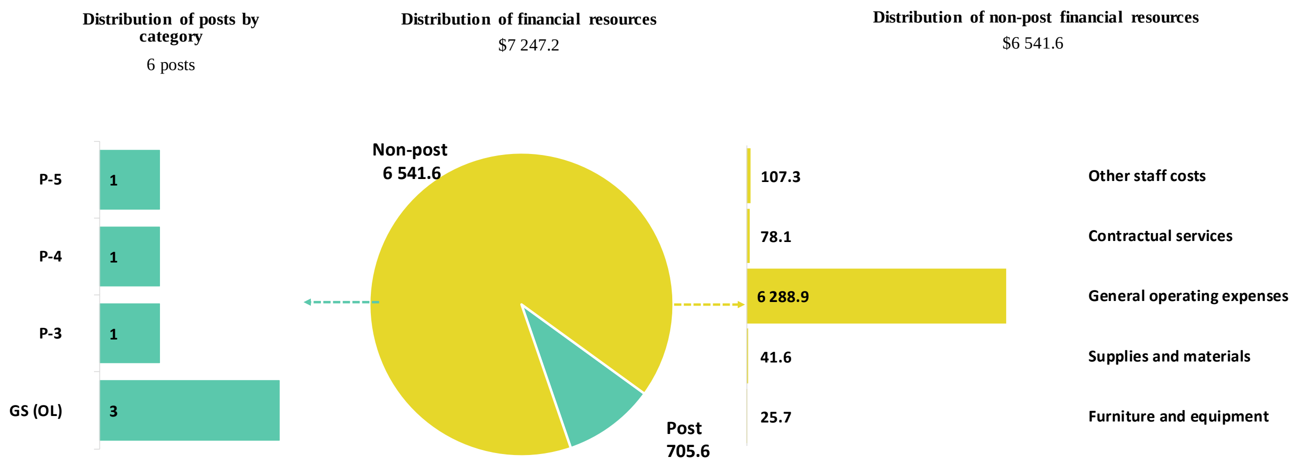


Table 11
Programme support: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

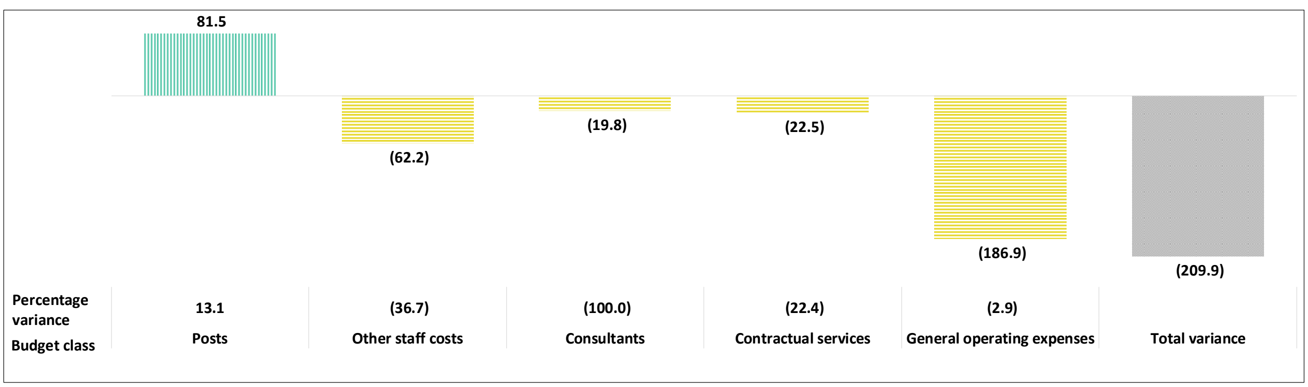
	2018 expenditure	2019 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2020 estimate (before recosting)
Financial resources by main category of expenditure							
Post	657.5	624.1	–	81.5	81.5	13.1	705.6
Non-post	11 554.6	6 833.0	–	(291.4)	(291.4)	(4.3)	6 541.6
Total	**12 212.1**	**7 457.1**	**–**	**(209.9)**	**(209.9)**	**(2.8)**	**7 247.2**
Post resources by category							
Professional and higher	–	2	–	1	1	50	3
General Service and related	–	3	–	–	–	–	3
Total	**–**	**5**	**–**	**1**	**1**	**20**	**6**

Figure XIII
Programme support: distribution of proposed resources for 2020 (before recosting)
(Number of posts/thousands of United States dollars)



Abbreviation: GS (OL), General Service (Other level).

Figure XIV
Programme support: variance between proposed resources for 2020 and appropriation for 2019, by budget class
(Thousands of United States dollars)



73. The variance of $209,900 reflects:

Other changes

(a) The net increase of $81,500 under post resources reflects the proposed establishment of one Human Resources Officer (P-3) to perform the administrative and human resources functions for the Pension Fund. The post is required to address the tasks resulting from the increased decentralization and delegation of authority to heads of department for human resources services, to properly monitor and perform the internal controls related to human resources functions and to follow the most effective and efficient model for the provision of administrative services with the application of Umoja;

(b) The net decrease of $291,400 under non-post resources reflects mainly:

(i) The net decrease under general operating expenses relates mainly to the completion of the office renovation in connection with the sprinkler project, partially offset by the estimated charges from the United Nations for the administrative services provided to the secretariat of the Fund ($186,900). As reflected in paragraphs 7 and 40, based on the revised measurement methodology utilized for the cost-sharing arrangement between the Fund and the United Nations, the total estimated charges from the United Nations for the administrative services provided for pension administration amount to $1.3 million, of which $0.3 million is already in the current approved budget and an additional $1.0 million is requested for 2020;

(ii) The net decrease under general temporary assistance relates to travel assistance owing to the reorganization of the Office of the Pension Benefits Administrator and the secretariat of the Pension Board ($62,200);

(iii) The decrease under contractual services relates to the estimates for external printing requirements ($22,500) and the decrease under consultants relates to consultancy services for the human resources mentoring programme ($19,800).

C. Budget estimates for the biennium 2018–2019: performance report

Table 12
Pension administration: revised estimates for the biennium 2018–2019 by budget class
(Thousands of United States dollars)

	Approved appropriation			*Expenditure 1 January 2018–30 April 2019*			*Estimated expenditure 1 May–31 December 2019*			*Increase (decrease) for 2018–2019*			*Proposed final appropriation 2018–2019*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
		(a)			*(b)*			*(c)*			*(d)=(b)+(c)-(a)*			*(e)=(a)+(d)*	
Pension administration															
Posts	32 059.4	14 476.1	46 535.5	22 024.5	9 876.2	31 900.7	11 597.6	5 209.1	16 806.7	1 562.7	609.2	2 171.9	33 622.1	15 085.3	48 707.4
Other staff costs	11 599.8	647.3	12 247.1	7 513.9	150.6	7 664.5	4 437.8	144.8	4 582.6	351.9	(351.9)	–	11 951.7	295.4	12 247.1
Hospitality	5.8	–	5.8	–	–	–	5.8	–	5.8	–	–	–	5.8	–	5.8
Consultants	223.2	–	223.2	141.4	–	141.4	81.8	–	81.8	–	–	–	223.2	–	223.2
Travel on official business	1 096.5	–	1 096.5	516.6	–	516.6	579.9	–	579.9	–	–	–	1 096.5	–	1 096.5
Contractual services	18 812.0	2 128.5	20 940.5	9 566.7	1 176.7	10 743.4	9 880.0	951.8	10 831.8	634.7	–	634.7	19 446.7	2 128.5	21 575.2
General operating expenses	13 282.4	3 751.1	17 033.5	10 514.2	3 428.0	13 942.2	1 711.3	164.0	1 875.3	(1 056.9)	(159.1)	(1 216.0)	12 225.5	3 592.0	15 817.5
Supplies and materials	136.8	68.5	205.3	37.3	13.1	50.4	80.0	45.6	125.6	(19.5)	(9.8)	(29.3)	117.3	58.7	176.0
Furniture and equipment	1 554.1	636.0	2 190.1	354.7	3.1	357.8	610.7	299.6	910.3	(588.7)	(333.3)	(922.0)	965.4	302.7	1 268.1
Total	**78 770.0**	**21 707.5**	**100 477.5**	**50 669.3**	**14 647.7**	**65 317.0**	**28 984.9**	**6 814.9**	**35 799.8**	**884.2**	**(244.9)**	**639.3**	**79 654.2**	**21 462.6**	**101 116.8**

74. The amount of $101,116,800 in estimated administrative costs for the biennium 2018–2019 will result in overexpenditure of $639,300, or 0.6 per cent (see table 12). The main variances contributing to the overexpenditure are attributable to the increase in requirements for posts. The main variances are set out below.

Posts – overexpenditure of $2,171,900

75. The overexpenditure of $2,171,900, or 4.7 per cent, reflects actual expenditure during the biennium compared with the budgeted rates relating to standard costs and vacancies. While the budget was based on vacancy rates of 10.1 per cent for Professional posts and 7.1 per cent for General Service posts, the actual vacancy rates for the period from January 2018 to April 2019 were 6.1 per cent and 9.4 per cent, respectively. The increase reflects the application of the actual vacancy rates, as well as the projected continued downward trend in the vacancy rates.

Other staff costs – at maintenance level

76. The initial budget level for the other staff costs was maintained. The category of other staff costs includes general temporary assistance, overtime and the contributions of the secretariat of the Fund to premiums for after-service health insurance. The projected increases in general temporary assistance and premiums for after-service health insurance are offset by decreased requirements under overtime.

Contractual services – overexpenditure of $634,700

77. The overexpenditure of $634,700, or 3.0 per cent, is associated with the requirements for the independent assessment of IPAS and improving the grievance redressal mechanism, as recommended by the Board of Auditors (A/73/5/Add.16) and requested by the General Assembly in its resolution 73/274, the acquisition of additional information security services and the study on a new client services model, partially offset by the reduced requirements for the asset-liability management study.

General operating expenses – underexpenditure of $1,216,000

78. The underexpenditure of $1,216,000, or 7.1 per cent, is attributable to lower than anticipated expenditure for maintenance of premises related mainly to the tenant’s portion of the building operating expenses, office renovations, bank fees, medical evaluation and United Nations Appeals Tribunal cases. The reduced amounts also reflect the outward redeployment of resources for furniture and equipment related to office renovation.

Supplies – underexpenditure of $29,300

79. The underexpenditure of $29,300, or 14.3 per cent, is attributable to lower than anticipated requirements for supplies and materials.

Furniture and equipment – underexpenditure of $922,000

80. The underexpenditure of $922,000, or 42.1 per cent, is related mostly to savings in information technology software and equipment within the Information Management Systems Service. The Service replaced its hardware and was able to achieve significant efficiencies in mass printing operations, which in turn generated savings in the expenditures originally forecasted. The Fund is also eliminating the use of desktop computers and desktop printers for a “mobile only” posture with local monitors, reducing the size of the information technology asset pool considerably, while ensuring that staff can operate in any location where Internet access is available. The Fund continues to reduce and eliminate underutilized software licences and has reduced, for example, costs for one supplier by over 75 per cent in the past five years

and has reduced and tried to eliminate the use of licensed software tools for their open-source equivalent wherever possible. The underexpenditure also reflects the reduction in the initial set-up costs for furniture and equipment at the regional hubs.

Extrabudgetary

81. Total expenditure for the biennium 2018–2019 is estimated at $205,600, resulting in an overexpenditure of $43,200, or 26.6 per cent. This is attributable mainly to higher actual staff salary costs compared with the budgeted standard salary cost for a General Service (Other level) post.

IV. Office of Investment Management

Foreword

The mission of the Office of Investment Management of the United Nations Joint Staff Pension Fund is to:

Contribute to the United Nations global mission by ensuring the long-term financial sustainability of the Pension Fund – a vital component of the United Nations family's employee value proposition – so that it can fully discharge its obligations to current and future beneficiaries by optimally managing the Fund's assets to achieve its long-term investment return objective in a prudent, cost-effective manner.

As the Fund is maturing, with an increasing proportion of retirees relative to active participants, investment returns, not participant contributions, are going to be the primary determinant and driver of the Fund's long-term financial sustainability.

The long-term objective of the Office of Investment Management is to generate a 3.5 per cent real rate of return (net of inflation) in United States dollar terms over periods of 10 and 15 years. While this objective has been achieved over the past 50 years, continuing to achieve it in the increasingly complex global investment environment of the future will require building the capability to invest in new asset classes and new markets, through a wider spectrum of investment channels and using a broader range of investment instruments.

Since I undertook the responsibilities of the Representative of the Secretary-General for the investment of the assets of the Pension Fund on 1 January 2018, I have laid out a vision for the Office to become a best-in-class global long-term investment institution: an organization able to deliver to its stakeholders superior returns (net of costs, adjusted for risk and relative to peers) over the long term.

I am confident that the Office can deliver the required investment returns to keep the Fund financially healthy for the long term. However, building the capabilities to do so requires resources, in an environment where there has been no increase in established posts in the Office for six years, since 2013, while assets under management over the same period have increased 27 per cent from $51.4 billion as at 31 December 2013 to $65.2 billion as at 31 March 2019.

A benchmarking study conducted in 2019 by a specialized consulting firm showed that the Office is understaffed to the extent of between 25 and 40 posts – just to carry out its current responsibilities – relative to a peer group of global long-term investment institutions.

Since taking on my responsibilities as the Representative of the Secretary-General, I have consistently emphasized to my colleagues that before we ask for additional resources, we have to ensure the highest quality of financial resource management in our operations and identify the potential for savings wherever possible.

I am pleased to report that the Office is proposing a zero increase in the 2020 budget from its level in 2019. Savings have been achieved through:

(a) Reducing the use of non-discretionary advisers, in accordance with General Assembly resolutions;

(b) Reducing general operating expenses, primarily by optimizing the use of office space;

(c) Strengthening financial resource management.

The requested increase in posts, consisting of the conversion of 11 general temporary assistance positions into regular posts, the redeployment of 2 posts loaned in the past to the secretariat of the Fund and the establishment of 13 new posts, will therefore be entirely paid for by savings realized by the Office.

The Office must continue to build the capacity that will keep the Fund financially sound, safe, stable and robust for the next 50 years. We believe these additional resources are essential to enable the Office of Investment Management to continue producing the investment returns which, going forward, will determine the well-being of the 207,000 current and future beneficiaries of the Fund.

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

Overall orientation

Mandate and background

82. The Secretary-General of the United Nations is responsible for the investment of the assets of the United Nations Joint Staff Pension Fund. He has delegated this responsibility to the Representative of the Secretary-General for the investment of the assets of the Pension Fund. The Representative is, in turn, assisted in this function by the Office of Investment Management.

83. The Office of Investment Management is responsible for the day-to-day management of the assets of the Pension Fund, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation policies. Its mandate is to achieve the Fund's long-term return objective, which is to earn the highest possible investment return consistent with the Fund's risk appetite, so as to deliver an investment return that over the long-term (over periods of 15 years and longer) at least meets the Fund's assumed real rate of return (the annual percentage return realized on an investment, adjusted for changes in prices as a result of inflation or other external effects) objective, which is currently 3.5 per cent in United States dollar terms.

84. The Office ensures that performance and portfolio risk analysis reports are accurate and up to date and arranges for the maintenance of appropriate and accurate accounts on the Fund's investments. The main sections of the Office are the Office of the Representative of the Secretary-General, the Investment Section, the Risk and Compliance Section and the Operations and Information Systems Section.

Strategy for 2020

85. In response to rapidly changing market conditions, the Office has undertaken a number of initiatives to evaluate:

(a) A strategic asset allocation that will help to achieve the Fund's long-term return objective of 3.5 per cent real return (net of inflation) in United States dollar terms;

(b) New asset classes, investment channels and instruments that would enhance the probability of the Fund meeting its long-term return objective in an increasingly complex global investment environment;

(c) The resource needs of the Office to achieve these goals, by benchmarking itself against a peer group of similar global long-term investment institutions.

External factors

86. Market volatility is an enduring feature of global financial markets. It is important for the Fund's stakeholders, including its 207,000 current and future beneficiaries, to note that estimations of the Fund's financial well-being are made by external experts using very conservative assumptions, including smoothing the market value of the Fund's assets over five years, which adjusts for the expected volatility of global financial markets. The Office actively manages its global investment portfolio, making changes as needed to minimize risk and benefits from short-term market movements to the extent possible, after evaluating the forces driving short-term fluctuations in investment returns. However, pension payments are made over decades, and maintaining a long-term focus in the face of short-term market volatility is essential for preserving the Fund's value for stakeholders.

87. Financial markets are likely to be volatile over the near-term as they try to gauge and adjust to the future direction of fiscal and monetary policy after a decade of quantitative easing, as well as rising geopolitical risks around the world. At the same time, the Fund’s fully funded status gives some level of financial cushioning to withstand a period of low investment returns. The Office is confident that it will be able to deal with whatever challenges the markets may present, with the support and encouragement of all its stakeholders.

Evaluation activities

88. As part of its strategic planning exercise, the Office conducted a benchmarking study of its staffing levels as compared with a peer group of similar global long-term investment institutions. The study concluded that the Office’s staffing levels were meaningfully below the peer benchmark. To deliver on its vision of becoming a best-in-class global long-term institutional investor in an increasingly complex global investing environment, the Office has begun to refine its investment strategy and explore the capabilities it needs to build going forward, together with its related resource needs. The benchmarking study indicates that the Office has between 25 and 40 fewer staff relative to its global peer group. The gap compared with its peers is expected to expand by an additional 20 staff by 2023 given projected increases in assets under management.

89. As of December 2018, the Office had 85 approved regular posts, while the benchmark indicated that peers of comparable size and strategy had from 110 to 125 staff members (see figures XV and XVI). The Office proposes to convert 11 general temporary assistance positions into regular posts, redeploy 2 posts loaned in the past to the secretariat of the Fund and request the establishment of 13 new posts. This will result in a headcount of 111, which represents the first step towards closing the gap with its current peers. This increase represents the lower end of the current peer staffing range and does not incorporate growth relative to the Office’s future state. The Office is mindful of the overall resource environment at the United Nations and proposes to offset all of this increase through a number of structural savings it has identified over the course of 2018 under the leadership of its new Representative of the Secretary-General, thereby ensuring a zero increase in its 2020 budget compared with 2019. Examples include a decrease in the use of non-discretionary advisers, consolidation with regard to office space (involving giving up one floor), and improved financial resource management. Further details are presented in section B below.

Figure XV
Approved regular posts in 2018, compared with current- and future-state peer benchmarks
(Number of staff)

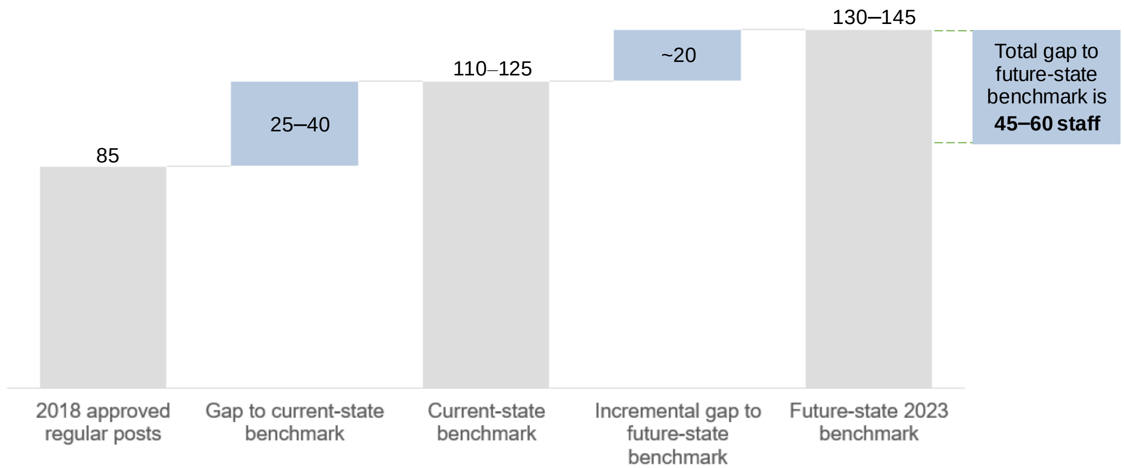
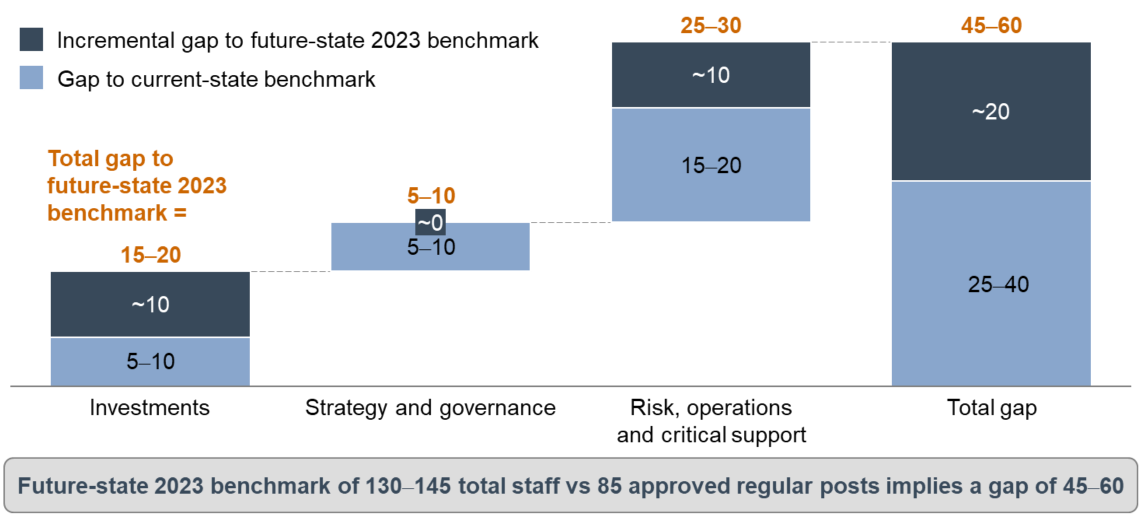


Figure XVI
Staffing gap related to current- and future-state benchmarks
(Number of staff)



90. It is important to note that the future-state 2023 benchmark assumes that the Office will maintain its current implementation strategy in each asset class. For instance, in private market asset classes, the Office currently deploys capital mainly using external fund investments. As the Fund considers how it will respond to the increasing complexity in the investing environment and finalizes its strategic asset allocation as part of the asset-liability management study, it may consider broadening its investment channels in private markets to diversify its investments and optimize costs. Additional resources would be needed to do this, and the extent of the need would depend on how much is invested in private markets, as well as which channels are used for investment.

A. Proposed programme plan for 2020 and programme performance for 2018

Programme of work

1. Objective

91. The mandate of the Office of Investment Management is to achieve the Fund's long-term return objective, which is to earn the highest possible investment return consistent with the Fund's risk appetite, so as to deliver an investment return that over the long-term (periods of 15 years and longer) at least meets the Fund's assumed real rate of return (the annual percentage return realized on an investment, adjusted for changes in prices as a result of inflation or other external effects) objective, which is currently 3.5 per cent in United States dollar terms.

92. The Fund's second objective is to meet or exceed the policy benchmark over the short term (i.e. over three-year periods).

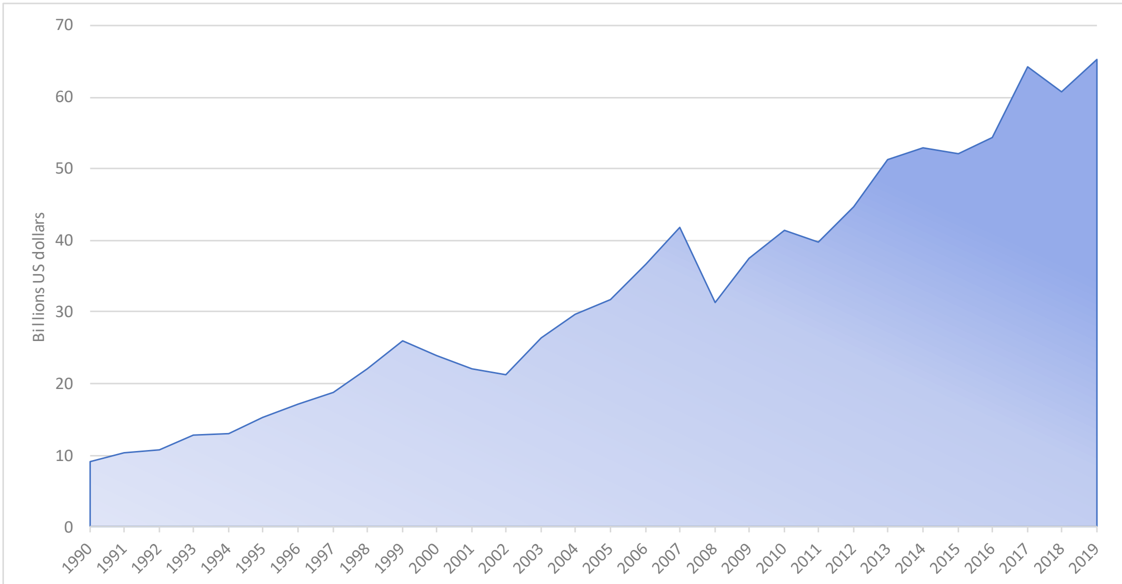
93. The Office strives to ensure that the assets of the Fund are managed prudently and optimally and to achieve its long-term investment return objective, in order to ensure the financial sustainability of the Fund. The investments of the Office are spread over more than 100 countries and regions and 27 currencies. A total of 85 per cent of its assets are managed internally. Investments must meet the criteria of safety, profitability, liquidity and convertibility.

2. Alignment with the Sustainable Development Goals

94. As a responsible fiduciary, the Office strives to avoid risks that may compromise long-term economic value. As such, the Office has expanded its efforts to understand and evaluate the impacts that externalities related to environmental, social and governance factors may have on its investment return and risk and is evolving its approach to sustainable investing. The objective of the Office's sustainable investing approach is to integrate environmental, social and governance considerations into its investment decision-making process across all asset classes. As part of its support for the Sustainable Development Goals of the 2030 Agenda for Sustainable Development and those found in international agreements on climate change and protection of the environment, the Office will continue to reduce its carbon footprint by encouraging the use of videoconferencing facilities for interviews and meetings whenever possible.

3. Highlighted result in 2018

Figure XVII
Market value of assets as at 31 March 2019
(Billions of United States dollars)



95. The Fund is financially sound (see figure XVII). Although 2018 was a challenging year for the financial markets, the Office has achieved the Fund's long-term return objective to meet or exceed the required 3.5 per cent real rate of return on a 2-, 3-, 10-, 15-, 25- and 50-year basis. The Office outperformed the policy benchmark by 19 basis points (0.2 per cent) in 2018.

96. After extensive consultations with all stakeholders, the Office customized the existing public equity MSCI ACWI (Morgan Stanley Capital International All Country World Index) benchmark starting 1 October 2018 to reflect long-standing restrictions on investing in tobacco and armaments securities. This improved risk and performance measurement and reporting to both stakeholders and the Office's portfolio managers.

97. After extensive consultations with all stakeholders, the Office implemented a new United States dollar only benchmark for its cash portfolio to minimize uncompensated currency exposures wherever operationally feasible, and to address recommendations from the Board of Auditors.

98. In addition, the Office will be implementing a new United States fixed-income benchmark, evaluated as part of the asset-liability management study and as recommended in the currency management study. The proposal for a new fixed-income benchmark was presented at the 240th meeting of the Investment Committee, held in New Delhi and Mumbai, India, in February 2019.

99. A working group for the asset-liability management study, comprised of staff members from the Office together with the secretariat of the Fund, completed the study in 2019. The investment policy statement will be modernized to reflect current best practice among leading global long-term investment institutions and updated to reflect the results of the study, after consultations with all stakeholders.

100. The Office engaged a specialized strategy consulting firm to help achieve its vision to become a best-in-class global long-term investment institution: an organization able to deliver to its stakeholders superior returns (net of costs, adjusted

for risk and relative to peers) over the long term. As part of this process, the specialized consulting firm assisted the Office to develop a better understanding of its staffing needs through benchmarking against a peer group of global long-term investment institutions. The present budget proposal is informed by this third-party study.

101. The Office updated and streamlined its quarterly report to the Investments Committee in 2019 after feedback from the Committee.

102. The Office took further steps to implement its approach to sustainable investing and published the Fund's first sustainable investing report during 2019.

103. The Office successfully implemented the few remaining recommendations from the gap analysis performed by Deloitte.

104. The Office has completed an as-is assessment of its existing capabilities for cybersecurity and identified the gaps that exist against ISO 27001. Significant progress has been made in addressing some of these gaps. The Office has identified the gaps in its existing business continuity capabilities against ISO 22301 and has developed a series of actions that are in progress to strengthen this important function within the Office. The Office has updated its business continuity policies and started a crisis management committee and a business continuity working group.

105. The Office implemented 32 recommendations by OIOS and 12 recommendations by the Board of Auditors. A fraud risk assessment analysis conducted by OIOS for the Office of Investment Management was also completed. The Office's management is in the process of implementing recommendations to strengthen the operational risk control framework. These new controls will be tested in 2019 as part of the internal control statements. OIOS scheduled an audit related to transaction costs in its workplan for 2019, as requested by the General Assembly.

106. The Office communicated proactively and openly with all its stakeholders and is strongly committed to ensuring constructive and harmonious collaboration with all related parties. As part of this commitment, the Representative of the Secretary-General provided, for the first time, an initial overview of the Office's investment results for 2018 within one month of the close of the year, on 4 February 2019. This initial overview was posted on both the Office's website (https://oim.unjspf.org) and the website of the secretariat of the Fund so as to make it accessible to all stakeholders. The Office is committed to updating its website on a quarterly basis once the performance data from its independent, third-party master record keeper (Northern Trust) has been received, finalized and checked. Annual numbers are usually available by the end of April of the following year. Quarterly numbers are provided with a lag of one quarter owing to delays in obtaining valuations for alternative investments and real estate and other private market investments. However, the market value of assets is published without this time lag.

107. Overall, the Office made good progress across the board and is moving towards its goal of becoming a best-in-class global long-term investment institution.

4. Highlighted planned result for 2020

108. In 2020, the Office plans on laying the groundwork to move purposefully towards realizing its vision of becoming a best-in-class global long-term investment institution in the service of its mission to contribute to the global mission of the United Nations by ensuring the long-term financial sustainability of the Pension Fund.

109. In service of this vision, the Office will start the process of building capabilities to invest in new asset classes and new markets, through a broader spectrum of investment channels and using a wider range of investment instruments.

110. The result will be a more broadly diversified investment portfolio with an improved risk-return profile as compared with the current investment portfolio.

B. Proposed post and non-post resource requirements for 2020

Overview of resources

111. The Secretary-General of the United Nations is responsible for the investment of the assets of the Pension Fund. The Secretary-General has delegated this responsibility to the Representative of the Secretary-General for the investment of the assets of the Pension Fund. The Representative of Secretary-General is, in turn, assisted in this function by the Office of Investment Management. The Office is responsible for the day-to-day management of these assets, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation policies. Its mandate is to achieve the Fund’s long-term return objective, which is to earn the highest possible investment return consistent with the Fund’s risk appetite, so as to deliver an investment return that over the long-term (periods of 15 years and longer) at least meets the Fund’s assumed real rate of return (the annual percentage return realized on an investment, adjusted for changes in prices as a result of inflation or other external effects) objective, which is currently 3.5 per cent in United States dollar terms. The Office ensures that performance and portfolio risk analysis reports are accurate and up to date and arranges for the maintenance of appropriate and accurate accounts on the Fund’s investments. The main sections of the Office of Investment Management are the Office of the Representative of the Secretary-General, the Investment Section, the Risk and Compliance Section and the Operations and Information Systems Section.

112. The proposed budget resources for 2020, including the breakdown of resource changes, as applicable, are reflected in tables 13 and 14. The proposed resource level provides for the full, efficient and effective implementation of mandates.

113. In response to rapidly changing market conditions, the Office has undertaken a number of initiatives to evaluate: (a) a strategic asset allocation that will help the Office to achieve its long-term return objective of 3.5 per cent real return (net of inflation) in United States dollars; (b) new asset classes, investment channels and instruments that would enhance the probability of meeting its long-term return objective in an increasingly complex global investment environment; and (c) its resource needs to achieve these goals, by benchmarking itself against a peer group of similar global long-term investment institutions.

Table 13
Evolution of financial resources, by component and main category of expenditure
(Thousands of United States dollars)

	2018 expenditure	2019 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2020 estimate (before recosting)	Recosting	2020 estimate (after recosting)
Component									
Executive direction and management	4 063.5	5 357.3	–	(564.1)	(564.1)	(10.5)	4 793.2	238.3	5 031.5
Programme of work	27 639.1	34 332.5	–	587.0	587.0	1.7	34 919.5	1 559.6	36 479.1
Programme support	4 271.3	4 012.6	–	(653.6)	(653.6)	(16.3)	3 359.0	53.7	3 412.7
Total	**35 973.9**	**43 702.4**	**–**	**(630.7)**	**(630.7)**	**(1.4)**	**43 071.7**	**1 851.6**	**44 923.3**
Main category of expenditure									
Post	12 963.0	12 689.8	–	2 718.9	2 718.9	21.4	15 408.7	1 261.3	16 670.0
Non-post	23 010.9	31 012.6	–	(3 349.6)	(3 349.6)	(10.8)	27 663.0	590.3	28 253.3
Total	**35 973.9**	**43 702.4**	**–**	**(630.7)**	**(630.7)**	**(1.4)**	**43 071.7**	**1 851.6**	**44 923.3**

Table 14
Evolution of established post resources by category

	2019 approved	Changes	2020 estimate
Professional and higher			
ASG	1	–	1
D-2	1	–	1
D-1	4	–	4
P-5	10	3	13
P-4	23	4	27
P-3	17	10	27
P-2/1	1	2	3
Subtotal	**57**	**19**	**76**
General Service			
Principal level	14	1	15
Other level	14	6	20
Local level	–	–	–
Subtotal	**28**	**7**	**35**
Total	**85**	**26**	**111**

Note: The breakdown of post changes by component, subprogramme and post level is provided in annex III.
Abbreviation: ASG, Assistant Secretary-General.

Executive direction and management

114. The Representative of the Secretary-General is responsible for setting and implementing an investment strategy aimed at achieving the Fund's real-rate-of-return objective and managing and overseeing a coherent investment operation to

safeguard the sustainability of the Fund over time. The Representative of the Secretary-General leads and directs the increasingly complex and demanding investment operations in terms of strategy and policy analysis, asset liability management, asset allocation, portfolio management and investment decision-making, risk management, performance measurement and reporting, compliance and monitoring, back-office accounting, trade settlement, cash management and systems and information technology requirements to ensure that all operations and functions are properly coordinated and aligned under a consistent and coherent management framework. The key initiatives include continuing to improve transparency and to diversify investments in terms of both geographical and asset class distribution while maintaining the four criteria of safety, profitability, liquidity and convertibility.

115. As a responsible fiduciary, the Office of Investment Management strives to avoid risks that may compromise long-term economic value. As such, the Office has expanded its efforts to understand and evaluate the impacts that externalities related to environmental, social and governance factors may have on its investment return and risk and is evolving its approach to sustainable investing. The objective of the Office's sustainable investing approach is to integrate environmental, social and governance considerations into its investment decision-making process across all asset classes. As part of its support for the Sustainable Development Goals and the international agreements on climate change and protection of the environment, the Office will continue to reduce its carbon footprint by encouraging the use of videoconferencing facilities for interviews and meetings whenever possible.

116. Information on compliance with regard to the timely submission of documentation and advance booking for air travel is reflected in table 15.

Table 15
Compliance rate
(Percentage)

	Planned 2018	*Actual 2018*	*Planned 2019*	*Planned 2020*
Timely submission of documentation	100	61	100	100
Air tickets purchased at least two weeks before the commencement of travel	100	75	80	100

117. The proposed resources for 2020 amount to $4,793,200 and reflect a net decrease of $564,100 compared with the appropriation for 2019. Additional details are reflected in figures XVIII to XX and table 16.

Figure XVIII
Resources for executive direction and management as a percentage of the budget of the Office of Investment Management
(Millions of United States dollars)

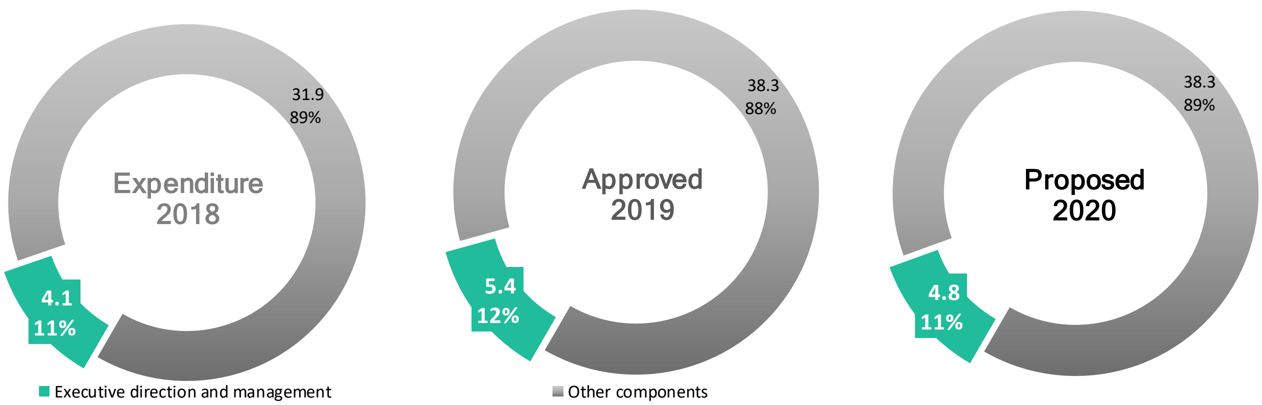
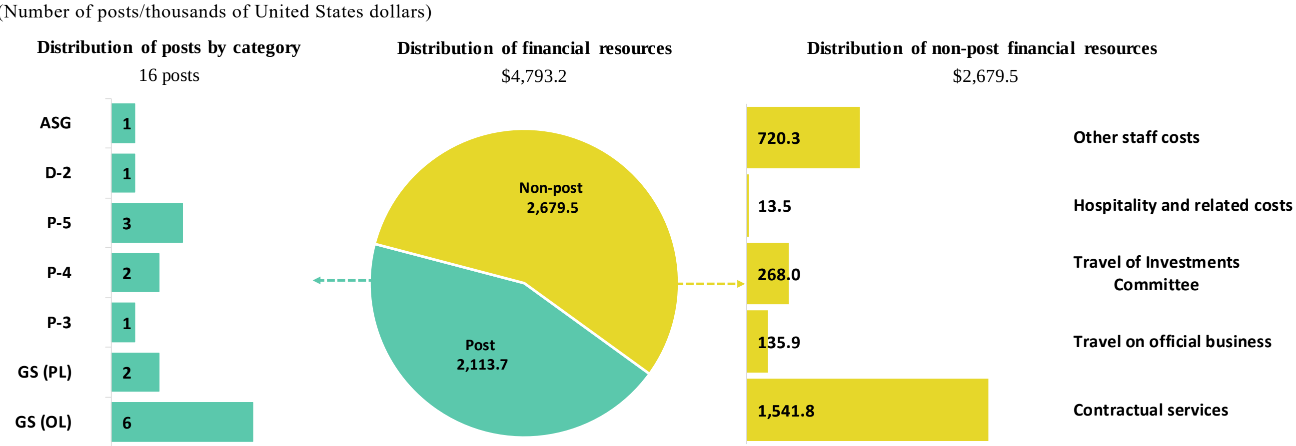


Table 16
Executive direction and management: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

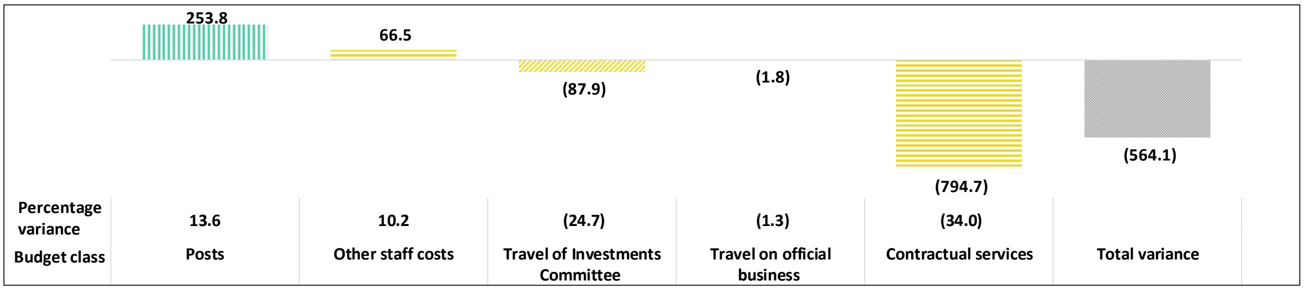
	2018 expenditure	*2019 appropriation*	*Changes*				*2020 estimate (before recosting)*
			Technical adjustments	*Other*	*Total*	*Percentage*	
Financial resources by main category of expenditure							
Post	1 978.0	1 859.9	–	253.8	253.8	13.6	2 113.7
Non-post	2 085.5	3 497.4	–	(817.9)	(817.9)	(23.4)	2 679.5
Total	**4 063.5**	**5 357.3**	**–**	**(564.1)**	**(564.1)**	**(10.5)**	**4 793.2**
Post resources by category							
Professional and higher	–	6	–	2	2	33.3	8
General Service and related	–	7	–	1	1	14.3	8
Total	**–**	**13**	**–**	**3**	**3**	**23.1**	**16**

Figure XIX
Executive direction and management: distribution of proposed resources for 2020 (before recosting)
(Number of posts/thousands of United States dollars)



Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

Figure XX
Executive direction and management: variance between proposed resources for 2020 and appropriation for 2019, by budget class
(Thousands of United States dollars)



118. The net decrease of $564,100 reflects:

Other changes

(a) A net increase of $253,800 under post resources relates to the proposed establishment of one post of Special Assistant to the Representative of the Secretary-General (P-5), one post of Senior Legal Officer (P-5) and one post of Legal Assistant (General Service (Other level)), and the inward reassignment of one Administrative Assistant (General Service (Other level)) from the Investment Section offset by the outward reassignment of one Senior Investment Assistant (General Service (Principal level)) to the Investment Section:

(i) The proposed establishment of the post of Special Assistant to the Representative of the Secretary-General (P-5) is being requested to provide wide ranging support to the full-time Representative in the management of the investments of the Fund and oversight of the Office of Investment Management;

(ii) The proposed establishment of the post of Senior Legal Officer (P-5) is being requested to address the rapidly growing legal needs and expand the range of legal expertise available internally within the Office. This will result in the Office effectively managing the costs associated with external legal consultations;

(iii) The proposed establishment of the post of Legal Assistant (General Service (Other level)) is being requested to support the legal team so that it can devote a greater percentage of its time and attention to substantive legal matters;

(b) The net decrease of $817,900 under non-post resources reflects mainly:

(i) A decreased requirement for contractual services related to the reduction in the costs for external study, research related to environmental, social and governance matters and the optimal use of services from external legal counsel ($794,700);

(ii) An increased requirement under other staff costs relates to general temporary assistance, the Office's contributions to premiums for after-service health insurance and overtime ($66,500);

(iii) A decreased requirement for travel of members of the Investments Committee ($87,900) as a result of strengthening financial resource management and a decreased requirement for travel on official business ($1,800).

Programme of work

119. The Investment Section, the Risk and Compliance Section and the Operations and Information Systems Section are tasked with implementing the Office's programme of work. In the 2020 budget, the three sections have been considered as one programme of work rather than three subprogrammes, because the Office has one single objective of managing the investment of the Fund's assets and all these sections contribute to achieving that goal.

Investment Section

120. The Director of the Office of Investment Management, together with the Deputy Director for Global Equities and the Deputy Director for Fixed Income and Treasury, supervise the Investment Section, which is tasked with implementing the asset and regional exposure strategies as approved by the Representative of the Secretary-General and achieving optimal investment returns for the Fund while avoiding undue risks. It consists of several teams overseeing portfolios comprising North American equities, European equities, Asia-Pacific equities, global emerging markets equities, private equities, fixed income, real estate, infrastructure and natural resources investments, as well as trade execution and management of external specialty funds. The number of these teams will grow in the future as the size and complexity of the Fund's investment portfolio grows, and as new asset classes, investment channels and instruments are added to the Office's toolkit. The primary functions involve investment management, through monitoring of current portfolios, keeping abreast of and tracking developments in financial markets and making and implementing investment decisions. The fulfilment of those functions involves the preparation of financial analyses, attendance at meetings and conferences and travel to various countries and regions to meet analysts and companies' management. The teams also contribute to the formulation of reports to all the governing bodies and various committees.

Risk and Compliance Section

121. The Deputy Director for Risk and Compliance is responsible for identifying, measuring and managing all aspects of risks to which the Fund is exposed. In addition, the Office is mandated to implement adequate monitoring and control processes covering the Fund's investments. The Risk and Compliance Section is comprised of two teams: the risk team and the compliance team.

Operations and Information Systems Section

122. The Chief Operating Officer supervises the Operations team, which is responsible for trade investment operations that encompass post-trade processing, accounting, reconciliation and the financial reporting of all investment transactions and related activities of the Fund. The Operations team is also responsible for the production of daily cash projections, thus enabling the Investment Section to manage the cash transactions for all of the currencies utilized by the Office for investment purposes.

123. The information systems team is responsible for the Office's ICT operations that encompass the enablement and technical support for the investment operations from portfolio management to risk management, trade execution, trade processing and investment data maintenance. The objective is to implement fit-for-purpose investment applications, equipping portfolio and risk managers with rapid access to the actionable financial data needed to implement effective investment models and

make effective decisions to accomplish the investment target, while maintaining the investment criteria of profitability, liquidity, convertibility and safety.

124. The proposed resources for 2020 amount to $34,919,500 and reflect a net increase of $587,000 compared with the appropriation for 2019. Additional details are reflected in figures XXI to XXIII and table 17.

Figure XXI
Resources for the programme of work as a percentage of the budget of the Office of Investment Management
(Millions of United States dollars)

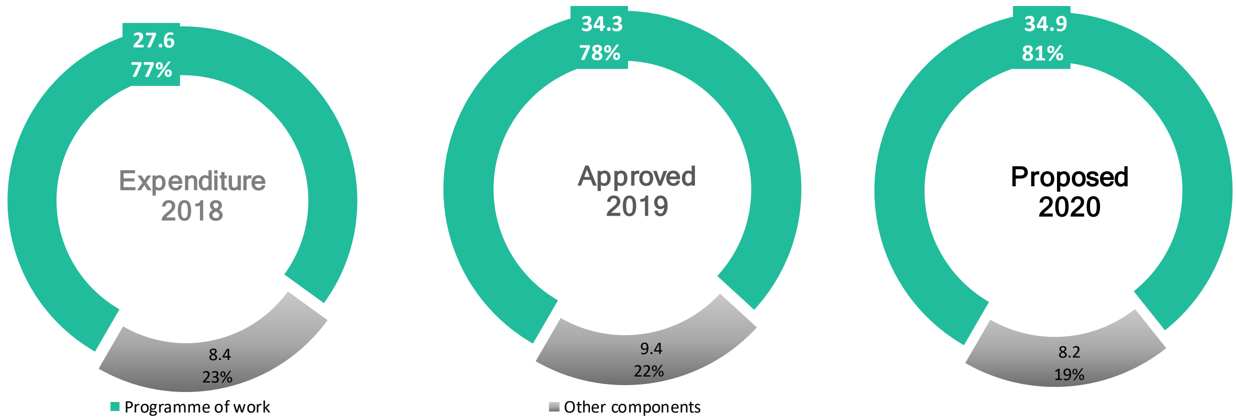
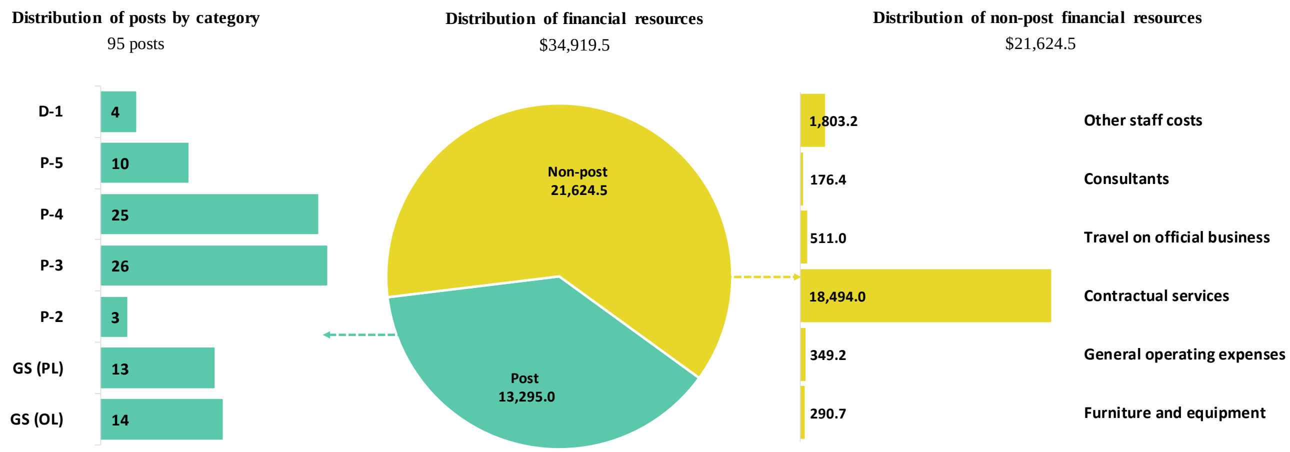


Table 17
Programme of work: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

	2018 expenditure	2019 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2020 estimate (before recosting)
Financial resources by main category of expenditure							
Post	10 985.0	10 829.9	–	2 465.1	2 465.1	22.8	13 295.0
Non-post	16 654.1	23 502.6	–	(1 878.1)	(1 878.1)	(8.0)	21 624.5
Total	**27 639.1**	**34 332.5**	–	**587.0**	**587.0**	**1.7**	**34 919.5**
Post resources by category							
Professional and higher	–	51	–	17	17	33.3	68
General Service and related	–	21	–	6	6	28.6	27
Total	**–**	**72**	**–**	**23**	**23**	**31.9**	**95**

Figure XXII
Programme of work: distribution of proposed resources for 2020 (before recosting)

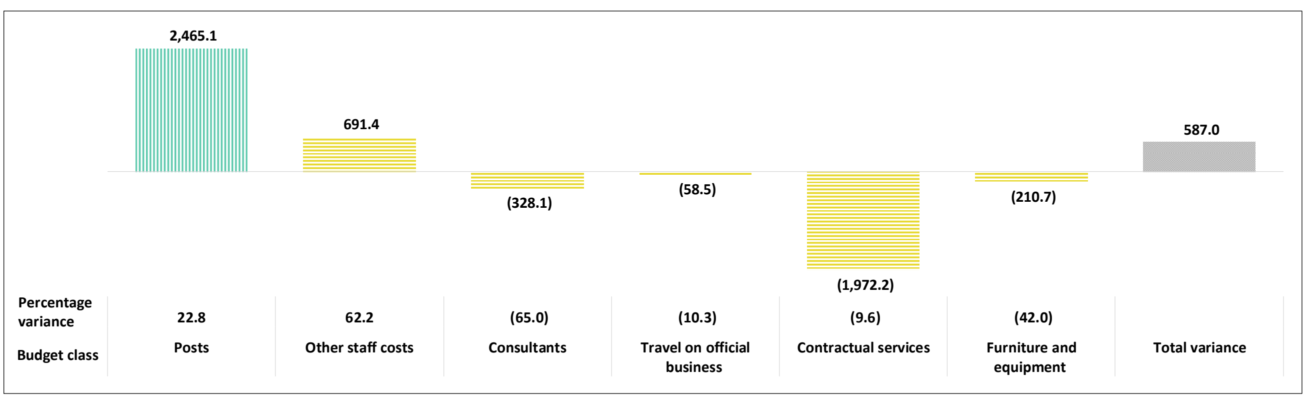
(Number of posts/thousands of United States dollars)



Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

Figure XXIII
Programme of work: variance between proposed resources for 2020 and appropriation for 2019, by budget class

(Thousands of United States dollars)



125. The net increase of $587,000 reflects:

Other changes

(a) A net increase of $2,465,100 under post resources relates to the proposed establishment of 10 new posts, the conversion of 11 general temporary assistance positions to posts and the redeployment of 2 posts from the secretariat of the Fund. The proposed changes to post resources, by section, relate to:

(i) **Investment Section**. An increase of $81,800 relates to the proposed establishment of two Investment Officer posts (P-3) and the inward redeployment of one Senior Administrative Assistant (General Service (Principal level)) from the Office of the Representative of the Secretary-General, offset by the outward reassignment of one Senior Administrative Assistant (General Service (Principal level)) to the Operations and Information Systems Section and one Administrative Assistant (General Service (Other level)) to the Office of the Representative of the Secretary-General;

a. The establishment of the post of Investment Officer for Private Equity (P-3) is being proposed to support a growing team and an expanding asset class, the development and implementation of investment strategies and the monitoring of the private equity portfolio to achieve superior performance;

b. The establishment of the post of Investment Officer for North America (P-3) is being proposed to augment internal capacity after the elimination of non-discretionary advisory services;

(ii) **Risk and Compliance Section**. An increase of $597,800 relates to the proposed establishment of one Senior Risk Officer and Head of Market Risk (P-5), one Risk Officer (private markets) (P-4), one Risk Officer (portfolio construction) (P-4), one Risk Officer (operations and fraud) (P-3), one Risk Officer (credit risk) (P-3), one Risk Officer (performance and reporting) (P-3) and one Administrative Assistant (General Service (Other level)). The new posts are being requested to enhance the capabilities of the risk and compliance teams, which are currently underresourced. The proposed new posts in these teams will allow for work to be conducted on implementing a framework to identify, assess, monitor and mitigate risk in private markets, assessing the risk of the external managers, analysing portfolio construction to optimize the Fund's investment portfolio, analysing and reporting on the credit risk of counterparties and processing enhancements related to operational and fraud risks;

(iii) **Operations and Information Systems Section**. An increase of $1,785,500 relates to the proposed establishment of one new post, the conversion of 11 general temporary assistance positions to posts, and the inward redeployment of two posts:

a. Information systems team:

i. The proposed establishment of one new Information Systems Officer (systems analyst) (P-3) and the proposed conversion of general temporary assistance positions to established posts of one Programme Management Officer (P-4), two Information Systems Officers (business analyst) (P-3), one Information Systems Officer (service desk) (P-3), one Information Systems Officer (business continuity) (P-3), two Information Systems Assistants (service desk) (General Service (Other level)), and one Programme Management Assistant (General Service (Other level)) to manage the Office's requirements resulting from the projected growth of the Office, the new ICT landscape which resulted from the target operating model study and the adoption and implementation of the new information technology service management platform, including new industry standards across all asset classes;

ii. The proposed inward redeployment includes one Information Systems Officer (P-4) and one Information Systems Assistant (General Service (Other level)) from the secretariat of the Fund. These posts will cover the responsibility for the procurement, implementation and maintenance of the new email and file systems and the migration to a new managed service provider for infrastructure which is currently provided by the United Nations International Computing Centre;

b. Operations team:

i. The proposed conversion of two Associate Accountant positions (P-2) and one Senior Accounting Assistant (General Service (Principal level)) are being requested to monitor investments in private funds by strengthening internal control processes, reviewing management fees in line with industry standards, and supporting cash operations and trade settlements for new markets and investment vehicles;

ii. The inward redeployment includes one Senior Investment Assistant (General Service (Principal level)) from the Investment Section;

(b) The net decrease of $1,878,100 under non-post resources reflects mainly:

(i) The estimated increased requirements under other staff costs relate mainly to the requirements for general temporary assistance equivalent to 16 positions for a period of nine months to assist with the following functions ($691,400):

a. To develop and maintain various databases and stock screening tools that will assist the Investment Officers in quantitative analysis related to portfolio and risk management, as well as conducting specific investment research projects with a particular focus on quantitative methods;

b. To focus on analysis of macroeconomic fundamentals, security valuations, prepayment models and security structures;

c. To coordinate with the Legal Officer, custodian bank and other counterparties regarding accounts in new markets and new investment vehicles;

d. To manage the post-trade pre-settlement corporate action processing and checking of management fees, actions which are paramount in order to minimize the potential risks attributed to investment operations processing;

(ii) A decreased requirement for consultants is attributable to the strategy of utilizing internal staff rather than depending on consulting services ($328,100);

(iii) A decreased requirement for travel on official business is attributable to efforts to reduce travel costs through the use of video- and teleconferencing and reducing the number of staff travelling ($58,500);

(iv) The decreased requirement for contractual services is related to the savings from having a single custodian, the optimal utilization of non-discretionary advisers and the strategy of utilizing proposed additional staff rather than relying on contractual services, partially offset by an increase in costs related to information technology due to the implementation of new business applications, the increase in service fees on existing contracts and the increase in the number of staff ($1,972,200);

(v) A decreased requirement for furniture and equipment is related primarily to savings from the strategy to use cloud-based and virtualized solutions ($210,700).

Programme support

126. The proposed resources for 2020 amount to $3,359,000 and reflect a net decrease of $653,600 compared with the appropriation for 2019. Additional details are reflected in figures XXIV to XXVI and table 18.

Figure XXIV
Resources for programme support as a percentage of the budget of the Office of Investment Management
(Millions of United States dollars)

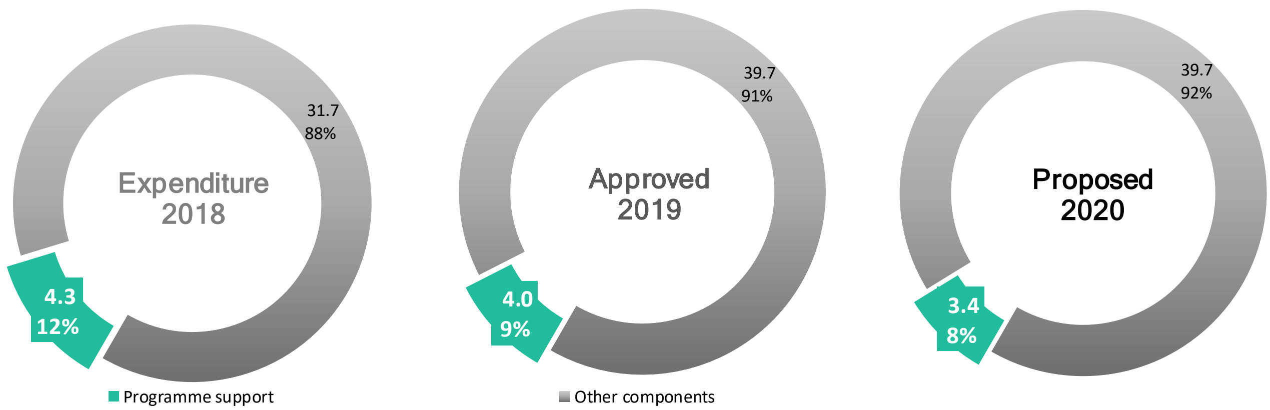


Table 18
Programme support: evolution of financial resources
(Thousands of United States dollars)

	2018 expenditure	*2019 appropriation*	*Changes*				*2020 estimate (before recosting)*
			Technical adjustments	*Other*	*Total*	*Percentage*	
Financial resources by main category of expenditure							
Post	–	–	–	–	–	–	–
Non-post	4 271.3	4 012.6	–	(653.6)	(653.6)	(16.3)	3 359.0
Total	**4 271.3**	**4 012.6**	**–**	**(653.6)**	**(653.6)**	**(16.3)**	**3 359.0**

Figure XXV
Programme support: distribution of proposed resources for 2020 (before recosting)
(Thousands of United States dollars)

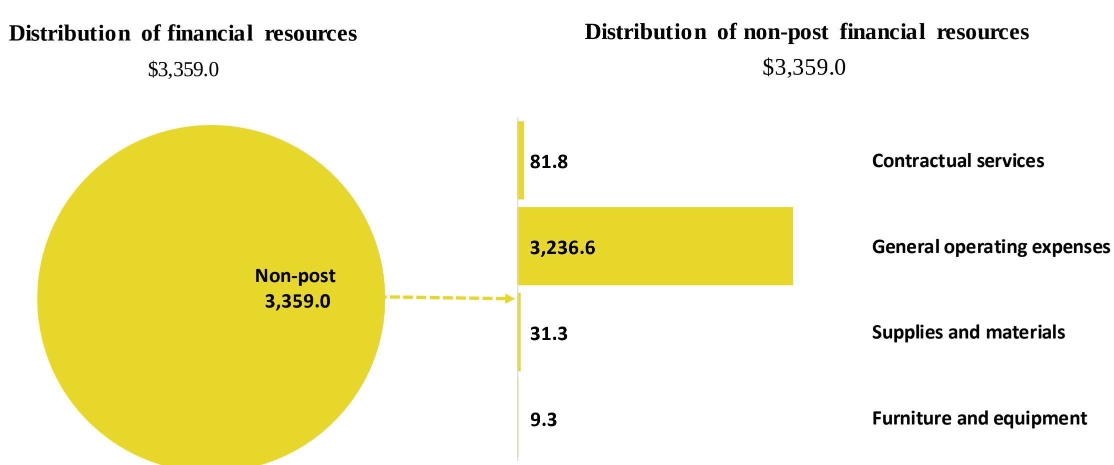
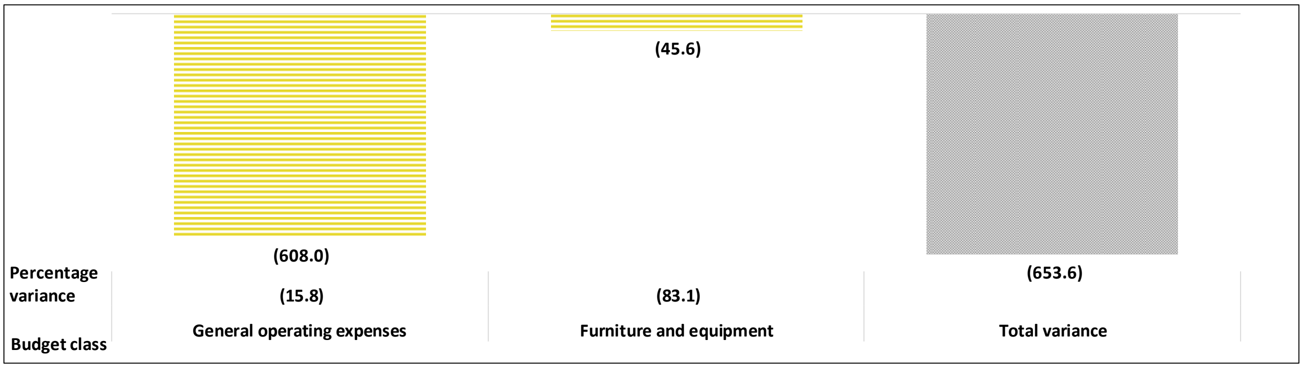


Figure XXVI
Programme support: variance between proposed resources for 2020 and appropriation for 2019, by budget class
(Thousands of United States dollars)



127. The net decrease of $653,600 reflects:

Other changes

(a) The net decrease of $653,600 under non-post resources reflects mainly:

(i) The estimated decrease of $608,000 in general operating expenses relates mainly to the reduction in rental and maintenance expenditure as a result of surrendering the office space on the 20th floor of the office building in 2018, partially offset by the estimated charges from the United Nations for the administrative services provided to the Office based on the revised measurement methodology utilized for the cost-sharing arrangement between the Fund and the United Nations as reflected in paragraph 7;

(ii) An estimated decrease in expenditure on furniture and equipment ($45,600) as result of the optimization in the use of office space.

C. Budget estimates for the biennium 2018–2019: performance report

Table 19
Office of Investment Management: revised estimates for the biennium 2018–2019, by budget class
(Thousands of United States dollars)

	Approved appropriation			*Expenditure 1 January 2018–30 April 2019*			*Estimated expenditure 1 May–31 December 2019*			*Increase (decrease) for 2018–2019*			*Proposed final appropriation 2018–2019*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
	(a)			*(b)*			*(c)*			*(d)=(b)+(c)-(a)*			*(e)=(a)+(d)*		
Administrative costs															
Posts	25 388.5		25 388.5	17 404.9		17 404.9	8 675.7		8 675.7	692.1		692.1	26 080.6		26 080.6
Other staff costs	3 501.0		3 501.0	1 602.1		1 602.1	2 506.9		2 506.9	608.0		608.0	4 109.0		4 109.0
Hospitality	28.1		28.1	7.1		7.1	21.0		21.0	–		–	28.1		28.1
Consultants	1 125.8		1 125.8	385.9		385.9	532.4		532.4	(207.5)		(207.5)	918.3		918.3
Travel of Investments Committee	711.5		711.5	264.6		264.6	348.7		348.7	(98.2)		(98.2)	613.3		613.3
Travel on official business	1 551.6		1 551.6	793.9		793.9	757.7		757.7	–		–	1 551.6		1 551.6
Contractual services	45 265.5		45 265.5	23 957.0		23 957.0	14 847.6		14 847.6	(6 460.9)		(6 460.9)	38 804.6		38 804.6
General operating expenses	8 226.2		8 226.2	4 491.6		4 491.6	1 661.3		1 661.3	(2 073.3)		(2 073.3)	6 152.9		6 152.9
Supplies and materials	62.6		62.6	37.4		37.4	25.7		25.7	0.5		0.5	63.1		63.1
Furniture and equipment	1 409.0		1 409.0	374.5		374.5	434.5		434.5	(600.0)		(600.0)	809.0		809.0
Total	**87 269.8**		**87 269.8**	**49 319.0**		**49 319.0**	**29 811.5**		**29 811.5**	**(8 139.3)**		**(8 139.3)**	**79 130.5**		**79 130.5**

128. Total expenditure for the biennium 2018–2019 is estimated at $79,130,500 resulting in an underexpenditure of $8,139,300, or 9.3 per cent (see table 19). The main variances contributing to the net underexpenditure are set out below.

Post – overexpenditure of $692,100

129. The overexpenditure of $692,100, or 2.7 per cent, compared with the budgeted amount reflects the actual expenditure experienced during the biennium compared with the budgeted rates relating to standard costs and vacancies. While the budget was based on vacancy rates of 10.1 per cent for Professional posts and 7.1 per cent for General Service posts, the realized vacancy rates from January 2018 to April 2019 were 6.3 per cent and 5.1 per cent, respectively. The increase reflects the application of the realized vacancy rates as well as the projected continued downward trend in the vacancy rates.

Other staff cost – overexpenditure of $608,000

130. The overexpenditure of $608,000, or 17.4 per cent, is attributable primarily to a higher than budgeted need for general temporary assistance.

Consultants – underexpenditure of $207,500

131. The underexpenditure of $207,500, or 18.4 per cent, is attributable primarily to the postponement of the asset class benchmark study.

Travel of members of the Investments Committee: underexpenditure of $98,200

132. The underexpenditure of $98,200, or 13.8 per cent, relates to the travel of members of the Investments Committee where travel was initially budgeted for 12 members but the Committee actually had 9 regular members. In addition, several members did not ask to be reimbursed for travel expenses, which also contributed to the underexpenditure.

Contractual services – underexpenditure of $6,460,900

133. The underexpenditure of $6,460,900, or 14.3 per cent, is attributable primarily to the reduction in the use of non-discretionary advisory services and a decrease in costs for custodial services upon transitioning to a single custodian, as well as less than anticipated use of tax advisory services. The underexpenditure in electronic data processing services is due to some related solicitations being in the process of completion and from the use of credit notes for certain information technology infrastructure and platform services.

General Operating expenses – underexpenditure of $2,073,300

134. The underexpenditure of $2,073,300, or 25.2 per cent, relates mainly to the surrendering of the office space on the twentieth floor of the office building in 2018 and reimbursement towards the cost of improvements for office space on the fifth floor.

Furniture and equipment – underexpenditure of $600,000

135. The underexpenditure of $600,000, or 42.6 per cent, is attributable primarily to the strategy to use cloud-based and virtualized solutions and the postponement of the acquisition of some information technology equipment to 2019.

V. Audit

A. Proposed post and non-post resource requirements for 2020

136. The proposed regular budget resources for 2020 amount to $1,521,000 and reflect a net increase of $63,000 compared with the appropriation for 2019. The breakdown is reflected in table 20.

137. The variance of $63,000 under internal audit relates to requirements for the assistance of subject-matter experts in the conduct of a technical audit of the actuarial results in the Pension Fund.

Table 20
Audit: evolution of financial resources by component
(Thousands of United States dollars)

			Resource change				
Component	*2018 expenditures*	*2019 appropriation*	*Technical adjustments*	*Other changes*	*Total*	*Percentage*	*2020 estimates (before recosting)*
External audit	393.1	393.2	–	–	–	–	393.2
Internal audit	1 199.9	1 064.8	–	63.0	63.0	5.9	1 127.8
Total	**1 593.0**	**1 458.0**	**–**	**63.0**	**63.0**	**4.3**	**1 521.0**

B. Budget estimates for the biennium 2018–2019: performance report (audit)

138. Total expenditure for the biennium 2018–2019 is estimated at $3,336,700, resulting in an overexpenditure of $430,700 under internal audit, as reflected in table 21.

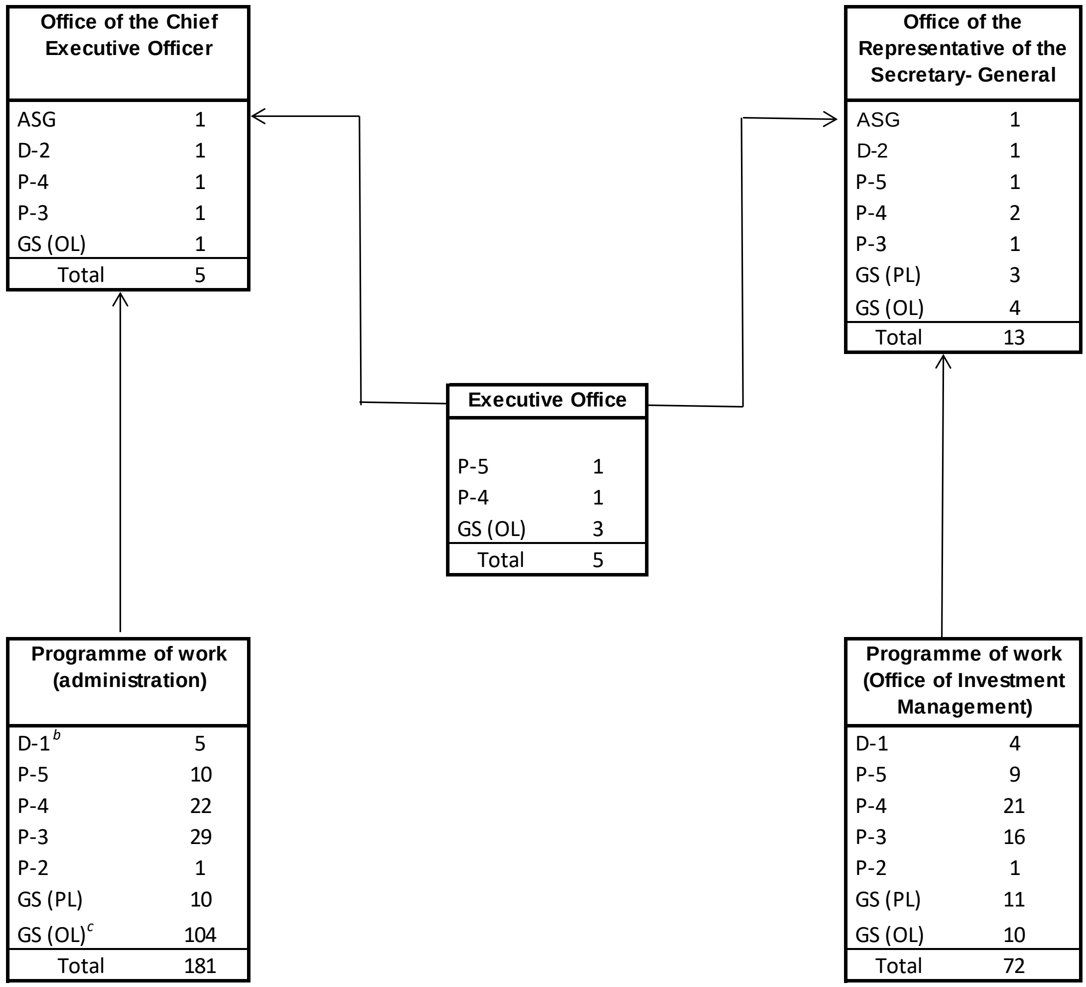
139. The increase under internal audit reflects the actual expenditure experience for general temporary assistance compared with the budgeted standard salary cost and vacancy rates.

Table 21
Audit: revised estimates for the biennium 2018–2019
(Thousands of United States dollars)

	Appropriation			*Expenditure 1 January 2018–30 April 2019*			*Estimated expenditure 1 May–31 December 2019*			*Increase (decrease) for 2018–2019*			*Proposed final appropriation 2018–2019*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
		(a)			*(b)*			*(c)*			*(d)=(b)+(c)-(a)*			*(e)=(a)+(d)*	
External audit	655.3	131.1	786.4	327.7	65.5	393.2	327.6	65.6	393.2	–	–	–	655.3	131.1	786.4
Internal audit	1 766.3	353.3	2 119.6	1 313.1	262.6	1 575.7	812.1	162.5	974.6	358.9	71.8	430.7	2 125.2	425.1	2 550.3
Total	**2 421.6**	**484.4**	**2 906.0**	**1 640.8**	**328.1**	**1 968.9**	**1 139.7**	**228.1**	**1 367.8**	**358.9**	**71.8**	**430.7**	**2 780.5**	**556.2**	**3 336.7**

Annex I

Approved[a] organization chart for the United Nations Joint Staff Pension Fund for the biennium 2018–2019



Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

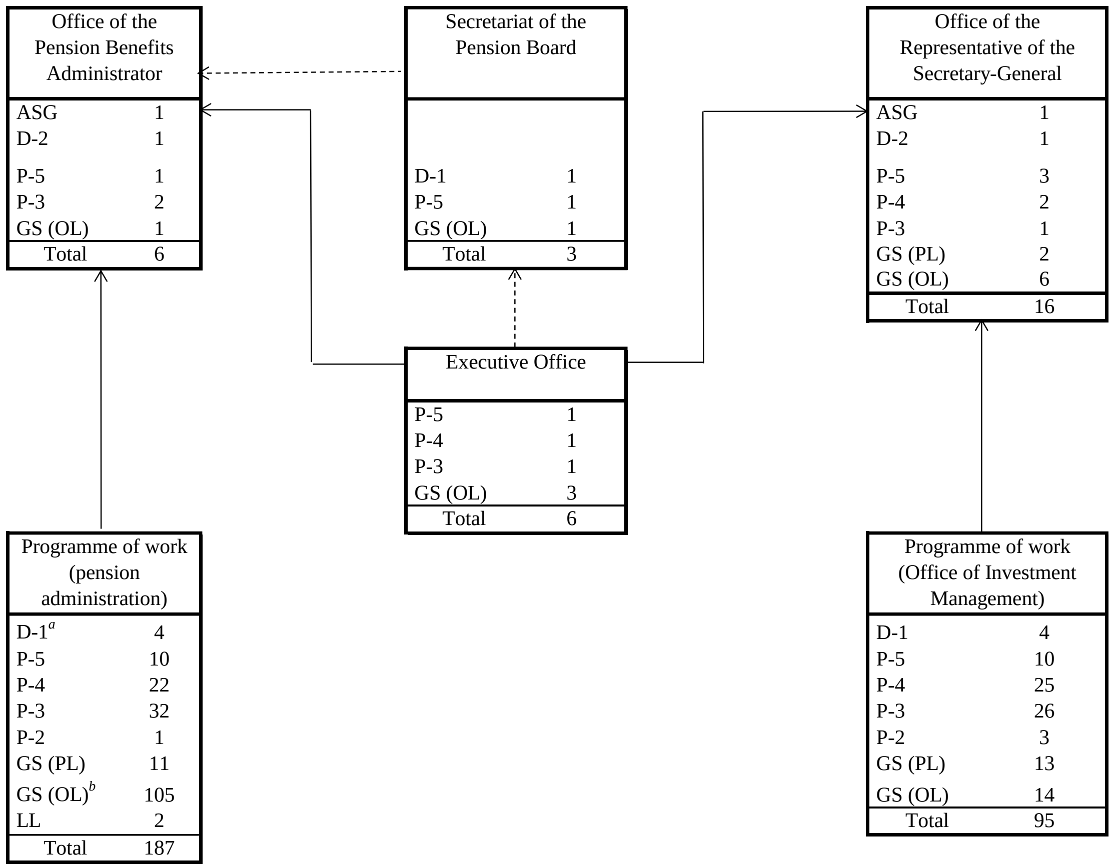
[a] Consolidated for comparison purposes.

[b] The post of Chief Financial Officer in the programme of work for administration reports to the Representative of the Secretary-General and the Chief Executive Officer. The Chief Financial Officer also supervises the Executive Office and the accounting team of the Office of Investment Management.

[c] Includes one extrabudgetary General Service (Other level) post funded by the member organizations.

Annex II

Proposed organization chart for the United Nations Joint Staff Pension Fund for 2020



Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level); LL, Local level.

[a] The post of Chief Financial Officer in the Programme of work for pension administration reports to the Representative of the Secretary-General and the Pension Benefits Administrator. The Chief Financial Officer also supervises the Executive Office and the accounting team of the Office of Investment Management.

[b] Includes one extrabudgetary General Service (Other level) post funded by the member organizations.

Annex III

Summary of proposed changes in established posts by office and component

A. Pension administration

Component	Action	Post	Number	Category	Reason for change
Secretariat of the United Nations Joint Staff Pension Board[a]					
	Redeployment (inward)	Secretary of the Board	1	D-1	To replace the existing post with two distinct and independent posts, a Pension Benefits Administrator and a Secretary of the Pension Board, in line with the decision of the General Assembly in its resolution 73/274 (para. 13), redeployment from the Geneva Office.
	Redeployment (inward)/ reclassification	Senior Programme Management Officer	1	P-4 to P-5	To provide support to the Secretary of the Board in the overall planning, development, management, coordination and delivery of the full range of secretariat conference management and technical support services to the Board and its subsidiary bodies, redeployment and reclassification of 1 post of Programme Management Officer (P-4) to Senior Programme Management Officer (P-5) from the Office of the Pension Benefits Administrator.
	Redeployment (inward)	Meeting Services Assistant	1	GS (OL)	To provide support to the Secretary of the Board, redeployment from the Office of the Pension Benefits Administrator.
Executive direction and management					
	New post	Special Assistant to the Pension Benefits Administrator	1	P-5	To provide support to the Pension Benefits Administrator, enhance the overall internal and external coordination of the secretariat of the Fund, improve management/performance reporting and transparency, address an increasingly critical need for immediate and comprehensive dissemination of information to the stakeholders of the Fund, provide real-time communications and outreach and serve as the Pension Benefits Administrator's focal point to enhance communications, including coordination of the Fund's participation in various committees.

Component	Action	Post	Number	Category	Reason for change
	New post	Human Resources Officer (recruitment)	1	P-3	To support hiring managers in the secretariat of the Fund with performing recruitment-related actions. The role of recruiting support had been implemented and was found to be very useful in the context of the delegation of authority to heads of departments, resulting in increased decentralization of recruitment processes and therefore an increased workload. In addition, in accordance with human resources policies, the role of hiring manager in the recruitment process is designated to line managers and not covered by the Executive Office. The incumbent would provide hands-on support to line managers in carrying out that role, provide strategic human resources advice to the Pension Benefits Administrator, senior managers and staff members, and implement the Fund's human resources strategy, focusing on workforce planning, training, performance management and career development.
	New post	Administrative Assistant	1	GS (OL)	To provide support to the Office of the Pension Benefits Administrator.
	Redeployment (outward)	Programme Management Officer	(1)	P-4	To provide support to the Secretary of the Board in the newly created Office of the Secretary of the Board.
	Redeployment (outward)	Meeting Services Assistant	(1)	GS (OL)	To provide support to the Secretary of the Board in the newly created Office of the Secretary of the Board.
Programme of work					
	Conversion[b]	Benefits Officer (client services)	2	P-3	To strengthen commitment to the client services in the regional offices (Bangkok and Nairobi).
	New post	Benefits Assistant (client services)	2	LL	To provide support to the Benefits Officers in the regional offices.
	Reclassification	Senior Accounting Assistant	1	GS (OL) to GS (PL)	To provide support for the growing complexity of payroll operations and the steady annual increase of the number of periodic benefits as well as ongoing efforts to enhance ICT functionalities supporting payroll processing.
	Redeployment (outward)	Chief of Geneva Office	(1)	D-1	Outward redeployment to the secretariat of the Board.

Component	*Action*	*Post*	*Number*	*Category*	*Reason for change*
	Redeployment (outward)	Information Systems Officer	(1)	P-4	To help manage the ICT infrastructure requirements of the Office of Investment Management and the external vendor relationships supporting that critical part of the business, outward redeployment of 1 post of Information Systems Officer (P-4) to the Office of Investment Management.
	Redeployment (outward)	Information Systems Assistant	(1)	GS (OL)	To support the management of the ICT infrastructure needs of the Office of Investment Management.
	New post	Information Systems Officer – Chief of Pension Interface Unit	1	P-4	To maintain, enhance and oversee the interfaces between the secretariat of the Fund and member organizations for the exchange of human resources, financial/contribution, legacy year-end and after-service health insurance interface data, and manage relationships with approximately 25 member organizations/entities and relevant business units in the Fund.
	New post	Information Systems Officer	1	P-3	To provide support to the Chief of the Pension Interface Unit.
	New post	Information Systems Assistant	3	GS (OL)	1 GS (OL): To provide help desk support towards the increased demand for ICT services caused by the introduction of new services and the expansion of its client base, both internally as well as externally (212,000 retirees and participants), and ensure adequate support to activities spanning from the periodic printing of certificates of entitlement to videoconferencing, the use of mobile devices and ICT security. 1 GS (OL): To provide platform services support to ensure availability and continuity of those services. The Fund has only 1 professional staff member managing and supporting the platform services (i.e. document repositories and shared applications), which are heavily utilized by internal users, committees of the Board and member organizations. The Fund requires 1 additional staff member to provide support and backup to the professional staff member in charge of that function.

Component	Action	Post	Number	Category	Reason for change
					1 GS (OL): To provide information security systems support for the large number of periodic tasks required to monitor and configure the security parameters of the ICT infrastructure of the Fund. In addition, the incumbent will support the conduct of automated vulnerability assessments and application security tests, periodically extract data to generate key performance indicators and reports on security and provide first-level assistance in response to security incidents.
Executive Office					
	New post	Human Resources Officer	1	P-3	To perform the administrative and human resources functions for the Pension Fund resulting from the increased decentralization and delegation of authority to heads of departments with regard to human resources services, properly monitor and perform the internal controls related to human resources functions and follow the most effective and efficient model for the provision of administrative services using Umoja.

Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level); LL, Local level.

[a] Includes two internal redeployments.

[b] All conversions are from general temporary assistance positions.

B. Office of Investment Management

Component	*Action*	*Post*	*Number*	*Category*	*Reason for change*
Executive direction and management					
	New post	Special Assistant to the Representative of the Secretary-General	1	P-5	To provide wide-ranging support to the full-time Representative of the Secretary-General with regard to the management of the investments of the Fund and the oversight of the Office of Investment Management.
	New post	Senior Legal Officer	1	P-5	To address rapidly growing legal needs, respond to the expanded range of legal expertise required in an increasingly complex global investment environment and optimize the use of external legal counsel.
	New post	Legal Assistant	1	GS (OL)	To provide support to the legal team to ensure that most of its time will be devoted to substantive legal matters.
	Reassignment	Senior Administrative Assistant	(1)	GS (PL)	To implement other investment activities unrelated to the original function of the post and to assist the external manager team that selects and monitors various specialized external managers, 1 post (GS (PL)) reassigned from the Office of the Representative of the Secretary-General to the Investment Section.
	Reassignment	Administrative Assistant	1	GS (OL)	To support the procurement function to implement other administrative activities unrelated to the original function, 1 post (GS (OL)) reassigned from the Investment Section to the Office of the Representative of the Secretary-General.
Programme of work					
Investment Section	New post	Investment Officer (Private Equity)	1	P-3	To support a growing team and an expanding asset class, the development and implementation of investment strategies and to monitor the private equity portfolio to achieve superior performance.
	New post	Investment Officer (North America)	1	P-3	To augment internal capacity after the elimination of non-discretionary advisory services.

Component	Action	Post	Number	Category	Reason for change
	Reassignment	Senior Investment Assistant	1	GS (PL)	To implement other investment activities unrelated to the original function and to assist the external manager team that selects and monitors various specialized external managers, 1 post (GS (PL)) reassigned from the Office of the Representative of the Secretary-General to the Investment Section.
	Reassignment	Investment Assistant	(1)	GS (OL)	To support the procurement function to implement other administrative activities unrelated to the original function, 1 post (GS (OL)) reassigned from the Investment Section to the Office of the Representative of the Secretary-General.
	Redeployment (outward)	Senior Investment Assistant	(1)	GS (PL)	To assist with monitoring corporate actions, 1 post (GS (PL)) redeployed from the Investment Section to the Operations team.
Risk and Compliance Section	New post	Senior Risk Officer (Head of Market Risk)	1	P-5	To implement a framework to identify, assess, monitor and mitigate risk in the Fund and monitor and assess risk of the external managers.
	New post	Risk Officer (Private Market)	1	P-4	To support the team in implementing a framework to identify, assess, monitor and mitigate risk in private markets, which includes private equity and real assets investments and external managers.
	New post	Risk Officer (Portfolio Construction)	1	P-4	To lead the portfolio construction analysis to optimize the Fund's investment portfolio.
	New post	Risk Officer (Performance and Reporting)	1	P-3	To enhance the capabilities of an underresourced team: as the portfolio increases in size, new market risks will be introduced which will require enhanced due diligence.
	New post	Risk Officer (Operations and Fraud)	1	P-3	To identify, analyse and recommend process enhancements related to operational and fraud risk.
	New post	Risk Officer (Credit Risk)	1	P-3	To work on the analysis and reporting of the credit risk of counterparties and develop analytical frameworks, policies and operating guidelines for credit risk.
	New post	Administrative Assistant (Risk and Compliance)	1	GS (OL)	To support the growing Risk and Compliance Section on risk and compliance and administrative matters.

Component	Action	Post	Number	Category	Reason for change
Operations and Information Systems Section					
(Operations team)	Conversion[a]	Associate Accountant	1	P-2	To provide back-office support to sustain the "four eyes principle" in the settlement approval process, preserving the segregation of functions, and assist in the management of operational aspects of increased investments and asset classes.
	Conversion	Associate Accountant	1	P-2	To provide support in the private markets area and act as an additional line of control for the real assets and alternative investments teams by performing various checks, including fraud controls, and reviewing management fee calculations for all Office of Investment Management private equity and real assets funds.
	Conversion	Senior Accounting Assistant	1	GS (PL)	To provide support in the private funds area and help strengthen internal control process within the middle office team with regard to further investigating exceptions related to management fees and other partnership operating expenses while adhering to industry standards, and to serve as a back-up resource consistent with the best practice of segregation of functions within the operations team.
	Redeployment (inward)	Senior Investment Assistant	1	GS (PL)	To assist with monitoring corporate actions, 1 post (GS (PL)) redeployed from the Investment Section to the Operations team.
(Information systems team)	New post	Information Systems Officer (Systems Analyst)	1	P-3	As part of the business applications team, to focus on the management of the Office of Investment Management's business applications that support the trade life cycle and/or investment operations across all asset classes of the Fund.
	Conversion	Information Systems Officer (Business Analyst)	2	P-3	To provide effective and timely delivery of new services and new projects, following new project management and business operational standards, and acquire new applications to support the investment functions of the Office of Investment Management.
	Conversion	Information Systems Officer (Business Continuity Manager)	1	P-3	To develop and support risk management procedures, business continuity scenarios and contingencies, and advise on the business continuity and disaster recovery plans to ensure they are appropriately defined and tested.

Component	*Action*	*Post*	*Number*	*Category*	*Reason for change*
	Conversion	Information Systems Officer (Service Desk Manager)	1	P-3	To support Office of Investment Management users by monitoring and resolving incidents and fulfilling service requests while maintaining the enterprise business systems and applications, with a clear objective to significantly improve the response time and the overall quality and level of support.
	Conversion	Programme Management Officer	1	P-4	To support the programme management function by focusing on the implementation, monitoring and evaluation of the portfolio of projects and leading the adoption and implementation of industry standards for project management and business operational practices.
	Conversion	Programme Management Assistant	1	GS (OL)	To support the programme management function by enabling the effective management of the portfolio of programmes, projects and initiatives (including the target operating model).
	Conversion	Information Systems Assistant (Service Desk Assistant)	2	GS (OL)	To support Office of Investment Management users, enterprise business systems and applications, as well as project implementation support, to enable extended hours of operations for the service desk to fully support global investing activities.
	Redeployment (inward)	Information Systems Officer (ICT Infrastructure Manager)	1	P-4	To focus on the management of the Office of Investment Management's ICT infrastructure requirements and external vendors, including the implementation and maintenance of the new email and file systems and an ICT service management system, and hire and monitor a managed service provider for infrastructure, 1 post (P-4) redeployed from the secretariat of the Fund to the Office of Investment Management.
	Redeployment (inward)	Information Systems Assistant (ICT Infrastructure Assistant)	1	GS (OL)	To assist with projects related to ICT infrastructure, 1 post (GS (OL)) redeployed from the secretariat of the Fund to the Office of Investment Management.

Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

[a] All conversions are from general temporary assistance positions.

Part two

I. Opening of the session

1. The sixty-sixth session of the United Nations Joint Staff Pension Board was held at the United Nations Office at Nairobi from 22 to 26 July 2019. The meeting was opened by the Chair of the sixty-fifth session of the Board and representative of the participants of FAO and WFP, John Levins. The Board was welcomed by the Assistant Secretary-General and Deputy Executive Director of the United Nations Human Settlements Programme (UN-Habitat).

A. Statement by the Acting Chief Executive Officer

2. In her opening statement, the Acting Chief Executive Officer recalled that 2019 marked the seventieth anniversary of the United Nations Joint Staff Pension Fund and stated that the Fund had an important role in providing defined benefits in more than 190 countries in 15 currencies.

3. The Acting Chief Executive Officer commented on the Fund's priorities, key indicators and main initiatives. She listed the Fund's priorities as (a) smooth, effective operations; (b) enhanced communication; and (c) a strengthened management culture.

4. On the topic of governance, the Acting Chief Executive Officer recalled that the Board would be discussing the report of the Governance Working Group and that it was important for the Board to make clear decisions on the difficult topics related to governance. She commented that the Board must be trusted to manage such a large international pension fund effectively.

5. With regard to the operations of the Fund, the Acting Chief Executive Officer noted that there was an increase in both the number of benefits to process and clients to service which, combined with the maturing of the Fund, led to increased administrative requirements and costs.

6. With respect to benefit processing, the Acting Chief Executive Officer reported that the Fund was processing more than 75 per cent of initial benefit cases within 15 business days of receipt of the required documents, resulting in a low inventory of cases. The processing statistics and methodology had been carefully reviewed by the Fund's internal and external auditors, who had closed the related audit recommendations. The closure of those recommendations fulfilled the request of the General Assembly that the secretariat of the Fund continue to work towards meeting the target of 15 business days for benefit processing for actionable cases.

7. The Acting Chief Executive Officer commented on the highlights of the Fund's budget proposal for 2020. She recalled that the General Assembly had requested that the position of Chief Executive Officer be replaced by two separate positions: "Pension Benefits Administrator" and "Secretary of the Board". Therefore, on the basis of the request of the Assembly and the recommendation of the Governance Working Group, the budget contained a proposal to establish a small team to service the Board.

8. The other important aspect of the budget proposal was the implementation of functional leadership, which was expected to result in smoother and more consistent operations, especially between the Fund's two offices in New York and Geneva. Recent reviews had found that global coordination at the operational level within the Fund had become suboptimal, which had resulted in inconsistent service levels between the two offices. Under functional leadership, each of the different work units of the Geneva Office would report directly to their respective Chiefs in the New York

Office. Furthermore, the Chief of Operations would be in Geneva during the transition period. Functional leadership was expected to result in better and more flexible utilization of resources, more efficient and uniform benefit processing and more consistent client servicing from the Fund as a whole.

9. The Client Services and Outreach Section would include Client Services units in New York and Geneva, and call centres, as well as two liaison offices, in Nairobi and Bangkok. Management intends to provide a fuller assessment with regard to the recent review of the Fund's overall client servicing operations, along with any subsequent budget proposals, to the Board in 2020 in the context of the budget for 2021.

10. With regard to the actuarial situation of the Fund, the Acting Chief Executive Officer recalled that the latest actuarial valuation as at 31 December 2017 revealed a small deficit of 0.05 per cent of pensionable remuneration, which was well within the range of +/-2 per cent of pensionable remuneration recommended by the Fund's actuaries. The next actuarial valuation of the Fund was due 31 December 2019.

11. The Acting Chief Executive Officer highlighted the strengthened management culture, including her commitment to achieving 100 per cent compliance with the electronic performance assessment system by the end of the cycle; compliance was at 95 per cent as at 30 June. With regard to communications, she noted that meetings with the staff pension committees of member organizations, FAFICS and the Pension Board had provided useful feedback on what clients expect from the Fund. The Acting Chief Executive Officer also highlighted town hall meetings for staff in both New York and Geneva, as well as the improvements to the Fund's website.

B. Statement by the Representative of the Secretary-General

12. The Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund made a statement, the full text of which is reproduced in annex IX to the present report.

C. Statement by the Chair of the Board

13. The Chair welcomed the Pension Board to Nairobi. He spoke of the need for unity within the Board and the need to focus on strategic issues that affected the long-term sustainability of the Fund, avoid the temptation to micromanage the secretariat of the Pension Fund and fully support the Acting Chief Executive Officer.

II. Decisions of the General Assembly at its seventy-third session

14. At its seventy-third session, in 2018, the General Assembly considered the report of the United Nations Joint Staff Pension Board (A/73/9) in conjunction with the final report of OIOS on the comprehensive audit of the governance structure and related processes of the Pension Board (A/73/341).

15. Following its consideration of the item, the General Assembly had approved resolution 73/274, in which the Assembly had expressed its support for a number of the recommendations of the Pension Board but had disagreed with the Board on several topics. The Assembly emphasized the existing prerogative of the General Assembly on matters pertaining to the Fund.

16. While the General Assembly had approved the other amendments to the Regulations of the United Nations Joint Staff Pension Fund pursuant to the recommendations of the Board, the Assembly requested the Pension Board to provide further analysis on the impact of the proposed amendments to articles 6 and 48 of the Regulations, Rules and Pension Adjustment System of the Fund, and to report thereon in the context of its next report.

17. While the Pension Board had not accepted the relevant recommendation of the OIOS audit, the General Assembly noted the dual role of the Chief Executive Officer and the Secretary of the Pension Board and decided to replace the existing post by two distinct and independent posts, namely, a Pension Benefits Administrator and a Secretary of the Pension Board, by no later than January 2020. The Assembly also referred to the Governance Working Group a number of topics on which the Board had disagreed with OIOS, such as the need for terms of reference of Board members, the direct election of retiree representatives and the need for the Assets and Liability Monitoring Committee.

18. The General Assembly also highlighted the importance attached by the Assembly to continuing to ensure unfaltering accountability by the Pension Board, and requested the Board to provide detailed follow-up on all aspects of the implementation of resolution 73/274, including information on the implementation of the recommendations of OIOS agreed to by the Board, in the context of the Board's report to be submitted to the Assembly at its seventy-fourth session.

19. **The Board took note of the decisions of the General Assembly.**

III. Actuarial matters

A. Valuation methodology and assumptions for the thirty-fifth actuarial valuation of the Fund as at 31 December 2019

20. The United Nations Joint Staff Pension Board considered the report of the Committee of Actuaries which contained, inter alia, recommendations on the actuarial methodology and assumptions for the thirty-fifth actuarial valuation of the United Nations Joint Staff Pension Fund as at 31 December 2019. The Board also had before it a note prepared by the consulting actuary and an annex to that note.

21. The Chair and Rapporteur of the Committee of Actuaries and representatives of the consulting actuary summarized the key findings contained in the documents and answered questions from the Board.

22. At the request of the Board, the Committee of Actuaries, in coordination with the consulting actuary, considered the Board's query from its sixty-fourth session on the possibility of changing the Fund's longevity improvement scale as it applies to the mortality table used for determining the liability for retirees and beneficiaries. The Committee noted that the current valuation results already reflected the Fund's current mortality assumptions and projected longevity improvements. However, when the mortality study in 2027 was complete, unexpected changes in the required contribution rate could result, should Fund retirees live significantly longer or shorter than projected. The Board recalled that the past two mortality studies indicated retirees and beneficiaries had been living longer than projected, resulting in increases to the required contribution rate when the new mortality table was applied. The Board therefore requested that the actuaries re-evaluate the current longevity projection scale.

23. The consulting actuary provided the Board with an overview of recent trends in longevity, noting that there were increases in longevity during the twentieth century

and at the beginning of the twenty-first century. However, there was some evidence that the improvement trends had decelerated, or reversed, in the 2010s, in some countries. Given the results of the analysis conducted in 2018, as reported to the Board, and the changing trends in mortality improvements happening around the world, the Committee of Actuaries recommended that no change be made to the current longevity improvement scale. **The Board agreed with the recommendation of the Committee of Actuaries to use the same mortality tables and schedule of forecast longevity improvements adopted in 2017 for the 31 December 2019 actuarial valuation. The Board directed the Committee to continue to monitor mortality trends closely and review the topic again during the next biennial study in 2021.**

24. **The Pension Board agreed with the recommendation of the Committee of Actuaries concerning the following changes to demographic and other related assumptions for the purposes of the actuarial valuation as at 31 December 2019:**

(a) **The reset of the mortality improvement period to 20 years (through 2039);**

(b) **The modification of certain withdrawal, death in active service, disability retirement and early retirement rates;**

(c) **The modification of the assumption regarding utilization of the commutation option from an effective commutation rate of 19.0 to 18.0 per cent;**

(d) **The elimination of the participant growth assumption for General Service staff.**

25. **The Board noted that the estimated change in the required contribution rate as a result of those changes would be an increase of 0.04 per cent of pensionable remuneration.**

26. Taking into account: (a) that the Investments Committee had indicated that, while achieving the long-term 3.5 per cent real return assumption could be a challenge to meet in the short term, it believed that assumption continued to be reasonable and obtainable over the long term, if a suitable strategic asset allocation were selected; (b) current capital market conditions; and (c) the results of the asset-liability management study for 2019, the Committee of Actuaries recommended that no change be made to the 3.5 per cent real rate of return assumption for the 31 December 2019 actuarial valuation. Furthermore, the Committee recommended that no change be made to the current 2.5 per cent long-term inflation assumption. **The Pension Board agreed that the 3.5 per cent real rate of return assumption and the 2.5 per cent long-term inflation assumption would remain unchanged for the 31 December 2019 actuarial valuation.**

27. **The Pension Board also agreed to the recommendations of the Committee of Actuaries that two additional 31 December 2019 actuarial valuations should be completed using two different sets of economic assumptions: 2.5 and 4.5 per cent real rates of return.**

28. **Regarding the growth in the future number of active participants, the Pension Board agreed with the recommendation of the Committee of Actuaries that the regular valuation should reflect the rate of growth for General Service staff as zero, while the rate of increase assumed for Professional staff should remain unchanged from prior valuations at 0.5 per cent per year for 10 years and 0.0 per cent thereafter. The Board also agreed to the recommendation of the Committee of Actuaries that an additional valuation should be completed which reflected a negative growth of participants equal to (1.0) per cent per annum for 10 years, followed by zero growth thereafter.**

29. **Two additional valuations were also requested by the Board, which will include two different sets of assumptions for forecast longevity improvements:**

(a) **Forecast longevity improvements at 150 per cent of the rates adopted in 2017;**

(b) **Forecast longevity improvements at 50 per cent of the rates adopted in 2017.**

30. A summary of the various actuarial valuations to be completed as at 31 December 2019 is shown in table 1.

Table 1
Summary of actuarial valuations to be completed as at 31 December 2019
(Percentage)

				Participant growth[a]		
Assumption	*Nominal interest*	*Price inflation*	*Wage inflation*	*Professional staff*	*General Service staff*	*Longevity improvements*[b]
Baseline	6.0	2.5	3.0	+0.5	0	100
High interest	7.0	2.5	3.0	+0.5	0	100
Low interest	5.0	2.5	3.0	+0.5	0	100
Declining population	6.0	2.5	3.0	-1.0	-1.0	100
Higher longevity	6.0	2.5	3.0	+0.5	0	150
Lower longevity	6.0	2.5	3.0	+0.5	0	50

[a] Rate of arithmetic growth shown assumed for 10 years, followed by 0 per cent.
[b] Percentage of scale of improvements adopted in 2017.

Review of the estimated long-term cost of the two-track adjustment system

31. The Board next considered the assumption to be used to estimate the cost of the pension adjustment system in the 31 December 2019 actuarial valuation. The note providing the following analyses was presented:

(a) The utilization of the two-track system has been decreasing since 2011, generally due to the strengthening of the United States dollar;

(b) The distribution of local currency track payments continues to be associated primarily with those retirees and beneficiaries who reside in Europe, comprising (in millions of United States dollars):

Euro	38.5	52.4 per cent
Swiss franc	22.3	30.3 per cent
Pound sterling	2.9	4.0 per cent
Other	9.8	13.3 per cent
Total	**73.5**	**100 per cent**

(c) As the exchange rate with the United States dollar has decreased in the three key currencies in Europe, the value of the local currency track benefit has decreased. Furthermore, the inflation rates in countries using the Euro for which the Fund has the most beneficiaries have been either similar to, or lower than, the observed inflation data of the United States of America.

32. As a result of the factors noted above, the emerging cost of the pension adjustment system has decreased to 1.67 per cent of pensionable remuneration compared with 1.94 per cent of pensionable remuneration as of the last evaluation, which was conducted at the end of 2015.

33. It was recalled that, as reported with the results of the asset-liability management studies conducted in 2015 and 2019, the future cost of the two-track system was estimated at 2.2 per cent of pensionable remuneration.

34. The Board was informed that the Committee of Actuaries had reviewed all of the historical information presented in the note and had recalled that it had recommended, and the Board had approved, an increase from 1.9 to 2.1 per cent of pensionable remuneration as the assumption load for the cost of the two-track system for the 31 December 2015 actuarial valuation. That assumption was continued for the 31 December 2017 actuarial valuation. The Committee of Actuaries recommended no change to the current assumption of 2.1 per cent of pensionable remuneration for the 31 December 2019 actuarial valuation.

35. **The Pension Board took note of the results of the analysis of the experience presented, including both the emerging cost and the estimated projected future cost of the pension adjustment system. The Board agreed with the recommendation of the Committee of Actuaries that the assumption load for the two-track system remain at 2.1 per cent of pensionable remuneration for the 31 December 2019 actuarial valuation.**

B. Report of the Committee of Actuaries

36. The Chair of the Committee of Actuaries presented a summary of its activities at its session in 2019.

37. The Chair of the Committee noted that the report contained the Committee's recommendations on the actuarial methodology and assumptions for the thirty-fifth actuarial valuation of the Fund to be carried out as at 31 December 2019, as set out in section III.A above.

38. The Chair reported that the biennial joint session between the Investments Committee and the Committee of Actuaries had been held in May 2019. The Board recalled that the joint meeting was held to enhance the exchange of information regarding the Fund's investments and its long-term liabilities. The input from the Investments Committee assists the Committee of Actuaries in the formulation of its recommendations on the economic assumptions to be used in the next actuarial valuation of the Fund.

39. In considering the recommendation of OIOS that the Assets and Liability Monitoring Committee be retired (see A/73/341), the Committee noted that it supported the work of the Assets and Liability Monitoring Committee. The Assets and Liability Monitoring Committee had the ability to monitor and analyse solvency matters at a level of detail that the Board could not, given its current structure and meeting schedule. Moreover, the Committee noted that the Board, not its advisers, ultimately governed solvency matters.

40. The Chair reported that the Committee had considered the request that a signal or an indicator be developed to inform the Board when longevity increased sufficiently to consider an increase in the Fund's normal retirement age. The Committee recalled the Board's past discussions regarding changes to normal retirement age, noting the significant amount of time required to study, reach consensus, and then coordinate the relevant changes in the Regulations with the change to each member organization's mandatory age of separation. The Committee

therefore agreed that indicators could be provided with regard to changes in life expectancy to assist the Board.

41. The Committee reminded the Board that longevity risk was defined as the risk that participants will receive pensions for a longer period than anticipated by the actuarial assumptions. The Committee further emphasized that the risk was not due to improvements in longevity, which were already reflected in actuarial valuations, but rather the risk that longevity would increase more than was anticipated by the actuarial assumptions. The Committee also noted that longevity risk was an important consideration for the long-term sustainability of the Fund and could be addressed through a variety of changes to plan design, one of which would be an increase in normal retirement age.

42. In addition, the Committee stressed that a change in normal retirement age was primarily a governance issue, as well as a human resources and workforce planning matter. Reaching an indicator limit, therefore, should not lead to an automatic increase in normal retirement age; rather it should be a signal that further planning and analysis is required.

43. The Chair noted that the Committee had presented the following indicators to the Assets and Liability Monitoring Committee and had recommended that all three be used by the Board:

(a) The ratio of the number of years worked to the number of years in retirement was the same at age 66 as at 65 in 2017;

(b) The cost of an annuity of $1 starting at age 66 had the same cost as an annuity of $1 starting at age 65 in 2017;

(c) Life expectancy measured at normal retirement age increased by one year versus life expectancy in 2017.

44. Those indicators would be calculated by the consulting actuary using the Fund's actuarial assumptions every alternate year, in conjunction with an analysis of the actual experience of the Fund. The Committee of Actuaries and the Assets and Liability Monitoring Committee would monitor the indicators closely. **The Board agreed that the indicators should be calculated and monitored each biennium.**

45. The Chair informed the Board that the Committee of Actuaries had noted the results of the stress testing in the asset-liability management study with regard to extreme investment losses. Two situations were studied: large losses over a 3-year period to simulate market crashes that tend to rebound fairly quickly, and large losses over a 10-year period representing a sustained market downturn. The Committee had observed that the Fund was able to recover under certain circumstances: recovery meaning that the current 23.7 per cent contribution rate would remain unchanged and that eventually the Fund would exit a deficit position and reach actuarial balance again. However, recovery could not occur unless the Fund earned more than the 3.5 per cent real rate of return assumption. The Committee expressed its concern to the Board regarding the period of time the Fund would need to recover. Moreover, in extreme market conditions, or in a situation where a market crash was followed by a sustained downturn, the Committee indicated its concern that the Fund did not have a formal funding policy and strategies to ensure appropriate and timely action was taken before the Fund reached a point where it could no longer recover. The Committee acknowledged that such extreme situations had a low probability of occurring. However, due to the inherent volatility of having more than 70 per cent of the Fund in return-generating assets, the Committee recommended that the Pension Board consider adopting a funding policy that included actionable measures that could be followed when certain financial situations occurred. Such a policy would

follow the best practices of other large pension funds and could be developed building on the current asset-liability management study.

46. The Chair also presented the Committee's observations regarding the results of the asset-liability management study in relation to a decrease in projected active participants: even with a significant decrease of 20 per cent in active participation over the next 10 years, the funded status remained relatively unchanged and the current 23.7 per cent contribution rate continued to be sufficient to support current and future benefit liabilities.

47. The Committee noted that it was prepared to provide, for the consideration of the Board, a recommended funding policy and solvency risk parameter alternatives. The Committee also noted that such work would require several additional modelling projections from the asset-liability management study consultant to define and better understand the Fund's unique risks, including those factors which would contribute to the recovery or non-recovery of funding equilibrium after a significant investment loss. The Committee informed the Board that it was prepared to hold an additional meeting before its next session in order to complete that work while the 2019 asset liability study was still relevant. The Committee advised the Board that the process would require input from the Board on its risk tolerance vis-à-vis certain items and noted that it was likely that a funding policy and related action plan would take roughly two years to finalize.

48. **After consideration of the report of the Committee of Actuaries, the Board agreed with the recommendation of the Committee. The Board requested that the Committee proceed with its analysis regarding the development of a funding policy and looked forward to receiving the results at its sixty-seventh session.**

49. A representative of FAFICS requested that the funding policy include the history and main factors that contributed to the Fund's current favourable funded status, and, should any changes be suggested with respect to the level of funding of the pension plan, that projections be completed which would analyse the effect of such changes on the funded status and long-term solvency of the Fund.

50. The Pension Board acknowledged the latest overall appraisal by the Committee that the consulting actuary continued to apply high professional standards in a consistent manner.

51. **The Board thanked the Chair and the Committee of Actuaries for their service to the Fund and took note of the Committee's report.**

C. Membership of the Committee of Actuaries

52. The Board recalled that article 9 of the Regulations of the Pension Fund states that a committee consisting of five independent actuaries shall be appointed by the Secretary-General upon the recommendation of the Board. The terms of reference for the Committee of Actuaries provide that the terms of regular members will be 3 years, renewable up to a maximum of 15 years. The rules of procedure of the Fund (section E) and the terms of reference of the Committee also allow for ad hoc members to serve for 2-year terms renewable up to 15 years. The Board was informed that the terms of three committee members were expiring at the end of 2019; each of the three members expressed an interest in continuing to serve the Pension Fund. **Therefore, the Board recommends that the Secretary-General reappoint the following members beginning 1 January 2020:**

(a) **A. Scardino Devoto (Uruguay), regular member (Latin American and Caribbean States) for a term of three years;**

(b) **T. Párniczky (Hungary), regular member (Eastern European States) for a term of three years;**

(c) **A. Billig (Canada), ad hoc member (Western European and other States) for a term of two years.**

53. The Board was further informed that there were two open ad hoc positions on the Committee. In accordance with past practice, the Chief Executive Officer/ Secretary invited the staff pension committees of other member organizations and the members of the Committee of Actuaries to offer comments and to submit the names of suitably qualified candidates, with due regard for gender balance, who would be willing to serve on the Committee. One candidate was submitted: Rosemary Nantambi-Amiri from Uganda. **Based on the recommendation of the Chief Executive Officer/Secretary, the Board recommends that the Secretary-General appoint Ms. Nantambi-Amiri as a new ad hoc member (African States) for a term of two years, beginning 1 January 2020.**

54. A representative of the United Nations participants' group stated that she believed the Fund's rules of procedure regarding ad hoc membership on both the Committee of Actuaries and the Investments Committee were not in line with the Fund's Regulations. However, it was confirmed by the secretariat of the Fund that the General Assembly, in its resolution 61/240, had taken note of the decision of the Board to add section E to the rules of procedure of the Fund to provide for the appointment of ad hoc members to both committees.

D. Contract for services for the consulting actuary

55. The Board considered a report on the contract for services for the consulting actuary for 2020–2027. The Board recalled that article 10 of the Fund's Regulations states that a consulting actuary to the Board shall be appointed by the Secretary-General upon the recommendation of the Board for the purpose of providing actuarial services to the Fund. The Board was informed that a formal bidding process, in accordance with the Financial Regulations and Rules of the United Nations, was completed, as managed by the Procurement Division of the Secretariat, and the best candidate in terms of value was selected. The Headquarters Committee on Contracts had reviewed the complete bidding process and recommended the selected candidate. **The Board took note of the report and recommends to the Secretary-General that Buck be appointed as the Fund's consulting actuary for a four-year period beginning 1 January 2020, with the possibility of two two-year extensions.**

56. A representative of FAFICS recalled the practice utilized by the Secretary-General with regard to the rotation of contractors that provide services to the United Nations. In the light of article 10 of the Regulations of the Fund, whereby the Pension Board requests the Secretary-General to appoint the consulting actuary, he suggested that the Board consider the question of rotation when the contract for the consulting actuary was next considered for renewal. He emphasized that the idea of rotation was not related to performance, nor was it an indication of a problem with the current consulting actuary; rather, it should be understood as a matter of good governance.

IV. Investments of the Fund

A. Management of the investments of the Fund

57. The Representative of the Secretary-General reported that the Fund is financially sound. He noted that, as confirmed in the asset-liability management study

carried out in 2019, as of 31 December 2018, UNJSPF was fully funded, despite the fact that 2018 had been a challenging year for the financial markets, with global equity markets posting the worst returns since the global financial crisis of 2008. He stated that the Office of Investment Management had achieved its long-term investment objective of meeting or exceeding a 3.5 per cent real rate of return (net of inflation) in United States dollar terms on a 2-, 3-, 10-, 15-, 25- and 50-year basis. The Office had also achieved its short-term investment objective of meeting or exceeding the policy benchmark by outperforming it by 19 basis points (0.2 per cent) in 2018.

58. The Representative of the Secretary-General also informed the Board that after extensive consultation with all stakeholders (the Investments Committee, the Assets and Liabilities Monitoring Committee, the Audit Committee and the Pension Board) over a one-year period, as of 1 October 2018, the Office of Investment Management had customized the existing Morgan Stanley Capital International all country world index benchmark for its public equity portfolio. This action was in response to, and closed, one of the recommendations made in an independent review carried out in 2017, which had been endorsed by the Pension Board. The customized benchmark, which reflects long-standing restrictions on investing in tobacco and armaments securities, was created by Morgan Stanley Capital International, an independent, leading benchmark provider worldwide. The new benchmark will provide a better reflection of the available investment universe for the active global equity investments of the Fund and will provide a more accurate measure of relative performance and risk in the Fund's global equities portfolio.

59. After extensive consultation with all stakeholders over a one-year period, on 1 October 2018 the Office of Investment Management implemented a new United States dollar-only benchmark for the cash portfolio. This action was taken in response to an observation of the Board of Auditors related to the currency exposure of the Fund and the resulting reported volatility in its financial statements that were denominated in United States dollars. In addition, it implemented the recommendations of a third-party currency management study that uncompensated currency exposures should be minimized, wherever operationally feasible. This was also an effort to address concerns expressed by stakeholders over several years about the implications of the Fund's currency exposures.

60. In addition, after extensive consultations with all stakeholders over a two-year period, including discussions with the Pension Board in July 2018 and with the Advisory Committee on Administrative and Budgetary Questions in November 2018, the Office of Investment Management proposed a new fixed income benchmark, which is to be implemented on 1 October 2019. This action seeks to address the above-mentioned observation of the Board of Auditors and to achieve the same objective of minimizing uncompensated currency exposures in the Fund, wherever operationally feasible, as recommended in the third-party currency management study. This benchmark has been evaluated as part of the 2019 asset-liability management study, which found that the change would lead to an improvement in the Fund's risk-return profile. The Investments Committee strongly supported the change.

61. The Office of Investment Management updated and streamlined its quarterly report to the Investments Committee in 2019 at the request of, and after feedback from, Committee itself.

62. The Office took further steps in the implementation of its approach to sustainable investing. The Fund's first report on sustainable investing is posted on the Office's website (https://OIM.unjspf.org/sustainable-investing).

63. The Office successfully implemented the few remaining recommendations resulting from the independent review and peer comparison of the Fund's main investment practices, investment management and risk management.

64. The Office completed an "as is" assessment of its existing capabilities for cybersecurity and identified gaps that exist against the ISO 27001 standards. Significant progress has been made in addressing some of these gaps.

65. The Office identified gaps in its existing business continuity capabilities against the ISO 22301 standards and is undertaking a series of actions to strengthen this important aspect of its work. The Office has updated its business continuity policies and has established two new committees, the Crisis Management Committee and the Business Continuity Working Group.

66. The Office closed 32 recommendations made by OIOS and 12 recommendations of the Board of Auditors and completed a fraud-risk assessment analysis, an advisory service requested by the Office from OIOS. The management of the Office is in the process of implementing recommendations to strengthen the operational risk control framework. The new controls will be tested in 2019 as part of the statement of internal control.

67. The Representative of the Secretary-General informed the Board that the asset-liability management study working group, comprising staff members from the Office and the Fund secretariat, had successfully completed the study after extensive consultations with all stakeholders over a six-month period.

68. After extensive consultations with stakeholders, including the members of the Investments Committee, the Office proposed an updated 2019 investment policy statement, which reflected the results of the asset-liability management study, as well as a modernized approach, taking into account current best practices among leading global institutions active in the field of long-term investment.

69. The Office had engaged a specialized strategy consulting firm to help achieve its vision of becoming a best-in-class global long-term investment institution, defined as an organization that is able to deliver superior returns (net of costs, adjusted for risk and relative to peers) to its stakeholders over the long term. The consulting firm assisted the Office in developing a better understanding of its staffing needs through benchmarking against a peer group of global long-term investment institutions.

70. The Representative of the Secretary-General informed the Board that, as at 31 December 2018, the market value of the Fund's assets was $60,766 million, a decline of $3,370 million from assets of $64,136 million as at 31 December 2017. He noted that, reviewing the Fund's long-term performance statistics over the past 24 calendar years (1995–2018), the Fund had:

(a) Added $45.4 billion in investment returns;

(b) Outperformed its policy benchmark in 14 years (58 per cent of the time over the period);

(c) Met its 3.5 per cent long-term objective in 15 years (63 per cent of the time over the period);

(d) Achieved both short-term (relative return) and long-term (real return) objectives in the same year 33 per cent of the time;

(e) On average, outperformed its policy benchmark by 0.4 per cent and outperformed the long-term objective by 2.2 per cent over the period.

71. The Fund achieved a nominal return of minus 4.7 per cent, outperforming the policy benchmark return of minus 4.9 per cent by 19 basis points for the calendar year

2018. The United States consumer price index was 1.9 per cent for 2018, resulting in a real return of minus 6.5 per cent, or minus 9.7 per cent versus the long-term objective of attaining a positive real rate of return of 3.5 per cent in United States dollar terms. Underlining the fact that volatility is an enduring feature of global financial markets, the market value of the Fund's assets had already bounced back to $67.4 billion by the end of the second quarter of 2019. The Fund continues to exceed, by a healthy margin, the required long-term objective of a 3.5 per cent real (net of inflation) return in United States dollar terms over 2-, 3-, 10-, 15-, 25- and 50-year periods. Pension payments are made over decades, and short-term fluctuations in investment returns do not have a material impact on pension payments as long as the long-term objective is met.

72. The Fund's second objective is to meet or exceed the policy benchmark over the short term. This objective was met over the course of 2018 by a margin of 19 basis points (0.2 per cent). This was primarily the result of asset allocation and selection decisions. Over the last three years, the Fund underperformed its policy benchmark by 36 basis points (minus 0.4 per cent). On a longer-term basis, the Fund underperformed its policy benchmark by 29 basis points (minus 0.3 per cent) over the last 10 years and outperformed its policy benchmark by 19 basis points (0.2 per cent) over the last 15 years.

73. The asset allocation of the Fund as at 31 December 2018 was as follows: (a) exposure to global equities was 56.8 per cent, compared with the policy weight of 58 per cent; (b) exposure to real assets and to alternative investments was 7.3 per cent and 4.4 per cent, respectively, compared with the policy weights of 9 per cent and 5 per cent, respectively; (c) underweight in exposure to global equity was due to an active reduction in equity allocation as well as equity market movements; (d) combined target weighting for global equity, alternative investments and real assets was equal to 68.5 per cent as at 31 December 2018, which was 3.5 per cent below the combined target of 72 per cent; (e) exposure to global fixed income of 26.5 per cent was in line with the policy weight of 26.5 per cent; and (f) cash and short-term fixed income exposure was 5.0 per cent, compared with the policy weight of 1.5 per cent (this overweight preserved capital in the fourth quarter of 2018). The Office monitors the actual asset allocation on a weekly basis. The composition of the asset allocation changes as a result of market movements in each asset class, as well as active rebalancing decisions.

74. The Fund continually makes efforts to identify opportunities to diversify its investments by asset class and geographical regions globally. As at 31 December 2018, the Fund had investments in 102 countries and regions,[1] including both developed and developing countries.

75. The Office of Investment Management communicates proactively and openly with all its stakeholders and is strongly committed to ensuring constructive and harmonious collaboration with all related parties.

76. The Representative of the Secretary-General concluded by stating that the Office is committed to updating its website on a quarterly basis, once the performance data from its independent, third-party master recordkeeper has been received, verified and finalized. Year-end numbers are usually available on the Office's website by the end of April of the following year. Quarterly numbers are provided with one quarter lag, in accordance with global best practices, because of delays in obtaining valuations for alternative investments, real estate and other private market investments. However, the market value of assets is published without this time lag.

[1] Regions are geographical entities which are not Member States of the United Nations.

Discussion in the Board

77. A representative of the Participants Group thanked the Representative of the Secretary-General for his presentation and referred to paragraph 66 of the revised investment policy statement, under the heading "OIM's approach to sustainable investing", which contained a discussion of restrictions on investments in the tobacco industry and in the securities of companies producing controversial weapons, including weapons of mass destruction. He stated that it would be interesting to know what is meant by the expression controversial weapons and whether the Fund draws a line between controversial and non-controversial weapons.

78. The Representative of the Secretary-General responded that the expression "controversial weapons" was a technical term specifically defined in annex IV of the revised investment policy statement, which explicitly refers to weapons that are considered part of the excluded category.

79. The same representative of the Participants Group referred to the statement found in paragraph 68 of the revised investment policy statement, which stated that the Fund adheres to sustainable investment proxy voting guidelines, in partnership with a leading global provider, and asked whether using that sort of agency to vote on behalf of the Fund at shareholder meetings and to promote sustainable practices effectively influences the behaviour of companies in the fossil fuel industry or whether it would be better to divest from such companies so as to send them a strong signal.

80. Another representative of the Participants Group referred to the environmental damage caused by companies in the coal sector and other extractive industries and stated that, in his view and that of the members of his group, there may be room for broadening the Fund's exclusion list criteria. He continued by stating that the Fund's investments should be in sustainable businesses aligned with the values promoted by the United Nations. He then asked how the Office could use its power to leverage other big pension funds in this effort.

81. The Representative of the Secretary-General responded that the approach of the Office to sustainable investing is described in detail on its website, as well as in its first report on sustainable investing, which was expected to be posted on the website within a few days. One of the active sustainable investment initiatives recently taken was the significant strengthening of the Office's proxy voting guidelines. Currently, an external service provider executes the Fund's proxy voting under customized voting policy guidelines established by the Office and on occasion specific proxy voting instructions are communicated by the Office. This customized policy was recently significantly strengthened by the addition of parameters which will require that votes made on behalf of the Office be cast in support of measures that promote gender diversity on boards, fair labour practices and sustainable business practices. The Representative added that the Office has recently announced a partnership that will allow the implementation of a more active engagement strategy, and stated that, at this time, the Office is of the view that constructive engagement with companies, including fossil fuel companies, can have a much more meaningful impact compared to pure divestment.

82. The Representative of the Secretary-General noted that the Office is reviewing its approach to extractive industries and that a final decision has not yet been made in this regard, but that the Fund's constituencies will be informed of any developments.

83. The Representative of the Secretary-General stated that the Fund, as part of the United Nations, a global Organization committed to social progress, acknowledges its responsibilities to society. He stated that it is the belief of the Fund that taking

environmental, social and governance factors into consideration in investment decision-making may lead to better risk-adjusted investment returns in the long term. Thus, the incorporation of such factors is entirely consistent with the Office's fiduciary responsibility.

84. The Chair of the Pension Board, acting in his personal capacity, asked the Representative of the Secretary-General to elaborate further on the Fund's strategy for expanding its investments in developing countries and, in particular, countries in Africa.

85. The Representative of the Secretary-General responded that the Office believes that it is in the Fund's best interests to increase its exposure to emerging markets. He specified that one of the elements of the proposed new strategic asset allocation that is a quite significant increase in the Office's target exposure to emerging markets from 12 per cent to 20 per cent of the total public equity allocation. He continued by stating that the Fund's overall strategy is to make good investments wherever they can be found. The Office is looking for investments in various parts of the world that meet its investment standards and which can also provide the Fund with the benefit of diversification. He assured the Chair that he is focused on this objective and is fully taking into account the resolutions of the General Assembly and other exhortations from the Fund's stakeholders in this regard.

86. A representative of FAFICS commented on the market performance of the portfolio in 2018. He further indicated that FAFICS could understand a reduction of $3.4 billion in the value of the Fund, from $64.1 billion to $60.8 billion, being largely the result of market movements. However, the main concern of FAFICS was with regard to the lack of clarity in the first part of the investment report before the Board.

87. The text, somewhat reformatted from earlier reports, was very difficult to read. Information regarding changes in asset class benchmarks was spread around the document, with global equity, cash and fixed income not presented in a coherent fashion. Since such information was not consolidated anywhere it was not possible to assess overall impact. Consequently, it was also not possible, when reviewing the information provided on nominal Fund returns, to determine which part of the year-to-year changes were due to differences in real returns and which were due to modifying benchmarks. In future, it would be good to receive parallel calculations both before and after benchmark changes.

88. The representative of FAFICS recalled that, up until 2017, the Fund had published weekly and monthly reports on its investment performance recorded by the master recordkeeper on its website. That practice was discontinued in 2018 and in 2019, and the information published up until 2017 had been removed from the Fund's website. This included performance against each of the portfolio benchmarks. Consequently, stakeholders were less able to assess investment performance.

89. Summing up, the representative of FAFICS requested that the Office make efforts to provide greater clarity in future investment performance reports.

90. The Representative of the Secretary-General responded to the comments of the FAFICS representative, stating that the reports are living documents, which are a means of communication and that, while it is always possible to do a better job of communicating, the Fund should not get frozen in any particular time span and keep on presenting information in a particular manner just because the information had been presented in that manner in previous years. He stated that the fact that 2018 had been a negative growth year was not being obscured in any way. In fact, the report very explicitly stated that the Fund's performance as of 31 December 2018, for a one-year nominal return, was minus 4.7 per cent. When the 3.5 per cent real return target was taken into account, excess versus a 3.5 per cent return produces a return of minus

9.7 per cent. The Representative continued by stating that neither he, nor anyone else in the Office of Investment Management, had any desire to obscure any facts. With regard to the issue of reporting, the Representative referred to the Fund's past practice of disclosing the total value of the Fund's assets on its website in an 11-digit format, and to update that number on a daily basis. He expressed the view that this type of disclosure only created noise and resulted in apprehension among pensioners, as well as taking the focus away from long-term considerations in favour of the short term. He continued by stating that, based on experience gained throughout his career, he was convinced that good governance, responsible governance and seasoned governance requires an understanding of the difference between the short term and the long term, especially in the context of a pension fund. The same principle applied to weekly and monthly numbers. The Representative indicated that he had asked for the weekly and monthly numbers to be taken off the Fund's website because they had created apprehension both among stakeholders and pensioners. Such numbers are inconsequential in terms of impact on the long-term solvency of the Fund, on which stakeholders should be focused. On the other hand, a focus on and reaction to short-term returns could result in suboptimal decisions under conditions of market stress, which can be highly detrimental to the long-term financial health of the Fund and was not in the best long-term interests of the 207,000 people who depend on it. He continued by underlining the need to ensure that the Fund can focus on the long term, because the long term is what matters.

91. The Representative of the Secretary-General reminded the Board that he has made sure to consistently convey this message to all stakeholders at all of the meetings he has held across the world, from the first day that he joined as Representative, including at a discussion at the meeting of the Board in 2018. The Representative stated that the Office of Investment Management was committed to posting quarterly numbers on its website. Even quarterly numbers could be considered short term, but the staff of the Office felt that this was the correct balance between relevance and transparency. Considering the sharp sell-off in December 2018, the Representative had posted a statement on the Office's website within a month after year-end, based on preliminary numbers, giving a detailed update of the situation of the financial markets to all stakeholders and its impact on the financial health of the Fund. That statement had also been circulated in the Fund's newsletter and presented at various stakeholder meetings, including with the Governing Board of FAFICS and at its annual Assembly. The Representative urged the members of the Board to consult the Fund's consulting actuary, the Committee of Actuaries and the Investments Committee, all of which are outside experts with no political or personal agenda, on what is the best performance reporting practice and on the importance of ensuring that the Fund's stakeholders focus on the long term, rather than reacting to short-term market movements. The Representative emphasized that the Fund is focused on clarity with respect to the relevant long-term metrics and stated that he is personally committed to proactive communication with full clarity because he believes that this is the right thing to do for the stakeholders.

92. A representative of the Governing Bodies Group thanked the Representative of the Secretary-General for his excellent presentation and report and referred to prior discussions regarding the sixteenth report of the Assets and Liabilities Monitoring Committee, in which the preparation of actionable measures that could be followed by the Fund under specific financial scenarios were discussed. He asked what measures the Fund had put in place to address certain financial scenarios, considering the current volatility and unpredictability of the market.

93. The Representative of the Secretary-General responded that, at this point in time, the Fund's number one actionable scenario was to have an iron stomach, that is, not to react unduly to short-term market movements and rather to focus on the long

term. He specified that the Fund fine-tunes its portfolio based on the decisions made at the monthly meetings of the Internal Investments Committee. These decisions may result in small adjustments to the portfolio and can also be made at any time in between the meetings of the Internal Investments Committee through email consultations. The Representative informed the Board that the membership of the Internal Investments Committee includes all senior investment officers and members of the senior management team of the Office of Investment Management, as well as representatives of the risk, operations and legal functions. He also highlighted the fact that the Fund could improve the range of instruments at its disposal to take quick action and referred to one of the proposals in the revised investment policy statement that would give the Office access to such instruments. He continued by stating that once the Office had such instruments at its disposal, including exchange traded futures, it will be able to react much faster, more nimbly and cost effectively to changes in market conditions. The Representative also referred to the tactical bands that have been proposed in the revised investment policy statement with regard to the target strategic asset allocation, which will allow the Fund greater flexibility in reacting to market movements. He mentioned that one actionable scenario, which is typical for investment institutions, is the conversion of assets into fixed income and cash in the event of a significant downturn in the financial markets. In this regard, the Representative highlighted the need to act judiciously and to be aware of the risk of allowing human emotions to influence the decision-making process on investments. He also stated that this risk can be exacerbated by stakeholder pressures resulting from a reaction to negative short-term investment returns.

94. A representative of the Governing Bodies Group thanked the Representative of the Secretary-General for his excellent presentation and asked for a more detailed explanation for the performance of the public equity portfolio against the relevant benchmarks, as shown in his report, and, in particular, the 50 basis point underperformance for the total public equity portfolio, the 41 basis point underperformance for the North American portfolio, the 14 basis point underperformance for the European equities portfolio and 12 basis point underperformance for the Japanese equities portfolio.

95. Another representative of the Governing Bodies Group congratulated the Representative of the Secretary-General and his team for the excellent report. He noted that the report does not refer to a shortage of personnel as one of the causes for underperformance, as was the case in previous reports. He also stated that he would like the report to include a comparison between internally managed funds and externally managed funds as a measure of the performance of the Office's staff. The representative of the Participants Group requested that the report on investments include reference to specific cases of best and worst investments and details on the decision-making process that leads to the replacement of an external fund manager in the event of bad performance. He commended the Representative for instituting policies that encourage the professional development of the staff of the Office of Investment Management and for creating career development opportunities.

96. The Representative of the Secretary-General addressed the question of equity underperformance by stating that the question raised a broader philosophical discussion. He referred to a controversial proposal that was discussed at the Board session in Nairobi in 2006, which focused on the question of whether adequate value was added by the Fund's internal management. He stated his unequivocal belief, which he has expressed many times during the last 18 months, that the Fund's in-house active management capabilities are an asset to be nurtured and strengthened. The Representative explained that this resource is an asset, in part because it is low cost and allows much for a more active involvement in and knowledge of the markets, as well as better control over how to manage its investments. It is generally only

possible for institutions of a certain size to develop this type of internal investment management capacity, but, for historical reasons, the Fund had the opportunity to develop these over a long period of time. He stated that many large pension funds are currently attempting to develop such capacities because they provide greater control over the investment process and result in significant cost savings. He continued by specifying that the fact the Fund has this capacity does not mean he is fully satisfied with its current ability to add value. He started his tenure at the Fund by addressing the areas that required most attention. In this regard, he referred to the fixed income group, which delivered an underperformance of minus 71 basis points relative to the benchmark for the 10-year period ended at 31 December 2017. He continued by stating that significant progress has been made in terms of addressing the issue through structural changes and strengthening of the fixed income team. The Representative stated that he was committed to nurturing and strengthening the Fund's active management capabilities and that he will use all the resources at his disposal to develop those capabilities, however he noted that these cannot be developed overnight merely by allocating additional resources but rather must be developed organically. With regard to the actual equity performance numbers, he stated that the long-term performance is roughly flat.

97. The Representative of the Secretary-General addressed the question relating to shortage of personnel by stating that the issue has not been mentioned in his report because the Office of Investment Management had filled almost all of its vacancies. He mentioned that Office's vacancy rate at the end of May 2019 was approximately 2.8 per cent, and he reminded the Board that additional posts had been requested in the 2020 budget, which would help alleviate personnel issues by addressing big gaps in staffing identified by an independent consultant compared to its peer group of global investment institutions. He stated that there has been a shortage of resources in certain teams, which he believes may have contributed to underperformance, and that the Fund is attempting to address such shortages as part of the conversation it has initiated at the current session of the Board.

98. The Representative of the Secretary-General thanked the representative of the Governing Bodies for mentioning the issue of career development. He stated that he agreed that work is not only about financial compensation and that it is often overlooked that professionals are also looking for job satisfaction, a good work environment and a sense of accomplishment. He stated that he was trying very hard to create that type of work environment. He also noted that the changes that are being introduced within the Office of Investment Management may sometimes be misunderstood or may create apprehensions for certain staff members. The Representative informed the Board that efforts are being made to allay those fears through frequent and extensive communications and by the open-door policy he has adopted since beginning his tenure. He specified that, in accordance with this policy, he gives priority to requests for meetings or discussions with staff members at any level. He continued by explaining that the changes currently being implemented at the Office are introduced with empathy, and with a very clear message that staff will be supported in adapting to the changes.

99. The Representative of the Secretary-General addressed the question raised regarding reporting on internal versus external management performance by confirming that this suggestion would be taken into consideration but added that the volume of external management in public markets being conducted on behalf of the Office was not large. He continued by stating that public market portfolios are mostly managed internally, except for certain categories of investments such as frontier markets and small capitalization companies, in respect of which internal capacity has not yet been developed. He also took the opportunity to point out that the internal management of investments in the middle-capitalization sector of the North American

equity market had recently been introduced at the Fund. This initiative, which had been ongoing for approximately one year, had been completed on 30 June 2019 and had already resulted in savings of approximately $2.5 million per year in fees. He highlighted that this is a major development that will provide an opportunity to gradually expand the Fund's expertise in the middle capitalization sector, which, in turn, will result in a more effective and productive investment process. He also pointed out that he had hired a few staff members with the correct skill set, on a temporary basis, in order to implement the initiative because he did not have approved permanent posts available for the purpose. The Representative also referred to this initiative as a case study that demonstrated that improvements may be made through small steps that are taken where the appropriate resources and expertise are available. This initiative also underscored that the Representative would never take risks he felt the Office was not well equipped to handle.

100. A representative of the Executive Heads referred to a previous statement made by the Representative of the Secretary-General regarding the high level of liquidity provided by the fixed income portfolio and asked why such a level of liquidity is required in the context of a pension fund with a 70-year long-term horizon.

101. The Representative of the Secretary-General responded by explaining that the fixed income portfolio is currently comprised of fixed income plus cash and represents approximately 28 per cent of the Fund's entire portfolio. This will be increased to 30 per cent as a result of the proposed new asset allocation. The objectives for the fixed income portfolio are, in order of priority, insurance or capital preservation, liquidity and returns. The capital preservation objective of the fixed income portfolio will protect the total asset value of the Fund in the event of significant downturns in the equity markets. The liquidity provided by the fixed income portfolio is required in the event of unforeseen requirements as a result of unforeseen events. A high level of liquidity is achieved through the investment of 85 per cent of the fixed income portfolio in instruments such as United States Treasury securities and United States agency mortgage-backed securities, which, in addition to earning returns, are very liquid. United States Treasury securities and United States agency mortgage-backed securities are the largest and most liquid fixed income markets in the world, and these holdings, in the billions of dollars, can be converted into cash within 24 hours. The remaining 15 per cent of the fixed income portfolio is invested in emerging market debt with the objective of generating higher returns, keeping in mind the higher volatility and risk of this segment of the fixed income market.

102. A representative of the Participants Group mentioned what he referred to as the appetite of the Office for investing in junk bonds, which involve very high risk and may provide high returns and asked how such investments translate in terms of the criteria of safety.

103. The Representative of the Secretary-General responded by reporting that the Fund does not invest in high yield securities, which are also commonly known as junk bonds. He explained that high yield securities have been added to the Fund's eligible investment universe in the revised investment policy statement. He pointed out that high yield securities are not included in the Fund's proposed fixed income benchmark and that consequently investment in such securities may, in theory, be considered and held for a very short time in the future if their value presents an investment opportunity as a tactical allocation.

104. A representative of the Participants Group referred to information contained in the report of the Representative of the Secretary-General to the Board pertaining to asset allocation as at 31 December 2018. He specifically referred to the actual 7.3 per cent exposure for the real assets portfolio and noted that this is below the 9 per cent

target asset allocation for the portfolio, but within the permitted tactical tilt range of 6 per cent to 10 per cent. He also noted, as shown in the report of the Representative of the Secretary-General, that the exposure to the real asset portfolio was at 6.8 per cent in the first quarter of 2018 and was eventually increased to 7.3 per cent in the fourth quarter of 2018. He referred to specific information in the report and observed that the annual returns for the real estate portfolio appear to have been much higher than the actual total rate of return for equities. He asked if a revised version of a figure that appears in the report, which provides the evolution of $100 invested in equities and bonds from 1961 to the end of 2018, could be updated to include real estate data in order to show a longer trend and be provided at the next session of the Board. He also asked why, given the performance of the real estate portfolio in the long term, the asset allocation for real estate is being raised only to 12 per cent rather than to 20 per cent or even 25 per cent? The representative of the Participants Group also referred to two specific tables in the report and asked how the information presented therein would be reconciled in respect of China and the Republic of Korea.

105. The Representative of the Secretary-General responded by stating that the numbers were relative to the total size of the portfolio which went down quite significantly between the third quarter and the fourth quarter of 2018 as shown in his report. As the size of the rest of the portfolio goes down, illiquid assets such as real estate represent a higher proportion percentage of the total fund. With regard to the proposed allocation to real estate, the Representative of the Secretary-General pointed out that this raises the question of the balance that must be maintained in respect of the investments of the Fund. It is proposed that the allocation for real estate be raised from 9 per cent to 12 per cent. In response to this change, at an earlier discussion of the Board, certain Board members expressed the view that the change was too radical. In his question, the representative of the Participants Group suggested that the allocation for real estate should be raised to 20 per cent or 25 per cent. In response to these contrasting comments, the Representative highlighted the importance of achieving a degree of balance, as reflected in a middle range. Attempting to target a 25 per cent allocation from 7 per cent over the next four years would be very challenging and not prudent as this approach would put too much pressure on the Fund’s existing investment, risk, operations and legal resources and might overly concentrate the Fund’s exposure to specific years.

106. The Director of the Office of Investment Management responded to the question of the representative of the Participants Group pertaining to the two tables referred to above by explaining that one of the tables reflects market value of the investments while the other reflects the historical book value.

107. **The Board thanked the Representative of the Secretary-General and took note of the report on the management of the investments of the Fund.**

B. Membership of the Investments Committee

108. The Representative of the Secretary-General stated that, in accordance with General Assembly resolution 155 (II), dated 15 November 1947, and article 20 of the Regulations of the Fund, the members of the Investments Committee are appointed by the Secretary-General, after consultation with the United Nations Joint Staff Pension Board and the Advisory Committee on Administrative and Budgetary Questions, subject to confirmation by the Assembly.

109. The Representative of the Secretary-General confirmed that the Secretary-General had authorized him to consult with the Board and, in turn, with the Advisory Committee, on the proposal for the reappointment of Simon Jiang (China), Achim Kassow (Germany), Michael S. Klein (United States of America) and Luciane Ribeiro

(Brazil) as regular members for a three-year term beginning 1 January 2020. The Secretary-General also authorized the proposal for re-appointment of Madhav Dhar (India) as Chair of the Investments Committee for a one-year term, beginning 1 January 2020. He will complete his maximum 15-year term on 31 December 2020.

110. In addition, the Secretary-General has authorized the proposal for the ad hoc appointment of Tay Lim Hock (Singapore), Abel Moffat Sithole (South Africa), Katina Stefanova (Bulgaria) and Macky Tall (Canada) for a one-year term, beginning on 1 January 2020.

111. The Representative of the Secretary-General highlighted that the terms of reference of the Investments Committee provide that, there "must be adequate representation in terms of expertise, regional balance and gender". He also stated that the Secretary-General's proposals had achieved a very good skills mix on the Investments Committee, which is expected to assist the Office of Investment Management in obtaining important guidance and advice as it goes through a significant modernization and upgrading process in the coming years.

112. The Representative of the Secretary-General informed the Board that the Secretary-General was pleased that all five geographical groups are now represented on the Investments Committee for the first time in a very long time, and that the gender balance has been maintained. The Secretary-General expects further improvements in the gender balance over the coming years.

Discussion in the Board

113. A representative of the Governing Bodies expressed satisfaction with the appointment of additional members and was also pleased to see the good geographic distribution and diverse representation.

114. The Representative of the Secretary-General stated that he had made additional efforts during the course of the year in response to the exhortations of the General Assembly in its resolutions of previous years that the adequate representation of all geographic groups be ensured. The Representative added that he was pleased with the broad mix of skills sets of the new members of the Investments Committee, which will help guide the future evolution and modernization of the Office of Investment Management. He also noted as well that he is very sensitive to gender diversity and will ensure that this continues to improve in future years.

115. **The Board took note of the proposals of the Secretary-General for nominating members to the Investments Committee.**

C. Progress report on risk management

116. The Director of the Office of Investment Management presented the progress report on risk management and compliance, providing an update on various initiatives undertaken by the risk and compliance group of the Office of Investment Management.

117. The Risk Committee and the Compliance Committee, established in December 2017, are working efficiently. The purpose of the two new Committees is to oversee Office-wide risk management issues, controls and compliance matters. Together, they provide a forum for the consideration of risk and compliance reports as well as the review and approval of proposals to strengthen internal controls and indicators by senior management. The Committees meet on a quarterly basis, and more frequently if needed.

118. In October 2011, the Office's risk and compliance group successfully implemented a portfolio risk analysis and performance attribution system known as

RiskMetrics. The system, which was well recognized in the industry, was currently being used by the Office to monitor and report on the risk relating to internally managed public markets portfolios relative to applicable benchmarks. As part of the internal procurement process, the Office issued a request for proposals with procurement to evaluate the market for risk and performance systems. The process is currently at the due diligence phase. The request for proposal process is expected to be completed in 2019.

119. The risk and compliance group allocates a risk budget based on tracking risk (a measure of performance deviation from the benchmark). The thinking governing the group’s decision-making is forward looking. The group has defined ranges (tolerance limits) for allowable tracking risk for the public equity and the fixed income portfolios and it measures and monitors the ex ante tracking risk and distributes risk reports on a weekly basis to Office staff. The group rolled out a risk budget for the first time in 2012, and that budget is updated at the beginning of each calendar year. The risk budget is discussed at the meetings of the Risk Committee and is reviewed on an annual basis.

120. In addition to the existing limits on tracking risk, during the course of 2018, the risk and compliance group developed new sector and country limits for equities, as recommended by the Board of Auditors, which were approved by the Risk Committee in 2019. The new limits will be reviewed on an annual basis. The process of limits monitoring is in the process of being automated by the Office’s compliance team and the independent master recordkeeper. Monitoring results are presented at the meetings of the Risk Committee.

121. The Office has also developed a new monthly report, which includes all off-benchmark positions. That report is presented and discussed at the meetings of the Risk Committee. The report is supplementary to the current risk dashboard, which is reviewed on a weekly basis. The dashboard shows the risk profile of the Fund and its individual asset classes on an absolute and a relative risk basis. At the level of the whole Fund and at the individual asset class level, the risk dashboard reports the following risk measures: portfolio risk, benchmark risk, active risk, and expected shortfall (at 99.5 per cent confidence interval). The report also shows the contribution to active risk, portfolio risk and benchmark risk at the individual asset class and benchmark levels.

122. A working group chaired by the Office finalized the asset-liability management study and presented the results to the Pension Board in July 2019. The goal of the study was to assess the impact of key investment and solvency-related decisions on the long-term financial condition and performance of the Fund, and to recommend long-term asset allocation strategies that would optimize asset growth in the context of the Fund’s liability, risk appetite and risk budget. The study also identified suitable asset classes for the Fund’s investment portfolio in a global context. It specified an optimal long-term target weight for each asset class, taking into account what was reasonable and feasible from an implementation perspective, and provided an analysis of the adequacy of the Fund’s contribution rate and the potential risks of underfunding and overfunding based on recommended long-term asset allocation strategies, as well as under the current strategic asset allocation. As reported above, the study has been completed and has been discussed with the Pension Board; implementation of the recommendations will start during the fourth quarter of 2019.

123. In 2018, the Office of Investment Management contracted an external service provider to carry out a quarterly strategic risk report. Strategic asset-liability management risk reporting is reviewed on a quarterly basis. The report enables the Office to monitor the overall financial sustainability and performance of the Fund in the short term (up to 4 years) and provides long- and short-term risk decomposition,

stress tests results and updated optimizations within the strategic ranges for the Fund. The report also provides a quarterly update on the variables and objective functions particular to the Fund, such as the probability of returns over the near-term being lower than the long-term investment objective (to be achieved over rolling 15-year periods) of 3.5 per cent real return in United States dollar terms.

124. After extensive consultations with stakeholders over a one-year period, the Office successfully implemented a global custom equity benchmark (excluding investment in tobacco and armaments) in October 2018 in order to reflect long-standing restrictions on investing in tobacco and armament securities, as recommended by the independent review. After extensive consultations with stakeholders over a one-year period, in 2018 the Office introduced a new cash benchmark: as a result of an audit observation and a third-party currency management study, the Office changed the cash benchmark from a dual currency benchmark, which was 50 per cent euro-based and 50 per cent United States dollar-based, to a United States dollar only-based benchmark (the Bloomberg Barclays short treasury note (1–3 months). The change was implemented to minimize uncompensated currency exposures of the Fund, wherever operationally feasible, as recommended in the third-party currency management study. In response to the same audit observation, as well as the recommendation in the third-party study to minimize uncompensated currency exposures, the Office has also proposed a change in its fixed income benchmark, effective October 2019. The change is being implemented after extensive consultations with stakeholders over a two-year period, as well as further analysis in the context of the asset-liability management study, which found the change to be of benefit to the Fund.

125. The reason for customizing the public equities benchmark was to improve the accuracy of risk and performance measurement and reporting on this class of assets. The goal of the change in the cash benchmark and the proposed change in the fixed income benchmark is to minimize uncompensated currency exposures wherever operationally feasible, as recommended by the Board of Auditors.

126. Since January 2018, the Office has successfully implemented and closed 38 OIOS and 19 Board of Auditors recommendations, and it will continue to devote considerable efforts throughout the remainder of 2019 to the closure of as many of the outstanding recommendations as possible. The Office's annual ethics training session had been successfully conducted in October 2018. The training covered all compliance policies and anti-fraud policies and procedures. In 2019, the Office will continue training its staff on fraud awareness and ethics.

127. In 2018, the management of the Office engaged OIOS to conduct an internal fraud risk assessment. The fraud risk assessment included the identification of inherent fraud risk, the assessment of likelihood and significance of inherent fraud risk and the response to likely and significant inherent and residual fraud risks. The report was finalized in May 2019 and the Office is working to close identified gaps. Progress towards the implementation of the action plan for closing the gaps will be monitored by the Office's Compliance and Risk Committees.

128. A business continuity plan test took place in June 2019. This test was conducted successfully with no issues raised by staff members of the Office of Investment Management. The Office's information security team confirmed that all scenarios were tested. and that the Bloomberg Asset and Investment Manager access point on demand system (access from a remote location) worked well during the test and that there were no issues experienced when logging in.

129. Cybersecurity and business resilience are key operational risk factors to be considered while supporting the investment processes. In May 2018, the Office of Investment Management, in conjunction with a specialized consulting firm, carried

out an ICT security risk management study, including six major deliverables: (a) delivery of an ICT security assessment; (b) implementation of the Information Security Management System; (c) conduct of a business impact analysis; (d) development of business continuity planning; (e) penetration testing; and (f) development of a security awareness programme. The study identified gaps in relation to the international standards, for example ISO 27002, and provided recommendations for mitigating risks and improving protection framing the revised ICT security and risk management in terms of the Office's business objectives. All policies and procedures in compliance with ISO 27002 and ISO 22301 were approved in May 2019.

Discussion in the Board

130. A representative of the Governing Bodies Group asked for information with regard to the mechanics of how OIOS was engaged to do the fraud risk assessment, payment for those services and how the Office ensured that the OIOS staff conducting the fraud risk assessment were independent from the OIOS staff conducting internal audits of the Fund. The Director responded that it was the first time that OIOS had performed such an assessment for the Office and that the OIOS staff had followed a rigorous process that used the risk methodology adopted by the Committee of Sponsoring Organizations of the Treadway Commission. The Director felt that it was not appropriate for him to answer, on behalf of OIOS, the question related to the independence of the OIOS fraud risk assessment auditors and proposed that he would pass this question on to OIOS. The Office was very pleased with the service OIOS had provided and found it to be a better alternative than hiring an external firm, given the time taken to go through a request for proposal process to select an external firm. He highlighted that the Office had not paid an additional fee for this service.

131. **The Board took note of the document.**

D. Implementation of the information and communications technology strategy

132. The Chief Operating Officer of the Office of Investment Management presented an update on the Office's ICT strategy and target operating model, in response to a request that was made at the sixty-fifth session of the Pension Board.

133. In the overview of the target operating model, the Chief Operating Officer outlined the goals of the model, highlighting that they were aligned with the need to meet the long-term objectives of the Fund and to support the investment and trading activities within the Office. In addition, the model was intended to provide enhanced risk oversight and enhanced reporting capabilities, while also reducing operational risk by having a controlled and stable operating environment.

134. The Chief Operating Officer reminded the Board of the purpose of the study on the target operating model and discussed the initial observations that were made by the consulting firm that had been engaged to conduct the study in 2017. The study had identified several key discovery themes: (a) the Office of Investment Management had significantly improved its operations environment, and in particular that the implementation of the Bloomberg Asset and Investment Manager platform had both simplified and improved the operating environment; (b) a number of follow-up items still need to be addressed, given the significant changes to the application architecture; (c) data management tools and practices, while effective, needed to be improved; and (d) the future needs of the Office required the adaptation and evolution of the operating model.

135. The Chief Operating Officer also discussed a separate study that had been conducted to review the Office's cybersecurity and business continuity and disaster recovery capabilities. The study had resulted in an assessment of the Office's capabilities and the gap that exists against international standards (ISO) for these functions. In addition, the study outlined a road map for achieving certification for information security (ISO 27001) and certification for business continuity (ISO 22301).

136. In addition, the external consulting firm had performed external penetration testing and conducted an ethical hacking exercise to determine whether there were any vulnerabilities within the Office's existing infrastructure, in the course of which it had identified one significant gap with the QuickPlace portal that was used for document distribution to auditors. The portal was subsequently shut down and replaced as a result of this finding.

137. It was also reported that the consulting firm had assisted the Office in developing a set of policies and procedures for the development and implementation of an information security management system and a business continuity management system, as well as conducting cybersecurity awareness training for staff both of the Office and the secretariat of the Fund.

138. It was noted that the five major projects under the target operating model were intended to address a broad range of the Office's needs in a number of business areas, specifically: (a) implementation of an alternatives platform to manage private equity and real assets; (b) enhancement of the tools that risk management is using to perform oversight over the Fund's investment activities; (c) implementation of a data warehouse to provide enhanced reporting and analytics capabilities to the Office; (d) enhancement of the cybersecurity and business continuity practices and tools supporting the Fund; and (e) modernization of the Office's technological infrastructure.

139. The Chief Operating Officer reported on the progress that has been made across the five areas identified under the target operating model, as well as on a number of new initiatives that were completed on behalf of the investment teams. There have been a number of projects of note that have involved extensive work with the Procurement Division and the Office of Legal Affairs in the preparation of several requests for proposal. It was noted that these projects have been progressing well and that the process being followed has allowed for a greater understanding of the different solutions within the marketplace and of the different options that are available to address the needs of the Office.

140. The individual requests for proposal that are under way pertain to: (a) a trade order management system; (b) an investment consulting database for external managers; (c) a transaction cost analysis platform for equities; (d) an alternatives platform; (e) a risk and performance platform; (f) a data warehouse; (g) a data integrator; (h) an information technology service management system; and (i) infrastructure as a service. Each of these efforts has a multidisciplinary team of evaluators, from each of the business areas that are being impacted, and are conducted with the assistance of resources from the Procurement Division.

141. Finally, as part of the update on the ICT target operating model, the Chief Operating Officer noted that significant progress has been made in addressing and implementing a number of open recommendations of OIOS and the Board of Auditors. He reminded the Board that this was a top priority for the ICT team and noted that the team has been able to close 27 of the original 28 open recommendations over the past two years, and has been able to close three of the eight audit items from the recent OIOS audit on the management of the services of the International Computing Centre for the Office, for a total of 30 closed OIOS audit items. It was

also noted that, of the remaining six open OIOS audit items, evidence has already been submitted on five of those items and is pending review by OIOS.

142. In addition, it was also noted that three of the five outstanding recommendations of the Board of Auditors had been closed by the ICT team, and that no new audit recommendations had resulted from the current audit. The Chief Operating Officer noted that evidence has also been submitted to close the remaining two recommendations of the Board of Auditors.

Discussion in the Board

143. A representative of the Executive Heads observed that while the Office of Investment Management is part of a larger organization, it seems to be acting independently in meeting its ICT needs. He inquired about the type of coordination and cooperation the Office had with the Office of Information and Communications Technology and the Fund secretariat to ensure that it is exploring possible synergies within the shared ICT services of the United Nations.

144. The Chief Operating Officer responded that the Office works closely to understand where there is existing value in the United Nations system, in terms of the service and software contracts, together with capabilities that are in place. He cited business continuity as an example. He said that the Office had reached out to the members of the business continuity team of the Office of Information and Communications Technology, in order to partner with them, and explored shared opportunities for location strategies. The Office of Investment Management had advanced several master agreements, not only with the Office of Information and Communications Technology, but across the entire United Nations system, with the goal of getting the best value for money in terms of the software that it is building, purchasing and acquiring. With regards to the International Computing Centre, the Office had leveraged its services quite effectively, and the two entities have been good partners.

145. The Chief Operating Officer pointed out that the Office of Investment Management, as an arm of an investment organization, is very different from other United Nations entities in terms of the level of ICT responsiveness it needed, because markets are dynamic and it needs to be able to respond very quickly in the event of service outages; it cannot afford to have outages, as in the past. The International Computing Centre could not meet the Office's need for availability on a 24-hour-a-day, 6-day-a-week basis in a fast-moving market. The Office must have the right kind of critical systems capabilities and support in place. From a software perspective, he did not think that the Office was pulling away from the Office of Information and Communications Technology, but rather that it needed to build the appropriate infrastructure to support the investment of $67 billion and the numerous ICT applications that are very specific to the type of investment work done by the Office.

146. A representative of the Participants Group inquired about the relationship between OICT, the information technology group of the Pension Fund and the International Computing Centre. He also wanted to know the reason for the three- to five-year strategy instead of a three- or five-year strategy. He noted that the members of the Steering Committee were not defined.

147. The Chief Operating Officer remarked that the implementation of infrastructure takes a long time, at least three years, and that the procurement process is equally lengthy. He added that he was very cautious and mindful to avoid repeating mistakes that had been made in the past. With this in mind, the Office of Investment Management was being more methodical and focused in seeking opportunities. In this regard, the Office was also influenced by fundamental changes in the way that

vendors are delivering services, owing to the rapid evolution of cloud computing. For all of these reasons, the Office had decided to adopt a three- to five-year strategy.

148. Lastly, with regard to the Information and Communications Technology Steering Committee, it is closely aligned with the business strategy to make sure that the goals and objectives of the Office of Investment Management are aligned to its broader goal which is to ensure that the investment teams have the appropriate capabilities to respond to market conditions in a way that maximizes returns. The Steering Committee, which is chaired by the Director, consists of the members of the entire senior leadership team of the Office, who drive the agenda in terms of the priorities. The Steering Committee has been an effective mechanism for governance from an information technology perspective.

149. In response to a concern expressed by a representative of the Executive Heads regarding the lack of a business continuity plan at the Office of Investment Management; the Chief Operating Officer clarified that the Office had disaster recovery capabilities but no effective business continuity plan beyond that of addressing disaster recovery. He said that, from an operational perspective, where every part of the business must know what to do in the event of an outage of any kind, it could mean that the building would be inaccessible or the systems shut down under such a scenario. While the Office has very strong capabilities for disaster recovery, the ability to orchestrate the activities of the Fund from an operational and an investment perspective requires a thought-out plan. He noted that the majority of the Office's information technology resources are still temporary and that its ability to sustain those capabilities over a longer time should be based on having the right resources in place so as to be able to support all such activities going forward.

150. The Representative of the Secretary-General added that, to compensate for the lack of resources, he had used general temporary assistance funds to create a temporary focal point position for business continuity, and that he had also used those funds to provide significant additional resources to fill gaps in a number of information technology areas. He pointed out that he had requested additional resources in the budget to continue to strengthen information technology capabilities.

151. The Chief Operating Officer highlighted that OIOS, which has rigorous standards and does not close open audit items readily, had closed six of the seven business continuity recommendations that had been outstanding for a very long period of time. The increased comfort level of OIOS with the capabilities that the Office of Investment Management had put in place was a reflection of how far the Office had come in this area.

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

E. Revised investment policy statement

153. The purpose of the investment policy statements is to record the principles that guide: (a) the actions of the Representative of the Secretary-General in the investment of the Fund's assets; and (b) the actions of the Office of Investment Management in the management of the Fund's investments.

154. The Representative of the Secretary-General informed the Board that a full-scale review and updating of the investment policy statements had been undertaken, in consultation with the Investments Committee and other stakeholders, taking into account the results of the 2019 asset liability management study, currently conducted once every four years. The current version of the investment policy statement was last updated in 2016. The objective of the current update exercise was to reflect the

changes proposed after the 2019 study as well as to modernize the statement, in line with current global best practices.

155. The Office of Investment Management had reviewed the investment policy statements of 25 major defined benefit pension plans from around the world, as well as authoritative research material focused on the preparation of investment policy statements for institutional investors produced by the Government Finance Officers Association, the CFA Institute and relevant academic publications. The revised statement is a concise and high-level document which can be posted on the Office's public website without fear of compromising its commercial interests. It is supported by a broad range of more detailed internal documents, including the Risk Manual, the Investment Procedures Manual and the External Manager Policy.

156. The revised investment policy statement includes the new strategic asset allocation resulting from the completion of the asset-liability management study and an expanded list of eligible asset classes have been added to build a more diversified and robust portfolio. The revised statement also includes new instruments for risk management, efficient portfolio management, reduced transaction costs and hedging purposes, as well as allowing for securities lending and repurchase agreements to optimize portfolio returns. In addition, the revised statement contains an expanded section on sustainable investing.

157. The Chair of the Investments Committee made the following comments regarding the revised investment policy statement:

> "I welcome and fully endorse the changes to the investment policy statement. The statement is designed to be a living document that adapts to both the investment environment and landscape as well as to the capabilities of the Office of Investment Management to navigate it. As such, I find the 2019 statement to be an evolution and an improvement.
>
> "I particularly welcome the emphasis on private investing – in equity and real estate. The reorientation of fixed income objectives towards the United States dollar and liquidity at the margin are sensible.
>
> "The new investment policy statement provides the Office of Investment Management with greater operating and investment flexibility, which, under the current leadership and enhanced team strength and capacity, is both justified and practical.
>
> "I also fully endorse the ability of the Office of Investment Management to use instruments and investments tactically to enhance returns, mitigate risk, provide additional income and lower transactions costs. The implementation of new instruments and asset classes will be communicated and discussed with the Investments Committee, as required.
>
> "I am comfortable both with the philosophical underpinnings and practical import of the changes in the new document."

158. The other members of the Investments Committee expressed the following comments in respect of the revised investment policy statement:

> "We have for many years been reviewing the investment limitations imposed by the investment policy statement. While the statement is the definitive document for the Office of Investment Management investment opportunity framework, it is also a set of guidelines that must be adjusted periodically to reflect sustainable innovations in the financial markets and fundamental changes in investment classes.

"As the Office of Investment Management has grown, strengthened and developed a more robust set of institutional capabilities, the United Nations Joint Staff Pension Fund has had the opportunity to benefit from the wider range of investment opportunities now available in financial markets. In addition, the Office's risk parameters, the investment policy statement guidelines and the Office's risk teams are designed to provide suitable protection to review each investment decision on a balanced risk-return basis.

"We support the inclusion of selected private investing, which, in the past two decades, has become more transparent, more institutionalized and more liquid. In addition, these asset classes have become critical return drivers for long-term investors. As we have a dual set of goals, first achieve our real return hurdle and second to maximize returns, these asset classes represent appropriate investments for consideration. Furthermore, we support the continued use of United States dollar investment strategies for liquidity and risk purposes. Additionally, we support the continued review of investment strategies in emerging markets.

"We have recommended and take great comfort in the commitment to formally review each asset class and the respective capabilities of the Office of Investment Management with the Investments Committee before any new strategy is implemented. We also support the consideration of timing and current market conditions before implementing new strategies.

"The investment policy statement allows the Office of Investment Management to consider the clear need to maximize return with appropriate risk while maintaining an Office structure that provides the best value for money for the Fund.

"We consider the new investment policy statement to be a significant step forward and we agree to the proposed 2019 strategic asset allocation, as well as the new fixed income benchmark.

"We strongly agree with all changes to the new investment policy statement. We believe that it is important to build a more diversified and robust portfolio in this complex investment environment."

159. **The Board took note of the revised investment policy statement.**

V. Asset-liability management

A. Report on the asset-liability management study

160. The Board next considered the report on the asset-liability management study. The Chair of the Assets and Liabilities Monitoring Committee introduced the study and provided background on its completion. He noted that the Fund carries out such a study every four years, this being the fourth one presented to the Board. The study is managed jointly by the two entities of the Fund, with the chair of the working group rotating between them. This year the chair was the Director of the Office of Investment Management, as the study was led by the Office together with participation of the Fund secretariat. A separate working group performed the technical evaluation as part of the procurement process, facilitated by the United Nations Procurement Division. After a rigorous selection process, Ortec Finance was selected to carry out the study.

161. The Board was informed that the study was monitored closely by the Asset and Liabilities Monitoring Committee, which provided input and guidance to the working

group. The study was also guided by the Investments Committee and the Committee of Actuaries. The statement of work for the study was prepared in close collaboration with all three of these committees and each committee reviewed the results before the study was finalized.

162. The goals of the asset-liability management study were to:

(a) Assess the impact of key investment strategies;

(b) Understand the impact of solvency-related decisions on the long-term sustainability and performance of the Fund;

(c) Recommend long-term strategic asset allocation(s) that would optimize the Fund's asset return in the context of its liability, risk appetite and risk budget.

163. The asset-liability management study was completed over a six-month period. The assumptions used for the liability side of the study were the same as those used in the 31 December 2017 actuarial valuation. On the asset side, the long-term capital market assumptions were developed by the Office of Investment Management after considering the input provided by five independent investment firms, Ortec Finance, the Investments Committee and the Assets and Liabilities Monitoring Committee.

164. The first step of the study was for the consultant to match the Fund's liability projections as prepared by its consulting actuary in the most recent actuarial valuation (31 December 2017). Once this was done, a thorough risk analysis of the Fund was completed, reviewing the projected funded status and future required contribution rates, the cost of the pension adjustment (two-track) system and projected liquidity needs. Then the current long-term investment objectives were evaluated and suitable asset classes identified. Taking into account the Fund's risk appetite, suitable strategic asset allocations were developed and studied. Based on the consultant's recommendations, the Office of Investment Management selected a specific strategic asset allocation that met the Fund's risk appetite and, compared to the 2015 strategic asset allocation, increased expected return and lowered investment risk. A comparison of the current (2015) strategic asset allocation and the new (2019) strategic asset allocation is presented in table 2 below.

Table 2
Comparison of the 2015 strategic asset allocation and the 2019 strategic asset allocation

	Strategic asset allocation 2015 (Percentage)	*Strategic asset allocation 2019 (Percentage)*
Total assets	100	100
Growth assets	72	70
Public equity	58	45
Private equity	5	9
Real estate	9	12
Real assets	0	4
Non-growth assets	28	30
Fixed income	26.5	29
Cash assets	1.5	1

165. Using the selected 2019 strategic asset allocation, additional analysis was completed to further assess the viability of the selection as well as to complete additional risk assessments.

166. It was noted that the Board's risk parameters were used to establish the new investment strategy, focusing on maintaining a high probability that the required contribution rate would remain below the top end of the 2 per cent corridor or 25.7 per cent of pensionable remuneration and also maintaining a high probability that the accrued liability funded ratio would stay above 100 per cent. Both of these probabilities were improved using the new 2019 strategy compared to the current strategy.

167. The Director of the Office of Investment Management noted that the Office is very satisfied with the work of Ortec Finance as well as the very constructive dialogue, feedback and guidance from all stakeholders during the asset-liability management study. The Office fully supports the final outcome of the asset-liability management study.

168. The new strategic asset allocation and additional eligible asset classes for investment are more aligned with best-in-class global pension funds and the increased diversification will improve the risk/return profile of the Fund compared to the current investment strategy. The Office stressed that the primary driver of the long-term sustainability of the Fund was strong investments returns, and that the 2019 strategy was an important way to secure this goal. The Director reiterated the statement from the consultant that, according to the asset-liability management study and assumptions, the new strategic asset allocation generates a 30 basis points, or 0.30 per cent, higher annual return compared to the 2015 allocation. The new allocation would generate, on average, approximately $200 million more annually over the long term. The Director explained to the Board that it should consider the Office to be a business and not a cost centre.

169. The Director of the Office stressed that the implementation of the new strategy would follow a glide path approach over multiple years, with the pace of the transition being a function of market opportunities and available resources, including in the building of the Office's capabilities.

170. The Investments Committee representatives informed the Board that they fully endorsed the results of the asset-liability management study. They welcomed the emphasis on private investing and reorientation of fixed income objectives and the resulting new fixed income benchmark. They also endorsed the ability of the Office to use instruments and investments tactically to enhance returns, mitigate risk, provide additional income and lower transaction costs, noting that new instruments and asset classes will be communicated and discussed with the Investments Committee, as required. The new strategy, including the additional diversification, offered greater operating and investment flexibility. The Committee observed that the Office has grown, strengthened and developed a more robust set of institutional capabilities. They felt it was a good time to build additional capacity in order to take advantage of the wider range of investment opportunities now available in financial markets.

171. The Representative of the Secretary-General noted that the Office would be systematically and methodically building internal knowledge and staffing, and he expressed appreciation for the support of its stakeholders for current and future resource requests. He noted that the proposed changes to the strategic asset allocation were not new and had also been proposed in prior asset-liability management studies. He noted that the Investments Committee felt confident that the Office of Investment Management was now at a stage where it could successfully implement the proposed changes, which had not been the case before. He stated it was important to use the present time, when the Fund has a good financial cushion, to build up the capabilities the Office needs in order to successfully invest in the more complex future investment environment given that the investment environment in the coming years may not be

as favourable as in the last decade. The Representative noted that the allocation shift would be implemented over four years and would take into account market conditions as well as the gradual build-up of the Office's capabilities.

172. The Chair of the Committee of Actuaries provided the Board with the following conclusions of Committee regarding the study:

(a) The real rate of return earned by the Fund continues to be the most significant factor in maintaining solvency;

(b) The 23.7 per cent contribution rate continues to be appropriate;

(c) Short-term investment performance is expected to be volatile;

(d) There are no expected future liquidity problems for the 30 years of the study, although it is anticipated that benefits may exceed contributions in the coming years in the context of the growing maturity of the Fund;

(e) While the long-term results show a low required contribution rate at the end of the 30-year period, there is still a significant risk of underfunding.

173. The Chair of the Committee also noted that the diversification of investments continues to be a viable alternative for the Fund to increase potential investment return while reducing overall investment risk. He further noted that the decision to increase diversification through private markets was similar to that reached in the prior three asset-liability management studies and similar to actions taken by many public pension funds. The Committee advised that the changes need to be effectively implemented over a period of time.

174. The Chair of the Assets and Liabilities Monitoring Committee presented the Committee's conclusions (see paras. 201–208 below), observing that it considered the strategic asset allocation selected by the Office of Investment Management to be reasonable and that it had no objection to the proposed increase in the Office's resources.

175. A representative of FAFICS noted that the last two asset-liability management studies had been carried out by consultants holding other contracts with the Fund. He suggested that for future studies, when selecting a consultant, out of an abundance of caution, the Fund should develop a process by which it would evaluate whether there is a conflict of interest or even a perception of a conflict of interest, in addition to the already established procurement process. The Representative of the Secretary-General stated that when hiring the asset-liability management consultant, the Fund had been guided by the Procurement Division and had followed the established procurement process of the United Nations. He stated that the Office of Investment Management was fully committed to avoiding any conflict of interest or even the appearance of a conflict of interest, and he was in the process of incorporating this assurance into all decision-making processes across the Office. He further stated that the Office remained open to suggestions and comments on how such perceptions may be avoided, in addition to the guidance already received from the Procurement Division. The Representative further stated that the current asset-liability management consultant had actively interacted with a number of committees of the Board, throughout the study, including the Assets and Liabilities Monitoring Committee, the Investments Committee and the Committee of Actuaries, and that he had asked those committees to comment if anything in the way that the asset-liability management study had been conducted had caused them any concern.

176. The Chair of the Assets and Liabilities Monitoring Committee stated that the question posed had been brought up and had already been discussed by the Committee, which had concluded that all proper rules were followed and there was no cause for concern. He further noted that there is a benefit in using contractors who

already know and represent the Fund well. He noted that his own organization, WHO, did not have a policy that states that a vendor with an existing contract could not be hired for another project, provided that proper controls are in place. The Chair of the Committee of Actuaries noted that any conflicts of interest should be managed properly, but that the Fund should also find good value for money in the consultants it selects. He further stated that out of the four asset-liability management studies done by the Fund during his membership on the Committee, the last two (in 2015 and 2019) had been done by consultants with existing contracts, and he noted that in both cases much better studies had been provided than the standardized package studies received from the first two consultants.

177. A representative of the Participants Group noted that it considered the results of the asset-liability management study to reveal a radical shift in the allocation of assets and asked if the Investments Committee had agreed with these changes. They also asked if the increase in real estate would mean that the Fund would be investing in hotels and shopping centres and what the legal implications of owning buildings were and if there were any implications of the proposed allocation on the liquidity of the Fund.

178. In response to the question on the implications of the proposed allocation on liquidity, the Representative of the Secretary-General reiterated the conclusion of the asset-liability management consultants and the Committee of Actuaries that, based on their analysis, there would be no liquidity concerns for the Fund over the course of the next 30 years. He pointed out that, as discussed during the training session for the Board, the net cash outflow, defined as the difference between contributions and benefit payments, today was about $300 million and was projected to grow to $1.1 billion in the next 10 years. At the present time, the Fund received about $1 billion from coupon and dividend income alone; thus, even without selling any assets, the Fund had sufficient liquidity. In addition, about 30 per cent of the Fund, or about $20 billion, was in fixed income and cash, 85 per cent of which, or about $17 billion, was proposed to be invested in United States Treasury securities and United States agency mortgage-backed securities, which were the two most liquid instruments in global capital markets and convertible into cash at 24 hours’ notice. He reassured the Board that the asset-liability management consultants, the Committee of Actuaries and the Investments Committee were confident that the Fund had no liquidity concerns arising out of the proposed 2019 strategic asset allocation. On the question of legal implications, the Representative of the Secretary-General noted that all investments of the Fund carry legal implications, including the newly proposed instruments. He stated that the Office of Investment Management would seek guidance from the Investments Committee when embarking on any new instrument and asset class, and reiterated that all operational, legal and risk issues would be properly addressed in advance, as they are for all current investments.

179. The Representative of the Secretary-General asked the members of the Investments Committee to elaborate their views on the proposed asset allocation shift. A member of the Investments Committee stated that the Committee had reviewed and agreed with the proposed allocation changes. The Committee viewed both the expanded list of eligible asset classes and the shift in allocations as modest changes, stating that most large pension funds have used these forms of diversification over the last two market cycles at least. He pointed out that the Fund’s exposure to public markets was one of the largest compared to its peers, especially in large capitalization equities, which had worked out well for the Fund in the past. He noted, however, that there was a significant shift towards private companies in the market, for example, the number of public companies in the United States had halved in the last 20 years and many technology companies were staying private longer, which might limit the opportunities for the Fund in public markets. He further pointed out that a number of

private markets had developed and institutionalized over time, which provided a wider opportunity set for the Office in allocating to those assets. He concluded that it was the opinion of the Committee that the allocation shifts proposed by the 2019 strategic asset allocation were prudent and not aggressive in any way. He reiterated that the Committee was reassured by the fact that the Office plans to phase in the implementation over time, avoiding single year vintage risk; the Investments Committee will review any allocation to new asset classes before the Office embarks on them. He highlighted that the size, scale and long-term investment time horizon of the Fund gave it a comparative advantage over other investors in the market. Private markets provided a substantial return premium to investors who could take long-term patient investment decisions, and it was prudent for the Fund to develop its capacity in private markets investment further and to position itself for a greater allocation at the present time, especially given the record valuations in public asset classes that the Fund has been historically exposed to and the fact that they are shrinking.

180. A representative of the Governing Bodies Group asked why it would take three to five years to implement the strategic asset allocation. The Representative of the Secretary-General responded that investment in private markets needs to be done after a careful evaluation of investment opportunities, with a view to avoiding concentrating exposure to a single year. The Office of Investment Management also had to further strengthen its capabilities in these areas, and this was a process that could only be done gradually. The Representative pointed out that he would not allow the Office to make investments in an asset class unless it had built up adequate capacity to evaluate, monitor and manage risks in those investments, as well as operationally process those investments.

181. Another representative of the Governing Bodies asked about the policy of management in the event of a large-scale sell-off in the financial markets and asked for further information on the funding policy mentioned by the Committee of Actuaries. The Chair of the Committee of Actuaries said that a distinction must be made between scenarios when the Fund should not act after a drawdown and scenarios when a reaction is needed. He stated that defining a more formal funding policy should be developed by the Pension Board and that the Committee would come up with a more formal proposal on how to define that policy. The Representative of the Secretary-General commented that the biggest risk for the Fund would be a scenario where the markets had a sharp sell-off and stayed flat afterwards, a so-called "L-shaped" recovery, as differentiated from a "V-shaped recovery" where the markets correct and recover sharply within a short span of time. citing, as examples, the slow recovery after the global financial crisis of 2008 and the recovery after the most recent sell-off in December 2018, which was followed by a sharp recovery in 2019. The Representative said that most financial markets were fairly highly valued after a very long period of easy monetary policy by central banks globally. He noted that there would be few tools for monetary authorities to stimulate the economy in the event of an economic crisis, given the low interest rates globally. That is why the Office of Investment Management had proposed building capacity for a disciplined reduction in exposure to public markets, which, as the most liquid markets, would likely see the sharpest sell-off in a crisis.

182. A representative of the Participants Group asked what the Office of Investment Management was doing to increase investment in the developing world. The Representative of the Secretary-General noted that the Fund is one of the most globally diversified pension funds in the world as it already invests in 102 countries and regions and 27 currencies. Forty-five per cent of the assets were denominated in non-United States dollar currencies. He stated that the Office recognizes the diversification benefits of emerging markets. The current global index exposure to emerging markets is about 12 per cent, while emerging markets represented 40 per

cent of the global economy. The Office also recognized this underrepresentation in global indices. In this regard, in the new strategic asset allocation there is a proposal to increase the target weight of investment in emerging markets from 12 per cent to 20 per cent of public equities. In addition, the Office would be targeting 15 per cent of its fixed income allocation to bonds in emerging markets and would evaluate private market opportunities as well.

183. A representative of the Governing Bodies Group asked if the Fund invests in infrastructure assets and what its strategy is in that regard. The Representative of the Secretary-General responded that infrastructure was first approved as an investible asset class in 2010, together with private equity, but while the private equity exposure of the Fund has increased to about 4.5 per cent, the infrastructure exposure has not increased significantly since then because the team to which this asset class has been allocated was experienced in real estate and was focused on that asset. Currently the exposure of the Office of Investment Management to infrastructure was only 0.2 per cent through commitments in five funds. Performance of the limited infrastructure portfolio had not been good. Evaluating exposure to infrastructure is a strategic initiative for the Fund as it could provide stable long-term cash flows and help lengthen its investment horizon, which is appropriate since the Fund pays out pensions over decades. Currently management was making some changes internally to make sure that orphan portfolios were properly monitored. Over the last 12 to 18 months, the Representative of the Secretary-General has made sure that every dollar in the Office's portfolio has someone's name attached, in order to determine who is accountable for its performance. This process has just started for infrastructure investment and the asset would receive more attention in the near future.

184. **The Board took note of the results of the 2019 asset-liability management study and the conclusions of the Committee of Actuaries and the Assets and Liabilities Monitoring Committee, specifically:**

(a) **The real rate of return earned by the Fund continues to be the most significant factor in maintaining solvency;**

(b) **The 23.7 per cent contribution rate continues to be appropriate;**

(c) **There are no expected future liquidity problems for the 30 years of the study, even though it is anticipated that benefits will exceed contributions in coming years in the context of the growing maturity of the Fund.**

185. **The Board agreed that the asset-liability management study aids the Office of Investment Management in deciding on an optimal asset mix and amending its long-term investment policy, when appropriate, taking into account the risk appetite established by the Board. The studies should continue to be performed every four years.**

B. Report of the Assets and Liabilities Monitoring Committee

186. The Chair of the Assets and Liabilities Monitoring Committee introduced the sixth report of the Committee. The Board was informed that, in accordance with its mandate, since the sixty-fifth session of the Board, the Committee had focused its work on the review and monitoring of: (a) the methodology and results of the fourth asset-liability management study of the Fund; (b) the asset allocation, performance and risks of the investments of the Fund; and (c) actuarial matters.

187. The current membership of the Assets and Liabilities Monitoring Committee is set out in annex III to the present report. The Chair of the Committee noted that it had received strong support from both the Chief Executive Officer and the Representative

of the Secretary-General and that it maintained excellent collaboration with the Committee of Actuaries and the Investments Committee.

188. Regarding the monitoring of the Fund’s investments, the Committee noted significant volatility in the markets at the end of 2018 and a positive correction in the first quarter of 2019. The Committee highlighted the importance of maintaining a long-term view on investment returns. The Committee was appreciative of the efforts of the Office of Investment Management to enhance the benchmarks and other tools used to evaluate investment performance. The Committee further stressed the importance of balancing transparency and relevance in providing regular updates on investment performance.

189. The Board was informed that the Office of Investment Management had implemented most of the recommendations of the independent review and peer comparison of the Fund’s main investment practices, investment management and risk management conducted in 2017 to align investment operations with best practices. The Committee reported that a few remaining recommendations will be implemented following deliberations of the Pension Board.

190. The Committee appreciated the consultative process followed by the Office of Investment Management in revising the investment policy statement. The Committee reported that the statement had been revised to reflect the new strategic asset allocation and the introduction of new asset classes. The Committee highlighted key observations and suggestions on the revised statement, which the Board could provide to the Secretary-General.

191. The Committee reported that it had reviewed the economic and demographic assumptions proposed by the Committee of Actuaries for the actuarial valuation of the Fund as of 31 December 2019. The Committee reported that it had been agreed that no change would be made to the Fund’s forecast mortality improvement scale for the actuarial valuation as of 31 December 2019. The Board was informed that the Committee would discuss the development of a funding policy with the Committee of Actuaries.

192. The Committee welcomed the opinion, expressed by the Committee of Actuaries, that it is an integral and essential part of the Fund’s governance structure and supports the Board in the monitoring of the Fund’s solvency. It was further noted that the Committee facilitates coordination and communication of objectives and priorities between the Pension Board, the Fund´s management and expert committees.

Discussion in the Board

193. **The Board approved, with appreciation, the report of the Assets and Liabilities Monitoring Committee and endorsed its recommendations, as follows:**

(a) **The Board took note of the following key results of the 2019 asset-liability management study:**

(i) **The real rate of return earned by the Fund continues to be the most significant factor in maintaining long-term solvency;**

(ii) **Projections show that the current contribution rate of 23.7 per cent continues to be appropriate under the current and updated strategic asset allocation;**

(iii) **Short-term investment performance is expected to be volatile and will have an increasing impact on the accrued benefit funding ratio as the Fund matures;**

(iv) **Cash-flow projections reflect that no liquidity problems are expected over the 30-year period of the study;**

(v) **Although the long-term results of the asset-liability management study show that the average required contribution rate could be lower than the 2 per cent corridor at the end of the 30-year study projection period, there is still a risk of underfunding.**

(b) **The Board noted that the Asset and Liability Management Committee considered the strategic asset allocation selected by the Office of Investment Management as reasonable and emphasized the importance of ensuring that investments, including investments in new asset classes, are made with all necessary due diligence and reflect the risk appetite acceptable to the Board in the light of the need for specific expertise and risks involved: in view of the benefits of increased diversification in terms of investment returns and risk management, the Committee had no objection to the Representative of the Secretary-General's proposed increase in resources for investing in new asset classes, as identified in the asset-liability management study;**

(c) **Recognizing the potential impact of investment returns and other factors in maintaining long-term solvency, the Board noted that the Committee will discuss with the Committee of Actuaries the development of a funding policy in the event of liquidity or solvency issues and will provide an update in its next report to the Board;**

The Board made the following observations and suggestions to the Secretary-General on the investment policy statement:

(d) **Investment objective: the Board was pleased to observe that, in line with previous recommendations of the Board and the Assets and Liabilities Monitoring Committee, the revised investment policy statement reflects a long-term investment policy objective of 3.5 per cent for the long-term real rate of return and the Fund's risk appetite statement approved by the Board;**

(e) **Strategic asset allocation: based on the results of the asset-liability management study, the Board considered that the 2019 strategic asset allocation was reasonable: it noted the inclusion of new asset classes to optimize portfolio returns, reduce overall portfolio risk, facilitate risk management and efficient portfolio management;**

(f) **Risk appetite: the Board entrusted the implementation of detailed guidelines for risk management to the Office of Investment Management in the conduct of its operational procedures;**

(g) **Sustainable investing: the Board welcomed the inclusion in the revised investment policy statement of a section on the approach of the Office of Investment Management to sustainable investing in alignment with the Office's fiduciary duty and responsibility.**

VI. Financial matters

A. Financial statements for the year ended 31 December 2018

194. The Pension Board considered the financial statements of the Fund for the year ended 31 December 2018. The Board was informed that the financial statements presented a snapshot of the current financial situation, using a presentation specific to the Fund and not comparable to other organizations.

195. The Chief Financial Officer indicated that the Board of Auditors had informed the Audit Committee that the report on the audit of the Fund's financial statements for the year ended 31 December 2018 contained an unqualified audit opinion.

196. It was highlighted that the statement of changes in net assets showed an investment loss of $3.3 billion for 2018, which contributed to a reduction in net assets of 5.6 per cent. It was further recalled that, as the Fund is mature, benefit payments exceeded contributions received.

197. The Board was informed that the Fund had changed the presentation of the financial statements, as explained in note 21 to the statements, and that the statement of comparison of budget and actual amounts provided information on administrative expenses.

198. Regarding the annexes to the financial statements, the Chief Financial Officer explained changes in the number of participants and changes in benefits awarded, which, inter alia, reflected the impact of the change in the mandatory age of separation. He added that the Fund had included a new table with information on the status of outstanding processable entitlement cases. He highlighted that the new annex confirmed that the Fund did not have a backlog of benefit entitlement cases as of 31 December 2018 or 31 December 2017.

199. The Chief Financial Officer noted, in closing, that the reduction in benefits payable was the result of the processing of forfeitures and the fluctuation in the value of key benefit currencies.

Discussion in the Board

200. Representatives of the Governing Bodies, Executive Heads and Participants Groups concurred that it was unacceptable that neither a final version nor a draft of the report of the Board of Auditors had been issued before the sixty-sixth session of the Pension Board, giving the Board an opportunity to consider it. It was recalled that there had been numerous meetings and consultations to facilitate the receipt of the report of the Board of Auditors in time for the annual session of the Pension Board. The Chief Financial Officer explained that the audit team had been conducting its first audit season with the United Nations system and needed to discuss the draft report with other members of the Board of Auditors prior to releasing a draft to the Pension Board. In the end, the Board of Auditors had provided the final long-form audit report on the last day of the Pension Board's discussions, so that it was able to consider it for the approval of the financial statements.

201. A representative of the Governing Bodies Group enquired whether there was a regulation requiring the Pension Board to approve the financial statements after the external audit and its approval by the Chief Executive Officer and the Representative of the Secretary General for the investment of the assets of the Fund. The Chief Financial Officer clarified that approval by the Chief Executive Officer and the Representative of the Secretary-General represented the approval of the management of the Fund and that the financial statements should be approved by the Pension Board for presentation to the General Assembly according to article 14 of the regulations of the Fund and rule G.5 of its financial rules.

202. A representative of the United Nations Participants Group requested clarification regarding the reduction in benefits payable, benefit expenses and prepayments, as well as information on efforts to reach out to beneficiaries or relatives before the forfeiture of benefits. The Chief Financial Officer explained that benefits payable and benefit expenses were affected by the forfeiture of $42.2 million, processed in line with article 46 of the Fund's regulations, in order to address recommendations made by OIOS and the Board of Auditors. The Fund had forfeited

741 periodic benefits in the 2018 financial statements, which had been suspended for a considerable amount of time due to the non-receipt of certificates of entitlement or the closure of the bank accounts of beneficiaries. The Fund had made multiple efforts to reach out to each beneficiary before forfeiting a benefit. He also clarified that the Fund systematically reinstates benefits to those beneficiaries contacting the Fund after forfeiture, so that beneficiaries reclaiming benefits did not lose them.

203. A representative of the Participants Group also asked whether overpayments indicated a lack of internal control and requested information about collection efforts and the ageing of receivables. The Chief Financial Officer explained that the overpayment of benefits was due to the late notification to the Fund of the death of beneficiaries, and that collection efforts included the sending of dunning letters as the Fund had no legal measures to recover receivables. He also clarified that overpayments are written off when deemed unrecoverable and that the total amount of impaired benefits receivables, at $4.3 million, is very low compared to the amount of the annual benefit expense of some $2.7 billion.

204. A member of the Executive Heads Group thanked the Chief Financial Officer for the presentation and requested clarification about the comments of the Audit Committee regarding the financial reporting standards utilized by the Fund. The Chief Financial Officer informed the Pension Board that the new audit team of the Board of Auditors had raised concerns about the compliance of the presentation of the Fund's financial statements under the International Public Sector Accounting Standards (IPSAS) 1. In its first discussions on the adoption of international standards, the Fund debated whether to adopt IPSAS or the International Financial Reporting Standards (IFRS). Owing to the absence of specific guidance for retirement benefit plans in IPSAS, the Pension Board requested that the Fund adopt International Accounting Standard 26 in its entirety, but as this deviates from the presentation requirement of IPSAS 1, it has caused a dilemma regarding accounting standards.

205. Regarding the Fund's statement of internal control, a representative of the Governing Bodies Group asked whether internal auditors had provided assurance on the effectiveness of internal controls. A member of the Governing Bodies recalled that the Pension Board had suggested and requested that internal auditors test the internal controls covered by the statement, and that the auditors had declined such a request. The Chief Financial Officer noted that the language of the statement reflected the reliance of management on the audits conducted by OIOS.

206. **The Board took note of the unqualified audit opinion of the Board of Auditors and approved the financial statements for the year ended 31 December 2018 for presentation to the General Assembly.**

B. Budget estimates for the year 2020 and performance report for the biennium 2018–2019

1. Proposed estimates

Revised budget estimates for the biennium 2018–2019

207. The Fund has proposed a reduction in the budget estimates for the biennium 2018–2019, amounting to $6,743,000, compared with the appropriation of $191,659,800. The final revised appropriation for the biennium 2018–2019 amounts to $184,916,800, of which $22,018,800 is chargeable to the United Nations under the cost-sharing arrangement, and the revised estimates for extrabudgetary resources would amount to $205,600.

Budget estimates for 2020

208. The budget estimates originally proposed by the Fund for 2020 amounted to $98,580,600 (before recosting), compared with a total of $95,893,000 for 2019. The budget submission was presented for: the Pension Board secretariat ($1,719,600); the pension administration ($51,637,600); the Office of Investment Management ($43,702,400); and audit costs ($1,521,000). In addition, the estimates provided for one extrabudgetary post for the processing of after-service health insurance contributions, in the amount of $81,200, and an amount not to exceed $112,500 for the Emergency Fund.

(i) Pension Board secretariat

209. The Fund proposes the establishment of an independent Pension Board secretariat, separate from the Integrated Pension Administration System, in response to General Assembly resolution 73/274 and the replacement of the position of the Chief Executive Officer by two distinct and independent positions, namely, "Pension Benefits Administrator" and "Secretary of the Pension Board", as from January 2020.

210. The proposed budget under the Pension Board secretariat totalled $1,719,600 (before recosting), representing an increase of $1,207,400 compared with the appropriation for 2019. The request includes inward redeployment of three posts from pension administration and one reclassification.

Pension administration

211. The proposed budget under administrative costs totalled $51,637,600 (before recosting), representing an increase of 2.8 per cent compared with the appropriation for 2019. The request included 12 proposed additional posts, two conversions, two reclassifications and five outward redeployments.

Extrabudgetary funding under pension administration

212. Resources in the amount of $81,200 before recosting were requested for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme.

(ii) Office of Investment Management

213. The proposed budget under investment costs totalled $43,702,400 (before recosting), which reflects no increase compared with the original appropriation for 2019. The request included 13 proposed additional posts, 11 conversions from general temporary assistance positions to posts, and two inward redeployments from pension administration.

(iii) Audit

214. The Fund requested a total of $1,521,000 (before recosting) to cover external ($393,200) and internal ($1,127,800) audit costs, representing an increase of 4.3 per cent compared with the appropriation for 2019.

(iv) Emergency Fund

215. An amount not to exceed $112,500 was requested to supplement the Emergency Fund.

2. Budget Working Group

216. Comments and recommendations of the Budget Working Group are set out below.

217. In accordance with the decision made by the Board at its sixty-fifth session (A/73/9, para. 444), the final composition of the Working Group was as follows:

J. Makori (UNIDO)	Governing bodies
H. Kozaki (United Nations)	Governing bodies
J. P. Lovato (ITU)	Executive heads
D. Thatchaichawalit (United Nations)	Executive heads
M. Rockcliffe (United Nations)	Participants
B. Fitzgerald (WIPO)	Participants
M. Seenappa	FAFICS
M. Breschi	FAFICS

218. The Budget Working Group began its work on 26 June 2019. The working group had before it the following documents: revised budget estimates for the biennium 2018–2019 and budget estimates for 2020 and accompanying supplementary information. The Working Group benefited from valuable interactions with the members of the pension administration and the Office of Investment Management.

Performance report for the biennium 2018–2019

219. The Budget Working Group considered the proposed revised appropriations for the biennium 2018–2019.

220. The Working Group noted the following:

(a) The net increase in projected expenditure for the Pension Board secretariat is mainly attributable to the increased requirements for travel related to the meetings of the Pension Board Governance Working Group and the costs related to the recruitment of the Pension Benefits Administrator, which were not foreseeable at the time of the preparation of the budget for the biennium 2018–2019;

(b) The net increase in expenditure projection for pension administration costs is mainly attributable to the increase in post resources due to the lower realized vacancy rates compared with the budgeted rates;

(c) The net decrease in expenditure projection for the Office of Investment Management is mainly attributable to the decrease in contractual services related to the reduction in the use of non-discretionary advisory services, custodial services and in electronic data processing services; as well as the reduced requirements for the rental of premises: the decrease is partially offset by the increase in post resources due to the lower realized vacancy rates compared with the budgeted rates;

(d) The increase in the projected expenditure for the audit mainly relates to the actual expenditure on general temporary assistance positions under the internal audit.

221. The Working Group recommends approval of the budget estimates for the biennium 2018–2019 as proposed by the Fund.

Budget estimates for 2020

(i) Pension Board secretariat

222. The Working Group carefully reviewed the proposal from the Fund secretariat, taking into consideration paragraph 13 of General Assembly resolution 73/274.

223. The Working Group fully supports the proposal of the Fund secretariat that the D-1 post in the Geneva Office be redeployed to the Pension Board secretariat. This proposal is the most cost-effective way of utilizing existing resources. Accordingly, the Working Group recommends the proposed amount of $1,719,600 (before recosting), taking note that the proposal reflects the staffing structure, the number of annual Pension Board meeting(s) and Board attendance as proposed by the Governance Working Group. The Pension Board secretariat includes three posts (D-1, P-5 and General Service (Other level)) created through redeployment from the pension administration and reclassification (P-4 to P-5).

(ii) Pension administration

224. The Working Group recommends the amount of $51,376,400 (before recosting), representing an increase of 2.3 per cent compared with the appropriation for 2019 and supports the following:

(a) The application of a revised methodology for measuring the cost of services provided by the Fund on behalf of the United Nations and by the United Nations on behalf of the Fund in order to better reflect the reality of the situation;

(b) The reconstitution of the Executive Office of the Pension Fund so that it is directly responsible for the provision of administrative services to both entities of the Fund, the secretariat of the Fund and the Office of Investment Management, within existing resources, in line with paragraph 30 of the General Assembly resolution 73/274;

(c) The implementation of better global coordination and functional management on a pilot basis for two years and the redeployment of the post of Chief of the Geneva Office of the Fund to establish the position of the Secretary of the Pension Board.

Post resources

225. Having reviewed the proposal for new posts and following dialogue with representatives of the Fund secretariat, the Budget Working Group did not support the establishment of two new posts proposed in the office of the Pension Benefits Administrator (Special Assistant to the Pension Benefits Administrator (P-5) and Administrative Assistant for Recruitment (General Service (Other level)), and the downward reclassification to Senior Accounting Assistant (P-2 to General Service (Principal level)). The Working Group agreed to 10 proposed additional posts, two conversions, one reclassification and five outward redeployments, as set out in table 3 below.

Table 3
New posts and reclassification
(Pension administration)

Component	*Action*	*Post*	*Number*	*Category*
Executive direction and management				
	New post	Human Resources Officer (Recruitment)	1	P-3
	New post	Administrative assistant	1	GS (OL)
	Redeployment (Outward)	Programme Management Officer	(1)	P-4
	Redeployment (Outward)	Meeting Services Assistant	(1)	GS (OL)
Programme of work				
	Conversion	Benefits Officer (client services)	2	P-3
	New post	Benefits Assistant (client services)	2	LL
	Redeployment (Outward)	Chief of Geneva Office	(1)	D-1
	Redeployment (Outward)	Information Systems Officer	(1)	P-4
	Redeployment (Outward)	Information Systems Assistant	(1)	GS (OL)
	New post	Information Systems Officer (Chief of Pension Interface Unit)	1	P-4
	New post	Information Systems Officer	1	P-3
	New post	Information Systems Assistant	3	GS (OL)
Executive Office				
	New post	Human Resources Officer (Human resources administration)	1	P-3
		Total net changes	**7**	
Programme of work	Reclassification	Senior Accounting Assistant	1	GS (OL) to GS (PL)

Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level), LL, local level.
Note: Includes two internal redeployments.

Non-post resources

226. The Working Group supported the proposed non-post resources, including following 51 positions under general temporary assistance, including four new positions for a period of nine months:

Table 4
General temporary assistance positions
(Pension administration)

Component	*Position/title*	*Number of positions*	*Category*
Programme of work			
	Benefits Officer	1	P-3
	Benefits Assistant	12	GS (OL)
	Benefits Assistant (client services)	3	GS (OL)
	Accountant	1	P-3
	Administrative Assistant (Chief Financial Officer)	1	GS (OL)
	Accounting Assistant	8	GS (OL)
	Programme Management Officer (risk management)	1	P-3
	Benefits Officer (Pension Entitlement Section)	1	P-3
	Assistant Statistician (Pension Entitlement Section)	1	GS (OL)
	Benefits Assistant (Pension Entitlement Section)	9	GS (OL)
	Finance/Accounting Assistant (Financial Services)	3	GS (OL)
	Benefits Assistant (Records Management Unit)	2	GS (OL)
	Programme Management Officer (new project pension interfaces/business intelligence)	1	P-4
	Programme Management Officer	1	P-4
	Information Systems Officer (data interface)	1	P-3
	Information Systems Officer (business intelligence)	1	P-3
	Information Systems Officer (IPAS)	2	P-3
	Information systems assistant (security)	1	GS (OL)
Executive Office			
	Facilities Management Assistant	1	GS (OL)
Total		**51**	

Abbreviations: GS (OL), General Service (Other level).

Extrabudgetary funding under pension administration

227. The Working Group supported the provision of resources for one General Service (Other level) staff member to be funded by member organizations participating in the after-service health insurance scheme.

(iii) Office of Investment Management

228. The Working Group recommends the proposed amount of $42,957,800 (before recosting) representing a decrease of 1.7 per cent compared with the appropriation for 2019 for Office of Investment Management.

Post resources

229. Having reviewed the proposal for new posts and following dialogue with representatives of the Office of Investment Management, the Working Group did not support the proposed new post of special assistant to the Representative of the Secretary-General (P-5) and agreed to 12 proposed additional posts, 11 conversions from general temporary assistance positions to posts and two inward redeployments

from pension administration, as set out in table 5 below. The Working Group noted that the proposed new posts are to fill gaps in resources required to deliver the programme of work and that the conversions from general temporary assistance to posts are proposed as these functions are of a long-term nature.

Table 5
Proposed new posts
(Office of Investment Management)

Component	*Action*	*Post*	*Number*	*Category*
Executive direction and management				
	New post	Senior Legal Officer	1	P-5
	New post	Legal Assistant	1	GS (OL)
	Reassignment	Senior Administrative Assistant	(1)	GS (PL)
	Reassignment	Administrative Assistant	1	GS (OL)
Programme of work				
	New post	Investment Officer (private equity)	1	P-3
	New post	Investment Officer (North America)	1	P-3
	Reassignment	Senior Investment Assistant	1	GS (PL)
	Reassignment	Investment Assistant	(1)	GS (OL)
	Redeployment (Outward)	Senior Investment Assistant	(1)	GS (PL)
	New post	Senior Risk Officer (Head of market risk)	1	P-5
	New post	Risk Officer (private market)	1	P-4
	New post	Risk Officer (portfolio construction)	1	P-4
	New post	Risk Officer (performance and reporting)	1	P-3
	New post	Risk Officer (operational and fraud)	1	P-3
	New post	Risk Officer (credit risk)	1	P-3
	New post	Administrative Assistant (risk and compliance)	1	GS (OL)
	Conversion	Associate Accountant	1	P-2
	Conversion	Associate Accountant	1	P-2
	Conversion	Senior Accounting Assistant	1	GS (PL)
	Redeployment (Inward)	Senior Investment Assistant	1	GS (PL)
	New post	Information System Officer (Systems Analyst)	1	P-3
	Conversion	Information System Officer (Business Analyst)	2	P-3
	Conversion	Information System Officer (Business Continuity Manager)	1	P-3
	Conversion	Information System Officer (Service Desk Manager)	1	P-3
	Conversion	Programme Management Officer	1	P-4
	Conversion	Programme Management Assistant	1	GS (OL)
	Conversion	Information System Assistant (Service Desk Assistant)	2	GS (OL)
	Redeployment (Inward from pension administration)	Information System Officer (ICT Infrastructure Manager)	1	P-4
	Redeployment (Inward from pension administration)	Information System Assistant (ICT Infrastructure Assistant)	1	GS (OL)
Total net changes			**25**	

Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

Non-post resources

230. The Working Group supported the request for non-post resources, including the following 19 general temporary assistance positions, including17 new positions with a period of nine months.

Table 6
General temporary assistance positions
(Office of Investment Management)

Component	*Position/title*	*Number of positions*	*Category*
Executive direction and management			
	Legal Officer in the Office of Legal Affairs	1	P-4
	Procurement Officer in the Procurement Division	1	P-4
	Administrative Officer	1	P-3
Programme of work			
	Investment Associate (global emerging markets)	1	P-2
	Investment Associate, Deputy Director for Investments	1	P-2
	Investment Associate (private equity)	1	P-2
	Investment Associate, North America	1	P-2
	Investment Officer, North America	1	P-3
	Investment Officer, External Manager	1	P-4
	Fixed income – Senior Investment Officer (United States mortgage-backed securities)	1	P-5
	Fixed income – Senior Investment Officer (emerging markets)	1	P-5
	Real estate – Investment Officer	1	P-3
	Real estate – Investment Associate (One staff is P-1)	2	P-1/P-2
	Accountant (alternatives platform)	1	P-3
	Finance Officer (middle office)	1	P-4
	Finance Officer (back office)	1	P-4
	Information Systems Officer (developer)	1	P-3
	Information Systems Officer (data analyst)	1	P-2
Total		**19**	

(iv) Audit

231. The Working Group supports the requested audit costs in the amount of $1,521,000 (before recosting).

(v) Conclusion

232. The Budget Working Group recognized the changes introduced through the new budget methodology, in particular with respect to the presentation of the budget. The value of the services provided to the United Nations Staff Pension Committee is measured independently of the Fund's total administrative expenditure and is estimated at $7.4 million (before recosting). The cost of the services provided by the United Nations to the Fund is estimated at $2.4 million and will be charged by the United Nations and included under the Fund's administrative expenditure.

233. A summary of the resource changes recommended by the Working Group is reflected in table 7 below.

Table 7
Summary of resource changes recommended for 2020

	Resources (before recosting) (Thousands of United States dollars)			*Number of posts*	
		Budget Working Group			
	Proposal	*Changes*	*Estimates*	*Proposal*	*Budget Working Group*
Pension Board secretariat	1 719.6	–	1 719.6	3	3
Pension administration	51 637.6	(261.2)	51 376.4	199	197
Office of Investment Management	43 702.4	(744.6)	42 957.8	111	110
Audit	1 521.0	–	1 521.0		
Total	**98 580.6**	**(1 005.8)**	**97 574.8**	**313**	**310**
Extrabudgetary	81.2	–	81.2	1	1

3. Board

(i) Discussion in the Board

234. The Chair of the Budget Working Group introduced its report and expressed his gratitude to the acting Chief Executive Officer, the Representative of the Secretary-General and their staff for their budget proposals and support during the deliberations. The Chair also thanked the members of the Working Group for their contributions and noted that the Group had worked effectively. He noted that the decisions of the Group were unanimous.

235. In the course of the whole office review, it was found that the role of the Geneva Office was of strategic importance. In this regard, it was found that the relationship between the Geneva and New York Offices could be further strengthened by implementing functional leadership that would allow them to work together more effectively and improve efficiency in the processing of pension benefits. The acting Chief Executive Officer reassured the Board that the Geneva Office will not be downsized nor will its role be diminished in any way. The transformation of the Office is purely to improve the functional reporting lines in order to achieve greater efficiency.

236. A representative of the Executive Heads Group requested that the specialized agencies working directly with the Geneva Office be involved in the coming transformation.

237. The Board expressed support for the proposal of the Budget Working Group and thanked the members for their work. The Board also thanked the Fund secretariat and the Office of Investment Management for having provided extensive budget documentation and additional information.

238. The Board discussed the need for special assistants to the Chief Executive Officer/Pension Benefits Administrator and the Representative of the Secretary-General in the initial budget proposal and suggested that in order to strengthen their ability to manage and oversee their respective operations, a P-5 special assistant for each Assistant Secretary-General would be justified. It was also noted and agreed by the members of the Board that this is common practice within the United Nations system.

(ii) Recommendations of the Board

239. **In addition to the recommendations of the Budget Working Group, the Pension Board agreed to the establishment of a P-5 post for Special Assistant to the Pension Benefits Administrator and a P-5 post for Special Assistant to the Representative of the Secretary-General. Accordingly, the Pension Board approved, for submission to the General Assembly, the proposed budget estimates amounting to $102,134,800 (after recosting) as reflected in table 8 below. Of this amount, $7,782,200 (after recosting) is attributable to the services provided to the United Nations for the United Nations Staff Pension Committee and is chargeable to the United Nations.**

240. **In addition, the Board approved resources amounting to $85,300 (after recosting) from extrabudgetary funding for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme and an amount not to exceed $112,500 for the Emergency Fund.**

241. The views of the representatives of the United Nations Participants Group are provided in annex XIX to the present report.

242. The breakdown of estimates for 2020 are reflected in table 8 below:

Table 8
Summary of total estimates for 2020
(Thousands of United States dollars)

	Estimate (before recosting)	*Estimate (after recosting)*	*Number of posts*
Pension Fund secretariat	1 719.6	1 781.8	3
Pension administration[a]	51 490.3	53 821.7	198
Office of Investment Management	43 071.7	44 923.3	111
Audit	1 521.0	1 608.0	
Total	**97 802.6**	**102 134.8**	**312**
Extrabudgetary	81.2	85.3	1

[a] Includes the amount of $7,782,200, after recosting (the full time equivalent of 51.6 positions and related cost), directly chargeable to the United Nations for services related to the United Nations Staff Pension Committee.

VII. Administrative matters

A. Interim status report on the Emergency Fund

243. The Board was provided with a report on the Emergency Fund.

244. The Emergency Fund, which is not an integral part of the pension benefit system, is financed from the assets of the Fund through an appropriation of $225,000 every biennium, as approved by the General Assembly.

245. During the one-year period under review, the total amount paid out from the Emergency Fund was $106,076.00, representing 73 disbursements, bringing the Emergency Fund spending to a record high for a one-year period. The majority of the disbursements from the Emergency Fund for 2018 were one-time payments to beneficiaries who were affected by natural disasters, followed by one-time

disbursements to beneficiaries who had proven hardship in paying for medical expenses and funeral expenses for deceased beneficiaries. The largest single payment made during the year under review was $9,982 to assist a beneficiary with uninsured medical expenses.

246. At the request of the Board, the Fund has made concerted efforts to publicize the availability of the assistance of the Emergency Fund on its website, at pre-retirement seminars and pension briefings and in various communications to participants and retirees. These efforts have had the desired effect, as can be seen from the increase in the number of requests received.

247. During the sixty-fourth and sixty-fifth sessions of the Board in 2017 and 2018, FAFICS had requested the Fund to conduct an end-to-end review of the processes followed in the administration of the Emergency Fund in order to uncover the reasons for delays in processing and the release of funds and to seek ways to improve processing time. The results of the review were provided to the Board. In addition, some changes to note A to the Fund's Regulations and to the rules of procedure and the Pension Adjustment System were proposed, including: the removal of age as a criteria; the elimination of the requirement to provide information on additional sources of income/assistance; and the introduction of the screening of requests by the secretaries of local staff pension committees submitted through their offices.

248. FAFICS congratulated the Fund secretariat for an excellent and comprehensive report on the Emergency Fund, noting with satisfaction that there had been a 35 per cent increase in Emergency Fund expenditure during 2018 over that in 2017.

249. FAFICS also acknowledged with satisfaction that the Fund secretariat had included the participation of members of local Associations of Former International Civil Servants, and looked forward to the strengthening of continued cooperation between the various local associations and the Fund.

250. Finally, FAFICS expressed the hope that the Emergency Fund would be funding more requests in future, including, in particular, in response to natural disasters.

251. The representatives of the Participants Group fully endorsed the comments made by FAFICS.

252. **The Board took note of the interim status report on the Emergency Fund during the period from 1 January 2018 to 31 December 2018, including the total of $106,076 paid out, representing 73 disbursements and the proposed procedural changes to note A of the Find's Regulations, to its rules of procedure and to the Pension Adjustment System. In future, reporting on the Emergency Fund would continue to be every second year, as decided by the Board at its fifty-eighth session.**

B. Strategic framework: update on indicators

253. Based on the indicators approved by the Pension Board in 2016, the Chief Executive Officer and the Representative of the Secretary-General provided the Board with an annual progress update for 2018, on the indicators of achievement contained in the Fund's strategic framework. According to the report, the clientele served by the Fund had reached over 207,000 as at 31 December 2018. Despite many challenges, the Fund secretariat had strengthened its client-servicing capacity, outperforming its benchmark targets both in client servicing and benefit processing in 2018. Furthermore, the Fund's Office for Investment Management continues to exceed the long-term objective of 3.5 per cent of real (net of inflation) return in United States dollars.

254. The representatives of the United Nations Participants Group asked for clarification about the 33 per cent success rate in cases appealed to the United Nations Administrative Tribunal. The secretariat explained that two out of the seven cases addressed by the Standing Committee in 2018 had been appealed. The decision of the Standing Committee had been upheld in one case and in one case the decision had been overturned. There had been a request for execution of judgment, in which the Tribunal found in favour of the appellant. As applicants have the right to appeal a decision of the Standing Committee regarding eligibility to receive a benefit, these cases should not be seen as a loss, but rather a determination of a right to a benefit based on a different interpretation of the Fund's Regulations.

255. The representatives of the United Nations Participants Group questioned the assertion that the Fund is meeting the benchmarks for benefit processing. They also recalled that, pursuant to the Staff Regulations and Rules of the United Nations, staff-management consultations should take place four times a year, whereas the Fund had held only one consultation in 2018.

256. A member of the Governing Bodies Group expressed his appreciation for the wealth of information contained in the report on both entities of the Fund and applauded the management of both entities for their achievements. He was pleased to see that the Fund's processing performance had exceeded the benchmark, particularly since it had been achieved during a period of transition. He also noted the improved ePAS completion rate and commended the Fund for the increase in its outreach activities.

257. The acting Chief Executive Officer explained that the Fund had reported extensively on benefit processing statistics and that progress had been verified by both internal and external auditors. The Fund had built its business intelligence capacity. On the topic of staff-management consultations, the acting Chief Executive Officer confirmed her interest in having regular consultations but underlined that both sides had to be available to participate in order for such consultations to succeed.

258. A member of the Governing Bodies Group called attention to the report of the Board of Auditors, in which the Board commended the Fund for reducing processing delays. A member of the FAO/WFP staff pension committee stated that there were no backlogs in the cases of the organizations he represented. A representative of the United Nations Participants Group noted an improvement but also stressed the need to address specific cases. **The Board congratulated the Fund secretariat for exceeding the benefit processing benchmark.**

259. **The Board took note of the information provided in the report.**

C. Report on the status of information and communications technology systems and initiatives

260. The Board was given a report on the status of the Fund secretariat ICT systems and initiatives. The report provided an update on the progress made by the Fund secretariat in stabilizing IPAS, strengthening information security, improving automated data interfaces, increasing the coverage of the ICT support provided by the Fund to the secretaries of the staff pension committees and the ICT functions of member organizations and implementing the decisions of the General Assembly as well as oversight recommendations. The Chief Information Officer emphasized that, in accordance with the priorities established by the Assembly, the Fund secretariat planned to experiment with the adoption of new technologies to automate manual-intensive processes, including the implementation of a "digital certificate of entitlement". The representative of FAO/WFP welcomed the initiative and expressed

the availability and interest of the FAO/WFP staff pension committee in piloting the implementation of the "digital certificate of entitlement".

261. **The Board took note of the report on the status of ICT systems and initiatives.**

VIII. Governance matters

A. Report of the Governance Working Group

262. In 2018, at its sixty-fifth session, following the audit of the governance structure and related processes of the United Nations Joint Staff Pension Board conducted by OIOS, the Board established a Governance Working Group to consider the issues of participation, rotation and equitable representation on the Board, as well as other governance topics discussed by the Board and referred to it by the General Assembly in its resolution 73/274.

263. The Governance Working Group was comprised as follows:

Md. M. Rahman (United Nations)	Governing bodies
J. E. Garcia (UNESCO) (Chair)	Governing bodies
M. H. Lopez (United Nations) (Rapporteur)	Executive heads
A. Van Houtte (FAO/WFP)	Executive heads
I. Richards (United Nations)	Participants
I. Zabaar (IAEA) (Vice-Chair)	Participants
W. Sach	FAFICS
G. Schramek	FAFICS

264. The Board expressed its appreciation for the work of the Governance Working Group, based on which the Board made the decisions set out in the following paragraphs.

265. **With regard to the separation of the roles of the Chief Executive Officer/ Pension Benefits Administrator and Secretary of the Board, the Board:**

(a) **Adopted the draft job description for the Secretary of the Board at the D-1 level (see annex X) and the organizational structure of the Office of the Secretary of the Board (see annex I);**

(b) **Established the Office of the Secretary of the Board within the secretariat of the Fund, while highlighting its operational independence and its substantive role in reporting to the Board;**

(c) **Amended article 7 of the Regulations of the Fund, as follows: the Secretary of the Board shall be appointed with the concurrence of the Board;**

The concurrence of the Board may be obtained through a virtual meeting of the Board);

(d) **The Board will conduct a review of the revised operational arrangements at its regular session in 2021;**

(e) **The Board adopted for submission to the General Assembly amendments to the Regulations and rules of procedure of the Fund in order to appropriately reflect the separation of roles of the Chief Executive Officer/**

Pension Benefits Administrator and Secretary of the Board (see annexes XI and XII);

(f) **The Board agreed that the responsibilities of the Deputy Chief Executive Officer/Pension Benefits Administrator will be updated in view of the separation of roles of the Chief Executive Officer/Pension Benefits Administrator and the Secretary of the Board. The Board agreed to assign the responsibility for this work to the Succession Planning Committee.**

266. **With regard to the representation of participants and member organizations and the allocation of seats on the Board, the Board reviewed the six principles that it adopted on its size and composition in 2006 and amended them as follows:**

(a) **Each member organization should be represented;**

(b) **The tripartite nature of representation on the Board should be maintained;**

(c) **The number of representatives for each organization should take into account the number of active participants from each organization;**

(d) **Whichever numbers might emerge as a result of (a) to (c) above, the number of seats with voting rights would be adjusted in the light of the determination of the optimum size of the Board;**

(e) **The optimum size of the Board should be determined by reference to two essential objectives:**

(i) **that it be truly representative of the membership of the Fund;**

(ii) **that it ensure maximum effectiveness in the discharge of its responsibility to administer the Fund and respond to requests from the General Assembly;**

(f) **Retirees should continue to be represented on the Board, without the right to vote.**

267. Taking into account the above principles, as well as the threshold criteria and previous decisions of the Board on its size and composition, the Governance Working Group recommended three options for consideration. The options address the evolution of participation in the Fund and the call for more equitable and fair representation on the Board. The options presented a reasonable range of possibilities for the Board to consider while keeping the impact on member organizations and the rotation schedules at a moderate level:

Option 1

Option 1 would maintain the total number of Board seats with voting rights at 33. To allocate a seat to IOM, Board seats allocated to ITU and UNIDO would be decreased from 1.5 to 1. IOM would be included in Group V.

Option 2

Option 2 would increase the total number of Board seats with voting rights from 33 to 36. The number of seats allocated to the United Nations would increase from 12 to 15. To allocate a seat to IOM, the Board seats allocated to ITU and UNIDO would be decreased from 1.5 to 1. IOM would be included in Group V.

Option 3

Option 3 would decrease the total number of Board seats with voting rights from 33 to 30. All member organizations in Groups IV and V would be merged into a new group IV and the number of Board seats allocated to ICAO, IFAD, IMO, ITU, UNIDO, WIPO and WMO would be decreased to 0.5, resulting in the allocation of one seat to IOM, which would be included in the new Group IV.

268. The representative of the Executive Head of IOM stated that IOM would gain a seat on the Board regardless of whichever option was adopted.

269. The Specialized Agencies Participants Group presented a modified option 2, whereby the total number of Board seats with voting rights would increase from 33 to 36, with the following modifications: IOM would receive two seats and the International Criminal Court one seat, with no reduction for ITU or UNIDO. In view of the consensus reached subsequently, the representatives agreed to option 1.

270. **The Board recommended option 1 above, which would maintain the total number of Board seats with voting rights at 33. In order to allocate a seat to IOM, the seats allocated to ITU and UNIDO would be decreased from 1.5 to 1. IOM would be included in Group V.**

271. The details of the various options and their impact on the percentages of Board seats and rotation schedules are attached (see annex XIII).

272. **Attendance of alternates:** in order to further improve the efficiency of Board sessions and to address the concerns raised by OIOS, the Governance Working Group recommended that alternates be entitled to attend Board sessions only when principal Board members cannot attend, with the exception of the elected alternates of the General Assembly. **The Board requested that the Governance Working Group further review the attendance of alternates and report to the Board in 2020.**

273. **Attendance of the secretaries of the staff pension committees:** with a view to improving efficiency, the Governance Working Group recommended that the Board review the current arrangement for ex officio participation of the 23 secretaries of the staff pension committees of the specialized agencies in the sessions of the Board. **The Board requested that the Governance Working Group further review the attendance of the secretaries of the staff pension committees and report to the Board in 2020.**

274. **Attendance of members of the Assets and Liabilities Monitoring Committee:** the Board adopted the recommendation that, with respect to the Assets and Liabilities Monitoring Committee, only the Chair or a selected representative attend the Board session in person for the duration of the agenda item to present its report. Members of the Committee who are not members of the Board should not attend the sessions of the Board. **The Board adopted this recommendation and requested the Governance Working Group to take this up in the context of harmonization of the terms of reference and working methods of the Committees of the Board, with a view to enhancing efficiency and improving the cost-effectiveness of the Board.**

275. **Attendance of members of the Investments Committee and the Committee of Actuaries:** the Governance Working Group recommended that, with respect to the Investments Committee and the Committee of Actuaries, its members should attend only when their reports are being presented and until relevant items are closed. **The Board requested the Governance Working Group to further review this proposal and to report to the Board in 2020.**

276. **Frequency of Board sessions: the Board noted that section A.3 of its rules of procedure provided for the convening of special sessions between the regular sessions. The Board therefore did not support the recommendation that the Board meet twice in 2020.**

277. **Roles and modalities for election of retiree representatives: (a) given the legal considerations, as well as the complex and expensive logistics involved in worldwide elections, the Board decided to maintain the current electoral arrangements; and (b) in connection with its decision on the attendance of alternates (see para. 272 above), the Board requested the Governance Working Group to further review the recommendation to increase the representation of FAFICS at the Board from 4 representatives to 6, without alternates, with no right to vote, and to report to the Board in 2020.**

278. **Implementation of a review and rotation scheme for the adjustment of composition of the Board on a regular basis: the Board agreed to review its size and composition at least every five years and upon the admission of a new member organization.**

279. **Terms of reference of Board members: the Board approved a new appendix, entitled "Responsibilities of Members of the Board" to be appended to the rules of procedure of the Pension Board (see annex XIV).**

280. **With regard to self-evaluation, the Board agreed:**

(a) **In the light of the low rate of response, to redefine the scope of the evaluation survey to provide lessons learned and guidance on how to improve the conduct of Board sessions and the engagement of Board members;**

(b) **That the revamped questionnaire should be sent to the members of the Board prior to the session so that they could submit responses by the end of the Board's session. This would allow time for the Secretary of the Board, in consultation with the Chief Executive Officer/Pension Benefits Administrator, to conduct substantive analysis and propose measures for improvement.**

281. **With regard to the usage of the Standing Committee, the Board agreed:**

(a) **To maintain the frequency of meetings of the Standing Committee;**

(b) **To continue the focus of the work of the Standing Committee on the handling of appeal cases;**

(c) **To continue to consider the reports of the Standing Committee, other committees and the secretariat of the Fund in order to ensure better oversight.**

282. **With respect to the need for the Assets and Liabilities Monitoring Committee: the Board decided to retain the Assets and Liabilities Monitoring Committee, with a slight amendment to its name (in future, the Committee will be known as the Fund Solvency and Assets and Liabilities Monitoring Committee) in order to address the perception of duplication of work of other committees of the Board.**

283. **The Board decided, with regard to the terms of reference of the officers of the Board, to:**

(a) **Update and codify the role and duties of the Chair of the Pension Board, the two Vice-Chairs and the Rapporteur in the rules of procedure of the Fund (see annex XII);**

(b) **Adopt a new appendix on the terms of reference for the Chair of the Pension Board (see annex XV).**

284. **With regard to the establishment of an ethics committee, the Board took the following actions:**

(a) **Underscoring the importance of ethical issues in building greater trust and confidence in the Board, the Board adopted a text entitled "Responsibilities of Members of the Board" (see annex XIV), which refers to the importance of observing the highest ethical standards and preventing the occurrence of any potential or actual conflict of interest;**

(b) **Decided to maintain close oversight of the issue and to consider an agenda item when needs arise;**

(c) **Decided to develop a code of conduct for Board Members, with the assistance of the secretariat of the Fund, drawing from the code of conduct of ICSC: the code is to be completed for the sixty-seventh session of the Pension Board in 2020;**

(d) **In the event that a question of conflict of interest is raised by a member of the Board, the matter shall be referred to the ethics community of the United Nations system for advice and recommendation: such a recommendation, if adopted by the Board, shall be binding on the affected party(ies);**

(e) **Decided that it shall, with the assistance of the secretariat of the Fund, develop rules of procedure to address questions of ethics.**

285. **With regard to the establishment of an independent election commission for the election of representatives of participants to staff pension committees, the Board considered all of the substantial legal, financial, logistical and conceptual issues involved in conducting common elections for all member organizations and recommended that current procedures for elections of representatives be continued.**

286. **Establishment of a mechanism for a staff representative body of the Pension Fund to present to the Pension Board:** the Governance Working Group, noting that opportunities are already available for staff of the Fund to present their views on human resources issues at the appropriate forums, did not recommend that such a mechanism be established. The Specialized Agencies Participants Group did not agree with this recommendation. **The Board decided not to establish such a mechanism.**

287. **With regard to the membership of the Governance Working Group, the Board decided to extend the mandate and membership of the Governance Working Group until its next session.**

288. **Comments provided by the Specialized Agencies Participants Group:** the Specialized Agencies Participants were in favour of option 2, whereby the total number of Board seats with voting rights would increase from 33 to 36, with the following modifications; IOM would receive two seats and the International Computing Centre one seat, with no reduction for ITU or UNIDO.

289. **Comments provided by the United Nations Executive Heads Group:** the members of the Executive Heads Group disagreed with the Board's recommendation for option 1, and expressed their strong preference for option 3, in line with the request of the General Assembly that the Board take into account the issues of participation, rotation and equitable representation, and also expressed their view that option 3 was best aligned with a more cost-effective and efficient Board.

290. The comments provided by the United Nations Participants Group (4 members, 1 alternate) are provided in annex XIX to the present report.

B. Appointment of the Chief Executive Officer/Pension Benefits Administrator

291. At its sixty-fifth session, the Pension Board decided to establish a Succession Planning Committee to assist the Board in selecting senior staff, in particular the Chief Executive Officer and the Deputy Chief Executive Officer for recommendation to the Secretary-General for appointment; to develop evaluation methodologies for both positions; and to take a long-term strategic approach to succession planning in the senior executive levels of the Fund.

292. The following members of the Committee were nominated by the respective constituent groups:

Tom Repasch (General Assembly)	Governing bodies
Azara Prempeh (IMO)	Governing bodies
Marta Helena Lopez (United Nations)	Executive heads
Nick Jeffreys (WHO)	Executive heads
Mary Abu Rakabeh (United Nations)	Participants
Marie-Anne Pegorier (ITU)	Participants
Warren Sach	FAFICS
Marco Breschi	FAFICS

293. Following the move of Nick Jeffreys from WHO to UNESCO, Therese Dayer (WIPO) was nominated as the new member of the Succession Planning Committee.

294. In a closed session, the Board opened the discussion of the selection of the next Chief Executive Officer/Pension Benefits Administrator of the Fund.

295. The Board, before proceeding with the discussion on the selection of the next Chief Executive Officer/Pension Benefits Administrator of the Fund, considered the issue of the presence of a staff member of the Fund secretariat who was also a representative of the United Nations Participants Group. The majority of the Board considered the presence of the staff member to constitute a perceived conflict of interest since the Board was considering the selection of the Chief Executive Officer/Pension Benefits Administrator, who would be her overall supervisor. The representative of the United Nations Participants Group refused to recuse herself and contended that the judgment of the United Nations Appeals Tribunal (judgment No. 2017-UNAT-807, *Rockcliffe v. UNJSPB*), confirmed that she was entitled to be allowed to participate in the Board session as an elected member to the United Nations Staff Pension Committee. The representative indicated that, in her view, there was no conflict of interest in her participation in the selection of the Chief Executive Officer/Pension Benefits Administrator, and also referred to the Appeals Tribunal judgement No. 2019-UNAT-908 *Rockcliffe v. UNJSPB* in relation to her participation in the Budget Working Group.

296. Another representative of the United Nations Participants Group stated that while the Board could take decisions and develop its own rules of procedure, they must be in line with the regulations of the Fund. He was unaware of any regulation in this respect. Furthermore, the regulations also specify that there should be four members and two alternates for the representatives of the United Nations Participants Group.

297. The Board requested the Legal Office of the Fund to explain the judgment(s) and confirm the statement regarding the charge of a conflict of interest made by the representative of the United Nations Participants Group. The Legal Office noted the opinion of the Ethics Office issued at the request of the Board at its sixty-fifth session regarding the participation of the staff member/representative of the United Nations Participants Group in the Budget Working Group established by the Board to review the 2020 budget of the Fund, which stated the following provisions of the Staff Regulations and Rules of the United Nations:

(a) Staff regulation 1.2 (m): "A conflict of interest occurs when, by act or omission, a staff member's personal interests interfere with the performance of his or her official duties and responsibilities or with the integrity, independence and impartiality required by the staff member's status as an international civil servant. When an actual or possible conflict of interest does arise, the conflict shall be disclosed by staff members to their head of office, mitigated by the Organization and resolved in favour of the interests of the Organization";

(b) The commentary to Staff Regulation 1.2(m) clarifies that actual as well as potential conflicts of interest must he avoided, disclosed and resolved in the interest of the Organization: staff are obliged to disclose even possible conflicts of interest and to follow instructions on how to resolve the situation, including to avoid and remove the conflict or the circumstances that make it a possible conflict;

(c) Staff rule 1.2 (q): "A staff member whose personal interests interfere with the performance of his other official duties and responsibilities or with the integrity, independence and impartiality required by the staff member's status as an international civil servant shall disclose any such actual or possible interest to the head of office and, except as otherwise authorized by the Secretary-General, formally excuse himself or herself from participating with regard to any involvement in that matter which might give rise to a conflict of interest situation".

298. With respect to the judgment of the United Nations Appeals Tribunal, the Legal Office noted the following conclusions (in judgment 2019-UNAT-908, paras. 30–31): (a) if any specific circumstance brings about an actual conflict of interest, the issue should be dealt with as it arises; (b) if there is indeed a conflict, the representative of United Nations participants can appropriately recuse herself from that decision-making process; and (c) the representative of the United Nations participants could participate as an appointed member of the Budget Working Group, without prejudice to her recusing herself, if and when an actual conflict of interest emerged.

299. After the representative of the United Nations Participants Group refused to recuse herself from the proceedings, the Board voted on the following two matters:

(a) A motion that there was a perceived conflict of interest in the participation of the representative of the United Nations Participants Group in the selection of the Chief Executive Officer/Pension Benefits Administrator of the Fund;

if the majority voted in the affirmative:

(b) A motion that the representative of the United Nations Participants Group leave the room for the discussion of the agenda item.

300. A majority of the Board voted in the affirmative on motion (a). Afterwards, a majority of the Board voted in the affirmative on motion (b), except for the representatives of the United Nations Executive Heads, who voted against it, and the representatives of the United Nations Participants, who abstained. As the concerned representative of the United Nations Participants Group did not respond to the request by the Chair of the Board to leave the room for the discussion of the agenda item, the Board continued its deliberations and decided that she could not participate in the

discussion of the candidates nor vote to select the individual to be recommended for appointment. The representative declined to recuse herself after the majority of the Board voted that there was a perception of conflict of interest and stated to the plenary that, in her view, it was unlawful to vote to break the regulations insofar as the Board's request for her to recuse herself from this agenda item.

301. The Succession Planning Committee presented two candidates for further consideration by the Board. The two candidates made a short presentation and responded to questions from the Board.

302. After the presentations made by the recommended candidates and thorough discussions within the Groups, **the Board decided, by consensus, to recommend to the Secretary-General, in accordance with article 7 (a) of the Regulations of the Fund, that Rosemarie McClean be appointed as Chief Executive Officer/Pension Benefits Administrator of the Fund for a term of five years. The Board thanked the members of the Succession Planning Committee for their work.**

C. Results of the fifth self-evaluation survey by the Board

303. The Board was presented with a note on the results of the fifth self-evaluation survey conducted in 2018.

304. **The Board noted that this topic was under discussion by the Governance Working Group and also noted the need to improve the survey questionnaire and response rate.**

IX. Audit

A. Report of the Audit Committee

305. The Chair of the Audit Committee introduced the thirteenth report of the Committee. The current membership of the Audit Committee is set out in annex IV. The Chair informed the Pension Board that, during its meetings, the Committee had held comprehensive and candid discussions with the Fund's internal auditors (OIOS), the Acting Chief Executive Officer of the Fund, the Representative of the Secretary-General for the investment of the assets of the Fund, the Chief Financial Officer and other management representatives and the external auditors (Board of Auditors). On behalf of the Committee, the Chair thanked both the internal and the external auditors as well as the Representative of the Secretary-General and the Acting Chief Executive Officer and their respective teams for their excellent support and cooperation.

306. The Chair noted that the Committee saw the Pension Fund as being at a turning point, presenting both risks and opportunities. The Board was expected to nominate a new Chief Executive Officer; a new position of Secretary of the Board was to be created; and a Deputy Chief Executive Officer had not been in place for some time, at a time when changes were being made to the Fund's governance. The Chair highlighted that the Fund was well funded and in a stable financial and operational position. Progress had been made in decreasing processing times, with over 75 per cent of initial separations now being processed within 15 business days. The Chair noted that, while most of the Committee's recommendations from last year had been implemented or worked on, some areas required continued attention.

307. With respect to internal audit, the Chair reported that the Committee endorsed the OIOS risk-based annual workplan for 2019, as required under its terms of reference. The Chair highlighted the good working relationship between OIOS and management and noted that OIOS and management had agreed on the terms of

reference for the provision of internal audit services. Subsequently, the Committee would review the Fund's internal audit charter.

308. As at 30 June 2019, 54 OIOS recommendations were open, 12 of which were addressed to the Board. OIOS has closed the critical recommendation related to benefit processing.

309. With respect to external audit, once again at the time of its June 2019 meeting, the Committee had not seen the preliminary findings of the external audit of the 2018 financial statements, but it was pleased to learn that the Board of Auditors would issue an unqualified audit opinion. On the Board's recommendations, the Committee was informed that 12 of the 38 audit recommendations for earlier periods had been implemented, 22 were under implementation and 4 were considered to have been overtaken by events.

310. The Committee recommended that management work with the Board of Auditors to resolve the question of what were the most appropriate accounting standards for the Fund. The Committee also recommended that the Pension Board encourage the Board of Auditors to continue discussions on the modalities that would allow the Pension Board and its Committee to fully consider the final audit report in a timely manner.

311. The Committee reviewed the Fund's unaudited financial statements for 2018 and commended the secretariat and the Office of Investment Management for their commitment to working together, producing once again financial statements with an unqualified audit opinion. The Committee encourages management to expand context and analysis in order to enhance stakeholder understanding.

312. The Committee supported a change to financial rule H.1, proposed by OIOS in response to General Assembly resolutions, including resolution 73/274.

313. With respect to risk management, the Committee considered change management to be a key risk that would affect all parts of the Fund and recommended that management develop and implement a change management strategy for all ongoing and planned change initiatives, supported by appropriate implementation plans and key performance indicators.

314. The Committee received regular updates on the status of benefit processing and noted that the Fund has been meeting the benchmark of 75 per cent of initial benefits processed within 15 business days. The Committee was informed that the Fund was working with member organizations to obtain the missing documents. The Committee emphasized the need for consistent messaging from the Fund on the status of benefit processing and the non-processable workflows.

315. The Chair also informed the Board that, in response to an OIOS recommendation, the Committee had prepared an updated process and criteria for the selection of members of the Committee.

Discussion in the Board

316. The Board expressed its appreciation for the work of the Committee and its report.

317. The representatives of the United Nations participants recalled that, last year, they had asked for the minutes of the Committee to be distributed to Board members in a timely manner. They suggested that the Board endorse that request. That was supported by the governing bodies. On the issue of minutes, an member of the Committee representing the executive heads group commented that it was not a best practice to share the minutes, as it could discourage candid discussions. The general practice was to provide reports, not minutes, to governing bodies. The Committee

decided internally to attach its meeting agendas to its report, to show what had been discussed at each meeting. The member of the executive heads also noted that the Independent Audit Advisory Committee met four times a year and submitted one report to the General Assembly. The Chair noted that the Committee took the request seriously and had discussed the topic at length at its March and June meetings. The Committee wanted to maintain the balance between transparency and the opportunity to discuss sensitive issues freely. The governing bodies noted that minutes could be redacted if necessary. The same should apply to ALM Committee minutes. The Committees of the Board needed to find a way to engage better with Board members throughout the year. The representatives of the United Nations participants also suggested that Board members be informed of the dates of upcoming Committee meetings so that they could bring their concerns to Committee members in advance.

318. The representatives of the United Nations Participants asked for clarification on the downgrading and closing of the audit recommendation on dealing with the backlog, in the light of the questions raised regarding the calculation and classification of processed cases and of what was defined as “non-actionable” cases. They also questioned whether the Fund had indeed met the benchmark. The Chair clarified that OIOS had indeed closed the recommendation, which meant that the Fund’s management had provided sufficient evidence to OIOS.

319. A member of the governing bodies noted his disappointment that the issue relating to the timing of the final report of the Board of Auditors had not been resolved. He also asked whether the Committee had approved the OIOS terms of reference for the provision of internal audit services. The Chair explained that the terms of reference, which had not been submitted to the Committee for its approval, had been agreed by OIOS and management. He further reported that the Committee intended to look at the Fund’s internal audit charter to see if any changes were required.

320. In response to another question, the Chair of the Committee confirmed that the Committee had discussed the OIOS budget proposal at its March meeting and had no concerns.

321. The member of the governing bodies noted that OIOS provided consultancy services to the Office of Investment Management and asked whether that affected the workplan. The Committee Chair confirmed that OIOS had postponed some audits because of the governance audit undertaken last year. In November 2018, OIOS presented a clear plan for 2019 and was proceeding in a timely manner to date.

322. The member of the governing bodies also recalled that the Board had sent a statement to the Independent Audit Advisory Committee last year and asked whether there had been any follow-up. The Chair said that he would contact the secretariat of that Committee to ask about the status of the report.

323. **The Board expressed its appreciation for the Committee’s work and its report. The Board endorsed the Audit Committee’s recommendations that:**

1) **Management develop and implement a change management strategy for all ongoing and planned change initiatives supported by appropriate implementation plans and key performance indicators;**

2) **The Pension Board take all necessary steps to fill the current leadership void and ensure that more effective succession planning is undertaken in the future;**

3) **The Committee work with the Board of Auditors on resolving the timing of draft reports, and that the Pension Board encourage the Board of**

Auditors to continue discussions on modalities that would allow the Pension Board and its Committee to fully consider the final audit report;

4) **Management and the Board of Auditors resolve the issue of appropriate accounting standards for the Fund.**

324. **The Board approved:**

(a) **The suggested amendment to financial rule H.1 of the Fund;**

(b) **The updated process and criteria for the selection of Audit Committee members.**

325. **The Board reiterated its request that the minutes of Committee meetings be provided to Board members. The Board thanked the members of the Audit Committee for their professional service and dedication.**

B. Membership of the Audit Committee

326. The members of the Audit Committee are appointed by the Pension Board. They serve for one non-renewable term of four years. All members of the Committee must 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.

327. The Board was informed that the terms of three of the Committee's members appointed by the Board in 2015 were expiring on 31 December 2019. The Board was therefore requested to appoint three new members for the period January 2020–December 2023 from among Staff Pension Committee members on the basis of recommendations made by each constituent group, keeping in mind the qualifications required under the Committee's terms of reference.

328. **The Board endorsed the nominations of Vladimir Yossifov (representing the governing bodies), Arnab Roy (representing the executive heads) and John Levins (representing the participants group) as new members of the Committee, to serve from January 2020 to December 2023. A curriculum vitae for each new member was circulated to the members of the Board.**

329. **The Board expressed its appreciation to the Chair and the outgoing members (Dennis Thatchaichawalit, Alejandro Henning and Eric Voli Bi) for their service and their commitment and contribution to the work of the Committee.**

C. Report of the Board of Auditors

330. The Director of External Audit, Chile, introduced the report of the Board of Auditors on the audit of the financial statements of the Fund for the year ended 31 December 2018, approved by the Board of Auditors at its annual session in 2019.

331. The Pension Board was informed that the Board of Auditors had issued an unqualified audit opinion on the financial statements of the Fund for the year ended 31 December 2018, which had been prepared in accordance with IAS 26 and IPSAS.

332. The Board of Auditors informed the Pension Board that the audit team had dedicated a significant amount of time in the first year to understanding the Fund's processes and financial statements.

333. The Director introduced the long form-report of the Board of Auditors and reported that, while there were no material deficiencies in the financial statements,

improvement opportunities had been identified in the disclosures in the financial statements.

334. With regard to the key findings, the Board of Auditors noted a continued trend of improvement in benefit processing, specifically with regard to the closing of open entitlement workflows, as well as the implementation of a client grievance redressal mechanism through the iNeed system.

335. The Board of Auditors identified opportunities to improve investment management. It noted that the Office of Investment Management could enhance the analysis, evaluation and integration of the environmental, social and governance concerns into investment decision-making and improve the automation of the alternative investment process.

336. The Board was then informed that the Board of Auditors had monitored the status of implementation of 38 outstanding audit recommendations and concluded that 12 (32 per cent) recommendations had been fully implemented, 22 (58 per cent) were under implementation and 4 (10 per cent) were deemed to have been overtaken by events.

337. The Board of Auditors further reported that it was recommending that the Fund perform the reconciliation of contributions more than once a year, in order to allow participants to have access to up-to-date information on their contributions. The Board of Auditors indicated that it had not recommended a specific reconciliation frequency since the implementation of such a recommendation could require the commitment of member organizations to a more frequent reconciliation process.

338. In relation to the management of benefit payments, the Board of Auditors noted that, each time the Fund receives one of the three core separation documents, a workflow was opened in the Fund's Integrated Pension Administration System (IPAS), regardless of whether the action was a benefit request or not. The Board of Auditors reported a notable decrease (74 per cent) in terms of the number of open workflows due to non-receipt of core separation documents and made recommendations to reduce the number of open workflows and monitor the progress achieved.

339. The Director added that, while he was attending the meetings of the Advisory Committee on Administrative and Budgetary Questions last year, it was evident that its members had assumed that 16,000 workflows with missing documents represented people waiting for a benefit payment. He clarified that a workflow did not represent a case of an individual waiting to receive a payment, noting that the Board of Auditors aimed to clarify that information in its audit report.

340. Regarding sustainable investments, the Board of Auditors reported that the Office of Investment Management was committed to social progress by being a signatory to the Principles for Responsible Investment. The Board of Auditors further noted that the Office did not have adequate information and evidence to confirm whether its investment assets fulfilled the sustainable investment criteria and that environmental, social and governance concerns were incorporated in its investment decision-making process. The Board of Auditors noted that it had issued three new audit recommendations in this regard.

Discussion in the Board

341. Representatives of the governing bodies and the United Nations participants welcomed the Chilean audit team as the new external auditors of the Fund and requested them to provide their report in a more timely manner next year, to allow enough time for the Board to review the document and make substantive comments.

The Board of Auditors indicated that it would consider the request to submit its report earlier in future years.

342. A FAFICS representative appreciated that the Board of Auditors had recommended more frequent reconciliation of contributions and enquired whether management had a plan to implement a monthly reconciliation process. The Board explained that it had recommended that the reconciliation of contributions be performed more frequently than once a year and clarified that the Fund had to determine the appropriate frequency in consultation with committed member organizations. The Board appreciated that the Fund was implementing a pilot exercise.

343. A representative of the executive heads welcomed the report of the Board of Auditors and noted that it reflected the Fund's concerns and that its review was focused on the areas discussed by the Board. The executive heads further commended the Chief Executive Officer, the Representative of the Secretary-General and their teams for a good audit report and positive responses to audit findings. The group thanked the auditors for taking the time to provide clarifications regarding open workflows and noted the need for a monthly reconciliation of contributions.

344. A representative of the United Nations participants thanked the Director of the Board of Auditors for reviewing and presenting their observations on the open workflows. He enquired about the benefit processing backlog and cases with missing documents. The representative noted the recommendations regarding the sustainable investment strategy and asked how these would be implemented by the Office of Investment Management.

345. A governing bodies representative noted that the Board of Auditors acknowledged improvements in benefit processing, which had been an issue of concern for the Pension Board. The representative asked for clarification on the audit recommendation regarding the certification of the financial statements, which was not accepted by the Fund's management. The Board of Auditors noted that the question of the appropriate accounting standards used for the certification of the Fund's financial statements had been discussed with the Board of Auditors and its Audit Operations Committee, and that these discussions would continue in the future with a view to achieving a better technical understanding.

346. The Fund's Chief Financial Officer explained that, when the Fund decided to adopt IPSAS, it became obvious that IPSAS did not provide specific guidance for the financial reporting of pension funds. As IPSAS was silent on the financial reporting of retirement benefit plans, the Board had decided to adopt a hybrid framework of IAS 26 and IPSAS, appreciating the acknowledgment of the Board of Auditors, Chile, that it was unusual for a pension fund to present its financial statements under IPSAS. The Chief Financial Officer further explained that the Fund's management could not accept the recommendation, as the Fund would be able to change its financial reporting framework only through a change of its financial rules, which would need to be approved by the Board and the General Assembly. He added that the Fund would continue to discuss the matter with the Board of Auditors and its Audit Operations Committee, to present a proposal to the Pension Board regarding the appropriate accounting standards for the Fund.

347. A member of the Audit Committee indicated that compliance with IPSAS required application of all IPSAS. He emphasized the need to analyse the matter, to avoid the need for the Fund to restate financial statements. The Controller, Assistant Secretary-General for Programme Planning, Finance and Budget, commented that, as Chair of the United Nations Task Force on Accounting Standards, he had identified difficulties in complying with IPSAS, because the standards did not adequately recognize the nature of an international organization. He further noted that IPSAS

was less relevant to a Pension Fund. A member of the governing bodies recalled that, to some extent, the Audit Committee had recommended that the Fund adopt IPSAS because the United Nations had adopted IPSAS, and it was now apparent that the standards created challenges for the United Nations and the Fund.

348. A member of the governing bodies requested the Board of Auditors to expand the scope of its future audits and include a review of the internal audit function. The Board of Auditors noted the request to include the internal audit function in the scope of its future audit.

349. **The Board took note of the report of the Board of Auditors. The Board thanked the Board of Auditors for its excellent report and requested that the audit report for the year 2019 be submitted as soon as possible in advance of the Pension Board session for consideration of the Board.**

D. Report of the Office of Internal Oversight Services

350. The Director of the Internal Audit Division presented the report on the activities of OIOS for the year ended 30 June 2019.

351. OIOS reported that, during the year, it had issued four audit reports to the Fund's management: audit of data interfaces and monthly contributions; audit of certificate of entitlements in the secretariat of the Fund; and audit of information and communications technology services provided by a United Nations agency; and, in addition, the office had concluded advisory engagement on the fraud risk assessment in the Office of Investment Management. The Board noted that the audit reports included 18 important audit recommendations and 1 critical recommendation accepted by the Fund's management.

352. OIOS added that, during the year, it had finalized, as mandated by the General Assembly, its comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board (A/73/341). It reported that, as at 30 June 2019, 12 recommendations remained open, including 5 critical recommendations, and that one recommendation had been closed as it was deemed to have been overtaken by events.

353. The Board was informed that three audits were ongoing as at 30 June 2019, including the audit of ICT services provided by a United Nations agency to the secretariat of the Fund; the audit of the financial reporting process and related systems; and the audit of travel management in the Fund.

354. Regarding the implementation of audit recommendations, OIOS noted positive interaction with the secretariat of the Fund and the Office of Investment Management. The Office informed the Board that several audit recommendations had been closed during the year. OIOS added that it continued to have regular discussions with the Fund's management to review outstanding recommendations.

355. The Board was informed that, following discussions with the Fund's management and the Audit Committee, OIOS had finalized the terms of reference for the provision of internal audit services to the Fund, which were intended to supplement General Assembly resolutions on the mandate and authority of OIOS and explain the responsibilities regarding the provision of internal audit services. It was reported that, in line with General Assembly resolution 73/274, OIOS had provided the secretariat of the Fund with proposed language to update financial rule H.1 in accordance with the mandate of OIOS.

356. OIOS reported that it had worked closely with the Board of Auditors and the Audit Committee to ensure that internal audit services remained relevant to the Fund's operations and minimized overlap in oversight activities.

357. OIOS concluded the presentation by assuring its commitment to working together with the Fund's management to provide timely, effective and independent internal oversight services.

Discussion in the Board

358. A member of the governing bodies noted that the OIOS report did not provide information on the actions taken and responses provided by the Pension Board in relation to recommendations in the governance audit which had not been accepted. OIOS explained that the audit report submitted to the General Assembly contained the full response from the Pension Board. OIOS indicated that there had not been a previous audit report issued to the General Assembly, and therefore OIOS did not have a policy for reporting on audit recommendations not accepted by the Pension Board.

359. The governing bodies emphasized that, since the General Assembly had already considered the report of the governance audit and addressed the recommendations in its resolution 73/274, the ownership and subsequent follow-up of the implementation of the audit recommendations rested with the Pension Board. The General Assembly, in that resolution, had requested the Fund and the Board to take several actions, and report thereon in the context of the Board's report to the General Assembly.

360. The governing bodies noted that the Board was composed of 24 organizations and that the audit report had to be distributed to all member organizations. It was noted that it would have been more appropriate to recommend the separation of the role of Secretary of the United Nations Staff Pension Committee from that of the secretariat of the Fund, rather than separating the role of the Chief Executive Officer as Secretary of the Board. OIOS recalled that it had previously conducted an audit on governance and that the comments of each member organization were reflected in the Pension Board's response to the audit report.

361. Representatives of the United Nations participants requested OIOS to provide additional information about the status of audit recommendations which had remained open for more than a year and, in particular, recommendation 11, listed in the annex to the OIOS report. The representatives suggested that, since there appeared to be various interpretations, OIOS could audit the calculation of the performance indicator for benefit processing. OIOS acknowledged that evidence had been submitted by the Fund on the measures taken to handle outstanding cases but noted that additional action was needed in respect of certain types of cases. OIOS indicated that it would consider a suggestion to audit the performance indicator for the Fund's benefit processing when preparing future audit plans.

362. The participants group requested OIOS to include in future reports to the Board information on audit activities for the next year and enquired about the process followed for selecting audit topics. The Board was informed that OIOS formulated risk-based audit plans, which considered the risks identified by the Fund's well-established enterprise-wide risk management process.

363. A member of the executive heads asked whether OIOS assessed the adequacy of internal controls. OIOS explained that, at the audit planning stage, it obtained a broad understanding on the adequacy of controls, and that internal controls could be assessed only when conducting audit assignments.

364. In response to a question from a member of the governing bodies, OIOS noted that its mandate was defined in General Assembly resolutions (notably resolution

48/218 B) and a previous review conducted by the Independent Audit Advisory Committee (A/64/288). OIOS explained that, in its report, the Committee had concluded that OIOS was a hybrid entity because its mandate included elements of both internal and external audit functions, including the direct reporting line to the General Assembly.

365. FAFICS requested clarification about changes in the status of the OIOS audit recommendation related to possible conflicts of interest between the Fund's management and the three constituent groups of the Board. OIOS confirmed that the General Assembly had expanded the scope of OIOS recommendation to cover all conflicts of interest.

366. The Chair of the Board thanked OIOS for its report and noted that, while OIOS had a hybrid structure, it should adopt more constructive engagement with its clients.

367. **The Pension Board took note of the report of OIOS for the year ended 30 June 2019.**

X. Benefit provisions of the Fund

A. Restoration of deferred retirement benefits

368. In 2015, in the context of an appeal, the Staff Pension Committee of the World Health Organization (WHO) considered certain provisions of the Regulations of the Fund regarding the restoration of prior contributory service for participants who re-enter the Fund after electing a deferred retirement benefit.

369. The Staff Pension Committee initially raised the issue at the Board's sixty-third session in 2016, but its note was withdrawn for further discussion. In July 2016, the United Nations Appeals Tribunal considered a case that gave rise to the issue that was mentioned by the Staff Pension Committee (judgment No. 2016-UNAT-656), and the Tribunal stated that the Fund might wish to reconsider whether the revised article 24 (a) was in fact achieving what it was intended to achieve, namely, the enhancement of the mobility of staff and the portability of pensions (para. 27).

370. At the sixty-fourth session of the Board in 2017, the Secretary/Chief Executive Officer submitted a note providing a brief summary of the issue, as well as a suggestion regarding the analysis that would be necessary in order to provide the Board with sufficient information to consider the concern raised by the WHO Staff Pension Committee. After discussion, the Board requested that the Secretary/Chief Executive Officer continue to research the legislative history of the restoration provisions of the Fund, and prepare a document to inform a discussion at the sixty-fifth session on whether it would be appropriate to request a comprehensive study of the issue.

371. At its sixty-fifth session, the Board considered the legislative history of the restoration provisions, building on the content that it had considered at its fifty-fifth session, in 2008, in the context of the last changes made to article 24 of the Regulations in 2007 and 2008. There was also a paper by the consulting actuary that provided an estimate of the cost of restoring deferred retirement benefits, if an amendment to article 24 of the Regulations were approved by the Board.

372. Following the discussion by the Board and taking into account the decision by the General Assembly in its resolution 59/269 that it would not consider any further proposals to enhance or improve pension benefits until action was taken on the issues contained in its resolution 57/286 to reverse certain benefit changes which had been made as cost saving measures, the Board decided that the Secretary/Chief Executive

Officer should undertake a study of possible cost-neutral options for allowing restoration of deferred retirement benefits.

373. The secretariat of the Fund considered the matter with the Committee of Actuaries and addressed that discussion in its report. The Committee concluded that there were limited cost-neutral alternatives and noted that the Fund did not provide for the purchase of additional service under any circumstances. The Committee suggested that the value of the deferred retirement benefit be converted on an actuarial basis to the number of years of service that could be "purchased" on a future service basis. It was noted that the same procedures could be followed as those used for conversion of provident fund accounts in the case of transfers into the Fund. However, the actuaries cautioned that such an approach could be problematic, as the number of years of service arising from restoration of deferred retirement benefits would most likely not be equivalent to the actual prior years of service earned. In addition, the prior accrued benefit plus the future service benefit could be greater than that generated using total service (i.e., past plus future service), owing to changes in pensionable remuneration. A further concern was also expressed that that would significantly increase and complicate the level of administration needed to process the benefits.

374. The consulting actuary noted that, without appropriate experiential data, it was impossible to estimate with any precision the cost of the proposed change to regulation 24.

375. A representative of the United Nations participants noted that she would be able to develop the data needed from the IPAS database, working with the Risk Management and Technical Analysis Unit of the Fund.

376. With that in mind, a representative of the specialized agencies participants requested that the secretariat of the Fund and the consulting actuary provide options that would allow a former participant to restore past service in the case of a deferred retirement benefit, even where that would be only a portion. Such an option would be based upon a general formula developed by the consulting actuary that would be determined on what was expected to be a cost-neutral basis.

377. **The Board requested that the secretariat of the Fund submit to the Board, in 2020, a proposal, based upon a general formula developed by the consulting actuary, that would offset the past service to be "purchased" in order to ensure that the alternative remains cost neutral.**

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

378. The Pension Board considered several amendments to the Regulations and Rules of the Fund, arising from recommendations by the governance working group, as included in its report. Proposed changes to the financial rules were included in the report of the Audit Committee.

379. The Board also considered a document which addressed the request by the General Assembly in paragraph 20 of its resolution 73/274 for the Board to provide further analysis on the impact of the proposed amendments to articles 6 and 48 and to report thereon in the context of the Board's report on its sixty-sixth session. The Board had already approved the amendments to those articles at its sixty-fifth session, as reported to the General Assembly (see A/73/9).

380. The secretariat of the Fund confirmed that the Pension Board was a subsidiary organ of the General Assembly, and the Standing Committee acted on behalf of the Board when it was not in session. However, when the Standing Committee acted as a governing body, its decisions could not be appealed to the United Nations Appeals

Tribunal. That ensured that the Board and the General Assembly remained in charge of the administration of the Fund, as provided for in the Regulations of the Fund. Further, in paragraph 5 of its resolution 73/274, the General Assembly emphasized the existing prerogative of the General Assembly on matters pertaining to the Fund. The objective of the amendment to article 48 was to make clear the situations where the Tribunal has jurisdiction over the decisions of the Standing Committee with regard to appeals that are considered by the Standing Committee over decisions of the Staff Pension Committees and of the Secretary/Chief Executive Officer. The intention of the clarification of article 48 was therefore to ensure that only the administrative decisions, challenging the pension rights of staff members/participants under the Regulations by virtue of participation in the Fund, were appealable.

381. It was further noted that a similar amendment to that to article 48 of the Regulations had been submitted by the Secretary-General to the General Assembly for article 2.9. of the Statute of the Tribunal. The Sixth Committee of the General Assembly, in a letter to the Fifth Committee (A/C.5/73/11), recommended the approval of the amendment to the Statute, pending the amendment to article 48 by the Fifth Committee. That was in line with amendments approved by the Board and reported to the General Assembly, with regard to the jurisdiction of the United Nations Appeals Tribunal, after the reform of the United Nations Administration of Justice system. The proposed amendment to article 48 did not have any negative impact on the rights of Fund participants or any other person who had succeeded to such rights after the participant’s death. The judicial review of the adherence to the Regulations therefore remained intact.

382. The amendment to article 6 of the Regulations concerned the conflict of interest situation arising from staff members of the secretariat of the Fund, the Office of Investment Management and staff pension committees being elected to the staff pension committees of member organizations of the Fund, and consequently to the Pension Board, and is meant to reflect at the highest level the provision in rule C.1 of the Fund’s rules of procedure.

383. The representatives of the United Nations participants proposed amendments to articles 6 and 48. They recommended that the Board “correct” rule C.1 of the rules of procedure to make it consistent with article 6 of the Regulations, which provides for members of staff pension committees of member organizations to be elected by participants in service without exclusion. The proposal was to allow staff members of the secretariat of the Fund, the Office of Investment Management and staff pension committees to be elected to staff pension committees and consequently to serve on the Pension Board. The representatives of the United Nations participants argued against the amendment to article 48 of the Regulations on the basis that the amendment restricted oversight of the operations of the Fund, and that article 48 covered non-observance of all regulations, rules and the pension adjustment system. The recommendation was therefore for the Board to withdraw the proposal to what was perceived as reducing the jurisdiction of the United Nations Appeals Tribunal.

384. Governing Body representatives recalled that the amendments to articles 6 and 48 had already been approved by the Pension Board and noted that, since the additional information was satisfactory, they continued to support the Board’s previous approval of the amendments and noted that it was important to stand by the decision made by the Board at its sixty-fifth session. A member of the governing bodies noted that the idea of modifying the existing accountability framework of the Fund was dangerous and that it was important to safeguard the existing framework vis-à-vis the Board, the General Assembly and the United Nations Appeals Tribunal. The participants group, with the exception of the United Nations participants, fully supported the previously approved amendments. The executive heads noted that,

since the General Assembly had requested further information on the approved amendments, that information responded to the request.

385. **The Board determined that it would maintain its recommendations for the amendment of articles 6 and 48 and that the matter be referred back to the General Assembly with the explanations provided by the secretariat of the Fund. The Board did not accept the proposals for the amendment of articles 6 and 48 made by the representatives of the United Nations participants.**

C. Application of paragraph 26 of the pension adjustment system – suspension and reinstatements

386. The Board recalled that the pension adjustment system of the Fund was intended to ensure that the periodic benefit payable to retirees and beneficiaries never fell below the "real" value of the United States dollar amount and to preserve the purchasing power of the monthly pension benefit as initially established in the currency of the recipient's country of residence.

387. Paragraph 26 of the pension adjustment system was included in anticipation that there would be a need to have some administrative flexibility to protect the Fund and retirees for the situations where the economic environment relative to the United States dollar was not always stable. Paragraph 26 provides for measures that may be exercised by the Chief Executive Officer when extreme economic situations develop within a country, when local currency track benefits cannot be calculated owing to missing consumer price index data or there is a change in the valuation of a currency. The measures include the suspension of existing local currency track benefits, as well as the suspension of the option of the local currency track for new retirees. Paragraph 26 (a) stipulates that the Chief Executive Officer must inform the Board as soon as feasible of any suspension of local currency track benefits.

388. The Board was thus informed that the local currency track benefits for both existing and future retirees in Togo and Equatorial Guinea were being suspended, effective 1 October 2019 and 1 July 2019, respectively, owing to the absence of reliable consumer price index data for an extended period of time. The local retiree association and retirees had been notified accordingly.

389. In addition, the Board was also informed of the suspension of 27 other countries (see annex XVIII) for which reliable consumer price index data had not been available for an extended period of time. However, those countries had no retirees who had opted for the two-track feature or no retirees at all. Hence, the suspensions only affected potential future retirees.

390. **The Board took note of the suspension of the local currency track in those 29 countries.**

D. Ceiling under article 28 of the Regulations of the Fund on the pensions payable to officials at the level of Under-Secretary-General and Assistant Secretary-General

391. The Board considered a proposal by a member of the governing bodies group that the ceiling on the benefits payable to participants in the Fund at the level of Under-Secretary-General and Assistant-Secretary-General under article 28 (d) of the Regulations should be removed or that the same ceiling should be applied in calculating the contributions of other participants in the Fund.

392. The secretariat of the Fund provided the background to the amendment to article 28 adopted by the General Assembly by its resolution 40/245 of 18 December 1985, whereby a new subparagraph (d) was added, with effect from 1 April 1986, imposing a ceiling on the level of pensions payable to officials at the level of Under-Secretary-General, Assistant-Secretary-General, or their equivalent level, who separated from service on or after 1 April 1986.

393. Article 28 (d) was further amended by the General Assembly in 1992 in its resolution 47/203. In that resolution, the Assembly adopted the Pension Board's recommendation in its report (A/47/9), and approved, with effect from 1 April 1993, the addition to article 28 (d) of a provision that extended the ceiling on pensions payable to ungraded officials, as well as to other participants who were not covered by the former article 28 (d), but whose pensionable remuneration was greater than that at the D-2 level, top step, in the scale of pensionable remuneration appended to article 54 of the Regulations then in force.

394. In 1996, article 28 (d) (i) (B) was further amended, with retroactive effect as from 1 July 1996, by the General Assembly in its resolution 51/217, following the Pension Board's recommendation (see A/51/9), and as a consequence of the increase in the maximum number of years of creditable contributory service that had been adopted by the Assembly in resolution 49/224 and had entered into effect on 1 July 1995.

395. The member of the governing bodies group noted that the ceiling was still in effect and represented different treatment of non-career high-level officials and also entailed payment by higher-level officials of contributions to the Fund that were inconsistent with their future benefits. He therefore proposed that the Board consider an amendment to article 28 (d) either to remove the ceiling or to reflect the same ceiling in calculating the contributions of other participants in the Fund.

396. The United Nations executive heads group stated that, in the interest of equity, the level of pension contributions for participants should be consistent with the level of pensions payable. The United Nations participants group noted the incongruity between pensionable remuneration contributed and pensionable remuneration as a basis for the awarded benefit and said that it would welcome a study on the matter. They noted that some social security systems put a ceiling on contributions above a certain income threshold.

397. **The Board discussed the proposal and requested that the secretariat of the Fund study the issue for the Board to review in 2020.**

E. Limitation of liability for disability benefits

398. The representatives of the United Nations participants submitted a proposal for a limitation of liability in the case of disability benefits payable to higher level officials on non-renewable appointments who, during the term of their appointment, become eligible for a disability benefit under article 33 of the Regulations of the Fund. The representatives of the United Nations participants noted that disability benefits were based on contributory service projected to the participant's normal retirement age and that the benefits derived in those cases was inconsistent with the temporary nature of the appointment and that that could result in undue enrichment. The view of the representatives of the United Nations participants was that the disability benefit for high-level officials, once awarded, should be calculated so that it would not exceed the benefit that would have been payable had the officials completed their non-renewable terms.

399. The Board considered the proposal, including the example provided of the difference in the disability benefit if calculated in accordance with the proposal. A member of the governing bodies group noted that, while benefits should be determined by the Fund in a cost-effective manner, the Fund provided coverage for all participants. The cases under consideration concerned disability and it was unlikely that the individuals would be able to work after separation from United Nations service: the proposal would therefore appear to be punitive. A representative of the participants supported that view. Members of the executive heads group noted that there were participants on short-term contracts who could also become eligible for disability benefits and subject to a similar proposal; however, a representative of the United Nations participants noted that the proposal was not intended to cover participants on short-term contracts.

400. **After due consideration, the Board did not accept the proposal to limit the disability benefits payable in the case of higher-level officials on non-renewable contracts.**

Partial payments to former participants waiting for payment over three months

401. The representatives of the United Nations participants submitted a document requesting the Board to reconsider and approve a previous proposal which the group had submitted to the Board at its sixty-fifth session in 2018, allowing partial payments to former participants who had been waiting for payment for more than three months, owing to non-receipt of the necessary separation notification. That proposal had been rejected by the Board in 2018. The 2019 proposal was identical, to all intents and purposes, with the exception of the addition of a new introductory summary page to the resubmission.

402. The representative of the United Nations participants introduced a proposal requesting the Board for an amendment to the provision approved by the Board in 2016 (see A/71/9, para. 316) by changing the requirements, to enable an interim advance payment as long as payment instructions had been received. The aim was to alleviate the financial hardship that some retirees faced when the payment of their benefits was delayed for more than three months after separation. The approved 2016 paper required that all documents be in place before payment could be made, which rendered the facility ineffective, since once all documents were received full payment was due.

403. The representative of the United Nations participants stated that, according to their information, 1,000 cases were actionable, meaning they were already covered by the initial submission on provisional payments which had been approved by the Board in 2016 but had never needed to be used. The 2018 submission concerned non-processable workflows, i.e., making a payment where all core separations documents had not been received, which would, therefore, have no effect on those 1,000 actionable cases.

404. The secretariat of the Fund stated that the 1,000 cases would be processed in the normal manner. If there was good reason to make an advance payment, it could still be done in accordance with the 2016 Board decision, but the experience of the secretariat had been that the efforts to expedite any issues to avoid a provisional payment had resulted in the full payment being made.

Discussion in the Board

405. A member of the executive heads group commented that the proposal had indeed been discussed during last year’s Board session and seemed to recall that the matter had been considered closed. The representatives of the United Nations participants reiterated their request for reconsideration of the proposal on humanitarian grounds

in the interests of newly separated participants to enable them to continue supporting their families. That was supported by a member of the executive heads group, who believed that it was reasonable to have some form of safety net for newly separated staff members whose pensions could not be processed for whatever reason. A member of the governing bodies group recalled the discussion from last year and suggested that it could be a matter for the next Chief Executive Officer to look into. Another member of the participant's group commented that the proposal seemed to address the symptoms, instead of the root cause, of the late submission of separation documentation. It was suggested that the Board look back at its previous discussions on the subject and perhaps reconsider some of the innovative mechanisms that had been suggested at that time.

406. **While there was already an existing provisional payment mechanism in place, the Board asked the secretariat of the Fund to provide statistics next year on the number of cases that could benefit from the proposed expanded measure to enable the Board to consider the matter more fully. The secretariat of the Fund would consider an innovative mechanism and report back to the Board.**

XI. Other matters

A. Judgments of the United Nations Appeals Tribunal of interest to the Board

407. The Secretary/Chief Executive Officer provided information on three judgments issued by the United Nations Appeals Tribunal since the sixty-fifth session of the Board in July 2018, in which the Pension Board had been the respondent.

408. Two of the cases concerned appeals against the decision of the Standing Committee. Pursuant to its judgment 2019-UNAT-914, *Oglesby v. United Nations Joint Staff Pension Board*, the United Nations Appeals Tribunal upheld the decision of the Standing Committee to deny a request for recognition of a spouse as a prospective surviving spouse under articles 34 and 35 of the Regulations of the Fund. The Appellant had requested recognition of his same-sex spouse on the grounds that it had become legal for him and his spouse to marry only after the Appellant's separation from service. The Tribunal found that, in accordance with article 34 of the Regulations, the spouse could not be recognized as a prospective surviving spouse since the marriage was contracted after the retiree's separation from service. In its judgment 2019-UNAT-912, Clemente v United Nations Joint Staff Pension Board, the Tribunal allowed the appeal regarding a request for a widow's benefit that had been denied by the Standing Committee on the basis that the Appellant's marriage was not valid under Philippine law since it took place prior to the annulment of the late participant's first marriage in the Philippines. However, the Tribunal found that the Supreme Court of the Philippines has a pragmatic approach to such situations as annulment is the only way to legally end a marriage in the Philippines and concluded that, since the Appellant's marriage had not been specifically voided by court order, it was valid.

409. The Appellant in *Rockcliffe v. United Nations Joint Staff Pension Board*, judgment 2019-UNAT-908, requested execution of judgment 2017-UNAT-807 following the determination by the Pension Board that, as a staff member of the secretariat of the Fund, she could not serve as a member of the Budget Working Group convened by the Board to consider the 2020 budget. The Board's decision followed an opinion issued by the Ethics Office that stated that a staff member of the Fund serving on the Budget Working Group and on the Pension Board, would give rise to a conflict of interest situation. Accordingly, the alternate nominated at the sixty-fifth

session of the Pension Board was confirmed as one of two members representing participants on the Budget Working Group. The Tribunal held that the Fund had acted in contravention of its "broad" order in the 2017 judgment, and that the Appellant should be allowed to participate in the Budget Working Group and appropriately recuse herself if an actual conflict of interest situation arose.

410. **The Board took note of the above judgments of the United Nations Appeals Tribunal.**

B. Report of the 201st meeting of the Standing Committee

411. **The Board took note of the report of the 201st meeting of the Standing Committee, held in July 2018, during the sixty-fifth session of the Pension Board.**

C. Election of members of the Standing Committee (rules of procedure, rule B.1)

412. **The members of the Standing Committee, as elected by the Board in 2019, are listed in annex V to the present report.**

D. Election of members of the Budget Working Group for the review of the 2021 budget

413. The Board appointed the following members to the Budget Working Group for 2020:

Jane Makori (UNIDO)	Governing bodies
Hitoshi Kozaki (United Nations)	Governing bodies
Jean-Paul Lovato (ITU)	Executive heads
Dennis Thatchaichawalit (United Nations)	Executive heads
Tapiwa Jongwe (UNESCO)	Participants
Michelle Rockcliffe (United Nations)	Participants
Marashetty Seenappa	FAFICS
Adriana Gómez	FAFICS

414. **The Board requested the Fund secretariat to prepare draft terms of reference and rules of procedure for the Budget Working Group, to be considered in 2020.**

415. **The Board requested that the Chief Executive Officer/Pension Benefits Administrator and the Representative of the Secretary-General transmit the proposed budget to the Budget Working Group 45 days prior to the Board's sixty-seventh session, in 2020.**

E. Venue and date of the sixty-seventh session of the Pension Board

416. The Board welcomed the invitation-in-principle received from WMO to hold its sixty-seventh session in 2020 in its Geneva offices.

417. The Board expressed its hope that in 2021 the Board would return to the previously established pattern with regard to venue, whereby Board meetings in odd years were held in New York.

418. **The Board asked the secretariat to coordinate with WMO regarding the arrangements for the next session and inform the Board in a timely manner.**

F. Other business

Statement by the Federation of International Civil Servants' Associations

419. A representative of the WIPO participants requested the floor to inform the meeting that a member of the Board, after having watched and listened to the FICSA statement delivered to the Board by the FICSA General Secretary, had sent a message via WhatsApp to a large group of staff representatives in Geneva in which he wrote, in part, the following: "FICSA made a statement supporting the decapitation of the Geneva office. This won't influence our approach though. Will update on results in due course." The representative of the WIPO participants expressed the opinion that those actions on the part of a Board member not only breached the confidentiality clause signed at the beginning of the session, but were also unethical and clearly aimed at misrepresenting the facts in an attempt to defame, for personal and political reasons, both the representative of the WIPO participants as well as the General Secretary of FICSA, who had delivered the statement. The representative of the WIPO participants requested the Board to take the required action to put a stop to such unethical behaviour.

420. Numerous delegates denounced the behaviour of the representative of the United Nations participants, the author of the WhatsApp message, and proposed that disciplinary measures be taken against him, including suspension from the Board. The representative of the United Nations participants did not recuse himself for the remainder of the session.

421. The Board decided to suspend the representative of the United Nations participants from the rest of the Board's session and recommended that appropriate steps be taken against him in accordance with Staff Rules and Regulations. As the representative of the United Nations participants refused to leave the room, the Chair informed him that he would no longer be allowed to speak.

422. A clarification on the status of the offer from the Government of Kenya to host the back office of the Fund was sought, and the Acting Chief Executive Officer confirmed receipt of the offer and informed the Board that it was premature for the Board to discuss the matter, because it required detailed analysis and information. She noted that it would be taken up at an appropriate time.

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 the 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

Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization

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 United Nations Joint Staff Pension Board and attendance at the sixty-sixth session

1. The Secretary/Chief Executive Officer has been notified of the appointment of the following by the staff pension committees as members and alternate members of the United Nations Joint Staff Pension Board, for the sixty-sixth session, in accordance with article 5 of the Regulations and rule A.2 of the rules of procedure:

Representing	*Member*	*Alternate*
United Nations		
General Assembly	D. Chumakov	H. Kozaki
General Assembly	T. Repasch	J. Stosberg
General Assembly	P.R.O. Owade	L. Mazemo
General Assembly	Md. M. Rahman	P. Porolí*
Secretary-General	C. Pollard	K. Alford
Secretary-General	C. Ramanathan	A. Roy
Secretary-General	M. H. Lopez	
Secretary-General	C. Saunders	
Participants	M. Abu Rakabeh	N. A. Ndiaye*
Participants	I. Richards	I. Faye
Participants	M. Rockcliffe	
Participants	B. Nyiratunga	
Food and Agriculture Organization of the United Nations/World Food Programme		
Executive head	A. Van Houtte	D. Marzano
Participants	C. Ascone	J. Levins
World Health Organization		
Governing body	Dr. A. Hafeez*	Dr. A. Ludowyke
Executive head	J. Kobza	C. Hennetier Rossier
Participants	K. Bruchmann	Dr. H. Willmann
United Nations Educational, Scientific and Cultural Organization		
Governing body	J. E. Garcia	
Executive head	N. Jeffreys	
International Labour Organization		
Participants	F. Léger	

Representing	*Member*	*Alternate*
International Atomic Energy Agency		
Executive head	W. Tam	
Participants	I. Zabaar	M. Kohl
United Nations Industrial Development Organization		
Governing body	J. Makori	
World Intellectual Property Organization		
Participants	B. Fitzgerald	
International Telecommunication Union		
Governing body	J. Sanou	
Executive head	J.-P. Lovato	
World Meteorological Organization		
Executive head	W. Zhang	
International Maritime Organization		
Participants	S.-J. Kim	B. Martin-Castex
International Fund for Agricultural Development		
Governing body	M. Mitra	P. Pestana*

* Did not attend.

2. The Secretary/Chief Executive Officer has also been informed that the following have been appointed as representatives, for the sixty-sixth session of the Board, in accordance with rule A.9 of the rules of procedure, or as secretaries of staff pension committees:

Representatives	*Organization*	*Representing*
T. Jongwe	UNESCO	Participants
A. Chughtai	ILO	Executive head
A. Killmeyer-Oleche	UNIDO	Participants
V. Yossifov	WIPO	Governing body
T. Dayer	WIPO	Executive head
M. G. Valente da Costa	ICAO	Governing body
K. Balram	ICAO	Executive head
V. Benoit	ITU	Participants
M. Schalk	WMO	Participants
A. Prempeh	IMO	Governing body

Representatives	*Organization*	*Representing*
A. Rovira	IOM	Participants
S. Madsen	ITLOS	Participants
M. Breschi	FAFICS	Pensioners
W. Sach	FAFICS	Pensioners
L. Saputelli	FAFICS	Pensioners
M. Seenappa	FAFICS	Pensioners
M. Sebti (Alt.)	FAFICS	Pensioners
A. Gomez (Alt.)	FAFICS	Pensioners
T. Panuccio	ALM Committee	
O. Briones	ALM Committee	

Secretary	*Staff pension committee*
F. Loirat (Deputy Secretary)	WHO
C. McGarry	ILO
I. Welter	UNESCO
A. Ikeda	FAO
R. Dotzauer	UNIDO
M.-S. Zinzindohoué	WIPO
S. Suedi	ITU
M. Buch	WMO
I. Lopez-Cardona (Deputy Secretary)	IMO
S. Mwangi (Deputy Secretary)	IOM
M. Kashou	STL
S. Gordon Hall	CTBTO Preparatory Commission

3. The following attended the Board session as observers:

Federation of International Civil Servants' Associations (25 July)[1]

Evelyn G. Kortum

Office of Internal Oversight Services (24 July)[1]

E. Burns

G. Kumar

F. Salon

N. Yamakawa

G. Menekse

J. Knaur

External Auditors (25 July)[1]

V. Henriquez

A. Pavez

Audit Committee

D. Thatchaichawalit

Consulting actuary

S. Schulman

T. Manning

Committee of Actuaries

D. Latulippe, Chairperson

B. Yen

T. Parniczky

[1] Via videoconference.

Annex III

Membership of the Assets and Liabilities Monitoring Committee

Member	
O. Briones (UNESCO)	Governing bodies
P. Owade (United Nations)	Governing bodies
J. Kobza (WHO)	Executive heads
T. Panuccio (United Nations)	Executive heads
F. Leger (ILO)	Participants
K. Bruchmann (WHO)	Participants
W. Sach	FAFICS
M. Seenappa	FAFICS

Annex IV

Membership of the Audit Committee

Member	
A. Henning (WHO)	Governing bodies
L. Mazemo (United Nations)	Governing bodies
A. Chughtai (ILO)	Executive heads
D. Thatchaichawalit (United Nations) (Chair)	Executive heads
E. Voli Bi (UNESCO)	Participants
N. Ndiaye-Dieng (United Nations)	Participants
H. Featherstone	FAFICS

Expert member
B. Sanz Redrado
M. McMahon

Annex V

Membership of the Standing Committee

Representing	*Member*	*Alternate*
United Nations (Group I)		
General Assembly	T. Repasch	L. Mazemo
	M. Rahman	J. Stosberg
Secretary-General	M. H. Lopez	
	K. Alford	
Participants	B. Nyiratunga	I. Faye
	M. Rockcliffe	
Specialized agencies (Group II)		
Governing body	C. Ikeda (WHO)	G. Burgos (WHO)
Executive head	C. Hennetier Rossier (WHO)	J. Kobza (WHO)
Participants	C. Ascone (WFP)	M. Pardo (WFP)
Specialized agencies (Group III)		
Governing body	xxxx (IAEA)	
Executive head	L. Bormioli (ILO)	
Participants	M. Moné (UNESCO)	
Specialized agencies (Group IV)		
Governing body	J. Sanou (ITU)	
Executive head	B. Fitzgerald (WIPO)	
Specialized agencies (Group V)		
Participants	xxxx (IFAD)	

Member	*Alternate representatives*
Federation of Associations of Former International Civil Servants	
L. Saputelli	G. Schramek
M. Sebti	A. Gomez Saguez

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. Párniczky (Hungary)	Region III (Eastern European States)
A. Scardino Devoto (Uruguay)	Region IV (Latin American and Caribbean States)
D. Latulippe (Canada)	Region V (Western European and Other States)

Ad hoc member	*Representing*
A. Billig (Canada)	Region V (Western European and Other States)
R. Schmid (Switzerland)	Region V (Western European and Other States)
R. Nantambi-Amiri (Uganda)	Region I (African States)

Annex VII

Membership of the Investments Committee

Members

Madhav Dhar – India (Chair)

Keiko Honda – Japan

Simon Jiang – China

Achim Kassow – Germany

Michael Klein – United States of America

Linah K. Mohohlo – Botswana

Gumersindo Oliveros – USA

Luciane Ribeiro – Brazil

Annex VIII*

Statement by the Chair of the sixty-sixth session of the United Nations Joint Staff Pension Board

It is with profound humility that I accept the onerous and awesome responsibility of presiding over the sixty-sixth session of the United Nations Joint Staff Pension Board. The Fund, and the Board, have been in existence for 70-odd years and will be marking its seventieth anniversary this year. Many who were born at its inception have served the United Nations in various capacities, accomplished their careers and are now either enjoying pension benefits in all corners of the globe or have peacefully rested.

The Board and the Fund have truly come of age in more ways than one. The Fund has fully matured.

The actuarial valuations consistently reaffirm that the Fund is on a firm basis, that it is not only a fully matured Fund but ready, willing and able to meet its obligations in full and on time and in a sustained manner for many years to come.

It continues to meet its long-term investment objectives, while meeting its short-term requirements as well. We have a Fund and a Board to be proud of because you cannot talk of the success of one without the other. We have a Fund which is unique and peculiar; what lawyers would call, in legal latinism, sui generis.

It is unique in its investment coverage. Its geographical spread is unparalleled.

The value of the Fund has grown in leaps and bounds and stood the test of time, even against world vicissitudes and vagaries, and today stands at approximately 65 billion dollars.

We should be proud that there is not a single year that the Fund has faced liquidity issues. I am proud that, at least for close to a quarter of a century, the Fund has not had to borrow to meet its obligations.

I am proud of the competent and highly qualified staff of the secretariat and the Fund who work round the clock to make sure things move in the right direction.

I am proud of the Representative of the Secretary General, Sudhir Rajkumar, who continues to demonstrate exemplary leadership, knowledge and enthusiasm as a champion for change management. I am proud of Janice Dunn Lee for the foresight and commitment that she has demonstrated for the short but critical time she accepted to be Acting Chief Executive Officer.

We should be proud that we have an effective system of checks and balances that has enabled the Fund to operate with minimum cost and maximum benefits to its beneficiaries. The General Assembly, the Board of Auditors, the Office of Internal Oversight Services, the Committee of Actuaries and the Investments Committee. All of them have critical roles to play. We should all be proud of our respective roles, of the role we have each played, however small we may think it is. But we should also remember that a chain is as strong as its weakest link, thus the critical importance of working in unison.

May I join the Government of Kenya on whose behalf I am here, and the people of Kenya in welcoming you to Nairobi, the city in the sun, even if it gets cold around this time of the year; a city which has grown in leaps and bounds over the last 100 years, having been established at the turn of the last century.

* The present annex is being issued without formal editing.

Kenya is going through a political calm that has not been seen in many years, since the famous handshake between the two political protagonists in March last year. Let us embrace the spirit of Nairobi to work together in a spirit of constructive engagement. Let us reason out and reach our decisions by consensus rather than through divisive votes, consensus being understood not to mean unanimity but an overwhelming majority.

The Agenda is long and heavy. We have to approve a budget. We have to elect the Chief Executive Officer. We have to make decisions on Governance issues, including the always complex and intricate question of size and composition of the Board. We have to consider and approve the asset-liability management study and many other issues.

So, ladies and gentlemen, let us roll up our sleeves and work as efficiently and effectively as we can.

Let us work together to leave this Board a better place than we found it.

Thank you. *Asanteni sana*.

Closing remarks by the Chair of the sixty-sixth session of the United Nations Joint Staff Pension Board, Nairobi, Friday, 26 July 2019

Allow me to take this opportunity to convey my deepest appreciation to a number of people as we bring this session to a close.

First, to the governing bodies for entrusting me with the task of being the captain of this ship.

The tripartite nature of the Board has served us well and should be preserved. Any attempt to scuttle it must therefore be resisted.

I thank my Bureau for their support and readiness to step in as and when I needed them. Taking into account the expanding role of the Chair in between the sessions, I will be consulting with the Bureau on a regular basis. I thank the previous chairs for their support.

I have no words to thank the Acting Chief Executive Officer Janice Dunn Lee and her staff for their invaluable support. Being her first and probably her last Board meeting you can imagine the magnitude of the challenge, but she stepped up to the plate and worked round the clock to make sure the meeting went smoothly. The Committee of Actuaries and the consulting actuaries constitute a marvellous team of dedicated and resourceful people.

I single out the Representative of the Secretary-General, Sudhir, for his dedication, commitment and availability.

Being the captain of this ship was not an easy task. As a captain you want to sail smoothly with all your team and passengers on board until you dock safely.

The Board must maintain its integrity and authority. Its decisions must be respected and implemented. We cannot run Board matters through decisions of the Tribunal, inasmuch as we are a Board governed by rules and regulations. Any attempts to rock the boat must be dealt with firmly and promptly.

In this regard, I appeal to all Board members to take their role and responsibility seriously and to desist from the emerging trend of discussing Board matters in the social media. Confidentiality and the need-to-know principle must be respected.

My dream is that these storms shall pass. That the sea will regain its calm and that we shall continue to steer this boat smoothly to the benefit of its beneficiaries, current and future. Reform, as Kofi Annan reminded us, is a process and not an event. The Board will always remain seized of those items on which agreement could not be reached at this session, especially on Governance matters, a message that we shall convey to the General Assembly and other partners.

The bottom line is that the Fund is safe today and for a long time to come. Its fundamental structures and characteristics have served it well for the 70 years of its existence. As the Americans say, “If it ain’t broke, don’t fix it”.

We certainly have a Board and a Fund to be proud of. Thank you. *Asanteni*!

With those few remarks I have the honour and pleasure to declare the sixty-sixth session of the United Nations Joint Staff Pension Board officially closed.

Annex IX*

Statement by the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Fund

It is a pleasure to be here and to address this august gathering. I see a lot of faces which have by now become quite familiar to me through our interactions over the past 18 months; indeed, many have become good friends. Over these past 18 months, I have met regularly with staff pension committees and their secretaries, with United Nations and other member organizations' staff, with staff representatives, with various retiree organizations and their representatives, with Fund staff, in New York, Geneva, other agency headquarters in Europe and Canada, and in places as far apart as Bangalore, Tokyo and Manila. I have consciously added stakeholder meetings to my agenda whenever I go on official business travel – and sometimes to my vacation travel – even if it involves going a bit out of my way to add stops to my itinerary. These interactions are in keeping with my commitment to proactive communication with all stakeholders since I took on the role of the Representative of the Secretary-General for Investments on 1 January 2018.

In keeping with this same commitment to proactive communication, I provided – for the first time ever -- an initial overview of our investment results within one month of the close of the year. This initial overview for the year 2018 was posted on both the website of the Office of Investment Management (https://oim.unjspf.org) and the website of the secretariat of the Fund and is still available there. The overview was based on the first available numbers, which were very preliminary and subject to significant change. The final 2018 numbers did not become available until late April 2019 and are now posted on our website, as our third-party independent master record keeper meticulously collected all relevant information and calculated various performance metrics in accordance with industry standards.

The Office of Investment Management is committed to updating its website on a quarterly basis once the performance data from its independent, third-party master record keeper has been received, checked and finalized. Annual performance numbers as of end-year are usually available on the website by end April of the following year. Quarterly performance numbers are provided with a one quarter lag in accordance with global best practice, to account for delays in obtaining valuations for private equity, real estate and other private market investments. However, the market value of assets is published without this time lag.

In some ways, that is similar to what happens with the preparation of our audited financial statements, which are finalized only by May–June of the following year after the Board of Auditors have reviewed them and provided an opinion on them, and are formally presented to the Pension Board in July. Similarly, we receive information on the actuarial value of our liabilities – a metric at least as important as asset value information in determining the financial health of a pension fund – only once every two years.

These are highly specialized and resource-intensive exercises, which have to follow a meticulous process meeting industry standards. Any lapses in this exercise can be severely damaging to our credibility, so it is better to take the time needed to calculate these numbers as accurately as possible.

With this background, let me turn to our investment results for 2018 and year-to-date in 2019. 2018 turned out to be a challenging year in global financial markets.

* The present annex is being issued without formal editing.

Investment returns for global equities were around minus 8.7 per cent, the worst performance in any year since the global financial crisis of 2008. Investment returns during December 2018 were the worst for that month in any year since 1931.

Despite these challenges, coupled with increasing market volatility, the market value of the assets of the Fund on 31 December 2018 was $60.8 billion, which is above the actuarial assets value of $60.4 billion. This “Actuarial Assets Value” was used by our consulting actuary in their most recent report to determine that the Fund’s financial condition is sound. The 2019 asset-liability management study, the results of which will be shared with you tomorrow, has also confirmed that the Fund remains fully funded as of 31 December 2018.

It is important for the Fund’s stakeholders, including our 207,000 current and future beneficiaries, to note that estimations of the Fund’s financial well-being are made by external experts using very conservative assumptions, including smoothing the market value of the Fund’s assets over five years, which adjusts for the expected volatility of global financial markets.

Underlining the fact that volatility is an enduring feature of global financial markets, the market value of the Fund’s assets has already bounced back to $67.4 billion as of 30 June 2019 – the most recent number that I have from a couple of days ago is $67.8 billion. This number, of course, can go up or down by a billion dollars in a week, bringing home to us that weekly or monthly changes to these asset value figures are inconsequential for the long-term financial health of this Fund. Reacting to short-term market movements could in fact be detrimental to stakeholders’ best interests.

I am pleased to share with you that the Office of Investment Management achieved its stated goal of meeting or exceeding the returns of the policy benchmark during 2018.

We also continue to exceed by a healthy margin our long-term investment objective of 3.5 per cent real (net of inflation) return in United States dollar terms over 10- and 15-year periods. As I have previously stated at various forums -- including the Pension Board and the General Assembly – our goal is to fully discharge all our obligations to current and future beneficiaries. Pension payments are made over decades, and short-term fluctuations in investment returns do not have a material impact on these pension payments so long as the long-term investment objective is being met.

Financial markets are likely to be volatile over the near term as they try to gauge and adjust to the future direction of fiscal and monetary policy after a decade of quantitative easing, as well as rising geopolitical risks around the world. At the same time, our fully funded status gives us a certain amount of financial cushion to withstand a period of low investment returns. I am confident that the Office of Investment Management will be able to deal with whatever challenges the markets may present, with the support and encouragement of all our stakeholders.

Let me now turn to some other developments over this past year. At a recent meeting of the Committee of Actuaries, the Chair of the Committee remarked that the future financial sustainability of the Fund would be determined by investment returns; no amount of tinkering with the contribution rate would have much impact. This is a natural result of the maturing of this Fund – the ratio of active participants to retirees has decreased from 1.9 in 2008 to 1.6 in 2018, and is projected to go down further in the future.

In pursuit of this future financial sustainability of the Fund, we have completed our quadrennial asset-liability management (ALM) study after extensive consultations with all stakeholders over the past seven months. The ALM study was led on this occasion by the Office of Investment Management, with my colleague, Herman Bril, chairing the asset-liability management working group, comprised of staff from both the Office of Investment Management and the secretariat of the Fund. The Office of Investment Management has also updated and modernized our investment policy statement, last updated in 2016 – again, after extensive consultations with all stakeholders over the past several months. Both of these items are on the agenda for this Board over the next few days.

We also acknowledge our responsibility to society as part of a global organization committed to social progress and have made progress in integrating environmental, social and governance factors into our investment decision-making process. We believe that portfolios which are able to do this successfully have the potential to provide returns that are superior to those of conventional portfolios, while exhibiting lower risk over the long term. Our approach to sustainable investing is therefore entirely consistent with our fiduciary responsibility to meet or exceed our long-term investment objective. I am also pleased to share that our first annual sustainability report should be posted on our website this week. I invite you to visit our website to peruse it.

Over this past year, we have explicitly defined our mission. The mission of the Office of Investment Management is to contribute to the global mission of the United Nations family of organizations by ensuring the long-term financial sustainability of the Fund – I said last year to this august gathering that we should aim to place this Fund on a secure, stable and robust foundation for the next 50 years.

The defined benefit, inflation-indexed, lifetime pension provided by the Fund to staff and their survivors is a vital component of the United Nations family's employee value proposition. It enables the United Nations family to attract the best and the brightest from around the world to serve with them, in an era otherwise defined by resource constraints. It enables the various funds, programmes and specialized agencies to execute their respective mandates with top-notch quality.

In pursuit of this mission, we have articulated a vision for the Office of Investment Management: to become a best-in-class global long-term investment institution, defined as an organization able to deliver to its stakeholders superior returns over the long term – net of costs, adjusted for risk and relative to peers.

Realizing this vision requires us to be open to systematic change as we adopt global best practices; institutionalize and strengthen our investment, risk management and operational processes and decision-making; increase transparency of individual portfolio returns; and thereby create accountability among our investment professionals for these portfolio returns.

In an effort to institutionalize and strengthen our investment decision-making process, various internal Office of Investment Management committees have started to function over the past year. These include, for example, the Private Markets Committee chaired by the Representative of the Secretary-General, where all private markets team members convene together with senior management and representatives of the risk, operations and legal functions to deliberate on investment proposals – a big improvement over past practice whereby a senior investment officer needed just one other signature for approval of an investment. I have instituted a simple rule for these deliberations: all good questions, regardless of hierarchy or source, need to be fully addressed by the relevant investment officer or team before an investment will proceed. High-performing investment organizations are non-hierarchical when it comes to encouraging investment ideas or questioning investment proposals, but quite disciplined in how investment decisions are made.

Changing also calls upon us to move away from deeply ingrained silos, accessing skill sets from across the Office of Investment Management which can help us deliver on initiatives of the Office by cutting across boundaries; and encourage cross-fertilization of staff skills through collaboration to enhance career growth. I realize that some staff may take a little time to get used to this new way of open, agile working, which is a common and healthy practice among leading global investment institutions.

As part of thinking through these changes, a specialized consulting firm employed by us sought the views over a three-month period of some 40 staff of the Office of Investment Management, mostly in one-on-one interviews, very often multiple interviews. We held a workshop on long-term trends in institutional investment for all staff of the Office in March this year. Finally, we engaged in serious brainstorming about co-creating the future in May at a 1.5 day off-site leadership workshop with some 35 of the most senior staff of the Office – something that I am told had never before been done in the Office. I and the Director used this occasion to listen carefully rather than lead the conversation with our team heads.

I was particularly glad to note from the off-site workshop that these senior Office of Investment Management staff want to see our primary values move from control and job security at present, to teamwork, investment performance and empowerment in the future.

These changes require constant communication with those affected, as well as empathy and support for staff to help them adapt to change. I am committed to a change management process which embraces these themes of communication, inclusion, empathy and support for adaptation. 65 staff from the Office of Investment Management (two-thirds of all our staff) have been sponsored for training in the past one year; our training budget has never been as generously deployed and used before.

Change in the Office of Investment Management is visible and notable and is being managed carefully within our current resources and limitations. Not changing is not an option. We in the Office are committed to this change, since without it we will be endangering the long-term interests of the 207,000 people and their families who depend on this Fund for their old age security.

Realizing this vision requires us to build new capabilities, which in turn requires resources. We in the Office of Investment Management are confident that we can deliver the required investment returns to keep the Fund financially healthy for the long term. In an increasingly complex global investment environment, however, this requires us to have the capability to invest in new asset classes, new markets, through a wider spectrum of investment channels and using a broader range of investment instruments.

It also requires the ability to attract staff with the appropriate skills set to come and work in the Office of Investment Management. In this context, I understand our financial compensation levels have been the subject of discussion in the past. Let me state confidently that I do not envisage the need for any change in our financial compensation levels; there may be some fine-tuning proposed over coming years, but it will be squarely within the parameters already established by the General Assembly. Our Investments Committee has also expressed its confidence in the ability of the Office, at this juncture, to attract the appropriate staff. The success of our internship programme started last year, which attracted 13 young professionals studying at universities around the world to work at the Office last year, and some 450 applications this year for 15–20 positions, speaks for itself.

Investment professionals, as indeed all professionals, view opportunities from the perspective of a combination of financial and non-financial parameters: quality of work, contributing to a larger purpose (particularly important for the millennial generation), prospects for professional development, working in a diverse rather than homogenous team, work-life balance, and, indeed, who they are going to work for – the specific organization – there is a reason why so many global organizations make huge efforts to get on the annual lists of best places to work!

There has been no increase in established posts in the Office of Investment Management for six years; assets under management during this same period have increased by 31 per cent. I felt upon my arrival last year that the Office was in some respects malnourished, and have said as much to the General Assembly. It may also be appropriate to note here that an increase of 0.01 per cent in our investment returns for one year generates more than $6.5 million. I would urge all our stakeholders to view the Office as a business centre which generates returns on investment, and the resources deployed here as an investment.

A benchmarking study conducted by a specialized consulting firm shows that the Office of Investment Management is understaffed to the extent of 25–40 posts relative to a peer group of global long-term investment institutions, just to carry out its current work programme.

I am very conscious that the budget of the Office of Investment Management is funded 100 per cent from the Fund itself; no funds from Member States are used by the Office. These are our stakeholders' resources, and we intend to use them in a prudent manner. I am pleased to inform you that we have shrunk the cost of our administrative footprint in order to re-invest the resultant savings in the professionalization and strengthening of the capabilities of the Office. While the Office is requesting an increase in posts after six years, it is proposing a zero United States dollar increase in the 2020 budget from 2019. This includes absorbing in our 2020 budget over $600,000 in additional cost-sharing expenses which was allocated to the Office for the first time.

How have we managed to achieve this outcome? We have reduced the use of non-discretionary and other external advisors, in accordance with General Assembly resolutions. We have reduced general operating expenses, primarily by giving up an entire floor and optimizing use of the remaining two floors of our office space. We are strengthening the quality of our financial resource management – performance evaluation of each Office of Investment Management manager is now significantly affected by the quality of their management of the financial resources of the Office.

I would like to conclude by referring to some commitments I have made in my compact with the Secretary-General: to nurture a culture of integrity and honesty within the Organization'; to ensure transparency of performance and to promote psychological safety that empowers staff and fosters creativity and innovation.

I will do everything in my power to ensure that I live up to these commitments.

Annex X

Draft job description: Secretary of the Pension Board

Posting Title:	Secretary of the Pension Board
Job Code Title:	
Department/Office:	United Nations Joint Staff Pension Fund
Duty Station:	New York

Organizational setting and reporting

The Pension Board is the main oversight, policy-making and decision-making body of the United Nations Joint Staff Pension Fund (UNJSPF). The Pension Board has ultimate responsibility for the administration of the Fund and protects the best interest of the United Nations Joint Staff Pension Fund participants and beneficiaries by setting strategic goals and policies and by providing general oversight and monitoring. The Pension Board meets annually and reports to the General Assembly on strategic questions and policy matters regarding the management of the Fund, the Fund's budget, plan design issues and its long-term financial situation. While enjoying operational independence and substantively reporting to the Board, the Office of the Secretary of the Board is established within the secretariat of the Fund.

The Secretary of the Pension Board is responsible for the overall planning, development, management, coordination and delivery of a full range of secretariat conference management including the provision of technical support services to the Pension Board and its subsidiary bodies. The incumbent manages the related activities, in accordance with established procedures and practices and ensures the effective and efficient delivery of secretariat services to these bodies. The Secretary of the Pension Board provides guidance and advice to the Chairs and other members of these bodies on the application of the rules of procedure and practices. In particular, the incumbent coordinates with Board members, the Chief Executive Officer/Pension Benefits Administrator and the secretariat of the Fund, the Office of Investment Management and secretaries of staff pension committees.

Specific responsibilities include the following:

- Acts as the Secretary of the Board.
- Manages the compilation of the agenda of sessions of the Board and subsidiary bodies and preparation of their annual work programmes.
- Undertakes planning and administrative arrangements for all meetings.
- In accordance with the relevant rules of procedure of the Fund, ensures that agendas, procedural notes, work programme, minutes, reports and other documents relating to meetings of the Board and its subsidiary bodies are submitted and issued.
- Manages accreditation to meetings of the Board and its subsidiary bodies.
- Maintains contact and shares information with all parties involved.
- Provides guidance and assistance to the Chair of the Board.
- Provides guidance to Board members on procedural matters and established practices of the Board.

- Directs under the general guidance of the Rapporteur the preparation of final sessional reports of the Board and reports of its subsidiary bodies in an accurate and timely manner.
- Maintains and updates the records and all correspondence of the Board and its subsidiary bodies, and makes them available to Board members, upon request.
- Receives appeals to the Standing Committee in accordance with the Administrative Rules of the Fund.
- Ensures the effective and efficient management of the Office of the Secretary of the Board.
- Collaborates with secretaries of governing bodies on matters of mutual interest.

Competencies

- **Professionalism**. Knowledge of the work of the United Nations Joint Staff Pension Fund. Knowledge of the substantive field of work in general and of specific areas of responsibilities. Ability to produce reports and papers on a variety of pension-related issues and to review and edit the work of others. Excellent drafting capabilities. Ability to apply Pension Fund regulations, rules, policies and guidelines in work situations. Is conscientious and efficient in meeting commitments, observing deadlines and achieving results. Is motivated by professional rather than personal concerns. Shows persistence when faced with difficult problems or challenges. Remains calm in stressful situations. Proven track record of management, technical and leadership skills.
- **Planning and organizing**. Develops clear goals that are consistent with agreed strategies; identifies priority activities and assignments; adjusts priorities as required; allocates appropriate amount of time and resources for completing work; foresees risk and allows for contingencies when planning; monitors and adjusts plan and actions as necessary; uses time efficiently.
- **Client orientation**. Demonstrated ability to establish and maintain productive partnerships with a diverse group of clients; ability to identify clients' needs and to match them to appropriate solutions; demonstrated ability to keep clients informed of progress or setbacks in projects; demonstrated ability to meet timelines for delivery of products or services to clients.
- **Building trust**. Provides an environment in which others can talk and act without fear of repercussion; manages in a deliberate and predictable way; operates with transparency; has no hidden agenda; places confidence in colleagues, staff members and clients; gives due credit to others; follows through on agreed upon actions; treats sensitive or confidential information appropriately.
- **Managing performance**. Demonstrated ability to delegate the appropriate responsibility, accountability and decision-making authority; ability to make sure that roles, responsibilities and lines of reporting are clear to each staff member; demonstrated willingness to regularly discuss performance and provide feedback and coaching to staff; proven ability to actively support the development and career aspirations of staff.
- **Leadership**. Serves as a role model that other people want to follow; empowers others to translate vision into results; is proactive in developing strategies to accomplish objectives; establishes and maintains relationships with a broad range of people to understand needs and gain support; anticipates and resolves conflicts by pursuing mutually agreeable solutions; drives for change and improvements; does not accept the status quo; shows the courage to take

unpopular stands. Provides leadership and takes responsibility for incorporating gender perspectives and ensuring the equal participation of women and men in all areas of work; demonstrates knowledge of strategies and commitment to the goal of gender-balanced staffing.

Education

Advanced university degree (Master's degree or equivalent) in business or public administration, law, political sciences, social sciences or a related field. A first-level university degree in combination with two years of additional experience may be accepted in lieu of the advanced university degree.

Work experience

A minimum of 15 years of progressively responsible experience, of which at least three years should be at the United Nations, international organizations or at the international level is required. In-depth experience of the intergovernmental machinery of international organizations is required. Experience in servicing governing bodies as well as experience in the application of rules, procedures and practices of intergovernmental or tripartite bodies is desirable.

Languages

English and French are the working languages of the Fund Secretariat. For this post, fluency in English (both oral and written) is required. Knowledge of other official languages is an advantage.

Annex XI

Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund[1]

For approval

Existing text	*Proposed text*	*Comments*
Article 6 STAFF PENSION COMMITTEES	Article 6 STAFF PENSION COMMITTEES	
(a) The United Nations Staff Pension Committee shall consist of four members and four alternate members elected by the General Assembly, four members and two alternate members appointed by the Secretary-General, and four members and two alternate members, who shall be participants in the Fund and on the staff of the United Nations, elected by the participants in service in the United Nations by secret ballot.	(a) The United Nations Staff Pension Committee shall consist of four members and four alternate members elected by the General Assembly, four members and two alternate members appointed by the Secretary-General, and four members and two alternate members, who shall be participants in the Fund and on the staff of the United Nations, elected by the participants in service in the United Nations by secret ballot.	*No change*
(b) The elected members and alternate members of the United Nations Staff Pension Committee shall hold office for four years or until the election of their successors, and they shall be eligible for re-election; in the event that such an elected member or alternate member ceases to be a member of the Committee, another member or alternate member may be elected to hold office during the remainder of the term.	(b) The elected members and alternate members of the United Nations Staff Pension Committee shall hold office for four years or until the election of their successors, and they shall be eligible for re-election; in the event that such an elected member or alternate member ceases to be a member of the Committee, another member or alternate member may be elected to hold office during the remainder of the term.	*No change*
(c) The staff pension committees of the other member organizations shall consist of members and alternate members chosen by the body of the organization corresponding to the General Assembly, its chief administrative officer, and its participants in service, in such a manner that the number representing each shall be equal and, in the case of the participants, that the members and alternate members shall themselves be participants in the service of the organization. Each member organization shall make rules for the election or	(c) The staff pension committees of the other member organizations shall consist of members and alternate members chosen by the body of the organization corresponding to the General Assembly, its chief administrative officer, and its participants in service, in such a manner that the number representing each shall be equal and, in the case of the participants, that the members and alternate members shall themselves be participants in the service of the organization. Each member organization shall make rules for the election or	*No change*

[1] Proposed additions appear in boldface type, and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
appointment of the members and alternate members of its staff pension committee.	appointment of the members and alternate members of its staff pension committee.	
	(d) Staff members of the secretariat of the Fund and of the Office of Investment Management of the Fund and staff members of the secretariat of each staff pension committee shall not be eligible to be elected or appointed to represent any constituent group in the staff pension committee of any member organization of the Fund, and consequently to serve on the Board.	*Amendment to reflect the provision in rule C.1 of the rules of procedure, adopted by the Pension Board and reported to the General Assembly in 2017.*
Article 7 SECRETARIAT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD	Article 7 SECRETARIAT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD	
(a) The Chief Executive Officer of the Fund and a Deputy shall be appointed by the Secretary-General on the recommendation of the Board.	(a) The ~~Chief Executive Officer~~ **Pension Benefits Administrator** of the Fund and a Deputy **Pension Benefits Administrator** shall be appointed by the Secretary-General on the recommendation of the Board.	*Amendment reflects the change in designation from Chief Executive Officer to Pension Benefits Administrator.*
	~~(b) The Secretary-General shall appoint such further staff as may be required from time to time by the Board in order to give effect to these Regulations.~~	*This provision is moved to article 7 (d).*
(b) The Secretary-General shall appoint such further staff as may be required from time to time by the Board in order to give effect to these Regulations.	(b) The ~~Chief Executive Officer~~ **Pension Benefits Administrator** shall perform that function under the authority of the Board and shall certify for payment all benefits properly payable under these Regulations. ~~The Chief Executive Officer shall also serve as Secretary of the Board.~~ In the absence of the ~~Chief Executive Officer~~ **Pension Benefits Administrator** of the Fund, ~~the Deputy Chief Executive Officer~~ **Deputy Pension Benefits Administrator** shall perform these functions.	*Amendment reflects the change in designation from Chief Executive Officer to Pension Benefits Administrator and that of Deputy Chief Executive Officer to Deputy Pension Benefits Administrator. It also reflects the separation of the role of Chief Executive Officer/ Pension Benefits Administrator and Secretary of the Board in accordance with General Assembly resolution 73/274.*

Existing text	*Proposed text*	*Comments*
(c) The Chief Executive Officer shall perform that function under the authority of the Board and shall certify for payment all benefits properly payable under these Regulations. The Chief Executive Officer shall also serve as Secretary of the Board. In the absence of the Chief Executive Officer of the Fund, the Deputy Chief Executive Officer shall perform these functions.	**(c) A Secretary to the Board shall be appointed with the concurrence of the Board.** **(d) The Secretary-General shall appoint such further staff as may be required from time to time by the Board in order to give effect to these Regulations.**	*New provision concerning the appointment of a separate Secretary to the Board.* *Current article 7 (b) is renumbered article 7 (d).*
Article 35 *bis* DIVORCED SURVIVING SPOUSE'S BENEFIT	Article 35 *bis* DIVORCED SURVIVING SPOUSE'S BENEFIT	
(a) Any divorced spouse of a participant or former participant, separated on or after 1 April 1999, who was entitled to a retirement, early retirement, deferred retirement or disability benefit, or of a participant who died in service on or after that date, may, subject to the provisions of article 34 (b) (applicable also to widowers), request a former spouse's benefit, if the conditions specified in paragraph (b) below are fulfilled.	(a) Any divorced spouse of a participant or former participant, separated on or after 1 April 1999, who was entitled to a retirement, early retirement, deferred retirement or disability benefit, or of a participant who died in service on or after that date, may, subject to the provisions of article 34 (b) (applicable also to widowers), request a former spouse's benefit, if the conditions specified in paragraph (b) below are fulfilled.	*No change.*
(b) Subject to paragraph (d) below, the divorced spouse is entitled to the benefit set out in paragraph (c) below, payable prospectively following receipt of the request for a divorced surviving spouse's benefit, if, in the opinion of the Chief Executive Officer of the Fund, all of the following conditions are fulfilled:	(b) Subject to paragraph (d) below, the divorced spouse is entitled to the benefit set out in paragraph (c) below, payable prospectively following receipt of the request for a divorced surviving spouse's benefit, if, in the opinion of the ~~Chief Executive Officer~~ **Pension Benefits Administrator** of the Fund, all of the following conditions are fulfilled:	*Amendment reflects the change in designation from Chief Executive Officer to Pension Benefits Administrator.*
(i) The participant had been married to the former spouse for a continuous period of at least ten years, during which contributions were paid to the Fund on account of the participant or the participant was awarded a disability benefit under article 33 of the Regulations;	(i) The participant had been married to the former spouse for a continuous period of at least ten years, during which contributions were paid to the Fund on account of the participant or the participant was awarded a disability benefit under article 33 of the Regulations;	*No change.*
(ii) The participant's death occurred within 15 years of the date when the divorce became final, unless the former spouse proves that at the time of death the participant was under a legal obligation to pay maintenance to the former spouse;	(ii) The participant's death occurred within 15 years of the date when the divorce became final, unless the former spouse proves that at the time of death the participant was under a legal obligation to pay maintenance to the former spouse;	*No change.*

Existing text	*Proposed text*	*Comments*
(iii) The former spouse has reached the age of 40. Otherwise the benefit entitlement shall commence on the day immediately following the day that age is reached; and	(iii) The former spouse has reached the age of 40. Otherwise the benefit entitlement shall commence on the day immediately following the day that age is reached; and	*No change.*
(iv) Evidence is provided that a divorce settlement does not have an express renouncement of UNJSPF pension benefit entitlements;	(iv) Evidence is provided that a divorce settlement does not have an express renouncement of UNJSPF pension benefit entitlements;	*No change.*
(c) A former spouse who, in the opinion of the Chief Executive Officer, has met the conditions set out in paragraph (b) above shall be entitled to the widow's or widower's benefit under article 34 or 35 as the case may be; however, if the participant is survived by both one or more such former spouses and/or by a spouse entitled to a benefit under article 34 or 35, the benefit payable under article 34 or 35 shall be divided between the spouse and former spouse(s) in proportion to the duration of their marriages to the participant.	(c) A former spouse who, in the opinion of the ~~Chief Executive Officer~~ **Pension Benefits Administrator**, has met the conditions set out in paragraph (b) above shall be entitled to the widow's or widower's benefit under article 34 or 35 as the case may be; however, if the participant is survived by both one or more such former spouses and/or by a spouse entitled to a benefit under article 34 or 35, the benefit payable under article 34 or 35 shall be divided between the spouse and former spouse(s) in proportion to the duration of their marriages to the participant.	*Amendment reflects the change in designation from Chief Executive Officer to Pension Benefits Administrator.*
(d) Article 34(f) and (g) shall apply *mutatis mutandis*.	(d) Article 34(f) and (g) shall apply *mutatis mutandis*.	*No change.*
(e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the Chief Executive Officer, met all the other eligibility conditions in paragraphs (a) and (b) above shall be entitled to a benefit equal to twice the minimum surviving spouse's benefit under article 34(c), payable as of 1 April 1999 or from the first day of the month succeeding the death of the former participant, whichever is later, subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant.	(e) The divorced spouse of a former participant who separated before 1 April 1999 and, in the opinion of the ~~Chief Executive Officer~~ **Pension Benefits Administrator**, met all the other eligibility conditions in paragraphs (a) and (b) above shall be entitled to a benefit equal to twice the minimum surviving spouse's benefit under article 34(c), payable as of 1 April 1999 or from the first day of the month succeeding the death of the former participant, whichever is later, subject to the proviso that the amount of such benefit cannot exceed the amount payable to a surviving spouse of the former participant.	*Amendment reflects the change in designation from Chief Executive Officer to Pension Benefits Administrator.*

Existing text	Proposed text	Comments
Article 45 NON-ASSIGNABILITY OF RIGHTS	Article 45 NON-ASSIGNABILITY OF RIGHTS	
(a) A participant or beneficiary may not assign his or her rights under these Regulations. Notwithstanding the foregoing, the Fund may, to satisfy a legal obligation on the part of a participant or former participant arising from a marital or parental relationship and evidenced by a final and executable order of a court or by a settlement agreement incorporated into a divorce or other court order, remit a portion of a benefit payable by the Fund to such participant for life to one or more former spouses and/or a current spouse from whom the participant or former participant is living apart. Such payment shall not convey to any person a benefit entitlement from the Fund or (except as provided herein) provide any rights under the Regulations of the Fund to such person or increase the total benefits otherwise payable by the Fund.	(a) A participant or beneficiary may not assign his or her rights under these Regulations. Notwithstanding the foregoing, the Fund may, to satisfy a legal obligation on the part of a participant or former participant arising from a marital or parental relationship and evidenced by a final and executable order of a court or by a settlement agreement incorporated into a divorce or other court order, remit a portion of a benefit payable by the Fund to such participant for life to one or more former spouses and/or a current spouse from whom the participant or former participant is living apart. Such payment shall not convey to any person a benefit entitlement from the Fund or (except as provided herein) provide any rights under the Regulations of the Fund to such person or increase the total benefits otherwise payable by the Fund.	*No change.*
(b) To be acted upon, the requirement under the court order must be consistent with the Regulations of the Fund, as determined by the Chief Executive Officer of the Fund to be beyond any reasonable doubt, and on the basis of the available evidence. Once implemented, the assignment shall normally be irrevocable; however, a participant or former participant may request, upon satisfactory evidence based on a court order or a provision of a settlement agreement incorporated into a court decree, a new decision by the Chief Executive Officer that would alter or discontinue the payment or payments. Furthermore, such payment or payments shall cease following the death of the participant or former participant. If a designee predeceases the participant or former participant, the payments shall not commence, or if they have commenced, shall cease upon the designee's death. In the event that the payment or payments have been diminished, discontinued, or have failed to commence or have ceased, the amount of the benefit payable to the	(b) To be acted upon, the requirement under the court order must be consistent with the Regulations of the Fund, as determined by the ~~Chief Executive Officer~~ **Pension Benefits Administrator** of the Fund to be beyond any reasonable doubt, and on the basis of the available evidence. Once implemented, the assignment shall normally be irrevocable; however, a participant or former participant may request, upon satisfactory evidence based on a court order or a provision of a settlement agreement incorporated into a court decree, a new decision by the ~~Chief Executive Officer~~ **Pension Benefits Administrator** that would alter or discontinue the payment or payments. Furthermore, such payment or payments shall cease following the death of the participant or former participant. If a designee predeceases the participant or former participant, the payments shall not commence, or if they have commenced, shall cease upon the designee's death. In the event that the payment or payments have been diminished, discontinued, or have failed to commence or have ceased,	*Amendment reflects the change in designation from Chief Executive Officer to Pension Benefits Administrator.*

Existing text	Proposed text	Comments
participant or former participant shall be duly adjusted.	the amount of the benefit payable to the participant or former participant shall be duly adjusted.	
Article 48 JURISDICTION OF THE UNITED NATIONS APPEALS TRIBUNAL	Article 48 JURISDICTION OF THE UNITED NATIONS APPEALS TRIBUNAL	
(a) Applications alleging non observance of these Regulations arising out of decisions of the Board may be submitted directly to the United Nations Appeals Tribunal by:	(a) Applications alleging non-observance of these Regulations **in regards to rights affecting participation, contributory service and benefit entitlements under the Regulations** arising out of decisions of the **Standing Committee acting on behalf of the Pension** Board **under section K of the Administrative Rules,** may be submitted directly to the United Nations Appeals Tribunal by:	*Amendment to clarify the scope of the jurisdiction of the United Nations Appeals Tribunal (UNAT) in the context of article 21 of the Regulations referred to in existing article 48 (a) (i) and (ii) of the Regulations. A similar change is also proposed by the Secretary-General to article 2.9 of the UNAT statute, which addresses the jurisdiction of the Tribunal in cases alleging non-observance of the Pension Fund Regulations.*
(i) Any staff member of a member organization which has accepted the jurisdiction of the Tribunal in Joint Staff Pension Fund cases who is eligible under article 21 of these Regulations as a participant in the Fund, even after his or her employment has ceased, and any person who has succeeded to such staff member's rights upon his or her death;	(i) Any staff member of a member organization which has accepted the jurisdiction of the Tribunal in Joint Staff Pension Fund cases who is eligible under article 21 of these Regulations as a participant in the Fund, even after his or her employment has ceased, and any person who has succeeded to such staff member's rights upon his or her death;	*No change.*
(ii) Any other person who can show that he or she is entitled to rights under these Regulations by virtue of the participation in the Fund of a staff member of such member organization.	(ii) Any other person who can show that he or she is entitled to rights under these Regulations by virtue of the participation in the Fund of a staff member of such member organization.	*No change.*

Existing text	*Proposed text*	*Comments*
(b) In the event of a dispute as to whether the Tribunal has competence, the matter shall be settled by a decision of the Tribunal.	(b) In the event of a dispute as to whether the Tribunal has competence, the matter shall be settled by a decision of the Tribunal. **Remands, if any, shall be to the Standing Committee, acting on behalf of the Pension Board.**	*Amendment reflects the language in article 2.9 of the UNAT statute and clarifies the treatment of cases remanded by the Tribunal.*
(c) The decision of the Tribunal shall be final and without appeal.	(c) The decision of the Tribunal shall be final and without appeal.	*No change.*
(d) The time limits prescribed in article 7 of the Statute of the Tribunal are reckoned from the date of the communication of the contested decision of the Board.	(d) The time limits prescribed in article 7 of the Statute of the Tribunal are reckoned from the date of the communication of the contested decision of the **Standing Committee, acting on behalf of the Pension** Board.	*Amendment reflects terminology that is consistent with article 48 (a) of the Regulations.*

Annex XII

Amendments to the Rules of the United Nations Joint Staff Pension Fund[1]

Existing text	*Proposed text*	*Comments*
Amendments to the Administrative Rules		
Rule H.2	Rule H.2	
In each case in which a staff pension committee has determined that a participant or a child is incapacitated, or in which a determination with respect to a disability benefit has been referred to the Standing Committee for decision, the medical officer of the organization shall transmit a report on the medical aspects of the case to the Medical Consultant, who shall in turn report thereon as may be required by the Secretary of the Board.	In each case in which a staff pension committee has determined that a participant or a child is incapacitated, or in which a determination with respect to a disability benefit has been referred to the Standing Committee for decision, the medical officer of the organization shall transmit a report on the medical aspects of the case to the Medical Consultant, who shall in turn report thereon as may be required by the ~~Secretary of the Board/ CEO~~ **Pension Benefits Administrator**.	*Amendment reflects the separation of the role of Secretary of the Board and, formerly, Chief Executive Officer, now Pension Benefits Administrator.*
Rule K.2	Rule K.2	
The Standing Committee, acting on behalf of the Board, shall in like manner review any decision taken by it under rule H.1 above in which the medical conclusions are in dispute, any decision referred to it under rule K.6 below, and any decision by the Secretary of the Board which is not otherwise subject to review.	The Standing Committee, acting on behalf of the Board, shall in like manner review any decision taken by it under rule H.1 above in which the medical conclusions are in dispute, any decision referred to it under rule K.6 below, and any decision by the ~~Secretary of the Board~~ **Pension Benefits Administrator** which is not otherwise subject to review.	*Amendment reflects the separation of the role of Secretary of the Board and, formerly, Chief Executive Officer, now Pension Benefits Administrator.*
Amendments to the Financial Rules		
Rule H.1	Rule H.1	
Subject to the approval of the General Assembly, the Board shall employ internal auditors to conduct independent internal audits of the Fund's accounts and operations in conformity with generally accepted auditing standards. The Office of Internal Oversight Services of the Secretariat shall perform the internal audit function with respect to the activities of the Secretary-General concerning the investment of the assets of the Fund in accordance with article 19 of the Regulations of the Fund. The Office of Internal Oversight Services conducts	~~Subject to the approval of the General Assembly, the Board shall employ internal auditors to conduct independent internal audits of the Fund's accounts and operations in conformity with generally accepted auditing standards. The Office of Internal Oversight Services of the Secretariat shall perform the internal audit function with respect to the activities of the Secretary-General concerning the investment of the assets of the Fund in accordance with article 19 of the Regulations of the Fund.~~ **In accordance with General Assembly**	*Reflects the confirmation by the General Assembly in its resolutions 71/265, paragraph 9 and 73/271, paragraphs 17 and 18, of the role of the Office of Internal Oversight Services as the sole internal oversight body of the Fund's secretariat and Office of Investment Management.*

[1] Proposed additions appear in boldface type, and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
its internal audit activities in accordance with General Assembly resolution 48/218 B and regulation 5.15 of the Financial Regulations and Rules of the United Nations. The Fund's internal auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls established in accordance with financial rules C.7, C.9 and C.14. Internal audits shall also assess the following elements:	**resolutions 71/265 and 73/274, the Office of Internal Oversight Services shall remain the sole internal oversight body of the secretariat of the Fund and its investments.** The Office of Internal Oversight Services conducts its internal audit activities **of the secretariat of the Fund and the Office of Investment Management** in accordance with General Assembly resolution 48/218 B and regulation 5.15 of the Financial Regulations and Rules of the United Nations. ~~The Fund's i~~**internal** auditors shall review, evaluate and report on the use of financial resources and on the effectiveness, adequacy and application of internal financial control systems, procedures and other relevant internal controls ~~established in accordance with financial rules C.7, C.9 and C.14~~. Internal audits shall also assess the following elements:	
(a) Compliance of the Fund's financial transactions with the Regulations, the Administrative Rules and the pension adjustment system of the Fund, or the terms and conditions approved by the Board for the use of the Emergency Fund of the United Nations Joint Staff Pension Fund, with any applicable decisions of the Board and the General Assembly, and with the recommendations of external oversight bodies accepted by the Chief Executive Officer and the Representative of the Secretary-General or by the Board;	(a) Compliance of the Fund's financial transactions with the Regulations, the Administrative Rules and the pension adjustment system of the Fund, or the terms and conditions approved by the Board for the use of the Emergency Fund of the United Nations Joint Staff Pension Fund, with any applicable decisions of the Board and the General Assembly, and with the recommendations of external oversight bodies accepted by the Chief Executive Officer and the Representative of the Secretary-General or by the Board;	*No change.*
(b) The economy, efficiency and effectiveness of the financial, physical and human resources management of the Fund and the operations of the Fund to meet the objectives of the Fund as approved by the Board.	(b) The economy, efficiency and effectiveness of the financial, physical and human resources management of the Fund and the operations of the Fund to meet the objectives of the Fund as approved by the Board.	*No change.*

Existing text	*Proposed text*	*Comments*
Amendments to the rules of procedure		
Rule A.4	Rule A.4	
All sessions of the Board shall be convened by the Secretary. Items which are proposed by any member of the Board or by any staff pension committee, at least one month before the beginning of a regular session or fourteen days before the beginning of a special session, shall be placed by the Secretary on the provisional agenda and communicated to each member of the Board and to the secretaries of the committees accompanied by the necessary documentation. Other items may be added to the agenda either at the beginning of a session or during a session if the Board so decides.	All sessions of the Board shall be convened by the Secretary **of the Board**. Items which are proposed by any member of the Board or by any staff pension committee, at least one month before the beginning of a regular session or fourteen days before the beginning of a special session, shall be placed by the Secretary **of the Board** on the provisional agenda and communicated to each member of the Board and to the secretaries of the committees accompanied by the necessary documentation. Other items may be added to the agenda either at the beginning of a session or during a session if the Board so decides.	*For consistency, reflects the full title of the Secretary of the Board.*
Rule A.5	Rule A.5	
Subject to the provisions of the Regulations and of these Rules, the Board shall adopt its own procedures. A majority of the members of the Board, including alternate members attending in the absence of members, shall constitute a quorum, provided that not less than three members from each of the three following groups are present:	Subject to the provisions of the Regulations and of these Rules, the Board shall adopt its own procedures. A majority of the members of the Board, including alternate members attending in the absence of members, shall constitute a quorum, provided that not less than three members from each of the three following groups are present:	*No change.*
(a) The General Assembly of the United Nations and the corresponding bodies of the other member organizations;	(a) The General Assembly of the United Nations and the corresponding bodies of the other member organizations;	*No change.*
(b) The competent authorities of member organizations;	(b) The competent authorities of member organizations;	*No change.*
(c) The participants.	(c) The participants.	*No change.*
All members, alternate members and representatives attending each regular or special Board session in accordance with A.9 (a)–(e) below shall sign a declaration on confidentiality and conflict of interest before the start of the session.	All members, alternate members, representatives **and observers** attending each regular or special Board session in accordance with A.9 (a)–(e) below shall sign a declaration on confidentiality and conflict of interest before the start of the session. **Access to Board documents and attendance at a Board session shall be subject to signing the declaration.**	*Amendment extends the signature of the declaration on confidentiality and conflict of interest to observers and provides that attendance of Board sessions is contingent upon signing the declaration.*

Existing text	Proposed text	Comments
Rule A.7	Rule A.7	
At the opening of each regular session, the Board shall elect a chair and two vice-chairmen who shall preside at the meetings of the Board until their successors are elected.	**(a)** At the opening of each regular session, the Board shall elect a chair and two vice-chairmen who shall preside at the meetings of the Board until their successors are elected. **In addition, the Board shall elect a Rapporteur.**	*Amendment formalizes in the rules of procedure the election of the Rapporteur.*
	(b) The Chair, the two Vice-Chairmen and the Rapporteur will act as a Bureau during sessions and in between sessions of the Board.	*New provision designating the Chair, Vice-Chair and Rapporteur as the Bureau of the Board.*
	(c) Between sessions, the Bureau shall facilitate consultation with Board members in relation to agendas, formats and other organizational matters.	*New provision on the role of the Bureau.*
Rule A.8	Rule A.8	
A report of each session of the Board shall be prepared under the responsibility of the Secretary and approved by the Board. It shall be distributed as soon as possible to all members of the Board through the secretaries of the staff pension committees.	A report of each session of the Board shall be prepared **by the Secretary of the Board** under the responsibility of the ~~Secretary~~ **Rapporteur** and approved by the Board. It shall be distributed as soon as possible to all members of the Board through the secretaries of the staff pension committees.	*Amendment places the responsibility for the preparation of the report of the Board session on the Rapporteur rather than the Secretary of the Board.*
Rule A.9	Rule A.9	
Attendance at Board sessions shall be limited to:	Attendance at Board sessions shall be limited to:	
(a) The members of the Board;	(a) The members of the Board;	*No change*
(b) One alternate member for each member of the Board, except that for the United Nations the number of alternate members shall be limited to the alternate members of the United Nations Staff Pension Committee elected or appointed in accordance with article 6 (a) of the Regulations;	(b) One alternate member for each member of the Board, except that for the United Nations the number of alternate members shall be limited to the alternate members of the United Nations Staff Pension Committee elected or appointed in accordance with article 6 (a) of the Regulations;	*No change*
(c) For member organizations with one or two members on the Board, one representative from each group referred to in A.5 above which is not entitled to a member seat at that Board session;	(c) For member organizations with one or two members on the Board, one representative from each group referred to in A.5 above which is not entitled to a member seat at that Board session;	*No change*

Existing text	*Proposed text*	*Comments*
(d) One representative for each member organization without a member seat on the Board;	(d) One representative for each member organization without a member seat on the Board;	*No change*
(e) Four representatives, and two alternates, for the Federation of Associations of Former International Civil Servants (FAFICS);	(e) Four representatives, and two alternates, for the Federation of Associations of Former International Civil Servants (FAFICS);	*No change*
(f) One observer for each organization or organ invited by the Board to attend the session;	(f) One observer for each organization or organ invited by the Board to attend the session;	*No change*
(g) In an *ex officio* capacity, the secretaries of the staff pension committees of member organizations and members of the Fund's secretariat designated by the Secretary of the Board.	(g) In an *ex officio* capacity, the secretaries of the staff pension committees of member organizations and members of the Fund's secretariat designated by the ~~Secretary of the Board~~ **Pension Benefits Administrator**.	*The provision clarifies that it is the Pension Benefits Administrator who designates members of the Fund's secretariat to attend each Pension Board session.*
Rule B.6	Rule B.6	
Meetings of the Standing Committee shall be convened by the Secretary upon the instructions of the Chair, after consultation with its members.	Meetings of the Standing Committee shall be convened by the Secretary **of the Board** upon the instructions of the Chair, after consultation with its members.	*Reflects the full designation of the Secretary of the Board.*
Rule B.7	Rule B.7	
Records of all meetings of the Standing Committee shall be prepared under the responsibility of the Secretary and approved by the Committee. They shall be distributed as soon as possible to the members of the Standing Committee through the secretaries of the staff pension committees.	Records of all meetings of the Standing Committee shall be prepared under the responsibility of the Secretary **of the Board** and approved by the Committee. They shall be distributed as soon as possible to the members of the Standing Committee through the secretaries of the staff pension committees.	*Reflects the full designation of the Secretary of the Board.*
Rule B.9	Rule B.9	
Attendance at meetings of the Standing Committee shall be limited to:	Attendance at meetings of the Standing Committee shall be limited to:	*No change.*
(I) (a) The members of the Standing Committee;	(I) (a) The members of the Standing Committee;	*No change.*
(b) One alternate member for each member of the Standing Committee, except that three alternate members are eligible to attend on behalf of the two United Nations General Assembly members representing the United Nations Joint Staff Pension Committee.	(b) One alternate member for each member of the Standing Committee, except that three alternate members are eligible to attend on behalf of the two United Nations General Assembly members representing the United Nations Joint Staff Pension Committee.	*No change.*

Existing text	Proposed text	Comments
(c) One representative from each group referred to in B.8 above of an organization or group of organizations which, due to the rotation of seats among such groups, is not entitled to a member seat at that meeting of the Standing Committee;	(c) One representative from each group referred to in B.8 above of an organization or group of organizations which, due to the rotation of seats among such groups, is not entitled to a member seat at that meeting of the Standing Committee;	*No change.*
(d) One representative for each member organization without a member seat on the Board;	(d) One representative for each member organization without a member seat on the Board;	*No change.*
(e) Two representatives, and two alternates, for FAFICS;	(e) Two representatives, and two alternates, for FAFICS;	*No change.*
(f) One observer for each organization or organ invited to attend meetings of the Standing Committee;	(f) One observer for each organization or organ invited to attend meetings of the Standing Committee;	*No change.*
(g) In an *ex officio* capacity, the secretaries of the staff pension committees of member organizations and members of the Fund's secretariat designated by the Secretary of the Board.	(g) In an *ex officio* capacity, the secretaries of the staff pension committees of member organizations and members of the Fund's secretariat designated by the ~~Secretary of the Board~~ **Pension Benefits Administrator**.	*Provision clarifies that it is the Pension Benefits Administrator who designates members of the Fund's secretariat to attend the Standing Committee meeting.*
Amendments to the terms of reference of the Committee of Actuaries		
Section 4	Section 4	
Process of appointment and Terms of Appointment	Process of appointment and Terms of Appointment	
4.1 The regular and the ad hoc members of the Committee of Actuaries shall be appointed by the Secretary-General, upon the recommendation of the Pension Board. The members are expected to be well experienced in actuarial work relevant to the nature of the Fund. Pursuant to the established procedures used in respect to the members, the Secretary/CEO shall continue to consult with the member organizations and the Committee of Actuaries on specific names to be considered. All names put forward will be placed before the Pension Board for its full consideration and eventual recommendation to the Secretary-General.	4.1 The regular and the ad hoc members of the Committee of Actuaries shall be appointed by the Secretary-General, upon the recommendation of the Pension Board. The members are expected to be well experienced in actuarial work relevant to the nature of the Fund. Pursuant to the established procedures used in respect to the members, the ~~Secretary/CEO~~ **Pension Benefits Administrator** shall continue to consult with the member organizations and the Committee of Actuaries on specific names to be considered. All names put forward will be placed before the Pension Board for its full consideration and eventual recommendation to the Secretary-General.	*Provision reflects the separation of the role of Secretary of the Board and, formerly, Chief Executive Officer, now Pension Benefits Administrator.*

(Footnotes on following page)

(Footnotes to Amendments to the Rules of the United Nations Joint Staff Pension Fund)

Note: In addition to the amendments noted in the table, amendments are required to the following provisions to reflect the change in designation from Chief Executive Officer to Pension Benefits Administrator and Deputy Chief Executive Officer to Deputy Pension Benefits Administrator as applicable:

(a) Administrative Rules: sections A.1, B.4, D.1, F.2, I.3, J.2, J.8, J.9 and section F;

(b) Financial Rules: A.2, A.3, A.4, A7 (d), A.7 (k), C.4, C.15, D.1, D.2, D.6, D.7, D.8, D.9, E.1, E.2, E.3, E.5, E.7, F.1, G.1, G.7, G.8, H.1, H.2 and H.8;

(c) Rules of procedure: sections C.9 and F.1;

(d) Terms of reference of the Audit Committee: sections 5 and 9;

(e) Terms of reference of the Committee of Actuaries: section 2.3;

(f) Terms of reference of staff pension committees and their secretaries: sections 16 and 21;

(g) Pension Adjustment System: paragraph 26.

Annex XIII

Options for Board seats and rotation schedules

Option 1

Group	*Member organization*	*Number of participants*	*Percentage of total participants*	*Current number of Board seats (voting)*	*Percentage of Board seats*	*Proposed number of seats on the Board*	*Percentage of Board seats*
I	United Nations	85 009	67.1%	12	36.4%	12	36.4%
	Total, Group I	**85 009**	**67.1%**	**12**	**36.4%**	**12**	**36.4%**
II	WHO	10 732	8.5%	3	9.1%	3	9.1%
	FAO	10 533	8.3%	3	9.1%	3	9.1%
	Total, Group II	**21 265**	**16.8%**	**6**	**18.2%**	**6**	**18.2%**
III	UNESCO	2 434	1.9%	2	6.1%	2	6.1%
	ILO	3 629	2.9%	2	6.1%	2	6.1%
	IAEA	2 679	2.1%	2	6.1%	2	6.1%
	Total, Group III	**8 742**	**6.9%**	**6**	**18.2%**	**6**	**18.2%**
IV	WIPO	1 209	1.0%	1.5	4.5%	1.5	4.5%
	ITU	721	0.6%	1.5	4.5%	1	3.0%
	UNIDO	673	0.5%	1.5	4.5%	1	3.0%
	ICAO	799	0.6%	1.5	4.5%	1.5	4.5%
	Total, Group IV	**3 402**	**2.7%**	**6**	**18.2%**	**5**	**15.2%**
V	IOM	5 052	4.0%	0	0.0%	1	3.0%
	IFAD	580	0.5%	1	3.0%	1	3.0%
	WMO	350	0.3%	1	3.0%	1	3.0%
	IMO	280	0.2%	1	3.0%	1	3.0%
	Total, Group V	**6 262**	**4.9%**	**3**	**9.1%**	**4**	**12.1%**
VI	International Criminal Court	1 167	0.9%	0	0.0%	0	0.0%
	ICCROM	39	0.0%	0	0.0%	0	0.0%
	ISA	38	0.0%	0	0.0%	0	0.0%
	ITLOS	41	0.0%	0	0.0%	0	0.0%
	IPU	45	0.0%	0	0.0%	0	0.0%
	EPPO	18	0.0%	0	0.0%	0	0.0%
	STL	450	0.4%	0	0.0%	0	0.0%
	ICGEB	175	0.1%	0	0.0%	0	0.0%
	UNWTO	83	0.1%	0	0.0%	0	0.0%
	CTBTO Preparatory Commission			0	0.0%	0	0.0%
	Total, Group VI	**2 056**	**1.6%**	**0**	**0.0%**	**0**	**0.0%**
	Grand total	**126 736**	**100.0%**	**33**	**100.0%**	**33**	**100.0%**

Option 2

Group	*Member organization*	*Number of participants*	*Percentage of total participants*	*Current number of Board seats (voting)*	*Percentage of Board seats*	*Proposed number of seats on the Board*	*Percentage of Board seats*
I	United Nations	85 009	67.1%	12	36.4%	15	41.7%
	Total, Group I	**85 009**	**67.1%**	**12**	**36.4%**	**15**	**41.7%**
II	WHO	10 732	8.5%	3	9.1%	3	8.3%
	FAO	10 533	8.3%	3	9.1%	3	8.3%
	Total, Group II	**21 265**	**16.8%**	**6**	**18.2%**	**6**	**16.7%**
III	UNESCO	2 434	1.9%	2	6.1%	2	5.6%
	ILO	3 629	2.9%	2	6.1%	2	5.6%
	IAEA	2 679	2.1%	2	6.1%	2	5.6%
	Total, Group III	**8 742**	**6.9%**	**6**	**18.2%**	**6**	**16.7%**
IV	WIPO	1 209	1.0%	1.5	4.5%	1.5	4.2%
	ITU	721	0.6%	1.5	4.5%	1	2.8%
	UNIDO	673	0.5%	1.5	4.5%	1	2.8%
	ICAO	799	0.6%	1.5	4.5%	1.5	4.2%
	Total, Group IV	**3 402**	**2.7%**	**6**	**18.2%**	**5**	**13.9%**
V	IOM	5 052	4.0%	0	0.0%	1	2.8%
	IFAD	580	0.5%	1	3.0%	1	2.8%
	WMO	350	0.3%	1	3.0%	1	2.8%
	IMO	280	0.2%	1	3.0%	1	2.8%
	Total, Group V	**6 262**	**4.9%**	**3**	**9.1%**	**4**	**11.1%**
VI	International Criminal Court	1 167	0.9%	0	0.0%	0	0.0%
	ICCROM	39	0.0%	0	0.0%	0	0.0%
	ISA	38	0.0%	0	0.0%	0	0.0%
	ITLOS	41	0.0%	0	0.0%	0	0.0%
	IPU	45	0.0%	0	0.0%	0	0.0%
	EPPO	18	0.0%	0	0.0%	0	0.0%
	STL	450	0.4%	0	0.0%	0	0.0%
	ICGEB	175	0.1%	0	0.0%	0	0.0%
	UNWTO	83	0.1%	0	0.0%	0	0.0%
	CTBTO Preparatory Commission			0	0.0%	0	0.0%
	Total, Group VI	**2 056**	**1.6%**	**0**	**0.0%**	**0**	**0.0%**
	Grand total	**126 736**	**100.0%**	**33**	**100.0%**	**33**	**100.0%**

Option 3

Group	*Member organization*	*Number of participants*	*Percentage of total participants*	*Current number of Board seats (voting)*	*Percentage of Board seats*	*Proposed number of seats on the Board*	*Percentage of Board seats*
I	United Nations	85 009	67.1%	12	36.4%	12	40.0%
Total, Group I		**85 009**	**67.1%**	**12**	**36.4%**	**12**	**40.0%**
II	WHO	10 732	8.5%	3	9.1%	3	10.0%
	FAO	10 533	8.3%	3	9.1%	3	10.0%
Total, Group II		**21 265**	**16.8%**	**6**	**18.2%**	**6**	**20.0%**
III	UNESCO	2 434	1.9%	2	6.1%	2	6.7%
	ILO	3 629	2.9%	2	6.1%	2	6.7%
	IAEA	2 679	2.1%	2	6.1%	2	6.7%
Total, Group III		**8 742**	**6.9%**	**6**	**18.2%**	**6**	**20.0%**
IV	WIPO	1 209	1.0%	1.5	4.5%	1	3.3%
	ITU	721	0.6%	1.5	4.5%	1	3.3%
	UNIDO	673	0.5%	1.5	4.5%	0.5	1.7%
	ICAO	799	0.6%	1.5	4.5%	1	3.3%
	IOM	5 052	4.0%	0	0.0%	1	3.3%
	IFAD	580	0.5%	1	3.0%	0.5	1.7%
	WMO	350	0.3%	1	3.0%	0.5	1.7%
	IMO	280	0.2%	1	3.0%	0.5	1.7%
Total, Group IV		**9 664**	**7.6%**	**9**	**27.3%**	**6**	**20.0%**
V	International Criminal Court	1 167	0.9%	0	0.0%	0	0.0%
	ICCROM	39	0.0%	0	0.0%	0	0.0%
	ISA	38	0.0%	0	0.0%	0	0.0%
	ITLOS	41	0.0%	0	0.0%	0	0.0%
	IPU	45	0.0%	0	0.0%	0	0.0%
	EPPO	18	0.0%	0	0.0%	0	0.0%
	STL	450	0.4%	0	0.0%	0	0.0%
	ICGEB	175	0.1%	0	0.0%	0	0.0%
	UNWTO	83	0.1%	0	0.0%	0	0.0%
	CTBTO Preparatory Commission	–		0	0.0%	0	0.0%
Total, Group V		**2 056**	**1.6%**	**0**	**0.0%**	**0**	**0.0%**
Grand total		**126 736**	**100.0%**	**33**	**100.0%**	**30**	**100.0%**

Option 4

Old group	*Organization*	*Number of participants*	*Percentage of participants*	*Current Board seats*	*Current Board seats (percentage)*	*Seats if participant percentage applied*	*Proposed seats*	*Proposed seats (percentage)*	*New group*
I	UN	85 009	67.08%	12	36.36%	22.13	21	63.64%	I
	Total	**85 009**	**67.08%**	**12**	**36.36%**	**22.13**	**21**	**63.64%**	
II	WHO	10 732	8.47%	3	9.09%	2.79	3	9.09%	II
	FAO	10 533	8.31%	3	9.09%	2.74	3	9.09%	
	Total	**21 265**	**16.78%**	**6**	**18.18%**	**5.54**	**6**	**18.18%**	
III	UNESCO	2 434	1.92%	2	6.06%	0.63	1	3.03%	III
	ILO	3 629	2.86%	2	6.06%	0.94	1	3.03%	
	IAEA	2 679	2.11%	2	6.06%	0.70	1	3.03%	
VI	IOM	5 052	3.99%	0	0.00%	1.32	1	3.03%	
	Total	**13 794**	**10.88%**	**6**	**18.18%**	**3.59**	**4**	**12.12%**	
IV	WIPO	1 209	0.95%	1.5	4.55%	0.31	1/4	0.76%	IV
	ITU	721	0.57%	1.5	4.55%	0.19	1/4	0.76%	
	ICAO	799	0.63%	1.5	4.55%	0.21	1/4	0.76%	
VI	International Criminal Court	1 167	0.92%	0	0.00%	0.30	1/4	0.76%	
	Total	**3 896**	**3.07%**	**4.5**	**13.64%**	**1.01**	**1**	**3.03%**	
III	IFAD	580	0.46%	1	3.03%	0.15	1/13	0.23%	V
	UNIDO	673	0.53%	1.5	4.55%	0.18	1/13	0.23%	
V	WMO	350	0.28%	1	3.03%	0.09	1/13	0.23%	
	IMO	280	0.22%	1	3.03%	0.07	1/13	0.23%	
VI	ICCROM	39	0.03%	0	0.00%	0.01	1/13	0.23%	
	ISA	38	0.03%	0	0.00%	0.01	1/13	0.23%	
	ITLOS	41	0.03%	0	0.00%	0.01	1/13	0.23%	
	IPU	45	0.04%	0	0.00%	0.01	1/13	0.23%	
	EPPO	18	0.01%	0	0.00%	0.00	1/13	0.23%	
	STL	450	0.36%	0	0.00%	0.12	1/13	0.23%	
	ICGEB	175	0.14%	0	0.00%	0.05	1/13	0.23%	
	UNWTO	83	0.07%	0	0.00%	0.02	1/13	0.23%	
	CTBTO Preparatory Commission	0	0.00%	0	0.00%	0.00	1/13	0.23%	
	Total	**2 772**	**2.19%**	**4.5**	**13.64%**	**0.72**	**1**	**3.03%**	
	TOTAL	**126 736**	**100.00%**	**33**	**100.00%**	**33**	**33**	**100.00%**	

Note: The present proposal refines option 1, regroups according to size and ensures that all groups have voting rights at the Board.

Option 5

Member organization	*Number of participants as at 31 Dec. 2017*	*Percentage of total participants*	*Number of Board seats*	*Representatives on the Board*	*Percentage of representatives on the Board*	*Alternates on the Board*
United Nations	85 009	67.1%	1	12	24.5%	12
FAO	10 533	8.3%	1	3	6.1%	3
WHO	10 732	8.5%	1	3	6.1%	3
UNESCO	2 434	1.9%	1	3	6.1%	3
ILO	3 629	2.9%	1	3	6.1%	3
IAEA	2 679	2.1%	1	3	6.1%	3
UNIDO	673	0.5%	1	1	2.0%	0
WIPO	1 209	1.0%	1	2	4.1%	2
ICAO	799	0.6%	1	1	2.0%	0
ITU	721	0.6%	1	1	2.0%	0
WMO	350	0.3%	1	1	2.0%	0
IMO	280	0.2%	1	1	2.0%	0
IFAD	580	0.5%	1	1	2.0%	0
IOM	5 052	4.0%	1	3	6.1%	3
International Criminal Court	1 167	0.9%	1	2	4.1%	2
ICGEB	175	0.1%	1	1	2.0%	0
UNWTO	83	0.1%	1	1	2.0%	0
ICCROM	39	0.0%	1	1	2.0%	0
ISA	38	0.0%	1	1	2.0%	0
ITLOS	41	0.0%	1	1	2.0%	0
IPU	45	0.0%	1	1	2.0%	0
EPPO	18	0.0%	1	1	2.0%	0
CTBTO Preparatory Commission		0.0%	1	1	2.0%	0
STL	450	0.4%	1	1	2.0%	0
TOTAL	**126 736**	**100.0%**	**24**	**49**	**100.0%**	**34**

Annex XIV

Responsibilities of members of the United Nations Joint Staff Pension Board

Pension Board Members shall, in this capacity, inter alia:

- Contribute to the work of the Board in the interest of ensuring proper governance of the Fund, and abide by Board decisions;
- Act in the best interest of the Fund and its sustainability;
- Not seek to personally benefit from the Fund;
- Acquaint themselves with the Regulations and Rules governing the Pension Fund and the broader legislative framework;
- Acquaint themselves with the financial principles related to the Fund and the investment of its assets;
- Contribute to the administration of the Fund in accordance with the Regulations, and with the Administrative Rules, including the Financial Rules for the operation of the Fund in accordance with article 4 (b) of the Fund's Regulations, and in an impartial, prudent, responsible and honest manner;
- Observe the highest ethical standards and act to prevent any potential or actual conflict of interest;
- Not seek employment in the secretariat of the Fund or the Office of Investment Management within a period of one year after the end of their term on the Board or upon resignation from the Board;
- Respect diversity and act in a spirit of dialogue.

Annex XV

Terms of reference for the Chair of the United Nations Joint Staff Pension Board

In addition to exercising the powers conferred upon him or her under these Regulations and Rules, the Chair shall have the following powers:

During the Board session, the Chair shall inter alia:

- Declare the opening and closing of the session;
- Direct the discussion;
- Whenever necessary, take such steps as may be required to facilitate reaching consensus among Board Members, especially on important or controversial issues;
- Ensure the observance of the Pension Fund Regulations and Rules;
- Accord the right to speak, rule on points of order, put questions to the vote;
- Announce decisions of the Board.

In between Board sessions, in coordination with the members of the Bureau, the Chair shall inter alia:

- Present the report of the Board to the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee;
- Liaise with the Chairs of the committees and the working groups of the Board regarding the status of their work programmes;
- Liaise and consult regularly with the Secretary of the Board on issues of an administrative and organizational nature for the preparation and conduct of Board sessions;
- Liaise with the Chief Executive Officer/Pension Benefits Administrator;
- Keep the Board members informed of their activities and any developments.

Annex XVI

Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018

Letters of transmittal

Letter dated 31 May 2019 from the Acting Chief Executive Officer of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors

In accordance with financial rule G.5 of the United Nations Joint Staff Pension Fund, we have the honour to transmit the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which we hereby approve. The Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund approve the financial statements for their respective areas of responsibility. The financial statements have been completed and certified by the Chief Financial Officer of the Fund as correct in all material respects.

(*Signed*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

Certification of the financial statements

Letter dated 31 May 2019 from the Chief Financial Officer of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018 have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), as issued by the International Public Sector Accounting Standards Board, and International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, as issued by the International Accounting Standards Board. The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by these statements.

I certify that the appended financial statements of the United Nations Joint Staff Pension Fund are correct in all material respects.

(*Signed*) Karl-Ludwig W. **Soll**
Chief Financial Officer
United Nations Joint Staff Pension Fund

Statement of internal control for the year ended 31 December 2018

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1948 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, who is also the Secretary of the Board, discharges the Board's responsibility for the administrative supervision of the Fund secretariat. The Chief Executive Officer, 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 Chief Executive Officer is also responsible for ensuring that actuarial matters are addressed with a view to 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 United Nations Joint Staff Pension Fund. The Representative has delegated responsibility for the management and accounting of the investments of the Fund. The Representative 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 Chief Executive Officer 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 economical use of resources, the reliability and integrity of information, compliance with rules and regulations and the safeguarding of assets.

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 of the Fund and to improve performance. Therefore, it can provide only a reasonable, and not an 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 concerning the achievement of the following internal control objectives:

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

The Pension Fund statement of internal control is related to the control objective of reliability of financial reporting, and therefore its scope is limited to the effectiveness of internal controls over financial reporting as at 31 December 2018.

Capacity to handle risk

The Pension Fund has implemented a governance structure, a management process and internal and external oversight mechanisms to adequately identify, assess, manage, monitor and report the risks inherent to its operations. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development as well as its specific requirements.

The Pension Fund internal control policy, approved in May 2014, defines internal control objectives, components and responsibilities, as well as the lines of defence in terms of internal control, which include: (a) management; (b) risk management and compliance sections; (c) internal audit; and (d) external audit. The Fund's internal controls over financial reporting provide reasonable assurance that assets are safeguarded, that transactions are properly recorded and authorized and that there are no material misstatements in the financial statements.

Pension Fund risk management and internal control framework

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

(a) *Risk management governance*. The operation of the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. Specialized committees conduct oversight and provide advice to the Pension Board on risk management and internal control, as follows:

(i) The Audit Committee provides general oversight of and offers recommendations on the Fund's internal and external auditing and internal control framework;

(ii) The Assets and Liabilities Monitoring Committee advises the Pension Board on risk management, funding policy, asset-liability management and investment policy matters;

(b) *Enterprise-wide risk management policy*. The policy provides the basis for the operation of the risk management framework and specifies its applicability throughout the Fund. The enterprise-wide risk management methodology complements the policy and defines the steps, roles and responsibilities in the risk management process;

(c) *Enterprise-wide risk assessment*. The Fund conducts periodic risk assessment exercises, which serve as a basis for defining strategies to address the Fund's key risks;

(d) *Risk monitoring*. The Enterprise-wide Risk Management Working Group, co-chaired by the Chief Executive Officer of the Fund and the Representative of the Secretary-General, includes representatives from all units and monitors the Fund's risk profile and the implementation of risk management strategies. Risk management officers promote the implementation of the enterprise-wide risk management framework, facilitate risk assessments, advise on the implementation of risk management strategies, and monitor and report on the Fund's risk profile;

(e) *Fraud risk assessment*. The Office of Investment Management performs a fraud risk assessment to identify specific fraud schemes and risks and assess their likelihood and significance, evaluate existing fraud control activities and implement actions to mitigate residual fraud risks. The Fund secretariat has various anti-fraud mechanisms in place, including periodic fraud assessments and a mix of preventive and detective anti-fraud controls.

Review of the effectiveness of internal controls over financial reporting

The Pension Fund has considered the *Internal Control-Integrated Framework* of the Committee of Sponsoring Organizations of the Treadway Commission as a guideline for assessing its internal controls over financial reporting. The review by the Fund management of the effectiveness of internal controls over financial reporting as at 31 December 2018 was supported by:

(a) The preparation of the statement of internal control, which involved:

(i) A scoping exercise to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services;

(ii) Identification of key financial reporting risks;

(iii) Identification and documentation of: a. entity-level controls; b. key controls over financial reporting; and c. key ICT general controls that support the operation of other controls over financial reporting;

(iv) Operational effectiveness testing of the key controls over financial reporting performed by management;

(b) Assertion letters on the effectiveness of internal controls over financial reporting signed by key officers in the Fund secretariat and the Office of Investment Management. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting and reporting any deficiencies identified;

(c) 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 and a custodian bank for the investments. Additionally, the Fund received an independent service audit report from and by Citibank NA, a second custodian bank for the investments of the Fund, which fulfilled that role until 31 January 2018, on which date Northern Trust became the sole global custodian bank for the investments of the Fund. The audits were conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. Both audits concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved;

(d) An independent provider was engaged to assess the effectiveness of managing information security risks of the new Integrated Pension Administration System, following the protocols defined by the International Organization for Standardization (ISO). In April 2016, the Fund secretariat obtained the ISO 27001 information security certification for the System, which is valid for three years, until March 2019. In a surveillance audit conducted in 2018, it was concluded that the information security processes functioned as expected and effectively met the requirements of the standard;

(e) An independent auditor performed an International Standard on Assurance Engagements (ISAE) 3402 type II audit of the internal control framework of the United Nations International Computing Centre. The ISAE 3402 type II audit provides an independent assessment of whether the Centre's controls are suitably designed and operated effectively. The conclusion of the ISAE 3402 type II audit report for 2017 was a qualified opinion owing to deficiencies identified in relation to six controls. The Centre's management developed a plan to address the issues found.

In January 2019, the independent auditor concluded that four control deficiencies had been resolved to satisfaction and two others were in the process of resolution and would need further adjustments during 2019;

(f) The Audit Committee reviewed the results of audits by the Office of Internal Oversight Services (OIOS) and the Board of Auditors and received information on the implementation of audit recommendations. The Representative of the Secretary-General and the Fund's Chief Executive Officer, Chief Financial Officer, Risk and Compliance Officers and internal and external auditors had periodic meetings with the Audit Committee;

(g) In accordance with its mandate, OIOS provided assurance that internal controls are adequate and functioning effectively. In the execution of a risk-based audit plan discussed with the Audit Committee and following special requests by the General Assembly, OIOS conducted audit examinations to provide assurance on the effectiveness of internal controls and identify control deficiencies. The Chief Executive Officer and the Representative of the Secretary-General, in their respective areas of responsibility, took appropriate actions to address recommendations resulting from internal audits;

(h) In accordance with its mandate, the Board of Auditors examined independently the financial statements, performing such tests and other procedures as it considered necessary to express an opinion in its annual audit report. The Board was given full and unrestricted access to all financial records and related data and to the Fund's management and Audit Committee to discuss any findings related to the integrity and reliability of the Fund's financial reporting. The external audit report accompanies the financial statements.

Significant internal control matters arising during the year

The statement of internal control for the year ended 31 December 2018 draws attention to key areas with an impact on internal controls over financial reporting, as follows:

(a) Pursuant to General Assembly resolution 72/262 A, OIOS conducted a comprehensive audit of the governance structure and related processes of the Pension Board. At its seventy-third session, the Assembly considered the OIOS audit report and adopted resolution 73/274, which contains comments and decisions relating to the audit recommendations. The Pension Board created a governance working group to consider governance issues, including those identified by the Assembly. The governance working group will report to the Pension Board at its sixty-sixth session, in July 2019;

(b) The Fund's management has implemented process and system changes to address efficiency aspects in the processing of benefit entitlements. These actions translated into significant progress by the Fund in benefit processing during 2018, and allowed the downgrading of a critical audit recommendation related to benefit processing.

The Office of Investment Management performed a fraud risk assessment by evaluating applicable fraud risks and schemes. The Office considered existing compliance activities, operational controls and financial reporting as part of the fraud risk evaluation and noted areas in which additional controls and processes might be required. The Office is developing remedial actions to be deployed and tested during 2019.

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. Furthermore, 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 over financial reporting identified during the year and to ensure continuous improvement of internal controls.

On the basis of the above, we conclude that, to our best knowledge and information, there are no material weaknesses in internal controls over financial reporting, in our respective areas of responsibility, that would prevent the external auditors from providing an unqualified opinion on the financial statements or would need to be raised in the present document for the year ended 31 December 2018.

(*Signed*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

22 April 2019
New York

Chapter IV
Financial overview

A. Introduction

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1948 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. As at 31 December 2018, there were 23 member organizations participating in the Fund. An additional organization became a member on 1 January 2019. All participating organizations and employees contribute to the Fund on the basis of pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers.

2. The Fund is governed by the United Nations Joint Staff Pension Board, made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, of whom 4 are elected by the General Assembly, 4 are appointed by the Secretary-General and 4 are 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, of whom 7 are chosen by the bodies of the member organizations corresponding to the General Assembly, 7 are appointed by the chief administrative officers of the member organizations and 7 are chosen by the participants in service.

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

4. The Chief Executive Officer is responsible for the administration of the Fund and for the observance, by all concerned, of the Regulations, Rules and Pension Adjustment System of the Fund. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for 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; the responsibility for representing the Pension 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. With regard to administrative services, the Fund utilizes the United Nations "machinery", including payroll, recruitment and other human resources functions; procurement; administration of justice; internal audit; and other administrative services. Within this framework, the Executive Office of the Fund provides administrative support to the Fund secretariat and the Office of Investment Management.

5. The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy. 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 United Nations Joint Staff Pension Fund. The Representative 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 Pension Board.

B. Financial performance

Changes in net assets available for benefits

6. There was a decrease in the net assets available for benefits for the year ended 31 December 2018 of $3,589.9 million (2017: increase of $9,877.8 million). The decrease was attributable primarily to investment losses for the year.

7. The investment loss for 2018 was $3,306.5 million (2017: income of $10,248.1 million). Investment loss for 2018 primarily comprised net change in the fair value of investments of $4,502.1 million, offset in part by dividend income of $912.2 million and interest income of $376.7 million. The change of $13,554.6 million from the prior year was driven largely by the change in the fair value of financial assets designated at fair value.

8. Total contributions (from participants: $820.2 million; member organizations: $1,630.8 million; and other contributions: $6.1 million) for 2018 were $2,457.2 million (2017: $2,400.9 million), reflecting an increase of $56.3 million (or 2.3 per cent) compared with the total contributions for 2017.

9. Benefit expenses for 2018 of $2,669.6 million (2017: $2,673.3 million) reflected a decrease of $3.7 million (or 0.1 per cent) compared with the benefit expenses for 2017, owing mainly to the forfeiture of benefits for multiple prior reporting periods of $42.2 million, which are included in other benefits/adjustments.

10. Administrative expenses for 2018 of $70.1 million (2017: $97.4 million) reflected a decrease of $27.3 million (or 28.0 per cent). The decrease in administrative expense was due primarily to the impact of the changes in the post-employment benefits liabilities, including after-service health insurance, of $23.3 million and a decrease in contractual services of $9.2 million.

Statement of net assets available for benefits

11. Net assets available for benefits at 31 December 2018 were $60,776.0 million (2017: $64,365.9 million), reflecting a decrease of $3,589.9 million (or 5.6 per cent).

12. Cash and cash equivalents at 31 December 2018 were $564.9 million (2017: $971.8 million), reflecting a decrease of $406.9 million (or 41.9 per cent).

13. Fair value of investments at 31 December 2018 was $60,309.8 million (2017: $63,565.7 million), reflecting a decrease of $3,255.9 million (or 5.1 per cent). Details with regard to the investment classes at 31 December 2018 and 31 December 2017 are as follows:

(Millions of United States dollars)

	31 December 2018	*31 December 2017*	*Change*	*Percentage*
Short-term investments	2 711.0	1 834.3	876.7	47.8
Equities	34 401.2	39 784.2	(5 383.0)	(13.5)
Fixed income	16 113.8	15 329.9	783.9	5.1
Real assets	4 340.4	4 213.8	126.6	3.0
Alternatives and other investments	2 743.4	2 403.4	340.0	14.1
Total investments	**60 309.8**	**63 565.6**	**(3 255.8)**	**(5.1)**

14. Investments and cash and cash equivalents are as follows:

(Millions of United States dollars)

	31 December 2018	*31 December 2017*	*Change*	*Percentage*
Investments	60 309.8	63 565.6	(3 255.8)	(5.1)
Cash and cash equivalents	564.9	971.8	(406.9)	(41.9)
Total investments and cash and cash equivalents	**60 874.7**	**64 537.4**	**(3 662.7)**	**(5.7)**

15. Total liabilities of the Fund as at 31 December 2018 were $362.9 million (2017: $411.3 million), reflecting a decrease of $48.4 million (or 11.8 per cent). The decrease in total liabilities was due primarily to the decreases in benefits payable of $45.7 million and in the after-service health insurance liability of $6.5 million.

Actuarial situation of the Fund

16. 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. 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.

17. The actuarial present value of accumulated plan benefits as at 31 December 2018 is as follows:

(Millions of United States dollars)

	If future pension payments are made under the Regulations	
	Without pension adjustments	*With pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	26 732	36 054
Vested terminated participants	787	1 356
Active participants	14 430	19 880
Total vested benefits	**41 949**	**57 290**
Non-vested benefits	947	1 202
Total actuarial present value of accumulated plan benefits	**42 896**	**58 492**

Key statistics

18. The number of Fund participants as at 31 December 2018 was 128,594 (2017: 126,736), an increase of 1,858, or 1.4 per cent.

19. The number of periodic benefits paid by the Fund as at 31 December 2018 was 78,716 (2017: 78,247), an increase of 469, or 0.6 per cent.

Chapter V

Financial statements for the year ended 31 December 2018

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Assets			
Cash and cash equivalents	4	564 891	971 807
Investments	5, 6		
Short-term investments		2 710 995	1 834 280
Equities		34 401 159	39 784 228
Fixed income		16 113 838	15 329 947
Real assets		4 340 466	4 213 829
Alternatives and other investments		2 743 377	2 403 366
		60 309 835	**63 565 650**
Contributions receivable		55 889	6 939
Accrued income from investments	7	158 251	154 655
Receivable from investments traded	5	7 869	28 401
Withholding tax receivable	8	20 133	26 554
Other assets	9	22 068	23 194
Total assets		**61 138 936**	**64 777 200**
Liabilities			
Benefits payable	10	102 488	148 186
Payable from investments traded	5	159 913	157 699
After-service health insurance and other employee benefits liabilities	11	87 891	94 363
Other accruals and liabilities	12	12 597	11 044
Total liabilities		**362 889**	**411 292**
Net assets available for benefits		**60 776 047**	**64 365 908**

The accompanying notes are an integral part of these financial statements.

United Nations Joint Staff Pension Fund

II. Statement of changes in net assets available for benefits

(Thousands of United States dollars)

	Note	*For the year 2018*	*For the year 2017 (reclassified)*[a]
Investment income/(loss)	13		
Net change in fair value of investments		(4 502 075)	9 081 326
Interest income		376 716	361 742
Dividend income		912 237	865 788
Income from real assets		55 510	65 530
Less: transaction costs and management fees		(143 435)	(133 145)
Less: withholding tax		(5 972)	(2 518)
Other investment-related income, net		505	9 379
		(3 306 514)	**10 248 102**
Contributions	14		
From participants		820 209	792 593
From member organizations		1 630 838	1 577 151
Other contributions		6 104	31 168
		2 457 151	**2 400 912**
Benefit expenses	15		
From withdrawal settlements and full commutation benefits		181 671	194 803
From retirement benefits		2 530 498	2 479 573
Other benefits/adjustments		(42 609)	(1 119)
		2 669 560	**2 673 257**
Administrative expenses	16		
Fund secretariat		36 222	58 947
Office of Investment Management		32 212	36 650
Audit		1 235	1 394
Pension Board		450	409
		70 119	**97 400**
Other expenses	17	819	575
Increase/(decrease) in net assets available for benefits		**(3 589 861)**	**9 877 782**

The accompanying notes are an integral part of these financial statements.

[a] See note 24 for details of the reclassifications.

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	Note	*For the year 2018*	*For the year 2017*
Cash flows from investing activities			
Purchase of investments		(25 154 053)	(15 346 130)
Proceeds from sale/redemption of investments		23 932 026	13 933 105
Dividends received from equity investments, excluding withholding tax		876 424	839 462
Interest received from fixed income investments		377 678	345 952
Income received from unitized real asset funds, excluding withholding tax		55 483	65 506
Other income received/(losses incurred), net		510	11 611
Transaction costs, management fees and other expenses paid		(144 649)	(134 993)
Withholding taxes reimbursement		31 732	9 394
Net cash (used)/provided by investing activities		**(24 849)**	**(276 093)**
Cash flows from operating activities			
Contribution from member organizations and participants		2 405 906	2 401 970
Benefits payments		(2 710 412)	(2 656 307)
Net transfer to/from other plans		(475)	3 302
Administrative expenses paid		(77 953)	(72 501)
Other payments, net		(696)	(513)
Net cash used by operating activities		**(383 630)**	**(324 049)**
Net (decrease)/increase in cash and cash equivalents		(408 479)	(600 142)
Cash and cash equivalents at the beginning of year	4	971 807	1 562 522
Exchange gains on cash and cash equivalents		1 563	9 427
Cash and cash equivalents at the end of year	**4**	**564 891**	**971 807**

The accompanying notes are an integral part of these financial statements.

United Nations Joint Staff Pension Fund

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018

(Thousands of United States dollars)

	Initial appropriation 2018			*Actuals on a comparable basis 2018*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Fund secretariat										
Posts	15 988.5	7 217.4	23 205.9	16 020.7	7 177.1	23 197.8	32.2	(40.3)	(8.1)	(0)
Other staff costs	5 707.7	324.3	6 032.0	6 426.3	110.9	6 537.2	718.6	(213.4)	505.2	8
Hospitality	2.9	–	2.9	–	–	–	(2.9)	–	(2.9)	(100)
Consultants	89.1	–	89.1	78.0	–	78.0	(11.1)	–	(11.1)	(12)
Travel of staff	581.8	–	581.8	376.6	–	376.6	(205.2)	–	(205.2)	(35)
Contractual services	9 586.5	1 072.5	10 659.0	9 030.0	1 152.0	10 182.0	(556.5)	79.5	(477.0)	(4)
General operating expenses	6 566.4	1 838.0	8 404.4	9 908.4	3 336.9	13 245.3	3 342.0	1 498.9	4 840.9	58
Supplies and materials	67.8	33.9	101.7	26.3	13.2	39.5	(41.5)	(20.7)	(62.2)	(61)
Furniture and equipment	864.3	316.0	1 180.3	216.2	3.3	219.5	(648.1)	(312.7)	(960.8)	(81)
Subtotal	**39 455.0**	**10 802.1**	**50 257.1**	**42 082.5**	**11 793.4**	**53 875.9**	**2 627.5**	**991.3**	**3 618.8**	**7**
B. Office of Investment Management										
Posts	12 698.7	–	12 698.7	12 963.0	–	12 963.0	264.3	–	264.3	2
Other staff costs	1 735.4	–	1 735.4	1 068.6	–	1 068.6	(666.8)	–	(666.8)	(38)
Hospitality	14.6	–	14.6	6.9	–	6.9	(7.7)	–	(7.7)	(53)
Consultants	621.3	–	621.3	380.1	–	380.1	(241.2)	–	(241.2)	(39)
Travel of representatives[a]	355.6	–	355.6	218.7	–	218.7	(136.9)	–	(136.9)	(38)
Travel of staff	844.4	–	844.4	553.5	–	553.5	(290.9)	–	(290.9)	(34)
Contractual services	22 381.0	–	22 381.0	16 143.2	–	16 143.2	(6 237.8)	–	(6 237.8)	(28)
General operating expenses	4 032.4	–	4 032.4	4 333.0	–	4 333.0	300.6	–	300.6	7
Supplies and materials	31.3	–	31.3	33.2	–	33.2	1.9	–	1.9	6
Furniture and equipment	852.7	–	852.7	273.7	–	273.7	(579.0)	–	(579.0)	(68)
Subtotal	**43 567.4**	**–**	**43 567.4**	**35 973.9**	**–**	**35 973.9**	**(7 593.5)**	**–**	**(7 593.5)**	**(17)**

United Nations Joint Staff Pension Fund

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (continued)

(Thousands of United States dollars)

	Initial appropriation 2018			*Actuals on a comparable basis 2018*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
C. Audit										
External audit	327.7	65.6	393.3	327.6	65.5	393.1	(0.1)	(0.1)	(0.2)	(0)
Internal audit	879.0	175.8	1 054.8	999.9	200.0	1 199.9	120.9	24.2	145.1	14
Subtotal	**1 206.7**	**241.4**	**1 448.1**	**1 327.5**	**265.5**	**1 593.0**	**120.8**	**24.1**	**144.9**	**10**
D. Pension Board	494.3	–	494.3	450.7	–	450.7	(43.6)	–	(43.6)	(9)
Total administrative expenses	**84 723.4**	**11 043.5**	**95 766.9**	**79 834.6**	**12 058.9**	**91 893.5**	**(4 888.8)**	**1 015.4**	**(3 873.4)**	**(4)**

The purpose of the statement of comparison of budget and actual amounts is to compare budget to actual amounts on a comparable basis, i.e. actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actual costs on a comparable basis are consequently also shown 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.

[a] Includes travel of Investments Committee members only.

United Nations Joint Staff Pension Fund

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (continued)

Explanation of significant differences (greater than +/-10 per cent) between budget and actual amounts on a comparable basis

A. Fund secretariat

Hospitality. The underexpenditure is the result of the minimization of hospitality costs.

Consultants. The underexpenditure is due to the lower-than-anticipated requirements for communication consultancy services.

Travel. The underexpenditure is due to the postponement of the client service outreach missions to the second year of the biennium.

General operating expenses. The overexpenditure reflects the full obligation of the rental of office space for the entirety of the biennium 2018–2019.

Supplies, furniture and equipment. The underexpenditure is due to the postponement of certain information technology equipment acquisitions to the second year of the biennium and lower-than-anticipated requirements for furniture.

B. Office of Investment Management

Other staff costs. The underexpenditure is attributable to the postponement of certain recruitment actions until late 2018 and early 2019 following the review of the staffing strategy by the new Representative of the Secretary-General.

Hospitality. The underexpenditure is attributable to the holding of several meetings away from headquarters, which reduced hospitality costs.

Consultants. The underexpenditure is attributable primarily to the cancellation of the benchmark study.

Travel. The underexpenditure is attributable mainly to lower-than-anticipated expenditure for the travel of staff, including travel related to training, as much of the training was done locally. When possible, the travel of staff was replaced by the use of teleconferencing, videoconferencing and web-based training. The underexpenditure also relates to the travel of members of the Investments Committee; travel for 12 members was budgeted initially, but the Committee had 9 regular members during the year. In addition, several members did not ask to be reimbursed for their travel expense, which also contributed to the underexpenditure.

Contractual services. The underexpenditure resulted primarily from the postponement of the implementation of the information and communications technology target operating model to the second year of the biennium and from the credit note received from the International Computing Centre. Furthermore, the cost of global custodial services was reduced, resulting from a new contract, and the requirement for external legal consultancy services was less than anticipated. The underexpenditure is also attributable to the cancellation of non-discretionary investment strategy advisory services and to some services and procurement cases that are expected to be completed in 2019.

Supplies, furniture and equipment. The underexpenditure is attributable primarily to the strategy to use cloud-based and virtualized solutions and to the postponement of the acquisition of some information technology-related equipment to the second year of the biennium.

C. Audit

Internal audit. The overexpenditure is due to higher actual general temporary assistance compared with the standard cost utilized for the budget.

United Nations Joint Staff Pension Fund

Notes to the financial statements

Note 1
Description of the plan

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

1.1 General

2. The Pension Fund was established by the General Assembly in 1948 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 were 23 member organizations participating in the Fund as at 31 December 2018. The Comprehensive Nuclear-Test-Ban Treaty Organization entered the Fund as its twenty-fourth member organization on 1 January 2019. All participating organizations and employees contribute to the Fund on the basis of pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see also note 3.5).

3. The Fund is governed by a Pension Board made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, of whom 4 are elected by the General Assembly, 4 are appointed by the Secretary General and 4 are 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, of whom 7 are chosen by the bodies of the member organizations corresponding to the General Assembly, 7 are appointed by the chief administrative officers of the member organizations and 7 are chosen by the participants in service.

1.2 Administration of the Fund

4. The Fund is 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.

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

6. The Chief Executive Officer is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Regulations, Rules and Pension Adjustment System of the Fund. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for 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; the responsibility for 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. In accordance with article 7 (c) of the Regulations of the Fund, in the absence of the Chief Executive Officer, the Deputy Chief Executive Officer shall perform the functions of the Chief Executive Officer.

7. The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy. 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 United Nations Joint Staff Pension Fund. The Representative 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.

8. A range of administrative functions supporting the Fund secretariat and the Office of Investment Management are provided by the Fund's Executive Office, which reports to the Chief Executive Officer. Since 2019, the Executive Office has been reporting to the Chief Executive Officer and the Representative of the Secretary-General.

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

1.3 Participation in the Fund

10. 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 of service without an interruption of more than 30 days. As at 31 December 2018, the Fund had active contributors (participants) from member organizations including the United Nations Secretariat, the United Nations Children's Fund, the United Nations Development Programme and the Office of the United Nations High Commissioner for Refugees, as well as the various specialized agencies, such as the World Health Organization, the International Labour Organization, the International Atomic Energy Agency, the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization (see the annex to the present notes for a complete list of member organizations). There are currently periodic benefits paid to individuals in some 190 countries (see the annex to the present notes for details). The total annual pension expenses are approximately $2.7 billion and are paid in 15 different currencies.

1.4 Operation of the Fund

11. Participant and beneficiary processing and queries are handled by operations of the Fund secretariat, in offices located in New York and Geneva. All the accounting for operations is handled in New York by centralized financial services. The centralized financial services of the Fund secretariat also manage the receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

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

1.5 Actuarial valuation of the Fund

13. Article 12 of the Regulations of the Fund (see JSPB/G.4/Rev.23) provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. The Fund is performing actuarial valuations every two years and intends to continue doing so in the future. Article 12 further 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 18 for a summary of the actuarial situation of the Fund as at 31 December 2018.

1.6 Retirement benefit

14. 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 the participant's life. "Normal retirement age" means age 60 for a participant whose service commenced prior to 1 January 1990, age 62 for a participant whose service commenced or recommenced on or after 1 January 1990 and age 65 for a participant whose service commenced or recommenced on or after 1 January 2014.

15. The standard annual rate of retirement benefit for a participant who entered 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 next 25 years of contributory service;

(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.

16. 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.

17. The maximum benefit to participants, subject to the terms specified in the Regulations and Rules of the Fund, is the greater of 60 per cent of pensionable remuneration at the 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).

18. The retirement benefit shall, however, be payable at the minimum annual rate, which is obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of $1,095.81 (effective 1 April 2018, subject to subsequent adjustments in accordance with the movement of the United States of America consumer price index (CPI) under the pension adjustment system) or one thirtieth of the final average remuneration.

19. The annual rate of the retirement benefit shall, nevertheless, not be less, when no other benefit is payable on account of the participant, than the smaller of $1,743.00

(effective 1 April 2018, subject to subsequent adjustments in accordance with the movement of the United States CPI under the pension adjustment system) or the final average remuneration of the participant.

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

21. A participant may, except in the case where a minimum benefit is payable and the participant 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 $1,000 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

22. An early retirement benefit is payable to a participant whose age on separation is at least 55 (58 for a participant whose participation commenced on or after 1 January 2014) but less than the normal retirement age and who has five years or more of contributory service at separation.

23. The early retirement benefit for a participant whose participation commenced prior to 1 January 2014 is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between the retirement date and normal retirement age, except that: (a) if the participant has completed at least 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 methodology of calculation of the early retirement benefits for employees participating on or after 1 January 2014 is detailed in article 29 of the Regulations and Administrative Rules of the Fund.

24. 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

25. A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has five 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 any time once the participant becomes eligible to receive an early retirement benefit from the Fund on the same terms as for an early retirement benefit.

26. 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 the participant's own contributions increased by 10 per cent for each year of contributory service in excess of five years, to a maximum increase of 100 per cent.

1.7 Disability benefit

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

28. The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant is at least normal retirement age at 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 the participant had remained in service until normal retirement age and the participant's final average remuneration had remained unchanged.

29. The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on account of the participant, than the smaller of $2,902.32 (effective 1 April 2018, subject to subsequent adjustments in accordance with the movement of the United States CPI under the pension adjustment system) or the final average remuneration of the participant.

1.8 Survivor benefit

30. 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 the participant's 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

31. A child 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 who 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 terms of maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Other benefits

32. Other benefits include the secondary dependant's benefit and the residual settlement benefit. A full description of those benefits is available in the Regulations and Administrative Rules of the Fund.

1.11 Pension adjustment system

33. 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, Rules and Pension Adjustment System of the Fund, 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).

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

1.12 Funding policy

35. As a condition of participation in the Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan and earn interest at a rate of 3.25 per cent per year in accordance with the article 11 (c) of the Regulations of the Fund. The participants' contributions for the years ended 31 December 2018 and 31 December 2017 were $820.6 million and $792.6 million, respectively. The contribution figures do not include interest on the contributions.

36. Under the funding policy, member organizations are to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The contributions of member organizations are also expressed as a percentage of the participants' pensionable remuneration as defined in article 51 of the Regulations of the Fund. The contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled $1,630.8 million and $1,577.2 million during calendar years 2018 and 2017, respectively. When combined with the contributions of participants and expected investment returns, total funding is estimated to be sufficient to provide for the benefits of all employees by the time they retire.

37. 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 of the Regulations;

(e) Receipts from any other source.

1.13 Plan termination terms

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

39. 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 Pension Board.

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

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

42. 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.

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

1.14 Changes in funding policy and plan termination terms during the reporting period

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

Note 2 General information

2.1 Basis of presentation

45. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The Pension Fund adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. While IAS 26 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, the presentation of its financial statements is based on this guidance. On a voluntary basis and at the request of the Board of Auditors, the Fund has also presented cash flow statements on a comparative basis in accordance with IPSAS 2: Cash flow statements, since 2016. Additional information is presented where requested by IPSAS standards. For instance, as required by IPSAS 24: Presentation of budget information in financial statements, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis and a reconciliation between the actual amounts on a comparable basis (see note 21). While IPSAS 24 states that the actual cost on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities as presented in the cash flow statement, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is due to the fact that the Fund's budget is limited to the administrative expenses incurred in a biennium.

46. 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 Significant standards, interpretations and amendments during the year

47. In January 2017, the IPSAS Board issued IPSAS 40: Public sector combinations, which addresses accounting for combinations of entities and operations. The standard classifies public sector combinations as either amalgamations or acquisitions. For amalgamations, IPSAS 40 requires use of the modified-pooling-of-interests method of accounting, in which the amalgamation is recognized on the date it takes place at carrying values of assets and liabilities. For acquisitions, IPSAS 40 requires use of the "acquisition" method of accounting, in which the acquisition is recognized on the date it takes place. The acquirer recognizes, separately from any goodwill recognized, the identifiable assets acquired and liabilities assumed at acquisition date fair value. The standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. IPSAS 40 will be applicable for combinations

of entities and operations from 1 January 2019; accordingly, the Fund does not expect any impact on its financial statements upon adoption of this accounting standard.

48. In August 2018, the IPSAS Board issued IPSAS 41: Financial instruments, which establishes new requirements for classifying, recognizing and measuring financial instruments and replaces those in IPSAS 29: Financial instruments: recognition and measurement. IPSAS 41 is based on International Financial Reporting Standard 9, Financial instruments, developed by the International Accounting Standards Board. The significant changes introduced by IPSAS 41 compared with IPSAS 29 are the application of a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; the applications of a single forward-looking expected credit loss model that is applicable to all financial instruments, subject to impairment testing; and the application of an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. An initial high-level analysis indicated that, since the Fund's investments were carried at fair value and as at 31 December 2018 the Fund did not have any derivative contracts, the impact of change was not expected to be material. Since IPSAS 41 fundamentally changes the approach for the classification, recognition and measurement of financial instruments, the Fund is currently evaluating the requirements of IPSAS 41 in detail and the impact of change in the measurement and disclosure requirements on the Fund's financial statements.

49. Other accounting standards and amendments to the existing standards that have been issued by the IPSAS Board are expected either not to have any impact or have immaterial impact on the Fund's financial statements.

2.3 Other general information

50. The Fund compiles its financial statements with 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 Office of Investment Management, global custodians and fund managers. As from 1 February 2018, OIM has retained only one single global custodian. For its administrative expenses, the Fund utilizes systems of the United Nations (Umoja) to record and compile its administrative expense activity. Umoja provides information on a modified cash basis, which is subsequently restated 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 performed by the Fund on behalf of the United Nations, 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 in accordance with IPSAS requirements.

Note 3
Significant accounting policies

3.1 Cash and cash equivalents

51. 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 the date of acquisition.

3.2 Investments

3.2.1 Classification of investments

52. 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.

53. 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.

54. The Fund classifies its investments into the following categories:

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

3.2.2 Valuation of financial instruments

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

56. Investments in certain commingled funds, private equity and private real estate investment funds are 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 quarterly capital account statements, adjusted by any cash flows not included in the latest net asset value reported by the investee fund manager. For financial assets and liabilities not designated at fair value through surplus and deficit, the carrying value approximates fair value.

3.2.3 Interest and dividend income

57. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents and short-term and fixed-income investments.

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

3.2.4 Income from real assets and alternative investments

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

3.2.5 Receivable/payable from/to investments traded

60. 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. These amounts are recognized at the amount expected to be paid or received to settle the balance. Distributions from real assets and alternative fund investments declared but not received prior to year-end are also included under receivables from investments traded, to the extent the latest available net asset value of the fund that declares a distribution has recognized the distribution to be made.

61. Impairment of receivables from investments traded is recorded 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

62. The Fund's portfolio comprises direct investments and indirect investments. Indirect investments are typically through an investment vehicle such as real estate investment trusts, exchange-traded funds, limited liability partnerships or depository receipts. The Fund is exempt from national taxation of Member States in accordance with Article 105 of the Charter of the United Nations and with article II, section 7 (a), of the Convention on the Privileges and Immunities of the United Nations.

63. For direct investments, some Member States grant relief at source for the Fund's investment-related transactions and income from investments, whereas other Member States continue to withhold taxes and reimburse the Fund upon the filing of a claim. In these instances, the Fund's custodians file claims to the governmental taxing authorities for refunds on behalf of the Fund. Taxes withheld on direct investments are initially recognized as "withholding tax receivable" in the statement of net assets available for benefits. After initial recognition, if there is objective evidence that the taxes are not recoverable, the carrying amount of the asset is reduced through the use of an allowance account. Any amount considered to be unrecoverable is recognized in the statement of changes in net assets available for benefits and is included under "withholding tax expense". At the end of the year, the Fund measures its withholding tax receivable at the amount deemed recoverable.

64. For indirect investments, the investment vehicle is typically a taxable entity and the Fund is not directly responsible for any tax; furthermore, the taxes incurred by the investment vehicle can seldom be attributed to the Fund other than investment in depository receipts. Taxes attributed to the Fund on indirect investments are recognized in the statement of changes in net assets available for benefits and are included under "withholding tax expense". To the extent the Fund is subsequently virtually certain that the taxes will be recovered, the amount is recognized as "withholding tax receivable" in the statement of net assets available for benefits.

65. The Fund also incurs cost on account of certain taxes that are based on the value of the transaction. Transaction-based taxes include stamp duty, security transaction tax and financial transaction tax, among others. Transaction-based taxes are recognized in the statement of changes in net assets available for benefits and are included under "other transaction costs". To the extent the Fund is subsequently

virtually certain that the taxes will be recovered, the amount is recognized as “other receivable” in the statement of net assets available for benefits.

3.4 Critical accounting estimates

66. 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

67. The Fund may hold financial instruments that are not quoted in active markets. The fair values of such instruments are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed and modified as required. Valuation models are calibrated by back-testing to actual transactions to ensure that outputs are reliable. The Fund primarily relies on these tests, which are performed by the investee company’s independent auditors.

68. The 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 judgment on the quantity and quality of pricing sources used. Where no market data is available, the Fund may value financial instruments using internal valuation models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

69. Valuation models are created using observable data to the extent practicable. However, in areas such as credit risk (of both the Fund and the counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

70. The determination of what constitutes “observable” requires significant judgment 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

71. 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

72. The annual review to assess potential impairment is another area where the Fund exercises significant judgment.

Provision for the Fund's non-investment-related receivables

73. A provision is established to reflect the 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.

Actuarial assumptions

74. The Fund uses actuarial methods for the disclosure of employee benefits liabilities. The related assumptions are disclosed in note 11 in respect of after-service health insurance and other employee benefits of the staff of the Fund. Note 18 contains information on assumptions used for the actuarial liability to the beneficiaries of the Fund.

3.5 Contributions

75. 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 to which the contributions relate. The contributions vary on the basis of 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 grade step increase to individual pensionable remuneration received by all participants.

3.6 Benefits

76. 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. An estimated benefit liability is recognized for withdrawal settlements with a participation period of less than five years for which the beneficiary has not submitted the payment instructions for 36 months from the time of the obligating event. The estimate is based on the average of the last five-year expense for such cases.

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

77. 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.

78. At each reporting date, non-United States dollar-denominated monetary items are translated using the closing spot rate. The Fund applies the WM/Reuters company rates (primary source) and the Bloomberg and Refinitiv rates (secondary source) as the spot rates for the investment activities, and the United Nations operational rate of exchange for non-investment activities. Exchange differences arising on the settlement of these monetary items or on the translation of these monetary items at rates different from those at which they were previously translated are recognized in the statement of changes in net assets available for benefits in the period in which they arise.

3.8 Leases

79. 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

80. 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.

81. 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

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

3.10 Intangible assets

83. 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
Internally developed software	6
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

3.11 Emergency fund

84. The appropriation is made when the authorization is approved by the General Assembly. Participants wishing to avail themselves of this benefit submit an 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 year is reported in the statement of changes in net assets available for benefits.

3.12 Provisions and contingent liabilities

85. A provision is recognized for future liabilities and charges if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

86. Contingent liabilities are disclosed for any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

3.13 Employee benefits

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

88. After-service health insurance and repatriation grants are classified as defined benefit schemes and accounted for as such.

89. The employees of the Pension Fund themselves participate in the 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 organizations participating 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 39: Employee benefits. The Fund's contributions to the plan during the financial period are recognized as expenses in the statement of changes in net assets available for benefits.

3.14 Reconciliation of budget information

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

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

92. As required by IPSAS 24, the statement of comparison of budget and actual amounts in relation to administrative expenses for the year ended 31 December 2018 provides a comparison of budget and actual amounts 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 (greater than +/-10 per cent) between the actual and budget amounts.

93. Note 21 provides a reconciliation of actual amounts presented on the same basis as the budget and administrative expense included in the statement of changes in net assets.

3.15 Related party transactions

94. Parties are considered to be related when one party has the ability to control the other party 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.

95. The following parties are considered related parties for the Pension Fund:

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

(b) The General Assembly;

(c) The 23 member organizations participating in the Fund;

(d) The International Computing Centre.

96. A summary of the relationship and transactions with the above-mentioned parties is given in note 23.

3.16 Subsequent events

97. Any information about conditions that existed at the date of the statement of net assets available for benefits that is received after the reporting period but before the financial statements are signed and that is material to the Fund is incorporated into the financial statements.

98. In addition, any event that occurs after the date of the statement of net assets available for benefits but before the financial statements are signed that is material to the Fund are disclosed in the notes to the financial statements.

Note 4
Cash and cash equivalents

99. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Cash at bank – Office of Investment Management	347 391	722 512
Cash at bank – Fund secretariat	171 557	207 181
Cash held by external managers – Office of Investment Management	45 943	42 114
Total cash and cash equivalents	**564 891**	**971 807**

Note 5
Financial instruments by category

100. The tables below provide an overview of all financial instruments held by category as at 31 December 2018 and 31 December 2017.[1]

[1] Non-financial assets and liabilities other than employee benefits are excluded from the table, as this analysis is required only for financial instruments.

(Thousands of United States dollars)

	As at 31 December 2018		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	564 891	–	–
Investments			
Short-term investments	2 710 995	–	–
Equities	34 401 159	–	–
Fixed income	16 113 838	–	–
Real assets	4 340 466	–	–
Alternatives and other investments	2 743 377	–	–
Contributions receivable		55 889	–
Accrued income from investments		158 251	–
Receivable from investments traded		7 869	–
Withholding tax receivables		20 133	–
Other assets		18 102	–
Total financial assets	**60 874 726**	**260 244**	**–**
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	102 488
Payable from investments traded	–	–	159 913
After-service health insurance and other employee benefits liabilities	–	–	87 891
Other accruals and liabilities	–	–	12 597
Total financial liabilities	**–**	**–**	**362 889**

Investments exceeding 5 per cent of net assets

101. There were no investments representing 5 per cent or more of equities, fixed income or alternatives and other investments as at 31 December 2018.

102. The Fund held a total of $216.8 million in one real estate fund as at 31 December 2018, which represented 5 per cent or more of the real assets category.

(Thousands of United States dollars)

	As at 31 December 2017		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	971 807	–	–
Investments			
Short-term investments	1 834 280	–	–
Equities	39 784 228	–	–
Fixed income	15 329 947	–	–
Real assets	4 213 829	–	–
Alternatives and other investments	2 403 366	–	–
Contributions receivable	–	6 939	–
Accrued income from investments	–	154 655	–
Receivable from investments traded	–	28 401	–
Withholding tax receivables	–	26 554	–
Other assets	–	16 758	–
Total financial assets	**64 537 457**	**233 307**	**–**
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	148 186
Payable from investments traded	–	–	157 699
After-service health insurance and other employee benefits liabilities	–	–	94 363
Other accruals and liabilities	–	–	11 044
Total financial liabilities	**–**	**–**	**411 292**

Investments exceeding 5 per cent of net assets

103. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2017.

104. There were no investments representing 5 per cent or more of equities, fixed income, real assets and alternatives and other investments as at 31 December 2017.

Note 6
Fair value measurement

105. IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized on the basis of the significance 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 of an investment uses observable

inputs that require significant adjustment on the basis of unobservable inputs, that investment is classified as level 3.

106. Assessing the significance of a particular input to the fair value measurement of an investment in its entirety requires judgment, considering factors specific to the investment.

107. The tables below present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2018 and 31 December 2017.

(Thousands of United States dollars)

Fair value hierarchy as at 31 December 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Short-term investments				
Government and agencies securities	–	2 081 447	–	2 081 447
Corporate bonds	–	171 499	–	171 499
Notes, deposits and commercial paper	–	458 049	–	458 049
Total short-term investments	**–**	**2 710 995**	**–**	**2 710 995**
Equities				
Common and preferred stock	32 402 313	–	–	32 402 313
Funds – exchange-traded funds	1 774 285	–	–	1 774 285
Funds – common stock	–	–	127 585	127 585
Stapled securities	96 976	–	–	96 976
Total equities	**34 273 574**	**–**	**127 585**	**34 401 159**
Fixed income				
Government and agencies securities	–	11 663 395	–	11 663 395
Corporate bonds	–	3 573 634	40 046	3 613 680
Municipal/provincial bonds	–	779 077	–	779 077
Commercial mortgage-backed	–	9 040	–	9 040
Funds – corporate bond	–	–	48 646	48 646
Total fixed income	**–**	**16 025 146**	**88 692**	**16 113 838**
Real assets				
Real estate funds	–	247 623	3 942 280	4 189 903
Infrastructure assets	–	–	133 818	133 818
Timberlands	–	–	16 745	16 745
Total real assets	**–**	**247 623**	**4 092 843**	**4 340 466**
Alternatives and other investments				
Private equity	–	–	2 640 817	2 640 817
Commodity funds	–	–	102 560	102 560
Total alternatives and other investments	**–**	**–**	**2 743 377**	**2 743 377**
Total	**34 273 574**	**18 983 764**	**7 052 497**	**60 309 835**

(Thousands of United States dollars)

Fair value hierarchy as at 31 December 2017	*Level 1*	*Level 2*	*Level 3*	*Total*
Short-term investments				
Government and agencies securities	–	158 321	–	158 321
Corporate bonds	–	680 728	90 015	770 743
Notes, deposits and commercial paper	–	36 067	–	36 067
Commercial mortgage-backed	–	869 149	–	869 149
Total short-term investments	**–**	**1 744 265**	**90 015**	**1 834 280**
Equities				
Common and preferred stock	36 781 931	–	–	36 781 931
Funds – exchange-traded funds	2 595 365	–	–	2 595 365
Real estate investment trusts	210 016	–	–	210 016
Funds – common stock	–	–	146 906	146 906
Stapled securities	50 010	–	–	50 010
Total equities	**39 637 322**	**–**	**146 906**	**39 784 228**
Fixed income				
Government and agencies securities	–	11 339 964	–	11 339 964
Corporate bonds	–	3 152 503	–	3 152 503
Municipal/provincial bonds	–	778 966	–	778 966
Commercial mortgage-backed	–	9 958	–	9 958
Funds – corporate bond	–	–	48 556	48 556
Total fixed income	**–**	**15 281 391**	**48 556**	**15 329 947**
Real assets				
Real estate funds	–	253 893	3 809 681	4 063 574
Infrastructure assets	–	–	132 167	132 167
Timberlands	–	–	18 088	18 088
Total real assets	**–**	**253 893**	**3 959 936**	**4 213 829**
Alternatives and other investments				
Private equity	–	–	2 285 545	2 285 545
Commodity funds	–	–	117 821	117 821
Total alternatives and other investments	**–**	**–**	**2 403 366**	**2 403 366**
Total	**39 637 322**	**17 279 549**	**6 648 779**	**63 565 650**

Short-term investments

108. As at 31 December 2018, no short-term investments were considered to be level 3 (31 December 2017: $90.0 million). Inputs for the value of the investments considered to be level 3 as at 31 December 2017, while available from third-party sources, were not well-defined, readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

Equities

109. Common and preferred stocks, exchange-traded funds, real estate investment trusts and stapled securities were classified under level 1 if bid prices were available from institutional vendors.

110. Common stock funds amounting to $127.6 million as at 31 December 2018 (31 December 2017: $146.9 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

111. 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 bids from brokers, which were indicative quotes and therefore classified as level 2.

112. Corporate bond funds amounting to $48.6 million as at 31 December 2018 (31 December 2017: $48.6 million) and corporate bonds amounting to $40.0 million (31 December 2017: zero) were considered to be level 3. Inputs for the value of these investments, while available from third-party sources, were not well-defined, readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

Real assets and alternatives and other investments

113. Real assets amounting to $4,092.8 million as at 31 December 2018 (31 December 2017: $3,959.9 million), net of carried interest of $176.9 million (31 December 2017: $151.5 million), as well as alternatives and other investments amounting to $2,743.4 million as at 31 December 2018 (31 December 2017: $2,403.4 million), net of carried interest of $138.2 million (31 December 2017: $135.5 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 inputs 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.

114. Two real estate funds amounting to $247.6 million (31 December 2017: $253.9 million), which were readily redeemable at net asset value without penalties, were classified as level 2 assets, representing the net asset value as reported by the fund manager.

115. The table below presents the inter-level transfers for the year ended 31 December 2018.

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Transfers into				
Fixed income	–	–	43 719	43 719
Equities	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	**–**	**–**	**43 719**	**43 719**
Transfers out of				
Fixed income	–	(43 719)	–	(43 719)
Equities	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	**–**	**(43 719)**	**–**	**(43 719)**

116. There were no transfers between levels in 2017.

117. For the year ended 31 December 2018, there was a transfer of one fixed-income security, amounting to $40.0 million (31 December 2017: $43.7 million) out of level 2 and into level 3. The security was priced by multiple vendors as at 31 December 2017, compared with a single vendor as at 31 December 2018. Consequently, the Fund has decided to classify this investment as level 3.

118. The table below presents the movements in level 3 instruments for the period ended 31 December 2018 by class of financial instrument.

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternatives and other investments*	*Total*
Opening balance	**146 906**	**138 571**	**3 959 936**	**2 403 366**	**6 648 779**
Purchases	2 480	1 545	703 952	720 636	1 428 613
Sales/return of capital	(71)	(88 062)	(810 005)	(517 237)	(1 415 375)
Transfers (out of)/into level 3	–	43 719	–	–	43 719
Net gains and losses recognized in the statement of changes in net assets available for benefits	(21 730)	(7 081)	238 960	136 612	346 761
Closing balance	**127 585**	**88 692**	**4 092 843**	**2 743 377**	**7 052 497**
Change in unrealized gains and losses for level 3 assets held at period-end and included in the statement of changes in net assets available for benefits	(8 659)	(6 514)	241 785	313 387	539 999

119. The table below presents the movements in level 3 instruments for the year ended 31 December 2017 by class of financial instrument.

(Thousands of United States dollars)

	Equities	Fixed income	Real assets	Alternatives and other investments	Total
Opening balance	**158 361**	**172 919**	**3 556 446**	**1 663 801**	**5 551 527**
Purchases	845	88 130	759 979	780 513	1 629 467
Sales/return of capital	(29 441)	(139 964)	(756 102)	(440 867)	(1 366 374)
Transfers (out of)/into level 3	–	–	–	–	–
Net gains and losses recognized in the statement of changes in net assets available for benefits	17 141	17 486	399 613	399 919	834 159
Closing balance	**146 906**	**138 571**	**3 959 936**	**2 403 366**	**6 648 779**
Change in unrealized gains and losses for level 3 assets held at period-end and included in the statement of changes in net assets available for benefits	(2 238)	5 859	169 555	216 533	359 709

Note 7
Accrued income from investments

120. Accrued income from investments is income earned during the year that has yet to be received as at the date of the statement of net assets available for benefits.

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Cash and cash equivalents	142	719
Short-term investments	8 284	9 243
Fixed-income securities	99 896	99 254
Dividends receivable on equities	47 742	43 280
Real assets and alternative investments	2 187	2 159
Total accrued income from investments	**158 251**	**154 655**

Note 8
Withholding tax receivables

121. Withholding tax receivables as at 31 December 2018 and 31 December 2017 and withholding tax expense for the years ended 31 December 2018 and 31 December 2017 by country are as follows:

(Thousands of United States dollars)

Country	For the year 2018			As at 31 December 2018			For the year 2017			As at 31 December 2017		
	Tax withheld	*Tax received*	*Tax expense*	*Tax recoverable*	*Deemed not recoverable*	*Tax receivable*	*Tax withheld*	*Tax received*	*Tax expense*	*Tax recoverable*	*Deemed not recoverable*	*Tax receivable*
Australia	–	134	(134)	–	–	–	–	–	130	140	(140)	–
Austria	–	29	1	–	–	–	–	–	(4)	30	–	30
Belgium	656	653	3	–	–	–	316	320	(4)	–	–	–
Brazil	363	–	363	416	(416)	–	461	–	461	486	(486)	–
Chile	431	260	173	13	–	13	319	25	279	15	–	15
China	3 343	183	3 064	13 206	(13 110)	96	3 189	168	3 021	11 066	(11 066)	–
Czechia	85	–	–	85	–	85	–	–	–	–	–	–
France	–	226	(7)	–	–	–	195	–	(24)	219	–	219
Germany	8 724	7 715	787	14 774	–	14 774	7 337	–	(1 519)	14 552	–	14 552
Greece	–	–	–	113	(113)	–	–	–	–	118	(118)	–
Ireland	32	148	(2)	31	–	31	113	–	(11)	145	–	145
Israel	–	–	–	–	–	–	37	–	37	–	–	–
Mexico	44	–	(1)	58	–	58	13	–	–	13	–	13
Netherlands	1 800	881	26	970	–	970	1 716	1 816	(38)	77	–	77
New Zealand	2	–	2	–	–	–	–	–	–	–	–	–
Papua New Guinea	–	–	–	19	(19)	–	21	–	21	21	(21)	–
Russian Federation	1 276	–	1 276	–	–	–	1 254	608	816	–	–	–
Singapore	42	–	–	42	–	42	–	–	–	–	–	–
South Africa	693	673	20	–	–	–	–	–	–	–	–	–
Spain	2 285	1 950	27	537	–	537	1 983	1 974	(29)	229	–	229
Sweden	–	–	–	31	(31)	–	–	–	–	32	(32)	–
Switzerland	9 574	15 968	316	2 538	–	2 538	8 999	2 322	(370)	9 248	–	9 248
Turkey	51	–	14	298	(261)	37	–	–	–	366	(366)	–
United Kingdom	1 882	2 912	44	952	–	952	2 012	2 161	(248)	2 026	–	2 026
Total	**31 283**	**31 732**	**5 972**	**34 083**	**(13 950)**	**20 133**	**27 965**	**9 394**	**2 518**	**38 783**	**(12 229)**	**26 554**

122. In Brazil and some provinces of China, and for certain periods in Greece, Papua New Guinea, Sweden and Turkey, there is no formally established reclamation mechanism in place, and in these cases the Fund's custodians have thus far been unable to file and/or reclaim the taxes withheld. Despite the fact that these Member States have confirmed the Fund's tax-exempt status, the taxes withheld from direct investments in these countries are accrued but continue to be fully provided for in 2018, unless there is virtual certainty of reclaim in the subsequent year.

123. Ageing analysis of withholding tax receivable as at 31 December 2018 and 31 December 2017 are as follows:

(Thousands of United States dollars)

	As at 31 December 2018			*As at 31 December 2017*		
Country	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*
Austria	–	–	–	30	–	30
Chile	–	13	13	–	15	15
China	63	33	96	–	–	–
Czechia	–	85	85	–	–	–
France	–	–	–	–	219	219
Germany	–	14 774	14 774	–	14 552	14 552
Ireland	–	31	31	–	45	145
Mexico	–	58	58	–	13	13
Netherlands	–	970	970	–	7	77
Singapore	–	42	42	–	–	–
Spain	–	537	537	–	229	229
Switzerland	–	2 538	2 538	–	9 248	9 248
Turkey	–	37	37	–	–	–
United Kingdom	–	952	952	–	2 026	2 026
Total	**63**	**20 070**	**20 133**	**30**	**26 524**	**26 554**

Note 9
Other assets

124. The other assets included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Prepayments and benefits receivable	15 184	16 233
Property, plant and equipment	3 941	2 787
Intangible assets in use	25	3 649
United Nations receivables	2 339	–
Other receivables	579	525
Total	**22 068**	**23 194**

9.1 Prepayments and benefits receivable

125. An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Prepayments	3 267	2 625
Advance benefit payments due to payroll conversion	7 484	8 663
Benefits receivable	8 764	9 556
Benefits receivable – provision	(4 331)	(4 611)
Total	**15 184**	**16 233**

9.2 Property, plant and equipment

126. An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*		
	In use	*In use*	*Under construction*	*Total*
Cost				
1 January 2018	1 347	13 963	190	15 500
Additions	–	–	2 249	2 249
Disposals/transfers	(27)	–	–	(27)
31 December 2018	1 320	13 963	2 439	17 722
Accumulated depreciation				
1 January 2018	1 202	11 511	–	12 713
Depreciation	74	1 021	–	1 095
Disposals/transfers	(27)	–	–	(27)
31 December 2018	1 249	12 532	–	13 781
Net book value, 31 December 2018	**71**	**1 431**	**2 439**	**3 941**

(Thousands of United States dollars)

	Information technology equipment	Leasehold improvements		
	In use	*In use*	*Under construction*	*Total*
Cost				
1 January 2017	1 595	13 963	–	15 558
Additions	–	–	190	190
Disposals/transfers	(248)	–	–	(248)
31 December 2017	1 347	13 963	190	15 500
Accumulated depreciation				
1 January 2017	1 289	10 357	–	11 646
Depreciation	161	1 154	–	1 315
Disposals/transfers	(248)	–	–	(248)
31 December 2017	1 202	11 511	–	12 713
Net book value, 31 December 2017	**145**	**2 452**	**190**	**2 787**

127. The leasehold improvements in use and under construction included above relate to the Fund’s improvements to its offices at New York.

9.3 Intangible assets

128. 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*
Cost			
1 January 2018	21 722	–	21 722
Additions	–	–	–
Transfers	–	–	–
Disposals	(742)	–	(742)
31 December 2018	20 980	–	20 980
Accumulated amortization			
1 January 2018	18 073	–	18 073
Amortization	3 624	–	3 624
Disposals	(742)	–	(742)
31 December 2018	20 955	–	20 955
Net book value, 31 December 2018	**25**	**–**	**25**

(Thousands of United States dollars)

	Intangible assets		
	In use	*Under construction*	*Total*
Cost			
1 January 2017	21 722	–	21 722
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
31 December 2017	21 722	–	21 722
Accumulated amortization			
1 January 2017	11 424	–	11 424
Amortization	6 649	–	6 649
Disposals	–	–	–
31 December 2017	18 073	–	18 073
Net book value, 31 December 2017	**3 649**	**–**	**3 649**

Note 10
Benefits payable

129. The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Withdrawal settlements	54 842	57 683
Lump-sum payments	19 486	48 236
Periodic benefits payable	27 573	41 974
Other benefits payable/adjustments	587	293
Total	**102 488**	**148 186**

Note 11
After-service health insurance and other employee benefits

130. 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 2018	*31 December 2017*
After-service health insurance liability	80 477	86 601
Repatriation grant and related costs	3 271	3 407
Education grant and related costs	360	331
Annual leave	3 468	3 735
Home leave	315	289
Total	**87 891**	**94 363**

After-service health insurance, annual leave and repatriation grants liability

131. 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.

132. The liabilities as at 31 December 2018 were the result of the roll-forward to 31 December 2018 of the end-of-service benefit obligations as at 31 December 2017 for the Fund by the consulting actuary; 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

133. In performing the roll-forward to 31 December 2018, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2018 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2017.

134. 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.

135. For 31 December 2018, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 4.29 per cent for the after-service health insurance scheme
- 4.15 per cent for repatriation benefits
- 4.20 per cent for annual leave

136. For 31 December 2017, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 3.64 per cent for the after-service health insurance scheme
- 3.47 per cent for repatriation benefits
- 3.52 per cent for annual leave

137. For the purpose of comparison, the table below shows the impact on accrued liability based on a 1 per cent change in the discount rate.

Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*
Increase of 1 per cent	18 per cent decrease	9 per cent decrease	9 per cent decrease
Decrease of 1 per cent	24 per cent increase	10 per cent increase	10 per cent increase

138. The comparison of health-care cost trend rates is as follows:

	31 December 2018	*31 December 2017*
United States non-Medicare	5.57 per cent, trending down to 3.85 per cent after 14 years	5.70 per cent, trending down to 3.85 per cent after 15 years
United States Medicare	5.38 per cent, trending down to 3.85 per cent after 14 years	5.50 per cent, trending down to 3.85 per cent after 15 years
United States dental	4.73 per cent, trending down to 3.85 per cent after 14 years	4.80 per cent, trending down to 3.85 per cent after 15 years
Non-United States – Switzerland	3.89 per cent, trending down to 3.05 per cent after 9 years	4.00 per cent, trending down to 3.05 per cent after 10 years
Non-United States – eurozone	3.91 per cent, trending down to 3.65 per cent after 4 years	4.00 per cent, trending down to 3.65 per cent after 5 years

139. The decrease in the total after-service health insurance liabilities reported from 31 December 2017 to 31 December 2018 is due primarily to the impact of changing the financial assumptions, in particular the increase in the discount rates for benefits denominated in United States dollars.

140. Other specific key assumptions used in the calculations on the basis of census data as at 31 October 2017 were as follows:

After-service health insurance

141. A total of 217 active staff were included in the calculation: 181 United States-based and 36 non-United States-based. A total of 91 retired staff or their surviving spouses were included in the calculation: 76 United States-based and 15 non-United States-based. In addition, four active staff and three retirees or their surviving spouses who participated in dental-only plans were included. For active staff, the average age was 47 years with 10 years of service. The average age of retirees was 69 years.

Repatriation benefits

142. Staff members who are appointed as international staff are eligible for the payment of a repatriation grant after one year of active service outside their country of nationality as long as the reason for separation is not summary dismissal or abandonment of post.

143. The amount ranges from 2 to 28 weeks of salary, depending on the category of employment and years of service of the eligible staff. Travel and shipment of personal effects may also be authorized to the recognized country of home leave.

144. A total of 82 eligible staff with an average annual salary of $81,804 were considered.

Annual leave

145. 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 day of unused annual leave.

146. A total of 280 active staff with an average annual salary of $99,432 were considered.

Note 12
Other accruals and liabilities

147. 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 2018	*31 December 2017*
Accruals for management fees and expenses	6 933	5 030
Restoration payable	2 869	2 485
Operating leases accrual	2 237	1 122
After-service health insurance payable to member organizations	6	6
United Nations payable	–	1 874
Audit fee accrual	197	197
Other	355	330
Total	**12 597**	**11 044**

Note 13
Investment income

148. The table below summarizes the Fund's income from investments net of transaction costs recognized during the period. Any transaction cost that can be allocated to a single transaction or trade is netted off against investment income. Examples are broker commissions, other transaction costs and management fees. Any management expense charged to the income statement of a real asset or alternative fund was recorded separately as management expenses in the Fund's statement of changes in net assets and included under transaction costs.

149. In some jurisdictions, the Fund receives dividend income, interest income and real estate income without any 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 United Nations Joint Staff Pension Fund is part of the United Nations and hence 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 (see also 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.

(Thousands of United States dollars)

	2018	*2017*
Total change in fair value for financial assets designated at fair value	**(4 502 075)**	**9 081 326**
Interest income		
Interest income on cash and cash equivalents	8 670	9 298
Interest income on fixed income instruments	368 046	352 444
Total interest income	**376 716**	**361 742**
Total dividend income	**912 237**	**865 788**
Total income from real assets	**55 510**	**65 530**
Transaction costs		
Management fees and other related fees	(111 690)	(103 842)
Small capitalization fund management fees	(12 903)	(12 511)
Brokerage commissions	(14 841)	(13 770)
Other transaction costs	(4 001)	(3 022)
Total transaction costs	**(143 435)**	**(133 145)**
Withholding tax	**(5 972)**	**(2 518)**
Other investment-related income/(expense), net	**505**	**9 379**
Net investment income	**(3 306 514)**	**10 248 102**

150. The table below presents the change in the fair value of investments by asset class as a result of change in market price and currency exchange rate for the years ended 31 December 2018 and 31 December 2017.

	2018			*2017*		
	Market price	*Currency*[a]	*Total change*	*Market price*	*Currency*[a]	*Total change*
Short-term investments	1 257	(34 935)	(33 678)	(8 431)	89 522	81 091
Equities	(3 886 905)	(504 519)	(4 391 424)	6 572 139	865 916	7 438 055
Fixed income	(191 167)	(326 061)	(517 228)	(6 345)	644 309	637 964
Real assets investments	298 456	(42 080)	256 376	416 993	54 797	471 790
Alternative investments	197 327	(11 524)	185 803	422 238	22 471	444 709
Cash, cash equivalents and receivable and payable from investment traded	–	(1 924)	(1 924)	–	7 717	7 717
Total change in fair value for financial assets designated at fair value	**(3 581 032)**	**(921 043)**	**(4 502 075)**	**7 396 594**	**1 684 732**	**9 081 326**

[a] Change in currency exchange gain/(loss) includes a $256.0 million realized currency exchange loss (2017: loss of $332.5 million) and a $665.1 million unrealized currency exchange loss (2017: gain of $2,017.2 million).

Note 14
Contributions

151. Contributions received during the period can be broken down as follows:

(Thousands of United States dollars)

	2018	*2017*
Contributions from participants		
Regular contributions	814 410	787 636
Contributions for validation	992	869
Contributions for restoration	4 807	4 088
	820 209	**792 593**
Contributions from member organizations		
Regular contributions	1 628 818	1 575 272
Contributions for validation	2 020	1 879
	1 630 838	**1 577 151**
Other contributions		
Contributions for participants transferred in under agreements	2 296	5 826
Receipts of excess actuarial value over regular contributions	236	546
Other contributions/adjustments	3 572	24 796
	6 104	**31 168**
Total contributions for the period	**2 457 151**	**2 400 912**

152. The contribution income varies on the basis of 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 step increase to individual pensionable remuneration received by all participants.

Note 15
Benefit expenses

153. Benefit expenses during the period can be broken down as follows:

(Thousands of United States dollars)

	2018	2017
Withdrawal settlements and full commutation of benefits		
For contributory service of 5 years or less	47 506	42 413
For contributory service of more than 5 years	134 165	152 390
	181 671	**194 803**
Retirement benefits		
Full retirement benefits	1 335 160	1 343 089
Early retirement benefits	717 804	684 426
Deferred retirement benefits	104 730	97 412
Disability benefits	80 269	75 452
Survivor benefits	259 848	248 154
Child benefits	32 687	31 040
	2 530 498	**2 479 573**
Other benefits/adjustments		
Payments for participants transferred out under agreements	2 772	2 523
Forfeitures	(42 222)	–
Other benefits/adjustments	(3 159)	(3 642)
	(42 609)	(1 119)
Total benefit expenses for the period	**2 669 560**	**2 673 257**

Note 16
Administrative expenses

154. Administrative expenses in 2018 and 2017 are as follows:

(Thousands of United States dollars)

	2018				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	15 727	12 902	–	–	28 629
Changes in the value of the after-service health insurance liability	(4 548)	(1 469)	(106)	–	(6 123)
Other staff costs	6 426	1 069	–	–	7 495
Hospitality	–	7	–	–	7
Consultants	52	376	–	–	428
Travel	375	706	–	–	1 081
Contractual services	12 645	12 358	–	–	25 003
General operating expenses	5 428	6 016	–	–	11 444
Supplies and materials	17	31	–	–	48
Furniture and equipment	100	216	–	–	316

	2018				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 341	–	1 341
Board expenses	–	–	–	450	450
Total administrative expenses	**36 222**	**32 212**	**1 235**	**450**	**70 119**

(Thousands of United States dollars)

	2017				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	15 371	11 044	–	–	26 415
Changes in the value of the after-service health insurance liability	12 789	4 130	299	–	17 218
Other staff costs	6 900	692	–	–	7 592
Hospitality	–	1	–	–	1
Consultants	341	7–	–	–	348
Travel	329	403	–	–	732
Contractual services	18 194	15 742	–	–	33 936
General operating expenses	4 698	4 085	–	–	8 783
Supplies and materials	29	21	–	–	50
Furniture and equipment	296	525	–	–	821
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 095	–	1 095
Board expenses	–	–	–	409	409
Total administrative expenses	**58 947**	**36 650**	**1 394**	**409**	**97 400**

Note 17
Other expenses

155. Other expenses during the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017 (reclassified)*
Emergency fund expense	97	117
Provision for unrecoverable overpayments of benefits	722	458
Total other expenses for the period	**819**	**575**

Note 18
Actuarial situation of the Fund
(see also note 1.5)

156. 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 that staff have rendered as at 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.

157. Benefits payable under all circumstances – retirement, death, disability and termination of employment – are included to the extent they are deemed attributable to the service that staff have rendered as at the valuation date.

158. 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.

159. 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

160. The significant actuarial assumptions used are the same as those used in the valuation as at 31 December 2017 and are as follows:

- Life expectancy of participants (2017 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions
- Additional assumptions regarding the percentage of benefit commuted and the percentage of participants who are married, among others
- Annual investment return of 6.0 per cent, which serves as the discount rate for liabilities
- Annual rate of 2.5 per cent for cost-of-living increases in pensions

161. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-fourth session, in July 2017. 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

162. The actuarial present value of accumulated plan benefits as at 31 December 2018 is as follows (see note 1.11 for a description of the pension adjustment system):

(Millions of United States dollars)

	If future pension payments are made under the Regulations	
	Without pension adjustments	*With pension adjustments*
Actuarial value of vested benefits		
Participants currently receiving benefits	26 732	36 054
Vested terminated participants	787	1 356
Active participants	14 430	19 880
Total vested benefits	**41 949**	**57 290**
Non-vested benefits	947	1 202
Total actuarial present value of accumulated plan benefits	**42 896**	**58 492**

Information on participation in the Pension Fund

163. The most recent valuation was provided by the consulting actuaries as at 31 December 2017 on the basis of participation, as shown below.

	As at 31 December 2017
Active participants accruing benefits	
Number	116 985
Annual remuneration (millions of United States dollars)	10 464
Average remuneration (United States dollars)	**89 451**
Inactive participants no longer accruing benefits	
Number	9 559
Annual benefits payable at normal retirement age (millions of United States dollars)	83
Average benefit payable at normal retirement age (United States dollars)	**8 635**
Retired participants and beneficiaries	
Number	78 247
Annual benefits (millions of United States dollars)	2 373
Average benefit (United States dollars)	**30 324**

Actuarial asset value used for periodic actuarial valuations

164. The actuarial asset value used for the purpose of preparing the periodic actuarial valuation differs from the value presented in the financial statements. The periodic actuarial valuation presents a value using a five-year moving market average methodology. A 15 per cent limiting corridor is applied, which means that the computed value has a minimum value of 85 per cent and a maximum value of 115 per cent of the market value of the assets as at the valuation date. Starting with the valuation as at 31 December 2013, a gradual transition to the alternative asset averaging methodology was introduced, with a targeted completion of the actuarial valuation effective 31 December 2019. The effect of transitioning to the alternative asset averaging methodology is an increase in actuarial assets of $3,439 million as at 31 December 2017.

Note 19
Commitments and contingencies

19.1 Investment commitments

165. As at 31 December 2018 and 31 December 2017, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Real estate funds	2 676 748	2 025 968
Private equity	2 809 048	1 920 260
Infrastructure funds	144 578	65 598
Timberland funds	11 270	11 270
Total commitments	**5 641 644**	**4 023 096**

166. In the private equity and real estate, infrastructure and timberland investments, funds are drawn down in accordance with 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.

19.2 Lease commitments

167. As at 31 December 2018 and 31 December 2017, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Obligations for property leases		
Under 1 year	6 003	6 802
1–5 years	5 532	11 025
Beyond 5 years	–	–
Total property lease obligations	**11 535**	**17 827**

19.3 Legal or contingent liabilities and contingent assets

168. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

169. Contingent assets are excluded from the statement of net assets available for benefits on the basis that the inflow of economic benefits is not virtually certain but reliant on the incurrence of an event outside of the control of the Fund. There were no contingent assets as at 31 December 2018 or 31 December 2017.

Note 20
Risk assessment

170. The Fund's activities expose it to a variety of financial risks, including, but not limited to, credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

171. The Fund's investment risk management programme seeks to measure and monitor the risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance, consistent with the Fund's strategic asset allocation policy. The Investments Committee provides advice to the Representative of the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Committee advises on long-term policy, asset allocation and strategy, diversification by type of investment, currency and economic sector and any other matters.

172. 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.

20.1 Credit risk

173. 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

174. The Fund is primarily exposed to credit risk in its debt securities (total fixed income, and short-term bills and notes). The Fund's policy aimed at managing this risk is to invest in debt securities that have an investment grade rating by at least one of the following well-known credit rating agencies: S&P Global Ratings, Moody's and Fitch. For the purpose of consistency in this disclosure, the Fund used Moody's Investors Service, which provided ratings on most of the Fund's debt securities in 2018. As at 31 December 2018, 80 per cent (2017: 90 per cent) of the individual securities of the fixed-income portfolio were investment grade (rated between Aaa and Baa3) by Moody's.

175. The analysis below summarizes the credit quality of the Fund's fixed-income portfolio at 31 December 2018 and 31 December 2017, respectively, as provided by Moody's.

(Thousands of United States dollars)

	31 December 2018			
	Aaa–A3	*Baa1–Ba1*	*Not rated*	*Total*
Commercial mortgage-backed	7 155	–	–	7 155
Corporate bonds	2 274 109	538 604	320 815	3 133 528
Funds – corporate bond	–	–	48 646	48 646
Government agencies	1 342 460	–	189 486	1 531 946
Government bonds	7 401 636	681 602	766 834	8 850 072
Government mortgage-backed	–	–	1 281 378	1 281 378
Municipal/provincial bonds	655 606	–	123 471	779 077
Non-government-backed collateralized mortgage obligations	1 884	–	–	1 884
Certificate of deposits	–	–	480 152	480 152
Total fixed income	**11 682 850**	**1 220 206**	**3 210 782**	**16 113 838**
Short-term investments	**401 292**	**10 954**	**2 298 749**	**2 710 995**

(Thousands of United States dollars)

	31 December 2017			
	Aaa–A3	*Baa1–Baa3*	*Not rated*	*Total*
Commercial mortgage-backed	7 262	–	–	7 262
Corporate bonds	2 495 552	472 226	184 725	3 152 503
Funds – corporate bond	–	–	48 556	48 556
Government agencies	1 628 710	–	128 068	1 756 778
Government bonds	7 622 010	807 341	1 011 985	9 441 336
Government mortgage-backed	3 461	–	138 389	141 850
Municipal/provincial bonds	724 618	–	54 348	778 966
Non-government-backed collateralized mortgage obligations	2 696	–	–	2 696
Total fixed income	**12 484 309**	**1 279 567**	**1 566 071**	**15 329 947**
Short-term investments	**649 965**	**122 094**	**1 062 221**	**1 834 280**

176. Of the unrated fixed-income securities totalling $3,210.8 million as at 31 December 2018, $2,669.8 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to $541.0 million for which no issuer rating was available from Moody's, 23 debt securities, amounting to $492.4 million, were rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch), and another security, amounting to $48.6 million, was a bond fund and, as such, was not evaluated by a credit rating agency. Of the Baa1–Ba1 fixed-income securities as at 31 December 2018, one security, amounting to $1.9 million, was rated as Ba1 by Moody's and as investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch).

177. Of the unrated short-term securities totalling $2,298.7 million as at 31 December 2018, $2,248.8 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. The one remaining unrated debt security, amounting to $49.9 million, for which no issuer rating was available from Moody's, was rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch).

178. Of the unrated fixed income securities totalling $1,566.1 million as at 31 December 2017, $1,355.6 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities, amounting to $210.5 million, for which no issuer rating was available from Moody's, 17 debt securities, amounting to $161.9 million, were rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch) and another security, amounting to $48.6 million, was a bond fund and, accordingly, was not evaluated by a credit rating agency.

179. Of the unrated short-term securities totalling $1,062.2 million as at 31 December 2017, $938.2 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. The six remaining unrated debt securities, amounting to $124.0 million, for which no issuer rating was available from Moody's, were rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch).

180. All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as the 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.

20.2 Liquidity risk

181. 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's financial liabilities as at 31 December 2018 and 31 December 2017 contractually mature within three months. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

20.3 Market risk

182. Market risk is the risk of change in the value of plan assets as a result of various market factor movements such as asset price, 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. VaR is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also includes risk tolerance for investment risks in the investment policy approved by the Representative of the Secretary-General. On the basis of this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

183. VaR, 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, the VaR 95 number (in percentage or in dollar terms) indicates that there is a 95 per cent chance that portfolio losses will not exceed the given VaR 95 number (in 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 time when the losses exceed VaR 95. The Fund also reports contribution to 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 the diversification effect.

184. 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 of the asset classes 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 time when losses exceed VaR 95.

185. All numbers in the table below are reported for a one-year term horizon. For 2018, the estimated volatility on absolute basis (benchmark not included) of the total Fund was 7.39 per cent, the estimated VaR 95 was 12.38 per cent and the estimated expected shortfall (5 per cent) was 18.94 per cent. A VaR 95 of 12.38 per cent indicates that there is a 95 per cent chance that portfolio losses will not exceed 12.38 per cent over the year. The asset class with the lowest VaR (lowest risk) is cash, followed by fixed income and total equity, and the asset class with the highest VaR (highest risk) is infrastructure, followed by real estate, commodities and private equity. The contribution to risk statistics is driven by the risk of the asset class, its weight in the portfolio and its correlation with other assets in the portfolio. Accordingly, for 2018, total equity contributed 82.05 per cent to total Fund risk, while fixed income contributed 2.76 per cent, real estate 8.86 per cent and private equity 6.30 per cent. As at 31 December 2018, equities represented 56.60 per cent of the net assets available for benefits.

186. All numbers in the tables below are annualized using historical simulation.

(Percentage)

	2018			
Asset class	*Volatility (standard deviation)*	*VaR (95%)*	*Contribution to risk*	*Expected shortfall (5%)*
Total fund	7.39	12.38	100.00	18.94
Total equity	10.96	18.74	82.05	28.64
Fixed income	4.48	7.16	2.76	10.27
Cash and short-term	0.09	0.15	0.03	0.21
Real estate	14.04	23.67	8.86	34.72
Private equity	10.98	18.75	6.30	28.75
Commodities	12.00	19.10	0.12	27.28
Infrastructure	14.11	24.35	0.25	35.21

Note: Figures are reported from MSCI RiskMetrics as at 31 December 2018.

(Percentage)

	2017			
Asset class	*Volatility (standard deviation)*	*VaR (95%)*	*Contribution to risk*	*Expected shortfall (5%)*
Total fund	8.10	11.85	100.00	19.84
Total equity	11.35	17.18	84.89	28.79
Fixed income	5.33	8.97	2.29	12.65
Cash and short-term	3.19	5.20	0.43	7.31
Real estate	14.62	26.58	7.52	36.35
Private equity	11.07	16.73	4.49	27.93
Commodities	13.36	22.32	0.12	29.16
Infrastructure	14.36	26.65	0.22	35.90

Note: Figures are reported from MSCI RiskMetrics as at 29 December 2017.

187. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations. Key assumptions include: a one-day holding period to hedge or dispose of positions, which may not be the case for illiquid assets or may be due to adverse market conditions; a 95 per cent confidence level, which indicates that there is a 5 per cent probability of losses exceeding the VaR at 95 per cent; VaR calculated on an end-of-day basis, which does not reflect changes during the trading day; and the use of historical data and Monte Carlo simulation, which may not cover all possible scenarios, especially those of an exceptional nature.

Price risk

188. 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 is initially expressed in non-United States dollar-denominated currency and is then converted into United States dollars, which will also fluctuate because of changes in currency exchange rates.

189. As at 31 December 2018 and 31 December 2017, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Common and preferred stock	32 402 313	36 781 931
Funds – exchange-traded funds	1 774 285	2 595 365
Real estate investment trusts	–	210 016
Funds – common stock	127 585	146 906
Stapled securities	96 976	50 010
Total equity instruments	**34 401 159**	**39 784 228**

190. Considering the total Fund risk as 100 per cent, the contribution to risk due to equities is 82.05 per cent (2017: 84.9 per cent) of the total Fund risk and the rest is contributed by all other asset classes.

191. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights.

192. The Fund's equity investment portfolio by industrial sector based on the Global Industry Classification Standard as at 31 December 2018 was as follows:

(Percentage)

	31 December 2018	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]
Financials	16.12	17.77
Information technology	15.02	15.29
Communication services	8.01	9.26
Consumer discretionary	10.93	10.68
Consumer staples	7.24	7.77
Energy	5.57	6.37
Health care	12.86	12.49
Industrials	8.16	8.51
Materials	4.58	5.12
Utilities	2.90	3.46
Real estate	3.02	3.28
Other	5.59	Not applicable
Total	**100.00**	**100.00**

[a] Benchmark source: MSCI All Country World Index.

193. On 28 September 2018, a number of changes were made to the Global Industry Classification Standard. The key changes included the expansion of the telecommunication services sector and its renaming as the communication services sector. The new sector combines telecommunications companies with media and entertainment firms formerly classified within the consumer discretionary sector and Internet companies formerly classified within the information technology sector. Accordingly, the classifications of the equity investment portfolio by industrial sector as at 31 December 2018 and as at 31 December 2017 are not comparable.

194. The Fund's equity investment portfolio by industrial sector based on the Global Industry Classification Standard as at 31 December 2017 was as follows:

(Percentage)

	31 December 2017	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]
Financials	18.08	18.74
Information technology	17.97	18.09
Consumer discretionary	11.78	12.01
Energy	5.67	6.38
Health care	10.90	10.68
Industrials	9.01	10.86
Consumer staples	7.72	8.75
Materials	5.21	5.50

	31 December 2017	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]
Telecommunication services	2.60	3.02
Utilities	2.32	2.90
Real estate	2.25	3.07
Other	6.49	Not applicable
Total	**100.00**	**100.00**

[a] Benchmark source: MSCI All Country World Index.

195. The table below analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (on the basis of the counterparty's place of primary listing or, if not listed, place of domicile).

(Percentage)

	31 December 2018	*31 December 2017*
North America	58.4	55.0
Europe	18.4	20.7
Asia-Pacific	11.7	12.1
Emerging markets	10.9	11.6
International regions	0.6	0.6
Total	**100.0**	**100.0**

Currency risk

196. 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 unrealized foreign exchange gain/loss is attributable primarily to the fluctuation in currency exchange rates during the period.

197. The Fund does not use hedging to manage its non-United States dollar-denominated currency risk exposure, because the Fund expects currency impact to net out to zero over a full market cycle, as has been the case historically. Currency risk refers to risk due to foreign exchange rate changes.

198. The tables below illustrate the foreign exchange risk exposure of the Fund by class of investments. These summarize the Fund's cash and investments at fair value as at 31 December 2018 and 31 December 2017, respectively. Net financial liabilities amounting to $102.6 million in 2018 (2017: $178.0 million), not held at fair value (see note 5), are excluded from these tables. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

	As at 31 December 2018						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and other*	*Short-term*	*Cash*	*Total*
United States dollar	34.13	12.17	5.51	3.84	4.45	0.86	60.96
Euro	5.04	6.31	0.70	0.64	–	0.02	12.71
Japanese yen	4.44	4.63	0.22	–	–	0.01	9.30
British pound sterling	3.06	1.25	0.17	0.03	–	0.01	4.52
Canadian dollar	1.56	0.60	0.24	–	–	0.00	2.40
Hong Kong dollar	2.03	–	–	–	–	0.00	2.03
Australian dollar	1.27	0.26	0.29	–	–	0.01	1.83
Swiss franc	1.50	–	–	–	–	0.01	1.51
Republic of Korea won	0.80	0.34	–	–	–	–	1.14
Swedish krona	0.47	0.14	–	–	–	0.00	0.61
Indian rupee	0.49	–	–	–	–	0.00	0.49
Brazilian real	0.38	–	–	–	–	0.00	0.38
South African rand	0.35	–	–	–	–	0.00	0.35
Singapore dollar	0.24	0.08	–	–	–	0.00	0.32
Danish krone	0.25	–	–	–	–	0.00	0.25
Norwegian krone	0.05	0.18	–	–	–	0.00	0.23
Mexican peso	0.19	0.02	–	–	–	0.01	0.22
Malaysian ringgit	0.12	0.05	–	–	–	–	0.17
New Zealand dollar	0.01	0.11	–	–	–	0.00	0.12
Thai baht	–	0.08	–	–	–	0.00	0.08
Czech koruna	–	0.08	–	–	–	–	0.08
Philippine peso	0.07	–	–	–	–	–	0.07
Polish zloty	–	0.07	–	–	–	–	0.07
Chilean peso	–	0.06	–	–	–	0.00	0.06
Turkish lira	0.06	–	–	–	–	0.00	0.06
Hungarian forint	–	0.03	–	–	–	–	0.03
Russian rouble	–	0.01	–	–	–	–	0.01
Pakistani rupee	–	–	–	–	–	0.00	0.00
African franc	–	–	–	–	–	0.00	0.00
Total	**56.51**	**26.47**	**7.13**	**4.51**	**4.45**	**0.93**	**100.00**

Note: Percentages are rounded to the nearest two decimal places. 0.00 per cent indicates a value smaller than 0.01 per cent but not zero.

(Percentage)

Currency	As at 31 December 2017 Equity	Fixed income	Real assets	Alternatives and other	Short–term	Cash	Total
United States dollar	34.95	9.92	5.08	3.13	1.63	1.20	55.91
Euro	6.56	5.79	0.58	0.59	0.80	0.22	14.54
Japanese yen	4.85	3.64	0.23	–	–	0.04	8.76
British pound sterling	3.61	0.78	0.19	–	–	0.00	4.58
Canadian dollar	1.91	0.62	0.15	–	–	0.00	2.68
Hong Kong dollar	2.48	–	–	–	–	0.01	2.49
Australian dollar	1.33	0.42	0.30	–	–	0.03	2.08
Republic of Korea won	1.13	0.51	–	–	–	–	1.64
Swiss franc	1.62	–	–	–	–	0.01	1.63
Swedish krona	0.71	0.17	–	–	0.13	0.00	1.01
Malaysian ringgit	0.16	0.24	–	–	0.16	0.00	0.56
Mexican peso	0.19	0.32	–	–	–	–	0.51
Indian rupee	0.50	–	–	–	–	0.00	0.50
Norwegian krone	0.05	0.32	–	–	0.12	0.00	0.49
South African rand	0.48	–	–	–	–	–	0.48
Brazilian real	0.43	–	–	–	–	0.00	0.43
Polish zloty	–	0.40	–	–	–	0.00	0.40
Singapore dollar	0.26	0.07	–	–	–	0.00	0.33
Danish krone	0.24	–	–	–	–	0.00	0.24
Czech koruna	–	0.17	–	–	–	–	0.17
Hungarian forint	–	0.13	–	–	–	–	0.13
Philippine peso	0.12	–	–	–	–	0.00	0.12
New Zealand dollar	–	0.11	–	–	–	0.00	0.11
Thai baht	–	0.08	–	–	–	0.00	0.08
Turkish lira	0.07	–	–	–	–	–	0.07
Chilean peso	–	0.06	–	–	–	0.00	0.06
Pakistani rupee	–	–	–	–	–	0.00	0.00
African franc	–	–	–	–	–	0.00	0.00
Total	**61.65**	**23.75**	**6.53**	**3.72**	**2.84**	**1.51**	**100.00**

Note: Percentages are rounded to the nearest two decimal places. 0.00 per cent indicates a value smaller than 0.01 per cent but not zero.

Interest rate risk

199. Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed interest rate securities, floating rate debt, cash and cash equivalents that expose the Fund to interest rate risk.

200. The table below summarizes the Fund’s relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Global 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.

	2018		2017	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	6.40	6.96	6.54	6.99

201. Effective duration is the sensitivity to interest rates. This means if the interest rate changes by 1 per cent, the Fund can lose or gain approximately 6.40 per cent (2017: 6.54 per cent) compared with the benchmark, which can lose or gain approximately 6.96 per cent (2017: 6.99 per cent). This arises primarily from the increase/decrease in the fair value of fixed interest securities.

Note 21
Budget information

21.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2018	*2017 budget balance carried forward*	*Approved increases/ decreases*	*Final appropriation 2018*
Fund secretariat	50 257	–	–	50 257
Office of Investment Management	43 568	–	–	43 568
Audit	1 448	–	–	1 448
Pension Board	494	–	–	494
Total	**95 767**	**–**	**–**	**95 767**

202. In its resolution 72/262 A, the General Assembly approved the appropriation for the biennium 2018–2019.

21.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

203. 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 Pension Fund for the purpose 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 Pension Fund.

(Thousands of United States dollars)

	2018	*2017*
Actual amount on a comparable basis[a]	**79 835**	**81 862**
Basis differences		
Asset additions/disposals	(2 249)	(190)
Depreciation, amortization and impairment	4 719	7 963
Unliquidated obligations	(6 846)	(2 794)
Prepayments	406	(956)
Employee benefits	(6 479)	17 621
Other accruals	733	(6 106)
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**70 119**	**97 400**

[a] Actual amount on a comparable basis refers to the actual amounts of the administrative expenditure related to the Pension Fund and does not include the expenditure related to the United Nations.

204. 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/amortization expense*. Fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated/amortized over their useful lives on an IPSAS basis. Only depreciation/amortization 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.

Note 22
Funds under management

205. 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.

206. Pursuant to General Assembly resolution 2951 (XXVII) of 11 December 1972 establishing the United Nations University and Assembly resolution 3081 (XXVIII) and article IX of the Charter of the University (A/9149/Add.2), the Office of Investment Management is providing oversight services for the investments of the United Nations University Endowment Fund that were outsourced to Nikko Asset Management until 20 November 2017 and subsequently to BlackRock Financial

Management with a separate custodian bank. Formal arrangements between the Office of Investment Management and the Endowment Fund regarding these services have 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 Pension Fund, which are maintained separately. The costs of management advisory fees of the Office of Investment Management amounting to $50,000 per year are reimbursed by the Endowment Fund to the Office and recorded as other investment-related income.

Note 23
Related party transactions

Key management personnel

207. Key management personnel remunerated by the Fund for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
		(Thousands of United States dollars)					
2018	5	1 046	370	245	1 661	–	–
2017	5	1 027	286	240	1 553	–	–

208. Key management personnel are the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Office of Investment Management and the Chief Financial Officer, as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund.

209. 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, personal effect shipment costs, and employer pension and current health insurance contributions.

210. There are no outstanding advances against entitlements of key management personnel as at 31 December 2018 and 31 December 2017.

211. Key management personnel are also qualified for post-employment benefits (see note 11) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel are as follows:

(Thousands of United States dollars)

	As at 31 December 2018	*As at 31 December 2017*
After-service health insurance	1 355	1 458
Repatriation grant	157	164
Annual leave	118	127
Total	**1 630**	**1 749**

Other related parties

212. 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 provided below.

General Assembly

213. 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 the admittance of new member organizations to the Fund and amends the Regulations of the Fund.

Member organizations participating in the Fund

214. The member organizations of the Fund (which are 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 Fund's administration.

United Nations International Computing Centre

215. The United Nations International Computing Centre was established in January 1971 pursuant to General Assembly resolution 2741 (XXV). The Centre provides information technology and communications services to partners and users in the United Nations system. As a partner bound by the mandate of the Centre, the Fund would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the Centre, as specified in the Centre's mandate. As at 31 December 2018, there were no known claims having an impact on the Fund. Ownership of assets is with the Centre until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed upon by the Management Committee by a formula defined at that time.

216. The role of the Centre is:

- To provide information technology services on a full cost-recovery basis
- To assist in exploiting networking and computing technology
- To provide information management services
- To advise on questions related to information management
- To provide specialized training

Note 24
Reclassification and comparative numbers

217. Beginning in 2018, the Fund has updated the presentation of the statement of changes in net assets available for benefits such that it provides more meaningful information to the users of the financial statements by presenting all investment-related changes as part of investment income (loss) and breaking down administrative expenses further. See note 13 for additional and updated disclosure.

218. As a result, certain line items have been amended in the statement of changes in net assets available for benefits and related notes to the financial statements. All comparative figures have been adjusted to conform to the current-year classification. The reclassification has no impact on net assets available for benefits.

219. The net zero effect of the change is summarized below.

(Thousands of United States dollars)

	Previously reported 2017	Adjustment	After reclassification 2017
Investment income			
Net change in fair value of investments	9 081 326	–	9 081 326
Interest income	361 742	–	361 742
Dividend income	865 788	–	865 788
Income from real assets	65 530	–	65 530
Less: transaction costs and management fees	(133 145)	–	(133 145)
Less: withholding tax	–	(2 518)	(2 518)
Other investment-related income/(expense), net	–	9 379	9 379
	10 241 241	**6 861**	**10 248 102**
Contributions	2 400 912	–	2 400 912
Other income	11 624	(11 624)	–
Benefit expenses			
From withdrawal settlements and full commutation benefits	194 803	–	194 803
From retirement benefits	2 479 573	–	2 479 573
Other benefits/adjustments	(1 106)	(13)	(1 119)
	2 673 270	**(13)**	**2 673 257**
Administrative expenses	97 400	–	97 400
Other expenses	2 807	(2 232)	575
Withholding tax expense	2 518	(2 518)	–
Increase in net assets available for benefits	**9 877 782**	**–**	**9 877 782**

Note 25
Subsequent events

220. At the time of signing these financial statements, the management of the Fund is not aware of any reportable event after the reporting date in accordance with IPSAS 14: Events after the reporting date. Only the Fund's management has the authority to amend these financial statements.

Annex to the notes to the financial statements

Statistics on the operations of the United Nations Joint Staff Pension Fund

Table 1
Number of participants

Member organization	Participants as at 31 December 2017	New entrants	Transfer In	Transfer Out	Separations	Adjustments[a]	Participants as at 31 December 2018	Percentage increase/ (decrease)
United Nations[b]	85 009	6 805	169	245	6 713	171	84 854	(0.2)
International Labour Organization	3 629	411	35	22	236	(2)	3 819	5.2
Food and Agriculture Organization of the United Nations	10 533	1 286	77	67	658	8	11 163	6.0
United Nations Educational, Scientific and Cultural Organization	2 434	174	14	16	123	4	2 479	1.8
World Health Organization	10 732	788	67	52	701	15	10 819	0.8
International Civil Aviation Organization	799	64	10	4	75	5	789	(1.3)
World Meteorological Organization	350	27	7	2	22	–	360	2.9
International Atomic Energy Agency	2 679	205	18	17	149	2	2 734	2.1
International Maritime Organization	280	16	1	1	19	–	277	(1.1)
International Telecommunication Union	721	37	9	6	33	2	726	0.7
World Intellectual Property Organization	1 209	74	15	3	70	3	1 222	1.1
International Fund for Agricultural Development	580	35	10	4	33	2	586	1.0
International Centre for the Study of the Preservation and Restoration of Cultural Property	39	6	–	–	2	–	43	10.3
European and Mediterranean Plant Protection Organization	18	1	–	–	–	–	19	5.6
International Centre for Genetic Engineering and Biotechnology	175	4	–	1	4	–	174	(0.6)
World Tourism Organization	83	10	–	–	5	–	88	6.0
International Tribunal for the Law of the Sea	41	–	1	–	1	1	40	(2.4)
International Seabed Authority	38	8	2	–	6	–	42	10.5
United Nations Industrial Development Organization	673	50	5	6	24	–	698	3.7
International Criminal Court	1 167	96	19	9	46	2	1 225	5.0
Inter-Parliamentary Union	45	2	1	–	–	–	48	6.7
International Organization for Migration	5 052	1 398	28	24	494	9	5 951	17.8
Special Tribunal for Lebanon	450	29	9	18	32	–	438	(2.7)
Total	**126 736**	**11 526**	**497**	**497**	**9 446**	**222**	**128 594**	**1.5**

[a] Corrections of erroneous entries from prior years.
[b] 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 2018

	Number of benefits awarded											
				Withdrawal settlement								
Member organization	*Retirement benefit*	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant benefit*	*Transfer under agreement*	*Total*
United Nations[a]	434	482	447	3 218	1 918	854	77	–	97	2	13	7 542
International Labour Organization	26	23	9	137	33	15	1	–	5	–	–	249
Food and Agriculture Organization of the United Nations	108	63	29	273	154	138	19	–	7	–	1	792
United Nations Educational, Scientific and Cultural Organization	19	13	9	70	10	6	1	–	–	–	–	128
World Health Organization	170	49	24	321	119	157	7	–	8	–	–	855
International Civil Aviation Organization	27	6	3	28	8	13	–	–	1	–	–	86
World Meteorological Organization	9	3	–	10	–	–	–	–	–	–	–	22
International Atomic Energy Agency	30	21	23	62	8	18	1	–	3	–	1	167
International Maritime Organization	3	5	2	4	4	4	–	–	1	–	–	23
International Telecommunication Union	4	7	–	15	1	12	–	–	6	–	–	45
World Intellectual Property Organization	18	4	3	33	8	15	–	–	4	–	–	85
International Fund for Agricultural Development	10	6	4	8	–	5	1	–	–	–	3	37
International Centre for the Study of the Preservation and Restoration of Cultural Property	–	1	–	1	–	–	–	–	–	–	–	2
European and Mediterranean Plant Protection Organization	–	–	–	–	–	–	–	–	–	–	–	–
International Centre for Genetic Engineering and Biotechnology	1	1	–	2	–	–	–	–	–	–	–	4
World Tourism Organization	2	1	–	1	1	2	–	–	–	–	–	7

Member organization	Number of benefits awarded											
	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child benefit	Widow and widower benefit	Other death benefit	Disability benefit	Secondary dependant benefit	Transfer under agreement	Total
International Tribunal for the Law of the Sea	–	–	–	–	1	–	–	–	–	–	–	1
International Seabed Authority	2	1	–	2	–	–	–	–	1	–	–	6
United Nations Industrial Development Organization	4	4	–	8	7	6	–	–	1	–	–	30
International Criminal Court	3	1	3	24	13	3	–	–	1	–	–	48
Inter-Parliamentary Union	–	–	–	–	–	–	–	–	–	–	–	–
International Organization for Migration	14	12	4	306	155	15	2	–	2	–	–	510
Special Tribunal for Lebanon	4	–	1	16	7	4	1	–	2	–	–	35
Total	**888**	**703**	**561**	**4 539**	**2 447**	**1 267**	**110**	**–**	**139**	**2**	**18**	**10 674**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2018

Type of benefit	*Total as at 31 December 2017*	*New*	*Benefits discontinued, resulting in award of survivor benefit*	*All other benefits discontinued*	*Total as at 31 December 2018*
Retirement	29 117	888	(317)	(509)	29 179
Early retirement	16 560	703	(172)	(347)	16 744
Deferred retirement	7 592	561	(63)	(243)	7 847
Widow	11 680	100	531	(731)	11 580
Widower	1 050	10	67	(72)	1 055
Disability	1 583	139	(22)	(24)	1 676
Child	10 629	1 267	–	(1 295)	10 601
Secondary dependant	36	2	–	(4)	34
Total	**78 247**	**3 670**	**24**	**(3 225)**	**78 716**

Table 4
Status of processable entitlement cases

	Number of cases	
	As at 31 December 2018	*As at 31 December 2017*
No payment due at all		
Possible re-employment under article 21 of the Regulations of the Fund (cases for closing upon confirmation of re-entry into the Fund)	327	244
No immediate payment due		
Deferred retirement benefit under article 30 of the Regulations of the Fund (payment not due until retirement age or from early retirement age)	499	412
Deferment of choice under article 32 of the Regulations of the Fund (election/payment of benefits deferred by the beneficiary up to 36 months)	3 717	3 302
Total	**4 216**	**3 714**
Not ready for payment		
Cases reviewed but withheld because of issues/missing additional proof documents	701	656
For payment (case inventory)		
Cases in progress	329	239
Cases scheduled for review	595	656
Total	**924**	**895**

Annex XVII

Report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018

Letters of transmittal

Letter dated 31 May 2019 from the Acting Chief Executive Officer of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors

In accordance with financial rule G.5 of the United Nations Joint Staff Pension Fund, we have the honour to transmit the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which we hereby approve. The Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund approve the financial statements for their respective areas of responsibility. The financial statements have been completed and certified by the Chief Financial Officer of the Fund as correct in all material respects.

(*Signed*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

Letter dated 24 July 2019 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which were submitted by the Acting Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund. The statements have been examined by the Board of Auditors.

In addition, I have the honour to transmit the report of the Board of Auditors with respect to the above-mentioned accounts, including the audit opinion thereon.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Joint Staff Pension Fund, which comprise the statement of net assets available for benefits (statement I) as at 31 December 2018 and the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III) and the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (statement IV), as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2018, the changes in net assets available for benefits, the cash flow statement and the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year then ended and the notes to the financial statements.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the Fund, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Chief Executive Officer and the Representative of the Secretary-General are jointly responsible for the other information, which comprises the financial overview contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Chief Executive Officer and the Representative of the Secretary-General are jointly responsible for the preparation and fair presentation of the financial statements in accordance with International Accounting Standard 26 and IPSAS and for such internal control as the management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement where one exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit 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 internal control of the Fund.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the 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 Financial Regulations and Rules of the United Nations and the financial rules of the United Nations Joint Staff Pension Fund and their 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*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Joint Staff Pension Fund was established in 1948 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board.

The Board of Auditors audited the financial statements of the Fund and reviewed its operations for the year ended 31 December 2018 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952 and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. 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 Office of Investment Management and the secretariat of the Fund.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with the management of the Fund, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of the Fund as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with International Accounting Standard (IAS) 26 and the International Public Sector Accounting Standards (IPSAS). 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.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the Fund's statement of net assets available for benefits as at 31 December 2018 and its statement of changes in net assets, cash flows and statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year then ended.

Overall conclusion

The Fund has prepared financial statements in accordance with IAS 26 and following the provisions of IPSAS since 2012. The Fund has incorporated the guidance from IAS 26 into its financial policies. Its financial presentation is based on that guidance, and additional information is presented where requested by IPSAS.

During the period, the Fund continued its efforts to address the observations raised by the Board of Auditors in its previous report and to improve financial information. While the Board did not identify significant deficiencies in the financial statements presented, a number of areas were identified where improvements could be made. The Board has noted a continued trend of improvement related to benefit processing, specifically concerning the closing of open entitlement workflows and the implementation of the new client grievance redressal mechanism through the iNeed system.

The Board of Auditors acknowledges ongoing efforts and identified opportunities for the Fund to improve on the investment management side of its operations. The Fund could enhance the analysis and evaluation of environmental, social and governance concerns and the integration of those concerns into investment decision-making within all asset classes. It could also improve the Office of Investment Management alternative assets reporting platform, in order to improve the automation of the alternative investment process.

There is also a need to assess some deficiencies with the Integrated Pension Administration System related to compliance in security and user account management.

The Board identified scope for improvement in the annual reconciliation of contributions. The Fund should perform the reconciliation more than once per year and should take proactive steps, in collaboration with the member organizations, to expedite the receipt of the document required for the calculation and awarding of pension benefits. The Fund should avoid exceptions and allow participants to have up-to-date information on their total contributions as at a specific date.

Key findings

Our main observations and recommendations of the Board's audit are set out below.

Benefits payment management

Reconciliation of contributions

In accordance with the Regulations of the Fund, all member organizations and employees contribute on the basis of pensionable remuneration, at a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers. The information on contributions is kept in the Integrated Pension Administration System for each participant, and it is annually reconciled with the human resources and pensionable remuneration information provided by every member organization at the end of the year.

That reconciliation is carried out by the Fund during the first quarter of the following year, using the detailed schedules provided by the member organizations. Any differences between the reported contributions and the contributions actually received are recorded as an account receivable from or payable to the member organization, depending on the difference. On the basis of the information provided by the member organizations, the Fund secretariat records the contribution amounts in each participant's account.

In addition, the discrepancies identified by the Fund in the reconciliation process are distributed to each member organization. The majority of the discrepancies are resolved by updating the human resources records or adjusting the contributions on the year-end schedules in the following year.

Through its online platform, the Fund allows participants and member organizations to consult their total contributions. However, the information available corresponds to the balance of the previous reconciliation process, namely, the total contributions as at 31 December of the previous year.

The Board considers that having a single annual reconciliation process means that the exceptions identified cannot be resolved during the conciliation period of the current year and that unresolved exceptions may delay the processing of benefits for separating members. Likewise, it does not allow participants to have updated information on their total contributions as at a specific date. Not all member organizations, however, are willing to commit to a more frequent (e.g., monthly) reconciliation process, as that would require significant resources and responsiveness.

Workflows remain open in the Integrated Pension Administration System owing to missing documents

The Integrated Pension Administration System is the main tool used by the Fund secretariat to process retirement benefits. To start the separation process, three core documents are needed: a separation personnel action, a separation notification and a payment instruction. The personnel action and notification are issued by the member organization, while the payment instruction is submitted by the participant. Each time the Fund receives one of the three documents, a workflow is opened in the system to start the separation process. Regardless of whether or not the action is a request for retirement, the system will open a workflow.

According to the Strategic Framework of the Fund, the Fund is expected to carry out the effective processing of participants' benefit entitlements. In that respect, the Board observed a notable decrease (74 per cent) in the number of workflows still open owing to the non-receipt of core separation documents, from 16,427 as at December 2017 to 4,300 as at 21 May 2019 (the audit cut-off date).

Considering the way the Integrated Pension Administration System works and the fact that workflows are opened when the Fund receives one of the three core documents, the Board considers that a state of high priority and attention could be granted to cases with open workflows where no documents have been received or where the payment instructions have already been received.

Office of Investment Management

Sustainable investment

The Fund acknowledges its responsibility to society as part of an international organization committed to social progress by being a founding signatory of the Principles for Responsible Investment and through its association with the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

In addition, on 27 September 2018 at the climate week briefing held by Moody's in New York, the Director of the Office of Investment Management gave a presentation on sustainable investing for institutional investors. He pointed out that the Pension Fund's sustainable investment strategy was aligned with its duty and fiduciary responsibility, which included environmental, social and governance metrics. Considerations for the sustainable investment strategy are integrated throughout the investment decision-making process, in order to provide portfolio managers with more tools to further enhance risk and return considerations regarding investment decisions.

The Board noted that the Office did not have complete information as to whether the assets in its portfolio fulfil the criteria to be considered sustainable investments. In addition, the Board noted that the Office also did not yet have evidence regarding the environmental, social and governance analysis considerations that help it to make investment decisions about the purchase of a sustainable portfolio.

In addition, the Board did not obtain evidence of how investment officers incorporate environmental, social and governance concerns into their decision-making process for each asset class.

Although the Office indicates, through various reports, systems, prototypes and the implementation of a customized equity benchmark to reflect restrictions in tobacco and armament securities, documents and presentations, that it is currently incorporating environmental, social and governance indicators into the investment decision-making process, the Board observed that, in practice, the Office did not have established criteria for sustainable investment decisions that support what was stated in the presentation on sustainable investing for institutional investors and on its website.

Main recommendations

The Board recommends that the United Nations Joint Staff Pension Fund:

Benefits payment management

Reconciliation of contributions

(a) **Create a project with committed member organizations to carry out the reconciliation process more than once per year, defining the different criteria, activities, deadlines, roles, and responsibilities applicable to the Fund and the member organization and establishing percentages for the progress of its implementation, in order to obtain complete and accurate information regarding the contributions of each participant in a timely manner;**

(b) **Make efforts to establish a method of working with organizations that have not yet committed to carrying out the reconciliation process periodically, in order to ensure that the reconciliation process takes place more than once per year and that the Fund receives the necessary information on the same date. In the case of member organizations that cannot participate in the periodic reconciliation project more than once per year, the Fund secretariat should obtain technical documentation that supports the decisions made;**

Workflows remain open in the Integrated Pension Administration System owing to missing documents

(c) **Continue to reduce the number of open workflows by establishing indicators that make it possible to measure progress in closing them;**

(d) **For open workflows with missing documentation, consider carrying out the closing process according to the ageing analysis, giving priority to cases with workflows that have been open for more than three years;**

(e) **Consider closing the open workflows where no documentation has been received inherited from the legacy system, the United Nations Joint Staff Pension Fund Administration System;**

(f) **Regularize, in the Integrated Pension Administration System, the open workflows that have no date of separation, to obtain a better analysis of such cases;**

Office of Investment Management

Sustainable investment

(g) **Have the Office of Investment Management establish a workplan with dates and responsibilities in order to ensure the implementation of the analysis and evaluation of environmental, social and governance metrics in accordance with the Office's sustainable investment strategy and its incorporation into the investment decision-making process for all asset classes;**

(h) **Have the Office design and implement instructions, training and procedures that explain the process to be performed by the investment officers regarding the analysis and evaluation of environmental, social and governance metrics for each asset class, including the metrics to be used during the investment**

decision-making process, as well as the record of and support for the decision made based on the basis thereof;

(i) **Have the Office support and implement, through computer systems, the analysis and evaluation of environmental, social and governance metrics for public equity investments, in order to have formal documentation that such metrics were considered during the process before approval;**

(j) **In the case of private markets, while finalizing the implementation of the system for this type of investments, have the Office reinforce the due diligence process with the Fund's external managers in order to ensure that environmental, social and governance metrics are considered in the aforementioned process.**

Key facts

23	Number of member organizations
128,594	Participants in the Fund
78,716	Periodic benefits
$61.14 billion	Total assets (2017: $64.78 billion)
$60.77 billion	Net assets available for benefits (2017: $64.37 billion)
($0.85 billion)	Income (loss) and contributions (2017: $12.65 billion)
$2.74 billion	Total expenses, including benefit payments (2017: $2.78 billion)
($3.31 billion)	Investment income (loss) (2017: $10.24 billion)
(6.5) per cent	Inflation-adjusted real return for 2018 (2017: 16.5 per cent); negative return in 2018

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1948 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board and currently has 23 participating organizations, including the United Nations. The Fund is a multiple employer, defined benefit plan.

2. 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 2018 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952. 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.

3. 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 2018 and its financial performance for the year then ended, in accordance with International Accounting Standard (IAS) 26 and the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenses had been properly classified and recorded. 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.

4. In addition to the audit of the accounts and financial transactions, the Board reviewed the operations of the Fund under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations concerning compliance with the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the Fund operations. The Board coordinated with the Office of Internal Oversight Services in the planning of its audits in order to avoid duplication of effort and to determine the extent to which the Board could rely on the latter's work.

5. The present report covers matter 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 to previous recommendations

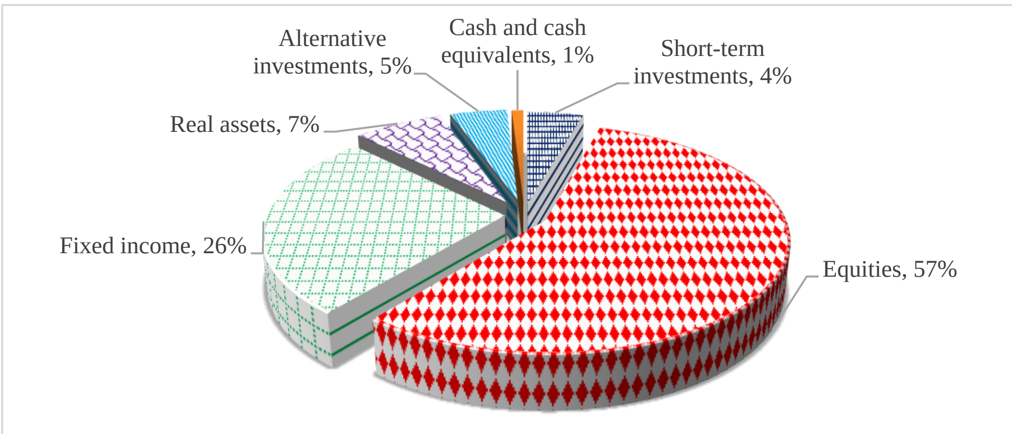
6. The Board followed up on the 38 outstanding recommendations as at 31 December 2017 and noted that 12 (32 per cent) had been fully implemented, 22 (58 per cent) were under implementation and 4 (10 per cent) had been overtaken by events. The details are provided in the annex to chapter II.

2. Financial overview

Income and losses

7. As at December 2018, the total assets of the Fund amounted to $61.14 billion, (2017: $64.78 billion), and the total liabilities as at December 2018 amounted to $0.36 billion (2017: $0.41 billion), making net assets available for benefits of $60.78 billion (2017: $64.37 billion). This represented a decrease of $3.59 billion (5.6 per cent) compared with the increase of $9.88 billion in 2017. The Fund assets consist mainly of investment, representing 98.6 per cent of the total assets, whose fair value by the Fund as at 31 December of 2018 was $60.31 billion. The asset allocation was 57 per cent in equities, 26 per cent in fixed income, 7 per cent in real assets, 4 per cent in short-term investments, 5 per cent in alternative investments and 1 per cent in cash and cash equivalents. The percentage share of each component of investment is shown in figure II.I.

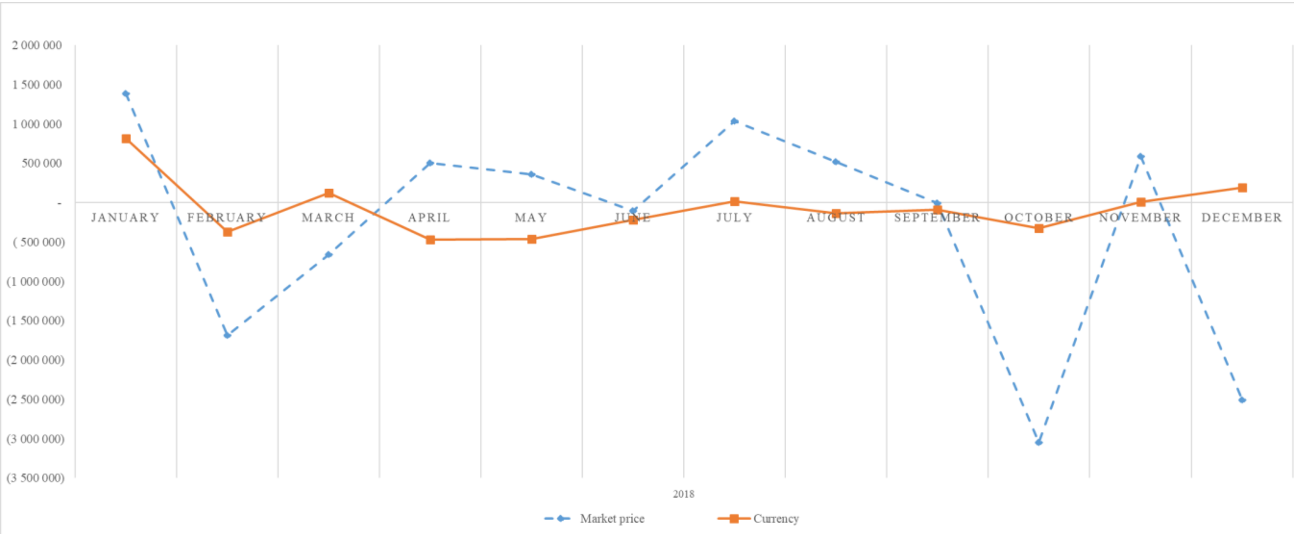
Figure II.I
Percentage share of components in the fair value of investment in 2018



Source: United Nations Joint Staff Pension Fund financial statements.

8. The total losses of the Fund in 2018 amounted to $849.36 million (2017: income of $12.65 billion), comprising investment losses of $3.31 billion (2017: income of $10.24 billion) and contributions of $2.46 billion (2017: $2.40 billion). The total expenses of the Fund (comprising benefit payments, administrative expenses and other expenses) amounted to $2.74 billion (2017: $2.78 billion). The monthly breakdown of investment income in 2018 is shown in figure II.II.

Figure II.II
Investment income (loss) in 2018
(Thousands of United States dollars)



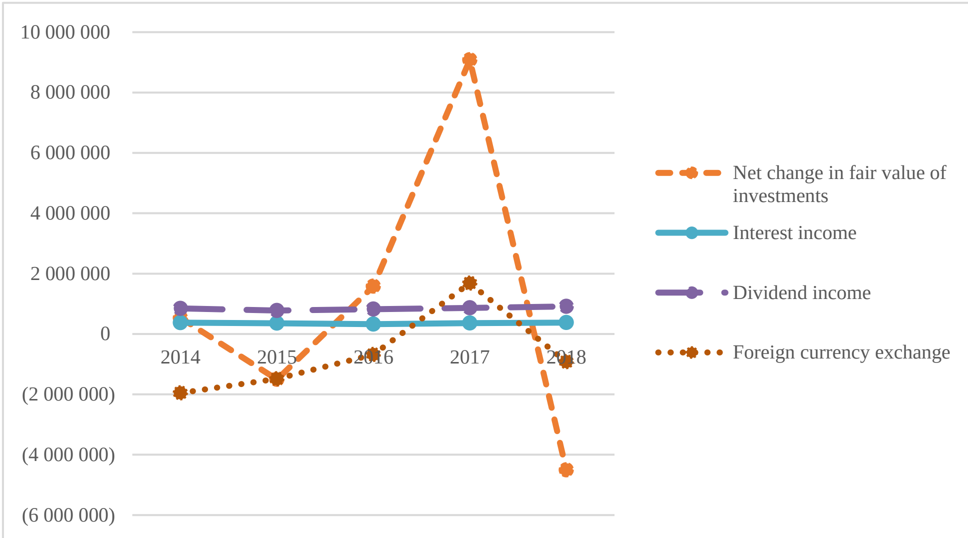
Source: Analysis by the Board of Auditors.

9. During 2018, the fair value of the investment depreciated by $3.58 billion (appreciation in 2017: $7.39 billion), with a foreign exchange loss of $0.92 billion (2017: gain of $1.68 billion). Historically, appreciation/depreciation in the fair value of investment has been the driving force for investment income. The other components have largely remained constant. As at December 2018, the Fund had 57 per cent of its investment portfolio in equities; the investment loss is therefore due primarily to that asset class, concentrated in the North American market. The different components of investment income are shown in figure II.III.

10. The depreciation in the fair value is due mainly to the decline in the stock market during 2018, specifically the slowdown in the global economy and the tightening of monetary policy. The increase in geopolitical tensions, from the escalation of the trade war between China and the United States of America (heavy new tariffs on goods) to the decision by the United Kingdom of Great Britain and Northern Ireland to leave the European Union, or "Brexit", has weighed heavily on equities, affecting the Fund's investment portfolio, most of which, as indicated above, is concentrated in the North American stock market.

Figure II.III
Components of investment income, 2014–2018

(Thousands of United States dollars)



Source: Analysis by the Board of Auditors.

11. The Fund's return (nominal) for 2018 was negative, at -4.7 per cent, compared with the policy benchmark of -4.9 per cent. The inflation-adjusted real return was -6.5 per cent against the required 3.5 per cent set as a long-term investment goal, owing to a high depreciation in the fair value of the investment.[1]

Participants

12. As at 31 December 2018, the Fund had 128,594 participants (2017: 126,736 participants). In 2018, the annual periodic benefit payments made by the Fund amounted to $2.66 billion and were issued in 15 currencies, in some 190 countries. The income contributions, however, amounted to $2.45 billion; the expenditure on benefits in 2018 therefore exceeded contributions by $212 million.

13. The number of periodic benefits as at 31 December 2018 was 78,716 compared with 78,247 in 2017, an increase of 0.6 per cent.

14. The funding ratio indicates the degree to which the Fund's assets cover the value of the accrued benefits (liabilities) on the given valuation date. It is calculated by dividing the net assets as at the date of the financial statements by the value of the liabilities as at the same date. A funding ratio of 1 means that the Fund is in a position to meet all of its obligations, whereas funding ratios above 1 and below 1 indicate overfunding and underfunding scenarios, respectively.

[1] In accordance with the long-term investment goal as set out in the Investment Policy Statement of 2016 of the Investment Management Division of the United Nations Joint Staff Pension Fund and the returns as presented at the 240th meeting of the Investments Committee of the Fund.

Table II.1
Ratio analysis

Ratio	*31 December 2018*	*31 December 2017*
Funding ratio		
Total assets: pension obligation (actuarial value)	1.04	1.15

3. Disclosure of the financial statements

Certification of financial statements

15. In the certification of its financial statements for the year ended 31 December 2018, the Fund states that its financial statements were prepared in accordance with IPSAS and IAS 26. It presented the following financial statements: (a) statement of net assets available for benefits (IAS 26); (b) statement of changes in net assets available for benefits (IAS 26); (c) cash flow statement (IPSAS 2); and (d) statement of comparison of budgeted and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (IPSAS 24). It also presented notes to the financial statements.

16. Although the Fund declares in its certification that it prepared its financial statements in accordance with IPSAS, in paragraph 45 of the notes to the financial statements, the Fund specifies that it adopted IPSAS as of 1 January 2012, including specifically the adoption of IAS 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards; that, while IAS 26 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; and that, as the Fund has incorporated the guidance in IAS 26 into its financial policies, the presentation of its financial statements is based on that guidance.

17. The Fund presents the information relating to the actuarial valuation in compliance with paragraph 17 (b) of IAS 26, under which the financial statements are to explain the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits and the policy for the funding of promised benefits.

18. With regard to the certification made by the Fund in 2018, it should be noted that, according to paragraph 28 of IPSAS 1: Presentation of financial statements, an entity whose financial statements comply with IPSAS is to make an explicit and unreserved statement of such compliance in the notes.

19. The Board understands that, given its nature, the Fund also prepares its financial statements to comply with the specific information needs of a pension fund, for which the Fund prepares a statement of net assets available for benefits (statement I) and a statement of changes in net assets available for benefits (statement II) in accordance with IAS 26, which is specifically applicable to pension funds.

20. The Board notes that the presentation of the financial statements of the Fund can be further enhanced with specific disclosures regarding the IPSAS Board standards that were applied for the recording of financial transactions and in the preparation of the financial statements.

21. **The Board recommends that the Fund expand the disclosure and description of the certification of the financial statements in order to specify the IPSAS Board standards that it applied in the recording of its transactions and in the preparation of its financial statements.**

22. The Fund does not accept this recommendation.

Details of the classification of the risk with respect to the fixed-term portfolio

23. In accordance with the Regulations, Rules and Pension Adjustment System of the Fund and its mandate, the main purpose of the investments of the Fund's assets is to secure the pension entitlements of Fund participants and their beneficiaries. How those assets are managed is one of the main focuses of the entity. Proper management of the Fund's assets ensures that it is able to fulfil its long-term responsibility with regard to the payment of retirement benefits for United Nations staff.

24. In its Investment Policy Statement of 2016, the Investment Management Division established how the Fund should manage and monitor the risks associated with financial instruments without endangering the Fund's capital. In addition, the Fund states in its investment philosophy that it has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments and that its goal is to strengthen its four investment objectives, namely security, profitability, convertibility and liquidity. Those objectives were established in the light of the Fund's mandate to provide retirement, death, disability and related benefits for United Nations personnel.

25. Under IPSAS 30: Financial instruments: disclosures, the Fund is required to disclose information on the relevance of financial instruments to the financial situation and the performance of the entity, the nature and extent of the risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period and the form of managing those risks.

26. In note 20 to its financial statements for the year ended 31 December 2018, the Fund disclosed the risk assessment and separated the risks to which it is exposed into credit risk, market risk and liquidity risk. With respect to credit risk, in the 2014 investment procedures and their amendments to the investment guidelines for the global fixed income portfolio, it is established that securities must have been awarded a minimum credit rating of "investment grade",[2] by at least one of the following rating agencies: Moody's, S&P Global Ratings and Fitch.

27. The credit rating is one of the measures used by the entity to manage its exposure to investment risk. For that reason, the Fund needs to disclose the credit risk for its debt securities. The Fund decided to use mainly the credit quality (rating scale) provided by the Moody's rating agency.

28. Each rating agency creates different categories to differentiate the risk exposure associated with each individual security. For example, Moody's uses Aaa, Aa1 to Aa3, A1 to A3, Baa1 to Baa3 and Ba1 to Ba3 for long-term investments or P-1 to P-3 for short-term investments.

29. In that regard, as at 31 December 2018, the total investment in fixed income amounted to $16,113.8 million (2017: $15,329.9 million) and the short-term investment amounted to $2,711.0 million (2017: $1,834.3 million), of which 64 per cent of the securities were classified in a single category spanning a wide range of credit risk ratings (between Aaa and A3), without specifying which amounts were associated with each risk scale. The same situation occurred for the 7 per cent of securities that were classified in a credit rating range of Baa1 to Baa3 and for the 29 per cent of securities that were declared as unrated.

30. Concerning the securities classified as not rated in note 20, the rating used was the credit rating of the issuer, instead of a security rating such as Moody's.

[2] Refers to the quality of the investment's credit.

31. In the paragraphs below the tables in note 20, the Fund indicates that those instruments presented a "very low credit risk", on the basis of other credit rating agencies and/or the issuer's credit rating. In order to improve the disclosure and unify the criteria to clearly present the credit risk classification, the Fund should disclose the specific credit risk rating given by a credit rating agency, if this is available.

32. The Board holds that, as the Fund belongs to the United Nations system, it could provide more information and more appropriate disclosure about the risk arising from the securities it holds and thereby enhance the completeness and transparency of the information provided.

33. **The Board recommends that the Fund consider breaking down its credit rating disclosure in the notes to the financial statements in order to reflect the details of the risk exposure of all debt securities, including securities not rated by Moody's at the end of the reporting period.**

34. The Fund acknowledges the observation that the Fund should consider providing more information about credit risk disclosure in addition to the IPSAS 30 requirements.

35. Considering that there are multiple methods of disclosing credit risk, the Fund, following consultations, will compile additional disclosures related to credit risk for the 2019 financial statements.

Withholding tax

36. In order to achieve its objective of providing retirement, death, disability and related benefits to the staff of the United Nations and other organizations admitted to membership in the Pension Fund, the Fund invests the contributions received in different types of instruments, including equities, short-term investments, fixed income, real assets and alternative investments.

37. As a subsidiary entity of the United Nations, it is exempt from national taxation by Member States under Article 105 of the Charter of the United Nations and article II, section 7 (a) of the Convention on the Privileges and Immunities of the United Nations. Nevertheless, there are countries that deduct withholding taxes from investment income and reimburse it to the Fund when it files a claim. The Fund therefore recognizes withholding taxes as an account receivable in the statement of net assets available for benefits as at the end of each financial year, in accordance with IPSAS 29: Financial instruments: recognition and measurement.

38. For that purpose, on 28 March 2019, the Fund issued a memorandum on the recoverability of withholding tax as at 31 December 2018, in which it established that the recoverability analysis of the withheld tax was based on the following factors:

(a) Whether or not there is a formally established reclamation mechanism in place in the jurisdiction in which the withholding tax was originally withheld;

(b) When there is a reclamation process in place, the probability of success in the collection of older tax claims, having regard to tax legislation in the local jurisdiction on the application of the statute-barring;

(c) Any other relevant matter, including an analysis of interactions and correspondence with the local tax authority.

39. The Fund does not have a procedure manual that explains the provision mechanisms, reduction of the book value, tax expense or tax deemed not recoverable or that describes how to and who should calculate and approve the provisioned amount.

40. In addition, the Fund defers the recoverable taxes from countries that, in accordance with the provisions of the financial statements as at 31 December 2018,

do not have a formal tax recovery mechanism. The withholding tax receivables deemed not recoverable from those countries amount to a total of $13.95 million. In its memorandum, however, the Fund does not clearly explain the procedure to be used to maintain the amounts provisioned.

41. On the basis of the ageing analysis of the withholding tax receivables deemed not recoverable, it was observed that the Fund keeps in its records amounts provisioned for more than 5 years (since 2006), for a total of $6.39 million (corresponding to 46 per cent of the total amount provisioned to date).

42. The detail of the analysis is presented in table II.2.

Table II.2
Ageing analysis of the withheld tax deemed not recoverable

Ageing	*Amount in United States dollars*	*Percentage*
More than 5 years	6 387 362	45.8
2014	1 294 225	9.3
2015	1 033 651	7.4
2016	988 437	7.1
2017	1 984 420	14.2
2018	2 260 315	16.2
Total	**13 948 410**	**100.0**

Source: Analysis by the Board of Auditors.

43. A tax procedure could also include other costs incurred in the value of a transaction, such as a stamp duty, security transaction tax or financial transaction tax.

44. It was noted that the tax memorandum issued by the management in March 2019 does not contain sufficient and detailed information on the mechanism for the provision and recognition of tax expenses. In addition, it applied only to a single period.

45. **The Board recommends that the Fund establish a comprehensive procedure manual to serve as a basis for addressing withholding tax receivables and that would include, at minimum, a detailed workflow for all instances and the criteria used to obtain objective evidence that the assets are not deemed recoverable, the use of standard parameters and the delegation of authority to either maintain an asset deemed recoverable or have it written off, as well as the detailed criteria used to maintain or reduce the provision.**

46. The Fund accepts the recommendation and proposes to expand the Office of Investment Management operations manual for withholding tax. The Fund believes this will enhance the existing documentation on procedures related to the monitoring of the withholding tax.

4. Benefits payment management

Workflows remain open in the Integrated Pension Administration System owing to missing documents

47. The Integrated Pension Administration System is the main tool used by the Fund to process the retirement of the participant.

48. To start the separation process, three core documents are needed: the separation personnel action, the separation notification and the payment instruction. The

personnel action and the notification are issued by the member organization, and the payment instruction is submitted by the participant.

49. Each time the Fund receives one of these three main documents, a workflow is opened in the system to initiate the separation process. That action generates open workflows, which does not necessarily lead to a retirement benefit, as is the case for participants who change employers among the member organizations.

50. According to the Strategic Framework of the Fund, the Fund is expected to carry out the effective processing of participants' benefit entitlements.

51. The Board requested the number of cases that, as at 31 December 2018 and 21 May 2019, the audit cut-off date, still had a workflow open in the system owing to the non-receipt of one or more of the aforementioned documents.

52. The breakdown of entitlement workflows that were still open as at 31 December 2017, 31 December 2018 and 21 May 2019 owing to missing documents, by documents received, is presented in table II.3.

Table II.3
Cases with open workflows by documents received

	Cases with missing documents		
Category	*As at 31 December 2017*	*As at 31 December 2018*	*As at 21 May 2019*
No documents received	627	233	165
Only separation personnel action received	7 049	2 901	1 496
Only separation notification received	1 541	1 598	574
Only payment instruction received	428	354	56
Both separation personnel action and payment instruction received	1 083	559	229
Both separation personnel action and separation notification received	5 699	3 591	1 780
Total	**16 427**	**9 236**	**4 300**

Source: Data provided by the United Nations Joint Staff Pension Fund.

53. Furthermore, pursuant to the analysis carried out by the Board, it was noted that the decrease in open entitlement workflows was mostly in the category of cases that did not involve a separation date, where the number of open workflows dropped from 9,486 as at 31 December 2018 to 4,019 as at 21 May 2019, for a decrease of 58 per cent. A decrease was also noted in workflows with an ageing of less than one year, from a total of 2,885 to 1,503 cases, or 48 per cent. Regarding the workflows still open after more than 5 years, the decrease observed was 26 per cent, from 1,509 cases in 2017 to 1,122 in 2018.

54. The entitlement workflows open for more than three years represent 37 per cent of the total number of cases (1,935), not taking into account those without separation date. Table II.4 below presents the cases by category and the ageing analysis.

55. The Board observed a notable advance in terms of the reduction in the number of workflows open owing to missing documents: from 9,236 as at 31 December 2018 (2017: 16,247 open workflows with missing documents) to 4,300 as at 21 May 2019, representing a decrease of 53 per cent.

56. Moreover, the Board analysed the open workflows and established an ageing analysis of the cases still open owing to missing documentation with respect to the date of separation. Details as at 31 December 2018 are presented in table II.4.

Table II.4
Ageing analysis (from date of separation) of cases with open workflows owing to non-receipt of documents, as at 31 December 2018

Category	*Both SEPPA and PI received*	*Both SEPPA and SEP received*	*No documents received*	*Only PI received*	*Only SEP received*	*Only SEPPA received*	*Total*
Less than 1 year	180	468	2	3	17	833	1 503
1–2 years	65	528	3	6	61	409	1 072
2–3 years	51	376	8	3	30	239	707
3–4 years	43	240	6	6	14	185	494
4–5 years	32	182	2	8	22	73	319
More than 5 years	93	530	56	46	155	242	1 122
Subtotal	**464**	**2 324**	**77**	**72**	**299**	**1 981**	**5 217**
Without date of separation	95	1 267	156	282	1 299	920	4 019
Total	**559**	**3 591**	**233**	**354**	**1 598**	**2 901**	**9 236**

Source: Data provided by the United Nations Joint Staff Pension Fund.
Abbreviations: PI, payment instruction; SEP, separation notification; SEPPA, separation personnel action.

57. In addition, using the same data on open workflows provided by the Fund, a comparison was made of cases still open as at 31 December 2017 and 31 December 2018, by category of missing documentation, and the progress made by the Fund to close the open workflows was then analysed. Details on each category are presented in table II.5.

Table II.5
Ageing analysis (from date of separation) of cases with open workflows owing to non-receipt of documents, as at 31 December 2017 and 31 December 2018

	Both SEPPA and PI received		*Both SEPPA and SEP received*		*No documents received*		*Only PI received*		*Only SEP received*		*Only SEPPA received*		*Total*	
Category	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*
Less than 1 year	225	180	886	468	8	2	3	3	16	17	1 747	833	2 885	1 503
1–2 years	92	65	431	528	7	3	5	6	27	61	374	409	936	1 072
2–3 years	63	51	316	376	9	8	3	3	20	30	238	239	649	707
3–4 years	37	43	342	240	4	6	1	6	28	14	107	185	519	494
4–5 years	22	32	292	182	4	2	6	8	56	22	63	73	443	319
More than 5 years	111	93	846	530	96	56	22	46	143	155	291	242	1 509	1 122
Subtotal	**550**	**464**	**3 113**	**2 324**	**128**	**77**	**40**	**72**	**290**	**299**	**2 820**	**1 981**	**6 941**	**5 217**
Without date of separation	533	95	2 586	1 267	499	156	388	282	1 251	1 299	4 229	920	9 486	4 019
Total	**1 083**	**559**	**5 699**	**3 591**	**627**	**233**	**428**	**354**	**1 541**	**1 598**	**7 049**	**2 901**	**16 427**	**9 236**

Source: Data provided by the United Nations Joint Staff Pension Fund.
Abbreviations: PI, payment instruction; SEP, separation notification; SEPPA, separation personnel action.

58. Concerning the remaining cases with missing documents as at the date of the audit, the Board considered that the Pension Fund could evaluate the following:

(a) For the 165 cases for no documents had been received as at 21 May, their ageing and nature should be evaluated to determine whether they can be closed, given that the Fund has already identified them as legacy cases inherited from the previous system, the United Nations Joint Staff Pension Fund Administration System;

(b) For the 285 cases in which the participant has already submitted payment instructions and for which it is therefore understood that the payment of a benefit other than a deferred payment or choice of benefit under article 32 of the Regulations and Rules of the Fund or a deferred retirement benefit under article 30 will correspond, the Board believes that the Fund could prioritize their follow-up;

(c) Given the high volume of cases (3,850 as at 21 May 2019) for which only a separation personnel action or a separation notification has been received or for which only those two documents have been received, the Board considers that some of those cases could involve future benefit payments. In our opinion, it is important that the Pension Fund analyse this situation and prioritize its follow-up, in order to identify the cases for which a future benefit payment could correspond and identify the cases for which a manual closure could be performed.

59. The Fund clarified that, in cases for which payment instructions had been received, it did not mean that someone was waiting for payment immediately. The form might have to be submitted by someone who had chosen a deferment of choice of benefit under article 32 or a deferred retirement benefit under article 30. The separation personnel action or separation notice would therefore still be missing after the review and follow-up process.

60. The Fund also noted that, since this is a tripartite process, it would be difficult to specify and commit to a percentage of cases being resolved each year.

61. To the extent possible, and where the separation documents are available, the separation dates are identified. The Fund is assessing the current logic of the human resources interface to find out why the separation date is not identified in some cases (4,019 as at 31 December 2018).

62. Although the Board understands that the process of separation for the payment of benefits is a tripartite procedure and that, in 2018, the Fund made progress in closing the open workflows that had missing documents, the Board considers that there is still room for the Fund to improve and to take action to close open cases.

63. While the Board understands that there are several situations in which the Fund cannot establish uniform criteria for closing cases in some categories, for example, when no documentation has been received from the interested parties, the Board considers that there is still room for improvement.

64. **The Board recommends that the Fund continue to reduce the number of open workflows. To do so, the Pension Fund could establish indicators that make it possible to measure progress in closing them.**

65. **For those open workflows with missing documentation, the Board recommends that the Fund consider carrying out the closing process according to the ageing analysis, giving priority to cases with workflows that have been open for more than three years.**

66. **In addition, the Board recommends that the Fund consider closing the 165 cases of open workflows where no documentation had been received inherited from the legacy system, the United Nations Joint Staff Pension Fund Administration System.**

67. **The Board recommends that the Fund regularize, in the Integrated Pension Administration System, the open workflows that have no date of separation, to obtain a better analysis of such cases.**

68. The Fund agreed with the recommendations and remains committed to continuing to pursue its efforts to clear as many of the open workflows as possible by further automating the follow-up and reporting processes. The Fund also intends to continue to work with its member organizations to further strengthen cooperation and the exchange of information, in order to expedite the submission of separation documents.

69. The Fund reviewed and analysed the 156 legacy workflow cases with no documentation received. The reasons vary for each case and do not meet any standard criteria allowing for systematic closure. A large proportion involve cases where no separation documents could be provided by the member organizations, for example owing to peacekeeping mission closures or loss of data following a switch by member organizations to new human resources systems. The Fund will work closely with the member organizations to address the situation.

70. The Fund confirms that it applies the ageing process when reviewing cases with missing documents. For example, for cases where only a separation notification has been received, the Fund prioritizes workflows that have been open for more than three years from the date of separation and takes action as appropriate. To the extent possible, and where separation documents are available, the separation dates are populated into the system. The Fund is assessing the current human resources interface logic to find out why the separation date is not being populated in some cases.

Reconciliation of contributions

71. In accordance with the Regulations of the Fund, all member organizations and employees contribute on the basis of pensionable remuneration, at a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers. The information on the contribution is kept in the Integrated Pension Administration System for each participant in their personal accounts, and it is annually reconciled with the human resources and pensionable remuneration information provided by every member organization at the end of the year.

72. Even though contribution remittances from participants and member organizations are received and accounted for on a monthly basis as a lump sum for all participants, the Fund also has to calculate the contributions for each participant on a year-end basis, according to pensionable remuneration rates and the reported human resources records provided by the member organizations.

73. That reconciliation is carried out by the Fund during the first quarter of the following year, using the detailed schedules provided by each member organization.

74. Upon receipt of the detailed schedules, a reconciliation exercise is carried out to reconcile any differences between the contributions reported by the member organizations and the contributions actually received. The difference between the reported contributions and the actual receipts is recorded as an account receivable from or payable to the member organization, depending on the difference. On the basis of the information provided by the member organizations, the Fund secretariat records the contribution amounts in each participant's account.

75. Each member organization is notified of any discrepancies identified in the reconciliation process. The discrepancies are reported as pensionable remuneration errors and are not recorded in the financial statements until the error is resolved. The majority of the discrepancies are resolved by updating the human resources records or manually adjusting the contributions on the year-end schedules in the following year.

76. Through its online platform, the Fund provides tools for participants and member organizations to consult their total contributions. However, the information available corresponds to the balance of the previous reconciliation process, namely, the total contributions as at 31 December of the previous year.

77. The Board considers that having a single annual reconciliation process means that exceptions cannot be resolved during the current year. Unresolved participant reconciliation exceptions may delay the processing of benefits for separating members. Likewise, it does not allow participants to have updated information on their total contributions as at a specific date.

78. Not all member organizations, however, are willing to commit to a more frequent (e.g., monthly) reconciliation process, as that would require significant resources and responsiveness on their part.

79. **The Board recommends that the Fund create a project with committed member organizations to carry out the reconciliation process more than once per year, defining the different criteria, activities, deadlines, roles and responsibilities applicable to the Fund and the member organization and establishing percentages for the progress of its implementation, in order to obtain complete and accurate information regarding the contributions of each participant in a timely manner.**

80. **The Board also recommends that the Fund make efforts to establish a method of working with organizations that have not yet committed to carrying out the reconciliation process periodically, in order to ensure that the reconciliation process takes place more than once per year and that the Fund receives the necessary information on the same date. In the case of member organizations that cannot participate in the periodic reconciliation project more than once per year, the Fund secretariat should obtain technical documentation that supports the decisions made.**

81. The Fund concurred with the recommendation and stated that, in order to carry out contribution reconciliations more than once per year, pension contributions would need to be reported and updated more frequently than annually, and preferably every month. The Fund initiated a pilot monthly contribution interface project with one member organization, the International Civil Aviation Organization (ICAO), in 2019. The interface will streamline the monthly contributions and pensionable remuneration rates submitted by the member organization to the participant accounts in the Integrated Pension Administration System, with minimal human intervention. Upon the successful implementation of the monthly financial interface with ICAO, the Fund will consider gradually expanding the project to other member organizations that express interest in the process and that are committed to resolving the identified issues in a timely manner.

82. Currently, the Fund collects contribution data on a monthly basis from nine member organizations in addition to ICAO (the Food and Agriculture Organization of the United Nations, the International Atomic Energy Agency, the International Fund for Agricultural Development, the International Labour Organization, the International Maritime Organization, the Pan American Health Organization, the United Nations Industrial Development Organization, the World Food Programme and the World Health Organization) and stores the data in staging tables. While those organizations should be suitable candidates for the next monthly contribution interface implementation, the project requires careful planning and commitment on both sides with regard to resources, budget and technology. Accordingly, the Fund will proceed with the monthly contribution interface project on a long-term basis, implementing it only when all the required conditions are met, one organization at a time.

Controls established in the information security procedures and administration of user accounts in the Integrated Pension Administration System

83. The Integrated Pension Administration System was implemented with the purpose of automating the entire the Fund benefits system. One of the improvements that has been made to the system is the integration of the self-service platform for members.

84. That module allows participants, beneficiaries and other members to obtain, through an Internet platform, annual pension statements, personal documents, payment histories and pending documents, among other sources of information.

85. In that regard, in evaluating the controls established in the Integrated Pension Administration System, the Board reviewed the Fund's information security policy and its user account management procedure.

86. With respect to the password-setting parameters in the Integrated Pension Administration System, the procedure establishes clear setting requirements for each password parameter. However, the active directory configuration maintains parameters that differ from the information security policy and the Fund's user account management procedure.

87. The purpose of the above-mentioned policy and procedure documents is to implement adequate security measures to protect the confidentiality, integrity and availability of the information systems by establishing a clear approach for the management of information security risks related to the Pension Fund systems.

88. An additional aim is to cover all stages of the life cycle of user access, from the initial registration of new users until the point when the user no longer has authorization to access the systems.

89. On the basis of the Board's understanding of the process, a test of the effectiveness of the controls identified was performed, and the following non-compliance situations were observed:

(a) With regard to the configuration of password parameters, the policy establishes clear requirements for each password parameter. However, the active directory configuration maintains parameters that differ from those outlined in the policy, as follows:

Table II.6
Password parameter comparison between the Fund's policy and the active directory

Parameter	*Fund policy*	*Active directory configuration*
Minimum password length	8 characters	7 characters
Password history	5 passwords	3 passwords
Password validity	60 days	90 days
Failed connection attempts	6 attempts	5 attempts
Duration of blocking as a result of failed connection attempts	Unlocked only by the administrator	15 minutes

Source: Analysis by the Board of Auditors.

(b) With regard to the creation of user accounts, when a user requires access to additional systems such as the Integrated Pension Administration System, the authorized applicant, in accordance with annex A to the Fund's user account management procedure, must request that access through the ticket system of the Fund's help desk.

90. To test the effectiveness of the controls described above, a random sample was selected, and the following situations were identified:

(a) In four of the five cases studied, the user who requested the creation of the account was not an authorized person according to annex A to the user account management procedure;

(b) In two of the five cases, the request did not detail the level of access to be granted to the new account.

91. With regard to the recertification of users in the Integrated Pension Administration System, in accordance with Fund procedures, a control was established to review the functions that users maintain. The control is to be run two weeks before each quarterly meeting of the Information Technology Executive Committee. The functions of all user accounts are analysed to verify whether they match the job descriptions associated with the user's position. This is done by sending an email to each head of section or authorized unit, to confirm that the authorizations are still valid or whether there is an error in the account settings.

92. The Board selected two sample cases to review and determined that, as at the date of our visit, the control had only been run once and not on a quarterly basis, as required.

93. According to the review carried out, the Board observed that the Fund defines and establishes, through formalized procedures, clear controls for its logical access and information security processes; however, those controls were not operating on a permanent basis over time, which did not comply with the control environment requirements for the Integrated Pension Administration System.

94. The omission of the above-mentioned controls increases the risk of unauthorized personnel accessing the system and maintaining user profiles that do not match the job descriptions associated with their positions within the Fund.

95. **The Board recommends that the Fund update the password parameters defined in the active directory, so as to align them with the provisions set out in the logical access procedures.**

96. **In addition, the Board recommends that the Fund strengthen compliance with regard to controls related to the creation of user accounts as set out in the user account management procedure or redefine and update the procedure, adjusting it to the current operation dynamics of the Fund and their related risks.**

97. **Finally, the Board recommends that the Fund improve the monitoring process of the user accounts functions and adjust its frequency; establish responsibilities, roles and timelines for carrying out the monitoring; and define the evidence that supports its correct and effective execution.**

98. The Fund accepted the recommendations on information security and noted that the Board's observations and recommendations were addressed by strengthening actions on information security controls.

Manual controls AV-05 and AV-06 of the control matrix pertaining to census data

99. In paragraph 41 of the tenth and final progress report on the adoption of International Public Sector Accounting Standards by the United Nations (A/72/213) the Secretary General noted that the integrated internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission would continue to serve as the conceptual basis of internal control for the United Nations and that, in that context, it should be recalled that all activities related to internal control within an organization were driven by the objectives set by the organization in that regard. For the United Nations, the Controller had defined those objectives in financial regulation 5.8 (d), under the terms which, the Secretary-General was required to maintain a system of internal controls that provided reasonable assurance that the financial information was reliable and that the resources and assets of the Organization were safeguarded in accordance with the regulatory framework, in order to meet the aims and objectives of the Organization.

100. In that regard, the Board requested that the management provide the internal control matrix for the census data, the flow chart and the supporting documentation on the actuarial valuation data collection process carried out in 2017, so as to understand the process and, in turn, evaluate the manual controls that correspond to a biennial process and which, therefore, affected the fiscal year 2018. Its observations based on the information provided are set out below.

101. Manual control AV-05 was not performed by Financial Services and there is insufficient evidence of the results of its review. According to the internal control matrix provided by the Fund, this control is to operate as follows: the Risk Management and Legal Services Section and Financial Services are to annually review the queries run from information technology and compare them to the consulting actuary (third party) requests (i.e. reviewing the fields in the various columns, reviewing headcounts for reasonableness and accuracy on the basis of data from the prior year, among other matters). The Risk Management and Legal Services Section and Financial Services then sign off on the comparisons to provide evidence of their review.

102. It should be noted that the manual of procedures for auditing the census data includes a reconciliation process. The Board requested the supporting documentation for this procedure, and an Excel file was provided. However, on the basis of the information reviewed in the file, it was not possible to determine whether or not the reconciliation had been carried out, and the file explaining how the procedure was to be executed contained no explanations of the work actually performed.

103. Moreover, the Board was not able to reproduce the validation described with regard to the control of the review of the census data.

104. Regarding the review to be performed by both the Risk Management and Legal Services Section and Financial Services, it was not possible to identify the review performed by Financial Services, since the Excel file contained only a comment from the Risk Management and Legal Services Section, which indicated that the data in all columns matched the data in the Integrated Pension Administration System.

105. Lastly, according to control AV-05, both units are to sign off on the comparisons to provide evidence of their review; however, the Board was not provided with supporting documentation or evidence with regard to compliance with that procedure on the basis of the information provided by the Fund.

106. For control AV-06, insufficient evidence of the review, including supporting documentation, was provided. According to the internal control matrix provided by the Fund, this control is to operate as follows: Financial Services is to annually

compare the final actuarial report received from the consulting actuary (third party) with the financial statements, for reasonableness (i.e. headcount match).

107. Among the evidence collected regarding the procedure performed, the Board was provided with a comparison chart prepared by Financial Services and noted that the document was not signed off on as evidence of the review or of approval of the work performed, alluding instead to approval having been given by email, nor was any reference made to the reasonableness of the numbers. Likewise, it was noted that the chart provided corresponded to annex D to the report on the thirty-fourth actuarial valuation of the Fund, prepared as at 31 December 2017 at the request of the Pension Board (page 32 of the final actuarial report prepared by the actuaries), so there was no evidence of the execution of the control.

108. In addition, the email supporting the execution of the control does not allude to the comparison of the actuarial valuation related to the control concerning the reasonableness of the numbers calculated by the actuaries, but rather refers to the approval of the financial statements.

109. The actuarial valuation control matrix provides details on several automatic and manual controls. The Board reviewed only the evidence referring to manual controls AV-05 and AV-06, for which it did not obtain sufficient evidence to support their proper execution.

110. Although this does not necessarily imply that errors were made in the calculations of the census data or of the current valuation, since that was not the objective of the review, the Board considers that the Pension Fund did not provide sufficient evidence of the efficient execution of the above-mentioned manual controls.

111. **The Board of Auditors recommends that the Fund strengthen the documentation on and evidence of the execution of manual controls AV-05 and AV-06.**

112. The Fund accepted the recommendations.

Pending queries in Outlook

113. The major organizational change for the biennium 2018–2019 was the separation of the client services area from the operations area, with the purpose of providing more focused client services and outreach activities, the ability to address a continuously growing, ageing and more geographically dispersed clientele and their often unique needs in the different regions of the world. The Fund aimed to centralize the management of its client services activities to ensure consistent servicing in its New York and Geneva offices.

114. In accordance with the verification conducted in April 2019, the Fund implemented the client grievance redressal mechanism, through the iNeed system, to track, handle and monitor individual client queries originating from that date onwards.

115. Starting from April 2019, all client queries reaching the Fund via telephone calls, email, website contact forms and walk-ins were tracked, categorized, routed, addressed and monitored, from receipt to final resolution. The Fund's Client Services Section in New York and Geneva continues to function as a single point of contact for receiving, reviewing and categorizing all queries sent to the Fund.

116. In addition, all queries that were received and were outstanding as at the date of the iNeed deployment were being manually tracked and addressed using the previous email system (Outlook), since, owing to the implementation of the iNeed system, had those queries been transferred to iNeed they would have had to be registered under the date of the entry into the new system and not the original date of receipt, which would have resulted in a misrepresentation of the actual ageing of the queries.

117. In that regard, the Board requested the list of complaints and queries maintained in Outlook prior to the implementation of the iNeed system, including at least the date of entry, date of completion, processing time, type (complaint or query) and status. However, the Fund could not provide a detailed list of queries, since the Outlook email system did not have a reporting function and there was no external registration of such queries owing to the workload that it would have entailed.

118. It was therefore not possible to verify the total number of queries and complaints that had been outstanding prior to the implementation of the new client grievance redressal mechanism in iNeed. In this context, the status of the queries and complaints, and the time that they have remained pending since they were received, could not be identified.

119. In accordance with the information provided and analysed, the Board concludes that, although the Client Services Section implemented a new client grievance redressal mechanism with the purpose of establishing a centralized client management system to handle and monitor client queries, it is not possible to ensure that outstanding queries received through Outlook are being processed and resolved in a timely manner.

120. **The Board recommends that the Fund secretariat identify and address all queries and complaints that remain outstanding in Outlook within a given time period, in order to continue to monitor and track all queries through the new system.**

121. **In addition, the Board recommends that the Fund secretariat provide a unique tracking number that can be used by the client to track the status of the query or complaint online until the final resolution of the issue.**

122. The Fund accepted the recommendation.

Impact of pending legal cases

123. The Fund enjoys the same privileges and immunities as other United Nations organizations, and it is not subject to the jurisdiction of national courts. Therefore, all cases involving appeals are governed solely by the Fund's appeals process as set out in section K of the Administrative Rules of the Fund and article 48 of the Regulations and Rules (current applications allege non-observance of the provisions set out in the Regulations).

124. The Board of Auditors was provided with information on the legal cases currently pending with United Nations Appeals Tribunal, in which the Pension Board is a respondent. That information concerns appeals before the Standing Committee of the Pension Board, the first appeals instance in pension matters, and the Appeals Tribunal, as those appeals are addressed by the Fund secretariat.

125. The Board did not identify any provision or disclosure related to the outflow of resources in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets. In that respect, according to the United Nations corporate guidance documents for IPSAS, which include coverage of the topic of IPSAS 19, such actions and events might require the Fund to recognize provisions or disclose a contingent liability in accordance with the criteria described in the standard. This means that, the Pension Fund may verify whether its cases correspond to a contingent liability, defined in paragraph 18 of IPSAS 19 as follows:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not totally under the control of the entity;

(b) A present obligation that arises from past events but is not recognized because: (i) it is not likely that an outflow of resources that incorporates economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

126. **The Board recommends that the Fund secretariat evaluate the probability of outflows of resources occurring as a result of the legal cases pending and assess whether a provision should be recognized or whether a note of disclosure as a contingent liability is necessary instead.**

127. In the future, the Fund will include in the information on pending legal cases provided to the Board an estimate of the financial impact as at the related year-end.

5. Office of Investment Management

Sustainable investment

128. In accordance with the Sustainable Development Goals, in particular Goal 17 on partnerships for the Goals and the need for the global community to incorporate global investors, since 2016, the Fund has addressed environmental, social and governance concerns by explicitly prohibiting investments in the tobacco and armaments sectors, although it does not mandate divestments in other areas. In that context, the Fund acknowledges its responsibility to society as part of an international organization committed to social progress by being a founding signatory of the Principles for Responsible Investment and through its association with the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

129. In addition, on 27 September 2018, at the climate week briefing held by Moody's in New York, the Director of the Office of Investment Management gave a presentation on sustainable investing for institutional investors, while, on the website of the Office, it is stated that the sustainable investment strategy of the Pension Fund is aligned with its duty and fiduciary responsibility, which includes environmental, social and governance metrics. Considerations for the sustainable investment strategy are integrated throughout the investment decision-making process, in order to provide portfolio managers with more tools to further enhance risk and return considerations regarding investment decisions.

130. With regard to equity and fixed income portfolios, which are internally managed, the Fund has introduced a four-step process, which was adopted pursuant to the recommendations of the Principles for Responsible Investment. In brief, the principles establish that institutional investors have the duty to act in the best long-term interests of their beneficiaries and that, as a basis for their fiduciary role, environmental, social and governance concerns can affect the performance of investment portfolios, to varying extents, across companies, sectors, regions, asset classes and time. In addition, the Office of Investment Management specifies that, in the case of private markets, a comprehensive analysis of environmental, social and governance concerns is carried out through a due diligence process.

131. Finally, the Office of Investment Management uses non-financial information and technology from different suppliers to identify material factors pertaining to environmental, social and governance metrics that support the investment process and recently signed a strategic partnership with a supplier that is also a leader in predictive climate analysis to support the Fund's sustainable investment strategy.

132. The Board observed that the Office did not have the information to determine whether or not each investment in its portfolio meets sustainable investment criteria. Likewise, it was not clear how environmental, social and governance metrics are analysed and considered in the decision-making process with regard to investment

trading. It was not possible to observe how investment officers incorporate environmental, social and governance concerns into their decision-making process for each asset class.

133. Although the Office indicates, through various reports, systems, prototypes, documents and presentations and through the implementation of customized equity benchmarks to reflect restrictions in tobacco and armament securities, that it is currently incorporating environmental, social and governance indicators into the investment decision-making process, the Board observed that, in practice, the Office did not have established criteria for sustainable investment decisions that support what was stated in the presentation on sustainable investing for institutional investors and on its website. It was noted that the Pension Fund has only made statements of principles on the subject, but has not been able to demonstrate the achievement of those practices.

134. Finally, it is important to point out that, even if the decision to invest does not depend only on its sustainable aspects, those aspects represent an additional criterion to consider in the assessment of whether or not to invest, according to the Fund's sustainable investment strategy.

135. **The Board recommends that the Office of Investment Management establish a workplan, with dates and responsibilities, in order to ensure the implementation of the analysis and evaluation of environmental, social and governance metrics in accordance with the Office's sustainable investment strategy and its incorporation into the investment decision-making process for all asset classes.**

136. **The Board recommends that the Office design and implement instructions, training and procedures that explain the process to be performed by the investment officers regarding the analysis and evaluation of environmental, social and governance metrics for each asset class, including the metrics to be used during the investment decision-making process, as well as the record of and support for the decision made on the basis thereof.**

137. **The Board recommends that the Office support and implement, through computer systems, the analysis and evaluation of environmental, social and governance metrics for public equity investments, in order to have formal documentation that such metrics were considered during the process before approval.**

138. **In the case of private markets, while finalizing the implementation of the system for this type of investments, the Office should reinforce the due diligence process with the Fund's external managers, in order to ensure that environmental, social and governance metrics are considered in the aforementioned process.**

139. The Office of Investment Management agrees with the recommendations to establish a project plan to map out the completion of the implementation of sustainable investment integration for all asset-classes, overseen by the Director.

140. In addition, the Office concurred with the recommendation to formalize the integration of environmental, social and governance considerations throughout the investment decision-making process, overseen by the Director.

141. The Office agrees with the recommendation that, wherever effective, environmental, social and governance considerations in the investment decision-making process for global equities and corporate bonds should be supported by tools and systems that are developed by the Sustainable Investment team and overseen by the Director.

142. The Office agrees with the recommendation to further enhance the environmental, social and governance due diligence process related to private market investments under the oversight of the Private Markets Committee.

Control for the registration and monitoring of investments in real assets and alternative investments

143. In accordance with the strategic asset allocation policy, the Fund's investments in real assets and alternative investments as at 31 December 2018 represented 11.7 per cent of its portfolio. The investment process for this asset class is carried out through a manual procedure under the responsibility of the Front Office of the Office Investment Management.

144. Although new investments are documented in a physical folder, once the Front Office has approved the investment, the Middle Office creates a record in a digital spreadsheet, called a cash log, to keep track of capital calls and distribution notices. The spreadsheet contains the details of the investments in real assets and alternative investments and the distributions thereof. The file is constantly updated with information sent by email from the Front Office and the Fund's investment managers. The same file is used by the Cash Desk to process and register the payments made (capital call or distribution).

145. The spreadsheet described above is the one of the main tools used to track these types of investments. Email communications from the Fund's investment managers are received simultaneously by the Front Office team, the Operations team, the custodian bank and independent master record keeper (Northern Trust) and the investment advisors.

146. The entire process relating to investments in real assets and alternative investments, from initiation to the time when the information is registered on the Northern Trust platform, must be replicated in the cash log file.

147. It was observed that the cash log file could be modified by any employee of the Middle Office or the Cash Desk, which increases the risk that the information could be intentionally or mistakenly modified. The file could therefore not be a reliable tool to ensure the accuracy and integrity of the information recorded by the master record keeper and could represent a potential risk in the operations of the internal participants involved in the process and, subsequently, the external related parties to those funds.

148. **The Board recommends that the Office of Investment Management develop and implement an independent system to carry out, in real time, the registration and monitoring of investments in real assets and alternative investments as soon as the Front Office receives the notification by the Fund's investment managers.**

149. **In addition, the Board recommends the information on each transaction carried out by the Office, such as amounts, instructions and administration fees, be recorded in the aforementioned independent system.**

150. **Lastly, the Board recommends that the process be traceable through the system, so as to provide complete and accurate information for decision-making, in a timely manner, and that the information be compared with the information maintained in the independent master record keeper's official book of records.**

151. The Office of Investment Management acknowledges that the automation of the entire alternative investments process is important and therefore accepts the recommendation to enhance the alternative assets reporting platform. In anticipation of the potential growth of the alternative investments portfolio and the limited scalability of existing manual controls and resources, the Office recognizes the need

to have a sophisticated system to manage the alternative investments portfolio. This need was already identified in the target operating model study conducted in 2017 and included in the information and communications technology implementation plan.

152. To that end, the Office has initiated the process of seeking services related to processing and fund management for alternative investments (real assets and private equity) and related information management by issuing a request for expressions of interest on 23 July 2018, followed by a formal request for proposals, facilitated by the Procurement Division under the Department of Management Strategy, Policy and Compliance. The services procured, including the software platform, will effectively support the Office with a more automated process.

C. Disclosures by management

1. Write-off of cash, receivables and property

153. The Fund informed the Board that during the year 2018, there was a write-off of receivables of $1,002,949.8. There were no write-offs of cash or property.

2. Ex gratia payments

154. The Fund reported that there were no ex gratia payments by the Fund during the year 2018.

3. Cases of fraud and presumptive fraud

155. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

156. During the audit, the Board made enquiries regarding the oversight responsibility of management for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to its attention. In addition, the Board enquired whether the Fund had any knowledge of any actual, suspected or alleged fraud; it also made enquiries of the Office of Internal Oversight Services in that regard. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

157. The Fund reported that there were no cases of fraud or presumptive fraud that related to the staff of the Fund during the year ended 31 December 2018.

D. Acknowledgement

158. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Representative of the Secretary-General for the investment of the assets of the Fund, the Acting Chief Executive Officer of the Fund and the members of their staff.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Annex

Status of implementation of recommendations up to the year ended 31 December 2017

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2013	A/69/9, annex X, para.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.	(a) A year-end contribution reconciliation is completed every year prior to the closing of the financial statements. The monthly reconciliation of contributions for the International Civil Aviation Organization (ICAO) will go live in production in July 2019, with data effective from January 2019. The project will allow contribution issues to be resolved more effectively and efficiently, with improved data quality. A business intelligence portal for processing and monitoring monthly financial information and a dashboard for participant reconciliation exceptions will be deployed. (b) Following the implementation of the pilot with ICAO, the Fund will reassess and extend the monthly reconciliation of contributions to those member organizations that commit to this project.	Although the process of reconciling the contributions is executed by the Fund annually at the end of each year, this does not prevent member organizations from submitting their affiliate reports during the year. However, while the organizations do not commit to a period of regular delivery, whether monthly, quarterly or half-yearly, as required by this measure on preparing contribution reconciliations every month, it is not possible to demand from the Fund an exact time interval in which to carry out that task. In turn, it must be considered that for the member organization to define its period for sending contributions, it must take into account several factors, including the number of people involved and their internal processes. Therefore, the ability to commit to a period, which may be entirely different from one organization to another, depends on the nature of the entity. On the other hand, the Fund is working on a pilot with ICAO in order to carry out a process of monthly reconciliation based on the agreement with that organization. In the light of the foregoing, the recommendation is treated as overtaken by events.				X

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
2	2013	A/69/9, annex X, para. 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 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.	(a) The certificate of entitlement form with the bar code is known as "member self-service certificate of entitlement" and is a valid certificate of entitlement form. To access or register for the member self-service portal, retirees and beneficiaries must follow the instructions provided on the member self-service website. Address updates for the certificate of entitlement tracking function are available on the Fund's official website under "member self-service (MSS)". This certificate of entitlement tracking system in the member self-service portal allows beneficiaries to find out if the Fund received the certificate of entitlement bar code and on which date it was scanned. All retirees and beneficiaries receive the receipt from the Fund of the certificate of entitlement form with an annual bar code in the "Test documents" tab within the member self-service portal. (b) To address the audit recommendation, the Fund developed and is currently implementing a plan/ project to automate the signature verification process during the annual certificate of entitlement exercise. The Fund is seeking to install a turnkey software solution that will automate the manual signature verification process during the annual certificate of entitlement process, when its beneficiaries are asked to sign and return a proof of life certificate to the Pension Fund. The automatic signature verification will be used not only to verify the approximately 74,000	(a) The Pension Fund created a self-service portal for members of the Fund to help members to gather the information they need when they need it. This is an extension of the new integral computer system, the Integrated Pension Administration System. This system is available on the Fund website, and the Fund has created guidelines for its use. Members can access annual statements (for participants in the Fund), there is an estimation tool whereby participants can calculate their potential future benefits, and participants effecting withdrawals can see that the Fund received and registered the certificate of entitlement. (b) Verification of the signature: Once the files are scanned into the Integrated Pension Administration System, a batch process is carried out, which generates the validation of the signatures for the beneficiaries. In the System, there are some parameters configured for certain cases of signature verification. In the case of people over 75 years of age, validation lots are also executed – these are selected for manual verification. A batch process is shown in the Integrated Pension Administration System, which takes the file scanned in Kofax and makes it available in the member self-service portal, so that the beneficiary may track the status of the request.	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				signatures of beneficiaries during the certificate of entitlement process, but throughout the year, as new benefits are processed and when beneficiaries request a change in instruction for payment and/or a change of address. The Fund expects approximately 100,000 verifications to be carried out during its normal business processing, not including the initial creation of the reference signature database.	The recommendation is therefore considered implemented.				
3	2014	A/70/325, annex VI, chap. II, para. 53	The Board recommends that the Fund ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.	The Fund secretariat reported that, following a trend of continuous improvement, the Fund achieved the performance target for the processing of benefits in 2018. The Fund has consistently exceeded the stipulated performance target for several months.	The Pension Fund has improved the benefit processing time and has thus achieved the established 15-day benchmark for 75 per cent of total cases. Between 1 January and 31 December 2018, the number of benefits processed were 8,834, of which 7,041 were processed within 15 working days, corresponding to 79.7 per cent of total cases fulfilled with the established 15-day benchmark. The recommendation is therefore considered implemented.	X			
4	2014	A/70/325, annex VI, chap. II, para. 65	The Board recommends that the Fund: (a) formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.	The Office of Investment Management initiated a procurement exercise in September 2018 to streamline the proper selection and acquisition of an integrated order management system. As a result, pre-qualifying expression of interest number EOIDA315795 was published by the Procurement Division on 28 November 2018. The evaluation process is currently ongoing.	(a) The Office of Investment Management provided the information and communications technology strategy policy of December 2017, which is a holistic policy for strategic planning, governance and management of technology projects and was updated in April 2018. From the review carried out, it is noted that the Office considers within the new policy version the planning horizons to comply with the short- and long-term information technology strategy. In addition, it contemplates for each business area the planning	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					and implementation times for tools or systems that support the business of each area. This measure is therefore considered implemented. (b) The Office of Investment Management provided the procurement document related to the request for proposals for the replacement of the existing purchase order management system, issued on 10 April 2019, as evidence that the Fund properly planned and executed the acquisition of critical software and took proactive measures to accelerate the replacement of the existing system by not incurring expenses for provisional measures. The supplier is expected to be selected in June 2019. In this context, and because the Office of Investment Management advanced the acquisition process to 2019, it may have the replacement of the purchase order management system before the expiration date of 28 July 2022; the recommendation is considered implemented.				
5	2015	A/71/5/Add.16, chap. II, para. 37	The Board recommends that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis to assess its impact and implement course correction as deemed necessary.	The Office of Investment Management implemented reports that are reviewed every week that assess the value added to the performance owing to active management. In addition to that, the recommendation from the independent consultant related to the performance report was also implemented.	As long as the gaps identified by Deloitte have not been resolved, it is not possible to verify compliance. The recommendation therefore remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
6	2015	A/71/5/Add.16, chap. II, para. 75	The Board recommends that the Fund: (a) address the foreign exchange exposure issue and employ suitable procedures and tools to mitigate foreign exchange losses; and (b) develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in addition to regular monitoring of the fair value of the assets.	The Office of Investment Management reported that this recommendation had been implemented, explaining that, as a result of the audit observation and currency study, it had restructured the cash benchmarks from the dual currency benchmark, comprising 50 per cent euros and 50 per cent United States dollars, to a United States dollars-only benchmark. Non-United-States-dollar investments are no longer eligible for the investment cash portfolio. The Office of Investment Management takes note of (b) and states that the asset-liability management study will be presented to the Pension Board in July 2019. Analysis of the currency composition of the liabilities and currency hedging is part of the scope of the study. Also, in conjunction with the study, a new United States fixed income benchmark will be implemented as identified in the currency management study.	Part (a) of the recommendation has been implemented, as the Office of Investment Management examined the issue of exposure to exchange risk through the study of currencies requested from BNP Paribas. Regarding part (b), given that all the measures indicated in the study of currencies have not yet been implemented, the recommendation remains under implementation.		X		
7	2015	A/71/5/Add.16, chap. II, para. 94	The Board recommends that the Fund enter into a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and that it develop a mechanism to secure compliance with the agreement.	The Office of Investment Management reported that it had developed a service-level agreement with Bloomberg for its Asset and Investment Manager system, defining the respective roles and responsibilities and service level benchmarks and developing a mechanism to secure its compliance.	As long as the service-level agreements are not implemented, it is not possible to verify compliance. The recommendation is therefore treated as under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8	2015	A/71/5/Add.16, chap. II, para. 105	The Board recommends that the Fund: (a) acknowledge all queries and complaints received from all sources; (b) segregate queries and complaints so to address them appropriately; (c) devise a system of categorization and prioritization of complaints and their resolution; (d) inform the client periodically about the progress achieved in the resolution of the complaint; (e) devise a system for monitoring and reporting the status of grievances to the appropriate levels in the Fund in order to ensure an effective client delivery mechanism; and (f) review the complaints data to help to identify the weaknesses of the system and to improve and streamline the existing processes.	On 8 April 2019, the Fund implemented a client grievance redressal mechanism using the iNeed system. All client queries reaching the Fund via telephone calls, emails, contacts forms on the website and in-person visits are tracked, categorized, routed, addressed and monitored from the point of receipt through their final resolution. The Fund's client services in New York and Geneva continue to function as a single point of contact (i.e. they receive, review and categorize all queries reaching the Fund) and, depending on the content of the queries, responses continue to be issued by the various business units in the Fund. The iNeed system ensures end-to-end tracking of client queries resolution while providing enhanced monitoring and reporting.	As any complaints received before 8 April 2019 in the Outlook system were not migrated to the iNeed system, it is not possible to verify compliance with the measures above. Parts (d) and (e) are therefore under implementation. Part (f) has been implemented, as the Fund analysed complaints information to improve customer service and thus decided to implement the iNeed system to resolve existing deficiencies. The recommendation therefore remains under implementation.		X		
9	2015	A/71/5/Add.16, chap. II, para. 110	The Board recommends that the Fund prescribe a time frame for servicing the case load. An internal reporting framework for each type of benefit based on its priority should be established.	The Fund met, in general, the benchmark for benefit processing. As the Integrated Pension Administration System is still in the process of being enhanced, and reliable historical data is being gathered, the Fund decided to maintain the benefits processing benchmark for all types of benefits. Any revision to this will be carried out on the context of the preparations for the Fund's next strategic framework. As noted above, cases of death in service are covered in the analysis conducted by the Fund.	As long as the Fund does not prescribe specific reporting benchmarks for different types of cases according to their complexity, the recommendation is treated as under implementation.		X		

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10	2015	A/71/5/Add.16, chap. II, para. 115	The Board recommends that the Fund simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.	(a) The certificate of entitlement process was revised to ensure all related activities from the date of mailing to the follow-up actions are completed within a calendar year. (b) Additional tools were deployed in the Integrated Pension Administration System member self-service portal to allow non-two-track clients to download and print their certificate of entitlement form. (c) In addition, the Fund explored the possibility of engaging corresponding banks in the certificate of entitlement process. However, this was not feasible, given the use of multiple correspondent banks to distribute benefit payments to 190 countries. Moreover, the Fund's correspondent bank confirmed that local regulations limit banks' involvement.	While the Fund has taken measure to simplify the certificate of entitlement process, as long as the Fund has not implement the automatic signature verification system, it is not possible to determine that such measures have been effective. The recommendation is therefore treated as under implementation.		X		
11	2016	A/72/5/Add.16, chap. II, para. 41	The Board recommends that the Fund prepare a detailed risk budget for all categories of the assets.	The Fund reported that risk limits for the global equity portfolio are in place, in addition to the fixed income limits already implemented. In addition, the Office of Investment Management is conducting research and analysis to evaluate the implementation of additional risk management measures for private markets asset categories. The Office's risk team is currently conducting research to choose a proper methodology for establishing risk limits for these asset classes.	As long as the Office of Investment Management does not have the results of the research and analysis to evaluate the implementation of additional risk measures for private markets asset categories, the recommendation remains under implementation.		X		

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12	2016	A/72/5/Add.16, chap. II, para. 67	The Board recommends that the Fund incorporate provisions for the duration of the contract in the policy and formalize the evaluation method before awarding or renewing the contract of the fund managers.	The Office of Investment Management stated that the evaluation method had been formalized in the policy and that it had adhere to the policy in practice.	The Fund incorporated provisions for the duration of the contract in the policy. In addition, the method by which external managers are evaluated had been incorporated into the policy, and it was verified that within the policy issues associated with the monitoring and renewal of contracts, periodic performance reports are considered and the manner in which contracts are renewed is included. The recommendation is therefore implemented.	X			
13	2016	A/72/5/Add.16, chap. II, para. 75	The Board recommends that the Fund update the business continuity and disaster recovery plan in the Investment Management Division by including all the critical applications, determine recovery time objectives for all critical applications and carry out a business impact analysis study in view of the criticality of its operations.	The Office of Investment Management entered into a contract in April 2018 for the provision of information and communications technology security and risk management and a business continuity management study for the Office, and the recommendation was implemented.	The Office of Investment Management approved the updated plan, which considers the policy and procedures that detail the scope of the plan, the roles and responsibilities and the recovery time objectives, with different levels of priorities, depending on the type of crisis affecting the business and critical applications of all the units within the Office. In addition, the document on business impact analysis and business continuity risk treatment methodology contains an analysis of impacts on the basis of the critical importance of operations. The recommendation is therefore considered implemented.	X			

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14	2016	A/72/5/Add.16, chap. II, para. 79	The Board recommends that the Fund prepare a comprehensive security policy for the Investment Management Division that should be circulated widely among the management and the staff, and establish a mechanism to ensure compliance.	The Office of Investment Management prepared a comprehensive security policy.	The Office of Investment Management approved the information and communications security policy, which includes main objectives, tasks to be addressed, roles and responsibilities, risk assessment procedures and a mechanism to ensure compliance. In addition, the policy considers the role of the information and communications technology security committee to be to minimize such security risks and ensure that security matters are managed proactively. Finally, on 29 May 2019, the Office of Investment Management circulated the information and communications security policy among the management and staff by email. The recommendation is therefore treated as implemented.	X			
15	2016	A/72/5/Add.16, chap. II, para. 92	The Board recommends that the Fund: (a) explore the possibility of further automating various steps in benefits processing; (b) build input controls to ensure standardized information in the Integrated Pension Administration System; (c) enhance the functionalities of the member self-service and employer self-service modules; and (d) resolve data issues resulting from the migration to the Integrated Pension Administration System.	(a) The Fund undertook a series of focused initiatives to enhance the Integrated Pension Administration System and ensure standard functionalities are working at full capacity. The System is now stable and allows for the prompt processing of benefits. A change advisory board sets priorities and monitors their implementation. To ensure that the System is producing optimal results, continuous monitoring and evaluation are performed to identify issues and make the necessary adjustments and enhancements to the System. (b) The human resources interfaces perform the validation of data, and transmission results, including any errors, are communicated back to the	Parts (a) and (b) are implemented. Part (d) is overtaken by events. With respect to part (c), as long as the Fund has not explored the possibility of receiving all of the separation data electronically, the recommendation remains under implementation.		X		

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				member organizations for remediation. The transmission of data related to the financial contribution interface involves both a review by the member organization and validation by the Accounts Section in the Fund, before data is automatically imported to the Integrated Pension Administration System. (c) A series of enhancements and improvements have been introduced to the Integrated Pension Administration System self-services since their deployment in August 2016. (d) The Fund has in place system and management reports that allow for the identification of data inconsistencies or data integrity issues. This information is used by the business side to introduce the required fixes.					
16	2016	A/72/5/Add.16, chap. II, para. 101	The Board recommends that the Fund: (a) set a definite timeline to process all outstanding cases in which all documents have been received; and (b) prescribe a time frame for processing each type of entitlement or benefit.	(a) In 2018, there was evidence of a sustained and improved trend whereby the Fund met and exceeded the target of 75 per cent of initial separation benefits processed within 15 business days. (b) The Fund conducted an analysis of the nature and priority of each type of benefit to assess the current performance target for the processing of benefits. The analysis confirmed the applicability of the established performance target for most types of benefits. The Fund will periodically assess the performance target for benefit processing to confirm its continued applicability.	As long as the Fund secretariat has not evaluated and prescribed specific targets for the types of benefits or entitlements which were closed in more than 15 working days (2,521 cases until March 2019), the recommendation remains under implementation.		X		

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17	2016	A/72/5/Add.16, chap. II, para. 106	The Board recommends that the member organizations identify all cases due for separation in the next six months before the date of separation, send updated demographic details to the Fund and reconcile all differences in contributions.	The Fund is collaborating with the United Nations Secretariat to create a data interface between Umoja and the Integrated Pension Administration System to further automate the exchange of information and documentation regarding retiring staff (separation notifications). The new interface will provide timely updates on the status of separation documents, more accurate data and access to a centralized repository of information regarding the separation process. In a subsequent phase, the Fund will seek to expand this initiative to other member organizations and explore mechanisms for the electronic submission of separation documents.	The recommendation is considered under implementation.		X		
18	2016	A/72/5/Add.16, chap. II, para. 112	The Board recommended that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.	The Fund secretariat maintains a set of client services guidelines, manuals and instructions on the handling, segregation, prioritization and monitoring of incoming client queries and complaints. Standard processing guidelines are being updated to reflect the implementation of the client grievance redressal mechanism. Client services guidelines will continue to be updated to reflect system and process changes.	The Fund has guides, instructions by email, standard formats and procedural manuals issued on various dates regarding customer service, but does not have an integrated and official document that establishes the client grievance redressal mechanism for the complaints received in the Outlook system (before 8 April 2019) and in the iNeed system (after April 2019). As long as the complaints and queries registered in Outlook before iNeed implementation remain unprocessed, the recommendation remains under implementation.		X		

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19	2016	A/72/5/Add.16, chap. II, para. 118	The Board recommends that the Fund review: (a) the process of obtaining the certificate of entitlement; and (b) the suspended cases that are on hold for a longer period.	(a) The certificate of entitlement process was reviewed to ensure all activities from the date of mailing to the follow-up actions are completed within a calendar year. Additional tools were deployed in the Integrated Pension Administration System self-services portal, to allow non-two-track beneficiaries to access and print their certificate of entitlement form. (b) To address the recommendation, the Fund conducted a detailed review of suspended benefits due to certificate of entitlement suspension that could be forfeited. Over 700 benefits were reviewed and forfeited in line with the applicable procedures. This exercise resulted in a reduction of the open payable amount in excess of $40 million and of over 50,000 payments.	Regarding part (a), the Fund reviewed the certificate of entitlement process in order to ensure that all actions related to the sending of emails requesting the certificate of entitlement and the follow-up to the certificates of entitlement that have not arrived after sending the emails were completed within the calendar year, according to the document on the certificate of entitlement annual timeline. In addition, the Fund is working on an advanced electronic signature verification system with the purpose of resolving the issues related to the non-matching signatures. Finally, in order to simplify the certificate of entitlement process, the client services unit enabled, through the Integrated Pension Administration System self-service portal, non-two-track beneficiaries to access and print their certificate of entitlement form and to attach evidence. Regarding part (b), the Fund analysed the suspended cases, evaluating each of them and determining that at least 700 met the conditions of article 46 of the Regulations and Rules of the Fund to be forfeited. They provided a document which was approved by the Chief of Operations and showed the reduction of suspended cases for long periods of time and a reduction of the debt payable in excess of $40 million. Those cases forfeited were identified through the filtering of	X			

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					the ageing report by identifying payables for which benefits had been outstanding for more than 24 months, that is, for which 24 or more payments existed. The recommendation is therefore considered implemented.				
20	2016	A/72/5/Add.16, chap. II, para. 124	The Board recommends that the Fund establish a system for receiving the schedules of contributions on a monthly basis along with a list of participants from the member organizations to eliminate the generation of participant reconciliation exceptions.	The Fund secretariat states that several member organizations are sending monthly contribution data, and this information is used to produce year-end schedules. The monthly pilot reconciliation with ICAO is scheduled to go live in July 2019, with data effective from January 2019. The project will allow for contribution issues to be resolved more effectively and efficiently, with improved data quality. Following the implementation of the pilot with ICAO, the Fund will reassess and extend the monthly reconciliation of contributions to those member organizations that commit to this project.	Although the process of reconciling the contributions is executed by the Fund annually at the end of each year, this does not prevent member organizations from submitting their affiliate reports during the year. However, while the organizations do not commit to a period of regular delivery, whether monthly, quarterly or half-yearly, as required by this measure on preparing contribution reconciliations every month, it is not possible to demand from the Fund an exact time interval in which to carry out that task. In turn, it must be considered that for the member organization to define its period for sending contributions, it must take into account a number of factors, including the number of people involved and their internal processes. Therefore, the ability to commit to a period, which may be entirely different from one organization to another, depends on the nature of the entity. On the other hand, the Fund is working on a pilot with ICAO in order to carry out a process of monthly reconciliation based on the agreement with that organization.				X

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					In the light of the foregoing, the recommendation is treated as overtaken by events.				
21	2016	A/72/5/Add.16, chap. II, para. 128	The Board recommends that the Fund carry out the reconciliation of the contribution by the member organizations at regular intervals.	The Fund secretariat reported that the reconciliation of contributions is performed annually. Participant reconciliation exception reports are timely produced and submitted to all specialized agencies.	Although the process of reconciliation of the contributions by the affiliated organizations executed by the Fund is annual, this does not prevent member organizations from submitting their affiliate reports during the year. Until the organizations commit to a period of regular delivery, whether monthly, quarterly or half-yearly, it is not possible to demand an exact time interval from the Fund. In turn, it must be considered that for the member organization to define its period for sending contributions, it must take into account a series of factors, including the number of people involved and their internal processes. Therefore, the ability to commit to a period, which can be entirely different from one organization to another, depends on the nature of the entity. In this context, and given that the Fund carried out this process regularly, on a yearly basis, the recommendation is considered as implemented.	X			
22	2017	A/73/5/Add.16, chap. II, para. 29	The Board recommends that the Fund process the cases pending for a long time on a priority basis and in a time-bound manner.	The Fund has tools and mechanisms in place to avoid having cases pending for a long time. Dedicated email inboxes are available within the Fund's website to handle priority cases. Ageing reports for the benefit caseload are retrieved frequently and closely monitored by managers. These reports show workflows ready for processing, pending new	In accordance with the Regulations and Rules of the Fund, there are cases that cannot be processed due to their nature, for example, because they involve possible re-employment or deferment of choice. Therefore, it is understandable that such cases have been pending for longer than two years. This implies that there				X

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				documentation/information or information to be reviewed. Upon receipt of any missing documents, pending workflows are routed back to the same staff to ensure priority processing.	will always be a fixed inventory of this type of case in process. In this regard, and given that there is no generic solution for all pending cases, since it depends on the nature of each case, and given that the nature of some benefits obliges the existence of pending cases for a period exceeding one year, a situation that is addressed in the Regulations and Rules of the Fund, the recommendation is treated as overtaken by events.				
23	2017	A/73/5/Add.16, chap. II, para. 36	The Board recommends that the Fund undertake a data cleansing exercise to identify and close all of the workflows that remain open owing to issues in the Integrated Pension Administration System.	The Fund implemented system and data fixes to allow the automatic closing of workflows for which the status is "completed" or "no further action required". Over 10,000 workflows were closed through subsequent system enhancements and data fixes. The significant reduction to date in the number of workflows open between 31 December 2017 and 31 December 2018 demonstrates that the Fund has addressed the audit recommendation.	As long as the Fund does not identify and report on problems with the cases that remain open in order to rule out that they remain so owing to issues with the Integrated Pension Administration System, the recommendation remains under implementation.		X		
24	2017	A/73/5/Add.16, chap. II, para. 38	The Board further recommends that the Fund have a system audit done of the Integrated Pension Administration System to identify the deficiencies and issues in the system so that they can be corrected.	The Fund states that to address the recommendation, in November 2018, the Fund issued an expression of interest for a comprehensive independent third-party audit of the Integrated Pension Administration System. A total of 12 vendors responded to the expression of interest. An invitation to bid was to be sent to all firms registered with the United Nations Global Marketplace by the end of April 2019. A service provider to conduct the audit is expected to be selected by mid-2019.	As the audit of the Integrated Pension Administration System has not yet been carried out and the Fund is still in the process of contracting the request, the recommendation is considered as under implementation.		X		

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25	2017	A/73/5/Add.16, chap. II, para. 46	The Board recommends that the Fund engage with member organizations and resolve the issues in transmission to the Fund of the documents required for the processing of pension benefits.	The Fund has implemented processes and mechanisms to maintain close interaction and communication with the member organizations and to follow up on all cases with missing documents. The Fund disseminates monthly reports on all types of cases to focal points in member organizations. These reports are used to follow up on outstanding cases that require action by the member organizations. Member organizations are expected to continue to submit missing documentation to enable the Fund to process the cases. All of these actions have allowed for a significant reduction in the number of cases with missing documents.	The Fund submitted reports from March 2018 to March 2019 showing that it has taken measures to try to resolve the problems encountered in receiving documents. In turn, the Fund follows up to ensure that member organizations send the pending information and verify the response of the organization. It should be noted that the Fund has initiated actions to resolve the problem of the transmission of documents. However, given that the three documents required depend on the beneficiary and the member organization sending them, there is a significant number of workflows that cannot be processed until they have an agreement, which is beyond the control of the Fund, so the recommendation is overtaken by events. On the other hand, although the information depends on the beneficiary and the member organization, the Fund has also decided to strengthen the mechanisms to receive information and is working with the United Nations Secretariat to develop an interface with the affiliated organizations to resolve these problems. The recommendation is therefore considered overtaken by events.				X

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26	2017	A/73/5/Add.16, chap. II, para. 47	The Board further recommends that the Fund develop a system for receiving the required documents through a secure electronic interface.	The Fund is collaborating with the United Nations Secretariat to create a data interface between Umoja and the Integrated Pension Administration System to further automate the exchange of information and documentation (separation notification) concerning retiring staff. The new interface will provide timely updates on the status of the separation documents, more accurate data and access to a centralized repository of information regarding the separation process. In a subsequent phase, the Fund will seek to expand this initiative to other member organizations and explore mechanisms for the electronic submission of separation documents.	The recommendation is considered under implementation.		X		
27	2017	A/73/5/Add.16, chap. II, para. 55	The Board reiterates its recommendation that the Fund document the client grievance redressal mechanism (see A/72/5/Add.16, para. 112) and further recommends that the Fund establish a centralized client management system which provides a distinct tracking number that can be used by the client to track the status of the query or complaint until the final resolution of the issue.	On 8 April 2019, the Fund implemented the "client grievance redressal mechanism" using the iNeed system. All client queries reaching the Fund via telephone calls, emails, contacts forms on the website and in-person visits are tracked, categorized, routed, addressed and monitored from receipt through their final resolution. The Fund's client services in New York and Geneva continue to function as a single point of contact (i.e. they receive, review and categorize all queries reaching the Fund) and, depending on the content of the queries, responses continue to be issued by the various business units in the Fund. The iNeed system ensures end-to-end tracking of client queries resolution while providing enhanced monitoring and reporting.	While iNeed provides a distinct tracking number that can be used by the client to track the status of the query or complaint until the final resolution of the issue, it is important to mention that all the complaints received before 8 April 2019 were not migrated to the iNeed system. Therefore, it is not possible to verify compliance with the recommendation for all complaints and queries. It should be noted that the Board requested the list of complaints and queries received before 8 April 2019. However, as at 23 May 2019 the Fund had not provided the information. The Fund could not provide a detailed list of queries, since the previous system (the Outlook email system) did not have a reporting function and there was no external		X		

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					registration owing to the workload that this task entailed. With respect to the recommendation related to documenting the client grievance redressal mechanism, it was verified that the Fund has guides, instructions by email, standard formats and procedural manuals issued on various dates regarding customer service, but does not have an integrated and official document that establishes the client grievance redressal mechanism for the complaints received in the Outlook system (before 8 April 2019) and in the iNeed system (after April 2019). The recommendation is therefore considered under implementation.				
28	2017	A/73/5/Add.16, chap. II, para. 61	The Board recommends that the Fund review the process of obtaining the certificate of entitlement and the suspended cases that have been on hold for an extended period.	The Fund secretariat reported that this recommendation had been implemented, explaining that according to the recommendation the certificate of entitlement process was reviewed to ensure all activities from the date of mailing to the follow-up actions are completed within a calendar year. Additional tools were deployed in the Integrated Pension Administration System self-service portal to allow non-two-track beneficiaries to access and print their certificate of entitlement form. Moreover, the Fund conducted a detailed review of suspended benefits due to certificate of entitlement suspension that could be forfeited. Over 700 benefits were reviewed and forfeited in line with the applicable procedures. This exercise resulted in a reduction of the open payable amount	Regarding the recommendation to review the process of obtaining the certificate of entitlement, the Fund reviewed the process, establishing that, in order to ensure that all actions related to the sending of emails requesting certificates of entitlement and the follow-up to the certificates of entitlement that had not arrived after sending such emails were completed within a calendar year according to the document on the certificate of entitlement annual timeline. In addition, the Fund is working on an advanced electronic signature verification system with the purpose of resolving the issues related to non-matching signatures. Finally, with the purpose of simplifying the certificate of	X			

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				in excess of $40 million and of over 50,000 payments.	entitlement process, the client services unit enabled, through the Integrated Pension Administration System self-service portal, non-two-track beneficiaries to access and print their certificate of entitlement form and to attach evidence. Concerning the recommendation to review the suspended cases that are on hold for a longer period, it should be noted that the Fund analysed the suspended cases, evaluating each of them and determining that at least 700 met the conditions of article 46 of the Regulations and Rules of the Fund to be forfeited. They provided a document which was approved by the Chief of Operations and showed the reduction of suspended cases for long periods of time and a reduction of the debt to pay in excess of $40 million. Those cases forfeited were identified through the filtering of the ageing report by identifying payables for which benefits were outstanding for more than 24 months. The recommendation is therefore considered implemented.				
29	2017	A/73/5/Add.16, chap. II, para. 62	The Board further recommends the Fund develop an automatic signature verification system to facilitate the certificate of entitlement process.	The Fund expects the signature verification solution to be in place by April 2020. The Fund will then work on connecting all member accounts to the signature verification system. Full verification will be expected in 2021.	As the automatic signature verification system is not implemented, the recommendation is considered under implementation.		X		

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30	2017	A/73/5/Add.16, chap. II, para. 67	The Board recommends that the Fund evolve guidelines for country, sector and currency-level suballocation of the risk budget for equities.	The Office of Investment Management states that risk limits for equities were implemented.	The Office of Investment Management elaborated guidelines for the subassignment of risk for equities by country, sector and currency, which were effective from December 2018. In the aforementioned document, it is possible to identify how the Office of Investment Management generated the risk limits for equities by market (such as North American, Asian or European) and by country and sector (such as the industrial, information technology or services sectors) and currency, which is being carried out through two lines of defence based on the tracking error (which reports the Fund's deviation from the benchmark and policy index). The recommendation is therefore considered implemented.	X			
31	2017	A/73/5/Add.16, chap. II, para. 70	The Board recommends that the Fund expedite the implementation of the recommendations of the independent review of the Fund's investment main practices, investment management and risk management.	The Office of Investment Management takes note of the Board's opinion and states that the Office implemented the main recommendations from Deloitte. The Office presented the evidence for the recommendations having been implemented, that the asset-liability management study was ongoing and that the results had been presented to the Investment Committee and the Committee of Actuaries. Therefore, some recommendations related to the study will be completed in 2019. The study will be finalized in June 2019 and will be presented to the Pension Board in July 2019.	As long as the Office of Investment Management does not provide evidence of the compliance of the 25 recommendations made by the consultant, the recommendation is treated as under implementation.		X		

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32	2017	A/73/5/Add.16, chap. II, para. 75	In view of the foreign currency exposure, the Board recommends that the Fund take expeditious action on the recommendations of the currency study to reduce the effect of foreign exchange volatility on its return on investments.	The Office of Investment Management stated that, as a result of the audit observation and currency study, the Office restructured the cash benchmarks from a dual currency benchmark, comprising 50 per cent euros and 50 per cent United States dollars, to a United States dollars-only benchmark. Non-United-States-dollar investments are no longer eligible for the investment cash portfolio. Employing this strategy has reduced currency risk and mitigated the number of foreign exchange gains/losses within the Fund. This cash strategy is fully implemented, with an effective date of 1 October 2018. Also, as communicated to Office stakeholders, the Office is in the process of implementing a new fixed income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-liability management study, will analyse the currency composition of the liabilities in relation to the asset side in order to understand the currency matching at the balance sheet level. Another part of the asset-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As the Office of Investment Management does not have the asset-liability management study, the recommendation is considered under implementation.		X		

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33	2017	A/73/5/Add.16, chap. II, para. 76	The Board further recommends that the Fund expedite the asset and liability management study for alignment of its currency exposure with liabilities.	The Office of Investment Management is in the process of implementing a new fixed-income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-liability management study, will analyse the currency composition of the liabilities in relation to the asset side in order to understand the currency matching at the balance sheet level. Another part of the asset-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As long as the Office of Investment Management does not have the asset-liability management study, the recommendation is considered under implementation.		X		
34	2017	A/73/5/Add.16, chap. II, para. 77	The Board also recommends that the Fund evolve suitable strategies and an action plan to manage the foreign currency risks on the basis of the results of the asset and liability management study.	The Office of Investment Management is in the process of implementing a new fixed-income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-liability management study, will analyse the currency composition of the liabilities in relation to the asset side in order to understand the currency matching at the balance sheet level. Another part of the asset-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As the Office of Investment Management does not have the asset-liability management study, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
35	2017	A/73/5/Add.16, chap. II, para. 78	The Board recommends that the Fund prepare guidelines for currency exposure under each asset class relative to the benchmark.	Office of Investment Management is in the process of implementing a new fixed-income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-liability management study, will analyse the currency composition of the liabilities in relation to the asset side in order to understand the currency matching at the balance sheet level. Another part of the asset-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As long as the Office of Investment Management does not have the asset-liability management study, the recommendation is considered as under implementation.		X		
36	2017	A/73/5/Add.16, chap. II, para. 86	The Board recommends that the Fund properly plan and execute the acquisition of critical software.	The Office of Investment Management initiated a procurement exercise in September 2018 to streamline the proper selection and acquisition of an integrated order management system. As a result, pre-qualifying expression of interest number EOIDA315795 was published by the Procurement Division on 28 November 2018. Of the 10 vendors who responded to the expression of interest, 3 were found suitable for the next steps of the process. A request for proposals was to be issued during the first week of February 2019, and it was expected that by June 2019 a vendor would be selected.	The acquisition of the software has not been executed to date. Therefore, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
37	2017	A/73/5/Add.16, chap. II, para. 92	The Board recommends that the Fund conduct a fraud risk assessment in respect of the Investment Management Division to identify the vulnerable areas and develop a suitable mitigation strategy.	The Office of Investment Management reported that a fraud risk assessment was conducted and completed with the assistance of the Office of Internal Oversight Services.	The representative of the Secretary-General sent a letter to the Office of Internal Oversight Services with notification of planned Office engagement in carrying out the fraud risk assessment of the Office related to information and communications technology. The evaluation of fraud risk was carried out in accordance with report 2019/027, entitled "Audit of information and communications technology services provided by a United Nations agency to the Office of Investment Management of the United Nations Joint Staff Pension Fund", dated 26 April 2019. The audit covered the period from January 2015 to January 2019 and was suspended in January 2018 to give higher priority to the General Assembly's request for a comprehensive audit of the governance structure. It focused on risk areas related to the provision of information and communications technology services to the Office of Investment Management. The recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
38	2017	A/73/5/Add.16, chap. II, para. 97	The Board recommends that the Investment Management Division internally run the reconciliation prototype tool at regular intervals until the contract with Morgan Stanley Capital International is finalized, and thereafter put in place a new internal reconciliation process to have a check on the outsourced function.	The Office of Investment Management has implemented this recommendation and is running the reconciliation prototype tool at regular intervals. The Office expects to fully automate the reconciliation once the data management project is finalized.	The Office of Investment Management established a prototype of the internal tool while managing the contract with Morgan Stanley Capital International in order to obtain feeds directly from the service provider, Northern Trust. In turn, on 25 October 2018, a contract was signed between the Fund and RiskMetrics Solutions for the provision of a portfolio risk analysis and a performance attribution system. A series of emails were provided that showed that the Office of Investment Management is internally carrying out the reconciliation carried out between Northern Trust and Morgan Stanley Capital International regularly. A copy of the weekly Excel reports with the reconciliation detail performed internally was also provided. In this context, it is estimated that the execution of the weekly internal reconciliation reports between Northern Trust and Morgan Stanley Capital International regarding the allocation of variable income assets is already under way. The recommendation is therefore considered implemented.	X			
	Total				**38**	**12**	**22**	**–**	**4**
	Percentage				**100**	**32**	**58**	**–**	**10**

Annex XVIII

Countries suspended in 2019 owing to unreliable consumer price index data

Afghanistan
Antigua and Barbuda
Comoros
Cuba
Democratic People's Republic of Korea
Democratic Republic of the Congo
Djibouti
Dominica
Equatorial Guinea
Eritrea
Eswatini
Grenada
Kiribati
Liberia
Marshall Islands
Micronesia (Federated States of)
Nauru
Palau
Papua New Guinea
Solomon Islands
Somalia
South Sudan
Sudan
Togo
Turkmenistan
Tuvalu
Uzbekistan
Vanuatu
Yemen

Annex XIX*

Views of the United Nations participants on various agenda items and decisions of the United Nations Joint Staff Pension Board

R.18 – Proposed budget

United Nations participants cannot accept the increase from $190 to $214 per participant.

In the Fund secretariat, since the Fund secretariat asserts that backlog has been tackled, there is less need for general temporary assistance (GTA). So use GTA for the D-1 Secretary for the coming year. Use GTA too for all new posts. However, P-3s for human resources recruitment (Financial Services and Office of Investment Management) should be in the Executive Office and we want the Executive Office reconstituted in accordance with the General Assembly resolution. A budget needs to come back from finance.

In the Office of Investment Management, we agree to the conversion of GTA to posts, but only to half the new GTA positions requested.

We do not agree with the requests for a P-5 Special Assistant to the Pension Benefits Administrator as it is not properly justified and the General Assembly has already rejected this proposal twice.

We also do not agree with the downward classification of a P-2 to a G-7.

We do not agree with a change to the Geneva Office and the Fund hasn't demonstrated lower productivity, and we have taken note of information provided to the Budget Working Group on this matter which conflicts with this assertion. We believe that this move will negatively affect service to clients in Africa, Asia and Europe. We understand that the Fund will incur high costs of travel and daily subsistence allowance by sending another D-1 to Geneva for --------------- United Nations participants are of the view that because of the short-term nature of her appointment, the Acting Chief Executive Officer should not have proposed such impactful changes to the structure of the Fund secretariat.

By this we mean:

(1) Moving one D-1 and one P-5 from Geneva

(2) Change in the structure of Operations

(3) Only minimal correction to the Executive Office

The General Assembly in resolution 73/274 decided to "reconstitute" the Executive Office "within existing resources" to support both the secretariat and the Office of Investment Management. We believe that by using the word "reconstitute" it was the intent of the Assembly that the previously approved organigramme for this Unit should be re-established. This would mean: (i) that the situation should be resolved and the P-5 and P-4 officers return to the Fund; (ii) that the temporary measure of the Budget Officer, facilities, contracts management and Travel Assistant should be returned to the Executive Office as currently only human resources function remain there; (iii) that instead of one GTA P-3 Human Resources Officer and one GTA P-3 Recruitment Officer who will be located in the offices of the Pension Benefits Administrator and the Representative of the Secretary-General – these posts should be located in the Executive Office for maximum efficiency.

* The present annex is being issued without formal editing.

R.22 – Report of the Governance Working Group

The United Nations participants representatives provided the following dissenting views on the Board's recommendation with regard to the report of the Governance Working Group. The United Nations participants representatives approved the report as amended and adopted but with the following exceptions:

(a) It should be clarified that in order to ensure the independence of the Secretary, as requested by the General Assembly, the Pension Benefits Administrator's role in relation to the Secretary would be limited to the provision of administrative support;

(b) Given that the United Nations participants support direct elections for retirees, as requested by the General Assembly, the group does not agree to this principle as it would prevent retirees from having a right to vote;

(c) The United Nations participants representatives believe that there should be fair and equitable representation. The group does not support the proposed options but proposes its own option as outlined in document R.43. This aligns voting rights with participation, provides a voting seat for retirees, as requested by the General Assembly, and allows due voting rights for the International Criminal Court and IOM, who have long exceeded the 1 per cent threshold. It ensures rotation of all within five years. It also ensures that all agencies are represented at meetings, maintains two observers for FAFICS and increases to two each the observers for the staff federations, to reflect their increasing populations;

(d) The proposed composition would have five groups as follows using statistics reported as at 31 December 2017, and maintain a total of 33 voting seats:

- Group I, consisting of the United Nations representatives, will be increased to 21 members to correspond with 85,009 participants (67.1 per cent of the total). This would be equivalent to 22 members but is rounded down to 21 to maintain a tripartite nature. One representative from the participants' group would be elected by retirees. The number of alternates for the groups remains the same. The new elected retiree representative would have one alternate.

- Group II would be comprised of FAO and WHO, with a total of 21,265 participants (16.8 per cent of the total). They would have three seats and three alternates each.

- Group III would be comprised of member organizations that each have over 2 per cent of participants. They are IAEA, ILO and IOM, with a total of 11,360 participants (9.0 per cent of the total). They would have one seat and one alternate each.

- Group IV would be comprised of member organizations that each have between 1 per cent and 2 per cent of participants. They are UNESCO, ICAO, ITU, UNIDO, WIPO and the International Criminal Court, with a total of 7,003 participants (5.0 per cent of the total). They would have half a seat and half an alternate each.

- Group V would be comprised of the remaining member organizations, which have not attained the 1 per cent threshold. They are IFAD, IMO, WMO, EPPO, ICCROM, ICGEB, IPU, ISA, ITLOS, UNWTO and STL, with a total of 2,099 participants (2 per cent of the total). This group would not have representatives on the Board but would attend and participate in Board meetings in accordance with rule of procedure A.9 (d).

(e) The United Nations participants representatives do not agree with this proposal. In document R.42 they outlined modalities for direct elections of retiree representatives using available technological platforms and under the following modalities: The Fund would provide a check box in the Member Self Service in IPAS where retirees wishing to participate in an election would opt to permit the Fund to provide their email addresses to an e-voting company obtained for the purpose. An e-voting company would be hired to conduct the election. The Secretary of the Board would place a call on the United Nations Joint Staff Pension Fund website or via email for seven retiree volunteer Polling Officers. The criteria for candidates for Polling Officers or the Retiree representative member on the Board would be that the individual must have retired from a member organization of the Fund and must be in receipt of a periodic benefit from the Fund in accordance with articles 28, 29 and 33;

(f) The United Nations participants representatives also believe that the number of FAFICS representatives present at the Board should be limited to two, in line with the General Assembly's earlier resolution;

(g) The United Nations participants representatives wish to add the line to the terms of reference of Board members: "act as fiduciaries in the sole best interest of the Fund, its sustainability and its beneficiaries";

(h) The United Nations participants representatives wish to amend the line requiring members to abide by decisions of the Board, with the proviso that these decisions should be in line with the Fund's Regulations;

(i) The United Nations participants representatives maintain that the Standing Committee should meet on a regular basis, as provided in article 4 (d) of the Regulations: "The Board may appoint a Standing Committee which shall have the power to act on behalf of the Board when it is not in session and may, subject to article 7, delegate its powers under these Regulations to the staff pension committees of the member organizations."

R.39 – Actions to enhance processing and reduce forfeiture of benefits

United Nations participants stated that the Fund secretariat is responsible for the follow-up of documents, especially the payment instruction.

Annex XX*

Statement by the Federation of International Civil Servants' Association

On behalf of the Federation of International Civil Servants' Association (FICSA), I thank you for granting me this opportunity to address you today. My name is Evelyn Kortum and I am the General Secretary of FICSA.

This year marks the seventieth anniversary of the Pension Fund. We congratulate the Board and all stakeholders for their many achievements and successes over the years that led to establishing a strong and mature Fund.

Mr. Chair, allow me to begin by stating that FICSA is pleased to learn that previous backlogs in the processing of new requests for pension benefits no longer exist. We would like to acknowledge the efforts which were made by the staff of the Pension Fund secretariat in this respect.

At the same time, having recently been made aware that replies to queries addressed to the Geneva Office of the Fund are not always received in a timely manner, FICSA would like to respectfully request that this matter be examined by the Fund's secretariat and, if confirmed, corrective action be taken.

With this in mind, we note in document R.18, relative to budget estimates for the year 2020, that the Geneva Office of the Fund operates in parallel to the New York office. Although such a setup may have been necessary prior to the implementation of IT systems such as IPAS, FICSA concurs that the time is well overdue to reform and transform the Geneva Office into a satellite operation through the implementation of full functional leadership and management.

Furthermore, FICSA fully supports the Fund's initiatives to identify ways to better reach and provide full client services for participants, retirees and other beneficiaries and, in particular, the Fund's intention to maintain its call centres and to create or maintain client services liaison offices in Nairobi and Bangkok.

Regarding resolution 73/274, in which the United Nations General Assembly requested the separation of roles of Chief Executive Officer and Secretary of the Board, we note with appreciation that the newly created positions relative to this Office will be filled through the redeployment of existing resources to avoid the need to increase the budget.

In reference to document R.9, relative to the management of the Fund's investments, we note with great concern the negative 4.7 per cent return on the Fund's investments for the year 2018, which apparently amounts to a loss of more than $3 billion on the investments of the Fund's assets. Considering the importance of this loss, which will be extremely alarming to staff, we trust that the management of the Pension Fund, as well as the Pension Board, will take all necessary actions to ensure that corrective measures are put in place as quickly as possible.

FICSA appreciates the work performed by the Pension Board's Governance Working Group following United Nations General Assembly resolution 73/274. In view of the scope of issues examined by the Working Group, some in more detail than others, it is evident that it will be challenging to reach consensus on certain salient points, in particular the size and composition of the Board. Noting the limited time which the Working Group had to examine this issue, we would like to respectfully request that all potential consequences of the various options be further examined prior to rushing into any decisions.

* The present annex is being issued without formal editing.

In closing, I would like to express our staff federation's appreciation to both the staff and management of the Pension Fund for their efforts and dedication in serving both participants and beneficiaries.

FICSA is well aware that, on the investments side of the Fund, it cannot be overstated that as our Pension Fund continues to mature it will become increasingly dependent on investment returns on the Fund's assets. The pension administration side of the Fund will, for the foreseeable future, continue to face its own challenges to further improve the services it provides to its clients.

While bearing these general objectives in mind, FICSA wishes the Board a fruitful and productive Pension Board session.