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Financial reports and audited financial statements, and reports of the Board of Auditors

Proposed programme budget for 2021

United Nations pension system

United Nations Joint Staff Pension Fund

Nineteenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2021

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board on its sixty-seventh session (A/75/9); the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/75/2); the report of the Secretary-General on the administrative and financial implications arising from the report of the United Nations Joint Staff Pension Board (A/C.5/75/3); the report of the Board of Auditors on the financial report and audited financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019 (A/75/5/Add.16); and the report on the implementation of the recommendations of the Board of Auditors contained in its above-mentioned report (A/75/318). In addition, the Advisory Committee had before it a note by the Secretary-General on the membership of the Investments Committee.

2. During its consideration of the above reports and the note by the Secretary-General, the Advisory Committee met with the Chair of the Pension Board, the Representative of the Secretary-General for the investment of the assets of the Pension Fund, the Chief Executive of Pension Administration and the members of the Audit Operations Committee of the Board of Auditors, who provided additional information and clarification, concluding with written responses received on 6 November 2020.

II. Performance of the Fund in 2019 and 2020

A. Financial performance

Financial overview

3. The Pension Board indicates that during 2019, the number of participants in the Fund increased from 128,594 to 131,583 (or 2.3 per cent), and the number of periodic benefits increased from 78,716 to 79,975 (or 1.5 per cent). The Fund had 24 member organizations. Benefit payments and expenses amounted to $2.7 billion and exceeded contributions by $11 million (A/75/9, chap. I, para. 2, and chap. III, paras. 11, 13 and 14).

4. The Board of Auditors indicates that the net assets available for benefits amounted to $72.03 billion as at 31 December 2019, reflecting an increase of $11.26 billion, or 18.53 per cent, compared with the net assets available for benefits as at 31 December 2018. The investment income amounted to $11.36 billion, reflecting an increase in the fair value of investment of $10 billion (A/75/5/Add.16, chap. II, paras. 7–9). According to the Pension Board, in 2019, the Fund's nominal return was 18.7 per cent, compared with the performance benchmark of 19.6 per cent (A/75/9, chap. III, para. 15). Upon enquiry, the Advisory Committee was informed that the underperformance vis-à-vis the benchmark was mainly the result of private market investments, an overweight position in cash and the transition towards the new fixed-income portfolio resulting from the new fixed-income benchmark.

5. Upon further enquiry with regard to the performance of the Fund vis-à-vis the benchmark, the Advisory Committee was provided with table 1, comparing the returns on investment of the Fund to those of two comparable pension funds in the United States of America: the California Public Employees' Retirement System and the State Teachers Retirement System of Ohio.

Table 1
Comparison of benchmarks on investment returns, 2017–2020
(Percentage)

	10-year returns as at 30 June					
	Nominal return			*Real return*		
Dates	*UNJSPF*	*CalPERS*	*STRS Ohio*	*UNJSPF*	*CalPERS*	*STRS Ohio*
2020	7.5	8.5	9.4	5.7	6.7	7.6
2019	8	9.5	10.3	6.1	7.6	8.4
2018	5.2	5.6	6.9	3.8	4.1	5.4
2017	4.5	4.4	5.4	2.8	2.7	3.7

Abbreviations: CalPERS, California Public Employees' Retirement System; STRS Ohio, State Teachers Retirement System of Ohio; UNJSPF, United Nations Joint Staff Pension Fund.

6. With regard to the performance of the market values and returns by asset classes, the Advisory Committee was provided, upon enquiry, with information from December 2016 to September 2020 contained in tables 2 and 3.

Table 2
Market values of the Fund's investments, 2016–2020

	Market values					
Asset classes	*31 December 2016*	*31 December 2017*	*31 December 2018*	*31 December 2019*	*30 June 2020*	*30 September 2020*
Equities	34 404 183 642.92	39 772 555 201.93	34 521 118 552.16	42 461 368 068.92	39 106 563 583.62	42 352 829 487.77
Private equity	1 625 136 225.06	2 274 048 841.43	2 643 419 843.50	3 555 998 582.10	3 652 025 266.13	3 716 045 244.45
Real estate	3 637 505 640.81	3 939 088 302.72	4 214 721 920.67	5 015 558 084.97	5 118 175 627.22	5 159 274 920.11
Real assets	258 786 056.91	256 076 420.83	248 685 255.95	217 648 147.00	194 406 893.00	138 212 578.91
Fixed income	12 403 422 370.30	15 327 746 107.58	16 111 511 057.78	20 091 304 556.55	19 741 491 929.14	20 788 580 186.23
Cash and equivalents	2 103 367 929.92	2 566 942 033.02	3 026 972 283.89	627 654 294.03	2 425 740 684.63	1 609 845 189.02
Total	**54 432 401 865.92**	**64 136 456 907.51**	**60 766 428 913.95**	**71 969 531 733.57**	**70 238 403 983.74**	**73 764 787 606.50**

Table 3
Nominal rate of return of the Fund's investments by asset class, 2016–2020
(Percentage)

	Nominal rate of return					
	1 year return	*1 year return*	*1 year return*	*1 year return*	*Year-to-date return*	*Year-to-date return*
Asset classes	*31 December 2016*	*31 December 2017*	*31 December 2018*	*31 December 2019*	*30 June 2020*	*30 September 2020*
Equities	7.5	24.8	(9.2)	27.9	(4.9)	3.4
Private equity	11	18.3	12.4	14.7	(3.47)	(3.33)
Real estate	9.2	10.8	10.2	7.2	(2.15)	(1.35)
Real assets	5.8	9.1	-5.6	8.10	(10.88)	(11.66)
Fixed income	(1.4)	7.5	-1.0	6.50	4	4.2
Cash and equivalents	(0.4)	5.1	(0.1)	2.00	(0.27)	(0.17)
Total	**5.2**	**18.6**	**(4.7)**	**18.7**	**(2.3)**	**2.6**
Real rate of return	**3.1**	**16.2**	**(6.5)**	**16.0**	**(2.6)**	**1.3**

7. The Advisory Committee was informed, upon enquiry, that despite volatility in the first quarter of 2020, the financial markets have, on average, recovered in 2020 and as at 30 September 2020 the market value of the investments amounted to $73.76 billion and the year-to-date real rate of return was 1.3 per cent.

8. **The Advisory Committee notes the investment performance of the Fund and recalls that the General Assembly, in its resolutions 71/265, 72/262 A and 73/274, emphasized the importance of the Fund meeting its target annual real rate of return of 3.5 per cent (see also A/74/7/Add.14, para. 14, and A/73/489, para. 18).**

9. Upon enquiry, the Advisory Committee was provided with some information on the costs and benefits of aligning the investments of the Fund with those of the international indexes used by the Fund as a benchmark, as opposed to managing the investments of the Fund in-house. **The Advisory Committee trusts that updated information will be provided to the General Assembly at the time of its consideration of the present report and an update included in the next report on the investments of the Fund.**

Investment strategy

10. In his report on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/75/2), the Secretary-General indicates that in terms of diversification by asset class, the Fund is in the process of gradually building its exposure to private market investments to further optimize its risk-return profile. Regarding diversification by currency, the Secretary-General indicates that as at 31 December 2019, the Fund's direct investments across all asset classes included 33 currencies, of which 65.9 per cent were in United States dollars and 34.1 per cent in other currencies. In terms of geographical diversification, as at 31 December 2019, the Fund had investments in 102 countries and seven regions, including direct and indirect investments in developed and developing countries (A/C.5/75/2, paras. 25–27). **The Advisory Committee trusts that updated information on the investments of the Fund by country and geographical region will be provided to the General Assembly at the time of its consideration of the present report and in the context of the next budget report.**

11. The Secretary-General also indicates that the investment policy statement was updated in August 2019, with the aim of, inter alia, expanding the range of instruments available to the Fund to more effectively manage its investments and address the increasing complexity of the global capital markets environment. On the basis of the updated investment policy statement, the Office of Investment Management may use exchange-traded futures, swaps and foreign exchange forwards. In addition, the Office may establish securities lending programmes and enter into repurchase transactions. The Secretary-General further indicates that the use of such instruments would require the Fund to conduct margin trading, which involves a form of borrowing. Therefore, the Secretary-General requires the authority to engage in borrowing for this purpose (ibid., paras. 43 and 44). Upon enquiry, the Advisory Committee was informed that using derivative instruments for hedging and risk management was not in breach of the four criteria of safety, profitability, convertibility and liquidity used by the Fund. According to the Representative of the Secretary-General, using derivatives for hedging and risk management purposes would increase the Fund's safety and profitability, as these instruments are traded in highly liquid global and strongly regulated markets, and can be converted into United States dollars at any time in normal market circumstances. The Committee was also informed that the Office would not take speculative open positions when using derivative instruments. **The Advisory Committee trusts that detailed information on the proposed use of derivative instruments and the authority required to engage in margin trading will be provided to the General Assembly at the time of its consideration of the present report.**

12. In terms of sustainable investment strategy, the Secretary-General indicates that in September 2019, the Office of Investment Management announced its decision to divest from investments in publicly traded companies in the coal energy sector by 31 December 2020 (ibid., paras. 41 and 42). Upon enquiry, the Advisory Committee was informed that the Office had joined the United Nations-convened Net-Zero Asset Owner Alliance, which was launched at the 2019 Climate Action Summit. The Alliance is an international group of institutional investors representing more than $4.6 trillion in assets under management and is committed to transitioning their investment portfolios to net-zero greenhouse gas emissions by 2050. The Committee was also informed, upon enquiry, that gender diversity in companies was a key consideration of the environmental, social and governance investments for the Office's engagement and proxy voting policies. The Office updated its proxy voting policy in 2019 to include more robust gender diversity requirements at the board level. The policy specifies to generally vote against or withhold a vote from all incumbent members of the nominating committee if there is not at least one female board member.

13. **The Advisory Committee recalls again that the General Assembly has highlighted the fact that the investment strategy of the Fund should be guided by its annualized real rate of return target, and has requested the Secretary-General to continue to diversify its investments among developed, developing and emerging markets and to ensure that decisions concerning the investments of the Fund in any market are implemented prudently, taking fully into account the four main criteria for investment, namely, safety, profitability, liquidity and convertibility (see also resolution 72/262 A, sect. XV, para. 19, and resolution 73/274, paras. 33 and 35).**

Budget performance of the Fund in 2020

14. In terms of budget implementation, the Advisory Committee was informed that the appropriation for 2020 amounted to $99,073,300, while the expenditures as at 30 September 2020 amounted to $66,168,300. The total expenditures for 2020 are estimated at $91,904,600, which would reflect an underexpenditure of $7,168,700, or 7.23 per cent, compared with the appropriation. Upon request, the Committee was provided with information regarding the appropriation and the expenditures for the period 2016–2019, which showed overexpenditures in 2017 ($2,369,600) and underexpenditures in 2016 ($22,236,000), 2018 ($10,752,900) and 2019 ($7,716,300). **The Advisory Committee trusts that the Fund will improve its budgeting accuracy.**

B. Recommendations of the Board of Auditors

15. In its report on the financial report and audited financial statements of the Fund for 2019, the Board of Auditors made 32 recommendations to the Fund, including 10 main recommendations. All 32 recommendations have been accepted by the Fund. Some of the key findings and recommendations deserve to be highlighted.

Benchmark for benefit payment

16. Regarding benefit payments, the Pension Board indicates that in 2019, 88.3 per cent of the initial separation benefits were processed within the 15-day benchmark. The Board of Auditors notes, however, that when a core document is deemed invalid or missing, the process is suspended and the 15-day benchmark to measure the service provided is stopped. Once the requested documentation is received, the case is resumed; however, a new period of 15 business days is assigned to the process. The Board of Auditors recommends pausing the period of 15 business days only in cases of missing or invalid documents, and resuming the period once the necessary documentation has been received (A/75/5/Add.16, paras. 45–51).

17. The Pension Board considers that there is no backlog in the Fund. However, there are delays in benefit payments that result from missing separation documents from employing organizations. To address this issue, the Fund increased the frequency of sending the report on missing documents, worked with each payroll centre and peacekeeping mission to resolve the older outstanding cases and set up a pilot project to receive separation notifications electronically. Moreover, in 2020, the Fund established a new Operational Support Section which cooperates with employing organizations to systematically identify and resolve the issues delaying the submission of separation documents (A/75/9, part two, annex V (a)).

18. **While noting the progress made so far, the Advisory Committee still considers that further efforts should be made, including through enhanced cooperation between the Fund and the member organizations, to eliminate all delays in the payment of benefits (see also A/74/7/Add.14, para. 10, and A/73/489, para. 6).**

Role of the Geneva office

19. With regard to the communication between the Pension Administration offices in New York and Geneva, the Board of Auditors notes that both offices carry out the same operations and procedures related to a number of areas in pension entitlements, client services and outreach and financial services. Significant areas in those services are centralized in New York, which could explain why the number of personnel to carry out these procedures in the Geneva office is fewer compared with the number of personnel in New York office, although both offices manage and provide services to approximately the same number of beneficiaries. In addition, the Board of Auditors observes that staff members in the Geneva office perform tasks without specific guidelines, the Geneva office risks are not correctly identified and the Geneva office has its own performance indicators, which are unknown to the office in New York (A/75/5/Add.16, paras. 19–24).

20. The Board of Auditors also observed that, in 2020, the Fund is implementing the practice of full functional leadership, whereby each work unit of the Geneva office will report directly to the respective chiefs at the New York headquarters. However, in the organizational reviews of the Fund for the period ended 31 December 2019, conducted by the Board of Auditors, the interactions and interdependencies between the New York and Geneva secretariat offices were found to be unclear in terms of functional responsibilities and reporting lines (ibid., para. 25). The Board of Auditors recommends, inter alia, that the Fund clearly establish the management accountability structure of the Geneva office, ensure that the risk control matrix be amended to include the risks of the Geneva office operations and develop a manual on administrative procedures regarding client services, finance and human resources (ibid., paras. 26 and 27).

21. Upon enquiry, the Advisory Committee was informed that the Pension Administration decided in 2020 to centralize finance functions in New York and to assign the eight finance staff members of the Geneva office to new roles. However, at its sixty-seventh session in July 2020, the Pension Board requested the Pension Administration to pause the redeployment of financial functions from Geneva to New York in order to review the costs, benefits, risks and impact of the proposed redeployment and report it to the Board at its next session (see also A/75/9, part one, para. 217).

22. The Advisory Committee recalls that the Pension Board, at its sixty-sixth session, proposed the redeployment of the post of Chief of Geneva Office (D-1) as Secretary of the Pension Board in New York (see also A/74/331, part one, para. 14, and General Assembly resolution 74/263, sect. VIII, para. 11).

23. **The Advisory Committee concurs with the recommendations of the Board of Auditors and reiterates its trust that the redeployment of one D-1 post from the Geneva Office will not affect the services provided by that Office (see also A/74/7/Add.14, para. 28).**

Personal securities trades

24. The Board of Auditors indicates that, pursuant to the personal securities trading policy of the Office of Investment Management, all staff members of the Office shall avoid any activities in connection with their personal securities transactions that conflict with the activities of the Fund. Moreover, the Office has several compliance policies to address various matters such as personal security trading, outside activities, gifts, information sensitivity, fraud and corruption. However, the Board of Auditors notes the absence of a specific document that designates the officials approved to make investments and those directly responsible for investment decisions

and management, for whom two additional questions are applicable in the trade order pre-clearance, according to the personal security trading policy. The Board of Auditors also notes that the Office's personal securities trading policy prohibits staff members from engaging in excessive personal trading or short-term trading. However, it has not been determined what is understood by "excessive personal trading" (A/75/5/Add.16, paras. 79, 82, 84 and 85).

25. The Board of Auditors recommends, inter alia, that the Office of Investment Management: (a) review, clarify and adjust its personal securities trading policy in matters related to excessive personal trading; (b) develop and implement a system that allows for the tracking of the personal trading accounts of all Office staff members to prevent potential conflicts of interest with the activities of the Fund; and (c) monitor and control the possible conflicts of interest of employees (ibid., paras. 89–91).

26. **The Advisory Committee concurs with the recommendations of the Board of Auditors and stresses the importance of preventing and addressing actual or perceived conflicts of interests in all areas and levels as well as in the outside activities of staff members, including their personal securities trading vis-à-vis their activity in the Fund. The Committee also stresses the importance of ensuring strict compliance with the existing policies and adherence to the accountability framework and trusts that updated information will be provided in the context of the next budget report.**

III. Proposed budget for 2021

27. The proposed budget estimates for the Fund for 2021 amount to $108,076,300 before recosting, which represents an increase of $7,309,700, or 7.3 per cent, compared with the appropriation for 2020. The budget estimates would provide for the secretariat of the Pension Board ($1,261,900), the Pension Administration ($59,474,100), the Office of Investment Management ($45,309,700) and audit ($1,945,300). In addition, extrabudgetary resources amounting to $85,300 would provide for one General Service (Other level) position (A/75/9, part two, table 2).

28. The information provided to the Advisory Committee shows increases in the proposed resources for personnel in 2021 compared with the appropriation for 2020 under the following categories of expenditure: (a) an amount of $44,277,500 under posts, representing an increase of $2,123,300, or 5 per cent, would provide for 312 posts, reflecting a net increase of 5 posts; and (b) an amount of $13,097,300 under other staff costs, representing an increase of $2,661,900, or 25.5 per cent, would cover mostly the costs of 82 general temporary assistance positions, reflecting a net increase of 8 positions. The non-personnel resources would amount to $50,616,000, representing an increase of $2,524,500, or 5.2 per cent (see also A/75/9, part two, tables 3, 4, 5, 9, 14, 15 and 19).

29. **The Advisory Committee is concerned with the significant proposed increase in resources for general temporary assistance positions under other staff costs. The Committee recommends that the General Assembly request the Secretary-General or the Pension Board to review all the general temporary assistance positions of the Fund with a view to identifying potential duplication of functions and efficiencies, while ensuring that their establishment and management complies with the applicable Assembly resolutions and the Staff Regulations and Rules of the United Nations, notably in terms of responding to peak workload and being established following approval by the Assembly (see also paragraphs 36, 37, 38, 40 and 48–50 below).**

Secretariat of the Pension Board

30. The proposed resources of $1,261,900 for the secretariat of the Pension Board in 2021 represent a reduction of $488,600, or 27.9 per cent, compared with the appropriation for 2020 (A/75/9, part two, para. 28).

31. The post resources of $561,300, reflecting an increase of $31,300, would provide for the continuation of three posts and the reclassification of one post of Programme Management Officer from P-4 to P-5. According to the Pension Board, the proposed reclassification reflects the increasing demands from the Fund's governing bodies and would provide effective 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 Pension Board and its subsidiary bodies (ibid., para. 30 (a)). **The Advisory Committee notes that the secretariat of the Pension Board has three dedicated posts (1 D-1, 1 P-4 and 1 General Service (Other level)). The Committee also notes that in its previous report, the Pension Board had already proposed to reclassify the Programme Management Officer post from the P-4 to the P-5 level and that the General Assembly, in its resolution 74/263, did not approve this change (see also A/75/9, part two, para. 21) The Committee is not convinced that at this stage, the upward reclassification of the Programme Management Officer post from the P-4 to the P-5 level is justified. Therefore, the Committee recommends against the proposed reclassification. Non-post resources should be adjusted accordingly.**

32. The proposed non-post resources of $700,600 represent a decrease of $519,900 owing to the removal of a one-time requirement under contractual services for recruitment for the post of Deputy Chief Executive of Pension Administration ($254,000) and a reduction in the number of meetings and meeting participants ($423,900). This decrease would be offset in part by increases under general operating expenses relating mainly to the share of the cost of rental and maintenance of premises ($105,700); other staff costs for general temporary assistance (General Service (Principal level)) for three months ($26,100); the travel of staff, mainly reflecting participation in meetings of the committees ($19,900); and contractual services ($6,300) (ibid., paras. 29 and 30 (b)).

Pension Administration

33. The proposed requirement of $59,474,100 for the Pension Administration for 2021 represents an increase of $6,047,700, or 11.3 per cent, compared with the appropriation for 2020 (ibid., para. 68).

34. The proposed post resources of $26,385,500, reflecting an increase of $1,309,200 compared with the appropriation for 2020, would provide for 201 posts, representing an increase of 7 posts. Table 4 provides information on the proposed post changes.

Table 4
Proposed post changes for the Pension Administration in 2021

	Number	*Level*
Approved for 2020	194	1 ASG, 1 D-2, 4 D-1, 11 P-5, 23 P-4, 33 P-3, 1 P-2/1, 10 GS (PL), 108 GS (OL), 2 GS (LL)
Establishment	1	1 P-5
Conversion	6	1 P-5, 2 P-3, 3 GS (OL)
Reclassification	–	1 P-3 to P-4, 1 GS (OL) to GS (PL)

	Number	Level
Redeployment	–	1 P-4 and 1 P-3 from programme of work to executive direction and management, 1 P-3 from executive direction and management to programme of work
Proposed for 2021	201	1 ASG, 1 D-2, 4 D-1, 13 P-5, 24 P-4, 34 P-3, 1 P-2/1, 11 GS (PL), 110 GS (OL), 2 GS (LL)

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

35. The Pension Board proposes that a post of Chief of the Business Transformation and Accountability Unit (P-5) be established to lead a new unit aimed at incorporating tools, techniques and strategies to implement changes in the workplace and prepare and train staff in successfully adopting – and driving – these changes. The incumbent would be responsible in particular for monitoring and advising on the implementation of the strategic plan and organizational change of the Pension Administration (ibid., para. 71 (a) (i) b., and annex III). **The Advisory Committee notes the proposal to establish a new Business Transformation and Accountability Unit in the Pension Administration and trusts that key performance indicators will be developed to assess its efficiency and its impact on the work of the Fund.**

36. The Pension Board is proposing that one general temporary assistance position of Special Assistant to the Chief Executive (P-5) be converted to an established post. According to the Pension Board, this conversion will allow for the development and implementation of an internal and external communications plan, including the coordination of all communications activities of the Pension Administration and joint efforts with the Office of Investment Management (ibid., para. 71 (a) (i) a.). **Considering that, in its resolution 74/263 dated 27 December 2019, the General Assembly did not approve the proposed establishment of the Special Assistant (P-5) post, the Advisory Committee is of the view that the proposed conversion of the position of Special Assistant to the Chief Executive of Pension Administration (P-5) to an established post is premature and recommends against it.**

37. The Pension Board is also proposing that one general temporary assistance position of Accountant (P-3) be converted to an established post. The Pension Board indicates that the incumbent is in charge of the Accounts Payable Group, which was established in 2020 to monitor and follow up on outstanding open accounts payable on a regular basis, set up and maintain required internal controls recommended by the Office of Internal Oversight Services and reconcile accounting journal entries for monthly and yearly accounting closing (ibid., para. 71 (b) (i) b.). **In view of the fact that the Accounts Payable Group was only established in 2020, the Advisory Committee considers that the proposed conversion of one general temporary assistant position of Accountant (P-3) to an established post is not justified at this stage and therefore recommends against this conversion.**

38. The Pension Board also proposes that a general temporary assistance position of Benefits Assistant (General Service (Other level)) be converted to an established post to strengthen the Client Services and Outreach Section and respond adequately to the large volume of often complex incoming inquiries (ibid., para. 71 (b) (i) a. ii.). **The Advisory Committee is not convinced that the proposed conversion of one general temporary assistance position of Benefits Assistant (General Service (Other level)) to an established post would strengthen the Client Services and Outreach Section and respond more adequately to inquiries, since the source of funding of a post or position is not related to the performance of its incumbent. Therefore, the Committee recommends against the proposed conversion.**

39. Upon enquiry, the Advisory Committee was informed that 22 posts in the Pension Administration, including 5 in the Professional category and 17 in the General Service category, were vacant as at 9 October 2020. The Committee was also informed that as at 16 November 2020, the Pension Administration had no special post allowances for established posts. **The Advisory Committee trusts that updated information on vacant posts will be provided to the General Assembly at the time of its consideration of the present report.**

40. The non-post resources of $33,088,600 represent an increase of $4,738,500 compared with the appropriation for 2020 (ibid., table 9). This overall increase reflects mostly increases under the following items of expenditure:

(a) Other staff costs: the information provided to the Advisory Committee shows that an increase of $828,700 would provide for the following 11 new general temporary assistance positions: one Project Management Officer (P-4), one Information Systems Officer (Technology Innovation) (P-4), one Information Management Officer (P-4), one Communications Officer (P-3), one Systems Analyst (P-2/P-1), three Accounting Assistants (General Service (Other level)), one Benefits Assistant (General Service (Other level)), one Team Assistant (General Service (Other level)) and one Information Systems Assistant (General Service (Other level)) in Geneva. **The Advisory Committee notes that three new positions are proposed to be established in the Information Management Systems Service (2 P-4 and 1 General Service (Other level)). Considering that this service already has a complement of seven positions (2 P-4, 4 P-3 and 1 General Service (Other level)), the Committee is not convinced that the proposed position of Information Systems Officer (Technology Innovation) (P-4) is justified, and therefore recommends against it. With regard to the proposed establishment of three Accounting Assistant (General Service (Other level)) positions in the finance section, the Committee notes that this section already has a complement of eight Accounting Assistants (General Service (Other level)). The Committee, therefore, is not convinced that the proposed establishment of three positions is justified. Therefore, the Committee recommends against their establishment. Non-post resources should be adjusted accordingly;**

(b) Contractual services: an increase of $2,481,900 would provide mostly for new information and communications technology resources;

(c) General operating expenses: an increase of $2,191,000 would cover mainly the cost increases for the rental and maintenance of premises ($1,608,000) and the administrative services from the United Nations ($583,000) (ibid., table 9 and para. 71). **In view of the impact of the coronavirus disease (COVID-19) pandemic on the flexible working arrangements and the rental costs in New York, the Advisory Committee trusts that the proposed cost increase for rental and maintenance of premises will be reviewed in order to identify potential savings and efficiencies. The Committee also trusts that information on this matter will be provided to the General Assembly at the time of its consideration of the present report and an update included in the context of the next budget proposal.**

Office of Investment Management

41. The proposed resources for the Office of Investment Management in 2021 amount to $45,309,700, which represents an increase of $1,413,300, or 3.2 per cent, compared with the appropriation for 2020 (ibid., table 14).

42. The proposed post resources amounting to $17,330,700, which reflect an increase of $782,800 compared with the appropriation for 2020, would provide for 108 posts, which represent a net reduction of 2 posts compared with 2020. Table 5 illustrates the proposed post changes.

Table 5
Proposed post changes for the Office of Investment Management in 2021

	Number	*Level*
Approved for 2020	110	1 ASG, 1 D-2, 4 D-1, 12 P-5, 27 P-4, 27 P-3, 3 P-2/1, 15 GS (PL), 20 GS (OL)
Reclassification	–	1 P-2/1 to P-3, 1 P-3 to P-4
Abolishment	(2)	2 GS (OL)
Redeployment	–	1 P-5, 1 P-4, 1 GS (PL), 3 GS (OL) from executive direction and management to programme of work, 1 P-4 from programme of work to executive direction and management
Proposed for 2021	108	1 ASG, 1 D-2, 4 D-1, 12 P-5, 28 P-4, 27 P-3, 2 P-2/1, 15 GS (PL), 18 GS (OL)

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

43. The Pension Board proposes that one post of Investment Officer be reclassified from P-3 to P-4. The Pension Board indicates that the Investment Officer would be assigned to oversee earnings models related to North America and would oversee roughly 118 equities, accounting for assets under management of approximately $3 billion (ibid., para. 118 (b) (i) a.). **In the absence of additional information in the report of the Pension Board on the proposed change to the duties of the Investment Officer (P-3), including on its current portfolio, the Advisory Committee is not in a position to assess the justification for the proposed reclassification and therefore recommends against it.**

44. In its previous report, the Advisory Committee welcomed the proposal of the Representative of the Secretary-General for the investment of the assets of the Fund to link the professional staff performance appraisal to individual portfolio returns as part of an effort towards greater transparency and accountability. **The Advisory Committee reiterates its recommendation that the General Assembly request the Secretary-General to include information on the proposal to link the professional staff performance appraisal to individual portfolio returns in the next report of the Pension Board (see also A/74/7/Add.14, para. 35, and A/74/331, part two, annex IX).**

45. Upon enquiry, the Advisory Committee was informed that 23 posts in the Office of Investment Management, including 15 in the Professional category and 8 in the General Service category, were vacant as at 9 October 2020, and that special post allowances had been granted to five staff members of the Office as at 16 November 2020. **The Advisory Committee trusts that updated information on vacant posts and the granting of special post allowance in the Office of Investment Management will be provided to the General Assembly at the time of its consideration of the present report.**

46. The proposed non-post resources amounting to $27,979,000 represent an increase of $630,500, or 2.3 per cent, compared with the appropriation for 2020 (A/75/9, part two, table 19). The information provided to the Advisory Committee indicates that the overall proposed increase reflects mostly changes under the following items of expenditure, set out below.

47. Other staff costs would include an increase of $1,691,500 that would provide for 21 general temporary positions, including 17 new positions (3 Investment Officers (P-4), 3 Investment Officers (P-3), 1 Risk Officer (P-3), 1 Information Systems Officer (P-3), 2 Associate Investment Officers (P-2/P-1), 1 Associate Legal Officer (P-2/P-1), 1 Associate Risk Officer (P-2/P-1), 1 Associate Compliance Officer (P-2/P-1), 1 Associate Accountant (P-2/P-1), 2 Associate Information Systems Officers (P-2/P-1) and one Senior Administrative Assistant (General Service (Principal level)); and

4 continuing positions (2 Accountants (P-4), 1 Accountant (P-3) and 1 Information Systems Officer (P-3)).

48. Upon enquiry, the Advisory Committee was informed that the proposed two positions of Associate Investment Officer (P-2/P-1) in the Office of the Representative of the Secretary-General would assist in the implementation of the sustainable investing programme. **The Advisory Committee is not fully convinced that two Associate Investment Officers are required to provide assistance with the sustainable investment programme considering that one new Investment Officer (P-3) position is also proposed to be established to perform this task. Therefore, the Committee recommends against the proposed establishment of one general temporary assistant position of Associate Investment Officer (P-2/P-1). Non-post resources should be adjusted accordingly.**

49. The Advisory Committee was also informed that the Associate Legal Officer (P-2/P-1) would assist with the anticipated increased workload in the Office of Investment Management. **The Advisory Committee is not convinced that the anticipated workload increase justifies a new position of Associate Legal Officer. Therefore, the Committee recommends against the proposed establishment of one general temporary assistance position of Associate Legal Officer (P-2/P-1). Non-post resources should be adjusted accordingly.**

50. With regard to the proposed establishment of three Investment Officer (P-3) positions, the Advisory Committee notes that the Investment Section of the Office of Investment Management already has a complement of 27 posts of Investment Officer at the P-4 and P-3 levels. **The Advisory Committee considers that some of the additional new tasks to be performed by the proposed positions of Investment Officer (P-3) should be absorbed within existing resources. The Committee, therefore, recommends against the establishment of two of the proposed positions of Investment Officer (P-3), including one in the global equities subsection and one in the fixed income subsection. Non-post resources should be adjusted accordingly.**

51. General operating expenses would include an increase of $798,900 that would provide mainly for the increased cost of rental and maintenance of premises and increased charges for United Nations administrative services provided to the Office of Investment Management (ibid., table 14 and para. 118 (c) (i)). **In view of the impact of the COVID-19 pandemic on the flexible working arrangements and the rental costs in New York, the Advisory Committee trusts that the proposed cost increase for rental and maintenance of premises will be reviewed in order to identify potential savings and efficiencies. The Committee also trusts that further information will be provided to the General Assembly at the time of its consideration of the present report and an update included in the context of the next budget proposal.**

52. The abovementioned increases will be offset in part by reductions under contractual services ($1,416,500), travel of staff ($197,200) and travel of representatives (87,300) (ibid., table 14).

Audit

53. The proposed resources of $1,945,300 for audit in 2021 reflect a net increase of $337,300, or 21 per cent, compared with the appropriation for 2020. The increase relates primarily to requirements for two additional general temporary assistance positions: one Senior Auditor (P-5) and one Investigator (P-4) (ibid., paras. 133 and 134).

Cost-sharing arrangement

54. The Secretary-General indicates that the cost of services related to the United Nations Staff Pension Committee provided by the Fund is estimated at $7,995,100 in

2021. This overall amount would be shared among the regular budget of the United Nations and the funds and programmes, on the basis of the latest information on the number of participants (61.1 per cent for the United Nations regular budget and 38.9 per cent for the funds and programmes). The share of the regular budget amounts to $4,885,000. Considering that a provision of $4,956,300 has already been included under section 1 of the proposed programme budget for 2021, a reduction in the amount of $71,300 would be required under the same section (A/C.5/75/3, paras. 4–6).

IV. Governance and administration

Status of the Secretary of the Pension Board

55. In its resolutions 73/274 and 74/263, the General Assembly decided that the Secretary of the Pension Board shall be fully independent from the Chief Executive of Pension Administration and the Representative of the Secretary-General, and that the Secretary of the Pension Board shall report directly to the Pension Board, while being provided with administrative support from the Pension Administration and the Office of Investment Management, as necessary. In its resolution 74/263, the Assembly requested the Pension Board to provide further information on measures taken to ensure the independence of the Secretary of the Pension Board in the context of its next report.

56. In its present report, the Pension Board proposes the amendment of article 7 of the Fund's Regulations to indicate that the Pension Board Secretary shall be appointed by the Secretary-General on the recommendation of the Pension Board (A/75/9, part two, annex XVII). Upon enquiry, the Advisory Committee was informed that both the Secretary of the Pension Board and the Chief Executive of Pension Administration are selected by the Pension Board and appointed by the Secretary-General. The Committee was also informed that the two posts do not have any reporting line to each other. The Pension Board will conduct their evaluations. The Committee was further informed that, on the basis of an arrangement put in place in early 2020, the Secretary services the Pension Board and the committees whose work is mainly oversight and/or governance, such as the Audit Committee and the Governance Working Group. The Advisory Committee was provided with the text of the job opening for the Secretary of the Pension Board (D-1).

57. At its sixty-fifth session, the Pension Board decided to establish a Succession Planning Committee to assist the Board in selecting senior staff for recommendation to the Secretary-General for appointment, to develop evaluation methodologies for those positions and to take a long-term strategic approach to succession planning in the senior executive levels of the Fund. The Succession Planning Committee presented four candidates for the post of Secretary of the Pension Board to the Pension Board at its sixty-seventh session. The Pension Board decided by consensus to recommend one candidate for appointment by the Secretary-General (ibid., part one, paras. 349, 362 and 363). The candidate was appointed in September 2020.

Status of the Chief Executive of Pension Administration

58. In its resolution 74/263, the General Assembly decided that the head of the pension administration shall have the title of Chief Executive of Pension Administration. The Pension Board proposes to amend article 4 (a) of the Fund's Regulations to indicate that the Fund is administered not only by the Pension Board, a staff pension committee for each member organization, and a secretariat to each such committee, but also by the Chief Executive of Pension Administration. The Pension Board also proposes to amend article 8 of the Fund's Regulations to indicate that the Pension Administration (instead of the secretariat of the Board) shall serve as the secretariat of the United Nations Staff Pension Committee (ibid., part two, annex XVII).

59. Upon enquiry, the Advisory Committee was informed that the Chief Executive is responsible for the administration of the Fund and certifying payments under the Fund's Regulations. Based on the current arrangement, the Chief Executive services the committees that are mainly technical in nature, such as the Committee of Actuaries. The Advisory Committee was provided with the text of the job opening for the Chief Executive of Pension Administration (ASG).

60. **The Advisory Committee recalls again that, pursuant to General Assembly resolutions 73/274 and 74/263, the Secretary of the Pension Board should be fully independent of the Chief Executive of Pension Administration. The Committee trusts that the Pension Board will provide further details on the independence of the Secretary of the Pension Board, including the draft terms of reference of the Secretary of the Pension Board and of the Chief Executive of Pension Administration, as well as the related reporting lines, to the General Assembly, and recommends that the Assembly request the Pension Board to include information thereon in its next report (see also A/74/7/Add.14, para. 22).**

61. **The Advisory Committee trusts that the recruitment of all posts/positions of the Fund will be made in accordance with the relevant Staff Regulations and Rules.**

Additional proposed amendments to the Fund's Regulations

62. In its previous report, the Pension Board had proposed to amend article 6 of the Fund's Regulations to prevent staff members of the Fund and of the secretariat of each staff pension committee from being elected or appointed to a staff pension committee and from serving on the Pension Board (A/74/331, part two, annex XI). In its resolution 74/263, the General Assembly decided to defer the amendment to article 6 of the Regulations of the Fund, recalled paragraph 25 of its resolution 73/274 and urged the Pension Board to finalize the development of a comprehensive code of conduct applicable to all Pension Board members and to develop appropriate regulations and procedures to address all questions of ethics and to report thereon in its next report. In its current report, the Pension Board again proposes to amend article 6 of the Fund's Regulations and indicates that it has approved a new section G to the rules of procedure in respect of the adoption of a code of conduct for the Pension Board (A/75/9, chap. II, para. 10 (p)).

63. In its previous report, the Pension Board had also proposed to amend article 48 of the Fund's Regulations to limit the jurisdiction of the United Nations Appeals Tribunal vis-à-vis the Fund to cases affecting participation, contributory service and benefit entitlements arising from decisions of the Standing Committee acting on behalf of the Pension Board (A/74/331, part two, annex XI). In its resolution 74/263, the General Assembly decided to defer the amendment to article 48 of the Regulations of the Fund and requested the Pension Board to provide further analysis of and clarification on the proposed amendment and, in particular, to examine the possible impact on the access of staff members and participants in the Fund to justice in the United Nations Appeals Tribunal and its possible legal consequences, and to report thereon in the context of its next report. In its present report, the Pension Board is again proposing to amend article 48 of the Fund's Regulations. Explanations regarding the proposed amendment are contained in particular in paragraphs 387 to 392 of part one of the report of the Pension Board (A/75/9).

64. **The Advisory Committee reiterates its view that the adoption of the proposed amendments to the Regulations of the Fund would have legal consequences, and therefore trusts that these amendments will be considered by the appropriate bodies of the General Assembly (see also A/74/7/Add.14, para. 38, and A/73/489, para. 14).**

Study on governance

65. The Pension Board indicates that, pursuant to General Assembly 74/263, it hired a consultant firm (Mosaic Governance Advisors) with expertise in pension fund governance matters to present a report on the governance of the Fund. At its sixty-seventh session, the Pension Board decided that the Governance Working Group would review the report and present its recommendations at the next session of the Pension Board (A/75/9, part one, paras. 288, 315 and 414). The Advisory Committee was informed that a session of the Pension Board dedicated to governance matters is scheduled to be held in February 2021. **The Advisory Committee looks forward to receiving updated information in the next report of the Pension Board.**

V. Membership of the Investments Committee

66. Article 20 of the Regulations of the Fund stipulates that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. Accordingly, the Secretary-General conveyed to the Pension Board and to the Advisory Committee the proposal to appoint four members as regular members for a three-year term, reappoint one ad hoc member for a one-year term and appoint a new Chair of the Investments Committee for a one-year term. In accordance with established procedure, the Advisory Committee conveyed its views on the proposal in a letter to the Secretary-General dated 1 October 2020. **The Advisory Committee concurred with the proposal and took note of the progress in relation to equitable geographical representation as well as gender balance, and trusts that all efforts will continue to be made to ensure the respect of these principles for future nominations. With regard to candidates to the Investments Committee having multiple nationalities, the Advisory Committee expressed the view that, as a matter of principle, only one nationality should be selected in the appointment.**

VI. Conclusion

67. The recommendations and decisions of the Pension Board that require action by the General Assembly are contained in paragraph 9 of chapter II of its report (A/75/9). The proposed amendments to the Regulations of the Fund are contained in annex XVII to part one of the report.

68. Should the General Assembly approve the proposals and recommendations of the United Nations Joint Staff Pension Board, the appropriation under section 1, Overall policymaking, direction and coordination, of the proposed programme budget for 2021 would reflect a reduction in the amount of $71,300.

69. **Subject to its observations and recommendations contained in the present report, the Advisory Committee recommends that the General Assembly approve the recommendations of the Pension Board. The Committee trusts that information on the financial implications of its recommendations will be presented to the Assembly at the time of its consideration of the present report.**