United Nations

United Nations Joint Staff Pension Board

Report of the United Nations Joint Staff Pension Board

Sixty-seventh session (16 to 24 July 2020)

General Assembly
Official Records
Seventy-fifth Session
Supplement No. 9

General Assembly
Official Records
Seventy-fifth Session
Supplement No. 9

A/75/9

United Nations Joint Staff Pension Fund

Report of the United Nations Joint Staff Pension Board

Sixty-seventh session
(16 to 24 July 2020)

United Nations • New York, 2020

Note

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

ISSN 0252-1202

[26 August 2020]

Contents

Chapter		Page
	Abbreviations	6
I.	Introduction	8
II.	Overview of decisions taken by the Board	10
	A. Recommendations and decisions of the Board that require action by the General Assembly	10
	B. Information provided to the General Assembly on other actions taken by the Board	11
III.	Summary of the operations of the Fund for the year ended 31 December 2019	13
	Part one	
IV.	Opening of the session	14
	A. Statement by the Chief Executive of Pension Administration	14
	B. Statement by the Acting Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund	16
V.	Decisions of the General Assembly at its seventy-fourth session	17
VI.	Actuarial matters	21
	A. Thirty-fifth actuarial valuation of the Fund as at 31 December 2019	21
	B. Report of the Committee of Actuaries	31
	C. Membership of the Committee of Actuaries	32
VII.	Investments of the Fund	33
	A. Management of the investments of the Fund	33
	B. Membership of the Investments Committee	38
	C. Progress report on risk management and compliance	39
VIII.	Financial matters	41
	A. Financial statements for the year ended 31 December 2019	41
	B. Budget estimates for the year 2021	42
IX.	Administrative matters	54
	Status report on the Emergency Fund	54
X.	Audit	56
	A. Report of the Audit Committee	56
	B. Membership of the Audit Committee	58
	C. External audit	58
	D. Office of Internal Oversight Services	60
	E. Audit of Office of Investment Management governance	62

XI. Governance matters . . . 64

A. Study on governance . . . 64

B. Report of the Governance Working Group . . . 70

C. Report of the Fund Solvency and Assets and Liabilities Monitoring Committee . . . 72

D. Report of the Succession Planning Committee . . . 75

E. United Nations Appeals Tribunal judgments of interest to the Board . . . 78

F. Report of the 202nd meeting of the Standing Committee . . . 79

G. Election of members of the Standing Committee (rules of procedure, rule B.1) . . . 79

H. Selection of members of the Budget Working Group for the review of the 2022 budget to be presented at the 2021 session of the Board . . . 80

XII. Benefit system/participants . . . 81

A. Report on the monitoring of the impact of currency fluctuations on the pension benefits of the Fund . . . 81

B. Changes to the Regulations, Rules Pension Adjustment System of the Fund . . . 81

XIII. Other matters . . . 85

A. Application for membership in the Fund . . . 85

B. Request for withdrawal of Board decision . . . 86

C. Venue and date of the sixty-eighth session of the Board . . . 87

D. Other business . . . 87

E. Closure of the sixty-seventh session of the Board . . . 88

Annexes

I. Member organizations of the United Nations Joint Staff Pension Fund . . . 89

II. Membership of the United Nations Joint Staff Pension Board and attendance at the sixty-seventh session . . . 90

III. Membership of the Standing Committee . . . 96

IV. Statement of the actuarial sufficiency, as of 31 December 2019, of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations . . . 97

V. Statement of the actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 2019 . . . 98

VI. Membership of the Committee of Actuaries (as of July 2020) . . . 99

VII. Membership of the Investments Committee (as of July 2020) . . . 100

VIII. Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019 . . . 101

IX. Report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019: audit opinion . . . 177

X. Membership of the Budget Working Group (as of July 2020) . . . 180

XI. Membership of the Audit Committee (as of July 2020) . . . 181

XII. Long-form report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019 . . . 182

XIII. Membership of the Governance Working Group (as of July 2020) 238

XIV. Comments of the Governance Working Group on the report of Mosaic Governance Advisors. 239

XV. Membership of the Fund Solvency and Assets and Liabilities Monitoring Committee (as of July 2020) 289

XVI. Membership of the Succession Planning Committee (as of July 2020) 290

XVII. Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund 291

XVIII. Amendments to the Pension Adjustment System of the United Nations Joint Staff Pension Fund 295

XIX. Amendments to the rules of procedure of the United Nations Joint Staff Pension Fund 296

XX. Joint statement by the Federation of International Civil Servants' Association, the Coordinating Committee for International Staff Unions and Associations of the United Nations and the United Nations International Civil Servants Federation 297

Part two

I. Overview 300

A. Proposed programme plan for 2021 300

B. Proposed post and non-post resource requirements for 2021 301

C. Emergency Fund 302

D. Action to be taken by the General Assembly 302

II. Secretariat of the Pension Board 303

III. Pension Administration 307

Foreword 307

Overall orientation 309

A. Proposed programme plan for 2021 and programme performance for 2019 315

B. Proposed post and non-post resource requirements for 2021 318

IV. Office of Investment Management 331

Foreword 331

Overall orientation 332

A. Proposed programme plan for 2021 and programme performance for 2019 333

B. Proposed post and non-post resource requirements for 2021 336

V. Audit 346

Annexes

I. Approved organization chart for the United Nations Joint Staff Pension Fund for 2020 348

II. Proposed organization chart for the United Nations Joint Staff Pension Fund for 2021 349

III. Summary of proposed changes in established posts by office and component 350

IV. Number of participants in the United Nations Joint Staff Pension Fund by member organization, as at 31 December 355

V. Summary of follow-up action taken to implement relevant recommendations of the oversight bodies 357

Abbreviations

ASG	Assistant Secretary-General
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
GS	General Service
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
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
LL	Local level
OIOS	Office of Internal Oversight Services
OL	Other level
PL	Principal level
STL	Special Tribunal for Lebanon
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNIDO	United Nations Industrial Development Organization
UNWTO	World Tourism Organization
USG	Under-Secretary-General

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

Chapter I
Introduction

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

2. As an independent inter-agency entity, the Fund operates under its own self-contained 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 listed in annex I to the present report. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads of those organizations and one third by the participants in the Fund. The Board reports to the General Assembly on the operations of the Fund and on issues related to the management of its investments. When necessary, it recommends amendments to the Regulations and to the Fund's pension adjustment system, which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled.

3. The present report is submitted by the Board following its sixty-seventh session, held as an online meeting from 16 to 24 July 2020. 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 attended, are listed in annex II.

4. The major items addressed by the Board were: (a) actuarial matters, including the results of 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 investment of the assets of the Fund on investment performance for the one-year period ended 31 December 2019, and the membership of the Investments Committee; (c) budget estimates for 2021; (d) the reports of the Assets and Liabilities Monitoring Committee and the Audit Committee; (e) the reports of the Board of Auditors and OIOS; (f) the report on the OIOS audit of the governance of the Office of Investment Management; (g) the report of the Succession Planning Committee (selection of the Deputy Chief of Pension Administration and the Secretary of the Pension Board); (h) a study on governance by the independent external entity and the report of the Governance Working Group; (i) possible changes to the Regulations and Administrative Rules of the Fund with respect to technical changes necessary to coordinate provisions as a result of past changes in the Regulations and of General Assembly resolutions; and (j) application for membership in the Fund.

5. The Board examined and approved the financial statements and schedules of the Fund for the year ended 31 December 2019.

6. The sections below provide an overview of the decisions taken by the Board at its sixty-seventh session and a summary of the operations of the Fund for the year ended 31 December 2019. The report consists of two parts: part one concerns other issues on which action is required by the General Assembly, as well as matters on

which the Board is informing the Assembly and part two contains the budget estimates for 2021. The salient observations, conclusions and recommendations set out in the present report are highlighted in bold print.

Funding source

7. The Fund is funded primarily through investment income and contributions from its member organizations and participating staff members, whereby the contributions of member organizations are resourced from Member States and other resources. The Fund is not directly funded from the assessed contributions of Member States.

8. In addition to the administration of the Fund, the Pension Administration 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, which are funded from the United Nations regular budget reflected under section 1 of the proposed programme budget of the United Nations. As the Fund's host organization, the United Nations also provides a number of administrative services to the Fund and charges the Fund accordingly. The budget for the year 2021 therefore reflects the estimates in line with the methodology of the valuation of the services exchanged between the Fund and the United Nations, as endorsed by the General Assembly in its resolution 74/263.

Chapter II
Overview of decisions taken by the Board

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

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

Part one

(a) The Board recommended that the General Assembly admit the Wassenaar Arrangement to membership in the Fund, effective 1 January 2021;

(b) The Board approved an amendment to article 4 of the Regulations of the Fund to reflect the separation of the roles of Chief Executive of Pension Administration and the Secretary of the Board, who is independent from the Chief Executive. This amendment clarifies the Chief Executive's delegated responsibility for the administration of the Fund, including the certification of benefit payments under the Regulations;

(c) The Board again approved an amendment to article 6 of the Regulations to align it with rule C.1 of the rules of procedure, adopted by the Board and reported to the General Assembly in 2017, 2018 and 2019;

(d) The Board approved an amendment to article 7 of the Regulations to reflect the appointment of the Secretary of the Board by the Secretary-General;

(e) The Board approved an amendment to article 8 of the Regulations to reflect the separation of the roles of Chief of Executive of Pension Administration with responsibility for the administration of the Fund, and the independence of the Secretary of the Board from the Chief Executive, as mandated by the General Assembly;

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

(g) The Board approved an amendment to paragraph 19 of the pension adjustment system to clarify the conditions for the application of a second cost-of-living adjustment in the same calendar year;

Part two

(a) In respect of the budget estimates for 2021, the Board recommends that the General Assembly approve:

(i) The Fund budget estimates for 2021 amounting to $112,388,800, comprising:

a. Secretariat of the Pension Board ($1,325,000);

b. Pension Administration ($61,513,000);

c. Office of Investment Management ($47,471,500);

d. Audit ($2,079,300).

Of this amount, $7,995,100 would be directly chargeable to the United Nations for services related to the United Nations Staff Pension Committee;

(ii) Estimates for 2021 amounting to $88,800 for extrabudgetary resources;

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

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

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

(a) In response to General Assembly resolution 73/274, by which two separate and distinct positions, namely, Secretary of the Pension Board and Chief Executive of Pension Administration, were created and in response to resolution 74/263, in which the Assembly stressed that the Secretary of the Pension Board shall be fully independent from the Chief Executive of Pension Administration, the Board discussed a proposal to address the delineation of functions, reporting lines, roles and responsibilities – and resultant accountability – for those positions as they related to the administration of the Fund and servicing of the Board committees and working groups. The Board agreed to maintain the current arrangement for the coming year, whereby the Secretariat of the Board would service the committees dealing mainly with oversight/governance and the Pension Administration would service the committees dealing with items of a technical nature, and asked the Governance Working Group to further review the matter and report back in July 2021;

(b) The actuarial valuation of the Fund, performed as at 31 December 2019, revealed a surplus of 0.50 per cent of pensionable remuneration, compared with the small deficit of 0.05 per cent of pensionable remuneration revealed by the 2017 actuarial valuation. The Board took note of the valuation results and welcomed the fact that the Fund remained near actuarial balance, with a modest surplus as at 31 December 2019;

(c) With respect to the Fund's liabilities on a plan-termination basis, as at 31 December 2019 the Fund was in a sound funded position at 107.1 per cent, assuming future expected cost-of-living adjustments. With reference to article 26 of the Regulations of the Fund, there is no requirement that deficiency payments be made by member organizations;

(d) The Board considered the membership of the Committee of Actuaries and recommended that the Secretary-General reappoint two members of the Committee;

(e) The Board welcomed the decision of the Secretary-General to appoint four new members and to reappoint an ad hoc member of the Investments Committee, subject to approval by the General Assembly;

(f) The Board took note of the unqualified audit opinion of the Board of Auditors on the financial statements for the year ended 31 December 2019;

(g) The Board reviewed the report of the Audit Committee and endorsed its major findings and recommendations. The Board also endorsed the nominations of new Committee members;

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

(i) The Board considered the OIOS audit of the governance of the Office of Investment Management and provided its comments;

(j) The Board reviewed the report of the Fund Solvency and Assets and Liabilities Monitoring Committee and endorsed its major findings and recommendations;

(k) The Board reviewed the report of the Governance Working Group and endorsed its recommendations, including the amendments to the Fund's rules of procedure;

(l) The Board reviewed the analysis of the Fund's governance prepared by an independent external entity in response to General Assembly resolution 74/263. To ensure that the numerous conclusions and recommendations contained in the report were carefully considered and analysed within the current legal and governance framework, the Board requested that the Governance Working Group be tasked with the review and analysis of the report in liaison with the external entity and in full consultation with the staff pension committees of member organizations and to present its recommendations to the Board at its sixty-eighth session;

(m) The Board unanimously decided to recommend to the Secretary-General, in accordance with article 7 (a) of the Regulations of the Fund, the appointment of a Deputy Chief Executive of Pension Administration and, by consensus, in accordance with article 7 (c) of the Regulations, the appointment of a Secretary of the Board;

(n) The Board was presented with an update through 31 December 2019 of the effects of currency fluctuations on the benefits payable in countries covering 90 per cent of the benefits payable as local currency track benefits. The Board noted that the local currency track pension amounted continued to be maintained at or near the targeted levels for the countries under review;

(o) The Board took note of the activities related to the Emergency Fund during the period from 1 January 2018 to 31 December 2019, including the total paid out, which amounted to $145,318, representing 106 disbursements;

(p) The Board approved a new section G to the rules of procedure in respect of the adoption of a code of conduct for the Board;

(q) The Board approved a one-time flat fee of $25,000 and a fee of $20 per staff member/new participant, payable by a new organization to the Fund, to cover administrative and other additional costs related to the admission process.

Chapter III

Summary of the operations of the Fund for the year ended 31 December 2019

11. During the year ended 31 December 2019, the number of participants in the Fund increased from 128,594 to 131,583, or 2.3 per cent; the number of periodic benefits in award increased from 78,716 to 79,975, or 1.5 per cent. As at 31 December 2019, the breakdown of the periodic benefits in award was as follows: 29,225 retirement benefits, 17,065 early retirement benefits, 8,102 deferred retirement benefits, 12,896 widows' and widowers' benefits, 10,855 children's benefits, 1,798 disability benefits and 34 benefits for secondary dependents' benefits. In the course of the year, 6,910 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 2019 is shown in tables 1 and 2 of the appendix to annex VIII of part one of the present report.

12. During the one-year period from 1 January 2019 to 31 December 2019, the net assets available for benefits increased from $60,776,047,000 to $72,034,478,000 (see annex VIII of part one of the present report, financial statements for the year ended 31 December 2019, statement of net assets available for benefits). The investment income of the Fund during the period amounted to $10.0 billion and contributions and other income amounted to $2.7 billion.

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

14. Benefit payments exceeded contributions for the one-year period ended 31 December 2018 by $11 million.

15. The Fund's overall investment performance for the calendar year ended 31 December 2019 was 18.7 per cent, compared with the Fund's performance benchmarks for the same period of 19.6 per cent.

16. A summary of the Fund's investments as at 31 December 2019 and their market values are given in the report of the Board on its sixty-seventh session (see annex VIII, part one of the present report, financial statements for the year ended 31 December 2019, statement of net assets available for benefits).

Part one

Chapter IV
Opening of the session

17. The sixty-seventh session of the United Nations Joint Staff Pension Board was held online from 16 to 24 July 2020. The meeting was opened by P.R.O. Owade, Chair of the sixty-sixth session of the Board and representative of the General Assembly.

A. Statement by the Chief Executive of Pension Administration

18. The Chief Executive of Pension Administration outlined her first impressions from her first six months in the office and her vision. She noted that the Fund staff was extremely dedicated and hard-working and that the enterprise resource planning system (Integrated Pension Administration System) was stable. However, she added that further information technology investments were critical to the future success of the Fund. Reflecting on her more than 30 years' experience in the pension industry, she noticed that the Fund lacked advanced data analytics, which would drive better decision-making, and a communication strategy, which would serve clients and inform stakeholders. She noted that the Fund needed a clear strategic direction and improved trust among its stakeholders.

19. The Chief Executive stated that her goals were to renew the focus on client experience, to make the Fund a paperless organization and to modernize its services. Such business transformation would be based on innovation, reviewing and changing the existing processes to make them more efficient, upscaling skills and testing robotic automatization, with a view to further improving and cultivating service delivery.

20. In introducing the 2021–2023 strategic plan for the Pension Administration, the Chief Executive outlined her vision, declaring that the Fund should deliver outstanding services to its clients globally. The strategic plan, she added, was based on three pillars, aimed at simplifying the Fund's client experience, modernizing its pension services and developing strong, global partnerships. The strategy was built on integrity, professionalism and respect for diversity, which were core United Nations values, as well as innovation, partnership and service.

21. The strategic plan for 2021–2023 was a vision of a service-oriented pension fund, which provided outstanding, high-quality services for the Fund member organizations, participants and beneficiaries alike, wherever they were located. The Chief Executive explained the three pillars as follows:

(a) Simplify client experience – The Fund would focus on key moments of the pension experience and make them as simple and straightforward as possible for participants and retirees alike;

(b) Modernize pension services – The Fund would focus on innovation, streamlined and paperless processes, new technologies and the upscaling of staff skills, based on value stream mapping. This would be the backbone of the Fund's modernization;

(c) Develop a strong global partnership network – The Fund would become a data-driven organization and develop internal and external partnerships to increase trust and confidence between the Fund and its staff, clients, stakeholders and decision makers.

22. In respect of the 2021 budget proposal for the Pension Administration, the Chief Executive stressed that the resources being requested were aimed at providing the Fund with the essential information technology resources and fulfilling the missing functions to operationalize its modernization, namely, advanced data analytics that drove decision-making, frequent and clear communications, and ongoing investment in technology. Change management capacity was an essential part of a successful business transformation. Investments made in 2021 would lead to efficiency gains and stabilize resource requirements in 2022 and 2023.

23. A large part of the 2021 budget increase was due to non-discretionary expenditures, including the increase in rental costs for the Fund's offices. The Chief Executive stressed the volatility in the number of pension cases over the past years, justifying the need to have a flexible workforce and to keep a level of temporary assistance to face sudden workload increases.

24. With regard to operations, the Chief Executive noted that staff performance had been remarkable notwithstanding the coronavirus disease (COVID-19) crisis, with more than 90 per cent of initial separation cases processed within 15 days since the beginning of 2020. Monthly pension payrolls had been processed on time, including the challenging April payroll, which involved the complex cost-of-living adjustment.

25. In addition, non-processable workflows had been significantly reduced, from more than 9,200 cases as at 1 January 2019 to fewer than 5,000 as at 1 July 2020, thanks to an effective partnership with employing organizations at the working level. The Chief Executive reminded the Board that the separation process was a three-way process that began with the participant, continued with the employing organization and ended with the Fund. Seamless and continuous collaboration between those three parties was needed for a smooth separation/retirement experience.

26. In some ways, the pandemic had accelerated the Fund's modernization process. Owing to the COVID-19 crisis, the Fund began to accept separation documents in digital format: benefit election and payment instruction forms could now be sent by way of the member self-service option on the Fund's website. Among the lessons learned from the COVID-19 pandemic, the Chief Executive underlined that business continuity planning was crucial and, in that regard, that the previous investment of the Fund had paid off. The response to COVID-19 had further highlighted the need for digitalized paperless processes, without compromising the integrity of the controls.

27. Furthermore, the Pension Administration had continued to pursue and launch new information technology initiatives. Progress had been made with regard to digitalization over the past year, including the successful testing of a digital certificate of entitlement launched with WFP and FAO test users. In addition, human resources and finance interfaces had been upgraded, substantially improving data accuracy and simplifying the work of the Fund and the member organizations concerned. Progress in monthly reconciliation included the successful completion of a pilot project for the remittance of monthly processing and reconciliation of financial contributions with ICAO in November 2019. In addition, 10 entities interfaced electronically on a monthly basis and 12 on an annual basis.

28. Functional reporting, implemented since January 2020 at the Fund's New York and Geneva offices, had significantly improved the latter's performance. Together with increased communication and training efforts, the improved performance rate had brought the New York and Geneva teams closer together. The Chief Executive informed the Board that the finance functions would be centralized in New York to address segregation of duties issues and to strengthen Geneva's front-line client services, while there would be no change in the number of posts in Geneva. All efforts were aimed at consistent benefit processing rates and maintaining the quality of

service provided to the Fund’s clients globally, including in Europe, West Asia and Africa. To date, the experience had been positive.

29. The Chief Executive concluded that the new strategic plan was setting a path forward for the Pension Administration. She stressed that the support of the Board was needed to execute the vision and the strategic plan; to fill the gaps in capacity related to business transformation, communication and data analytics; to restore trust in the Fund; and to deliver outstanding services to its clients.

30. **The Board took note of the 2021–2023 strategic plan for the Pension Administration, thanked the Chief Executive of Pension Administration and took note of the report on the Pension Administration.**

B. Statement by the Acting Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

31. The Acting Representative of the Secretary-General for the investment of the assets of the Fund said that the past four months had been extremely challenging for Office of Investment Management. The Office had to adapt to a new reality. Staff had been telecommuting full-time since March 2020 and the Fund had been operating amid very volatile markets. During the first days of April, the team had established a 120-day plan to focus the attention of the Organization during the transition phase through the appointment of the Acting Representative of the Secretary-General.

32. At the same time, from February to May, OIOS conducted its planned governance audit. The actions initiated in the 120-day plan, together with the OIOS recommendations, had set a one-year time frame, at the end of which Office of Investment Management governance, operations, culture and results would be in a much stronger position.

33. The Acting Representative of the Secretary-General noted that, from the Office of Investment Management’s perspective, the most important factor in achieving those goals was the Office’s team.

34. The Acting Representative of the Secretary-General said that the team was experienced and extremely capable and demonstrated sound management of the investments, which resulted in the Fund being resilient during periods of turmoil.

35. The Acting Representative of the Secretary-General explained that, given the increasing size of the portfolio and its complexity, the unfulfilled needs for staff had increased and accumulated over time. Additional needs continued to persist, given that returns in a large part of the portfolio had decreased, and a more specialized diversification of assets would have to be developed internally.

36. That had been captured in the OIOS recommendation to conduct a bottom-up workforce planning exercise to determine capacity gaps and develop a strategy to fill them in order to implement the investment strategy in a cost-effective manner.

37. The Acting Representative of the Secretary-General discussed the new organizational chart, which showed the restructuring of the Office of Investment Management and addressed the OIOS observation to revise the reporting lines to reflect improved segregation of duties and management of the Fund. He delineated three distinct roles that would be reporting directly to him: the Chief Risk Officer, the Chief Operating Officer and the Director of Investments.

Chapter V

Decisions of the General Assembly at its seventy-fourth session

38. Table 1 provides information on the action taken by the Board in response to General Assembly resolution 74/263.

Table 1
Action taken on General Assembly resolution 74/263

	Topic	*Action taken*
Sect. VIII, para. 6	Report on the implementation of the recommendations of the Board of Auditors	Separate report on this matter is provided to the Board and to the General Assembly annually
Sect. VIII, para. 7	Amend Regulations of the Fund to reflect the title of Chief Executive of Pension Administration	Amended Regulations reflecting the new title (as from 1 January 2020) are available on the Fund's website
Sect. VIII, paras. 8–9	Chief Executive of Pension Administration to procure expert analysis of governance; Board to submit comments	Independent expert was engaged, and the results of the analysis were presented to the Board. The comments of the Board can be found in chapter XI.A of the present report
Sect. VIII, paras. 11–12	Board to select Secretary through Succession Planning Committee; report on independence of the Secretary	Secretary of the Board was selected through the Succession Planning Committee (see chap. XI.D of the present report) Information on roles and responsibilities serving the Board committees and working groups is provided in the section below this table
Sect. VIII, para. 13	Alternates not to attend sessions of the Board, as from its sixty-seventh session	Secretaries of staff pension committees have been informed in a letter circulated to them
Sect. VIII, para. 16	Code of conduct in relation to article 6 of the Regulations	Discussed by the Governance Working Group (see chap. XI.B of the present report)
Sect. VIII, paras. 17–18	Further analysis of article 48 of the Regulations	Proposed amendments to Regulations (see chap. XII.B of the present report)
Sect. VIII, paras. 19–20	Report on 15-day benchmark and open workflows	Included in the statement by the Chief Executive of Pension Administration
Sect. VIII, para. 21	Update on monthly reconciliation process	Included in the statement by the Chief Executive of Pension Administration
Sect. VIII, para. 22	Governance Working Group: extend mandate	Governance Working Group has continued its work; report under chapter XI.B of the present report
Sect. VIII, para. 27	Provide audit report on Office of Investment Management governance with Board comments	Audit report discussed by the Board (see chap. X.E of the present report)

	Topic	*Action taken*
Sect. VIII, para. 29	Report on implementation of recommendations of Office of Internal Oversight Services	Status of Office of Internal Oversight Services recommendations reported in chapters X.A and X.D of the present report
Sect. VIII, para. 32	Managing expenses prudently; Board to report thereon in 2020	See part two of the present report
Sect. VIII, para. 34	Solution for situation of P-4 and P-5 posts in the Executive Office	See part two of the present report
Sect. VIII, para. 35	Update on quality of service to clients in Europe, West Asia and Africa	Included in the statement by the Chief Executive of Pension Administration

Roles and responsibilities in relation to serving the Board's committees and working groups

39. In response to General Assembly resolution 73/274, by which the Assembly created two separate and distinct positions, namely, the Secretary of the Pension Board and the Chief Executive of Pension Administration, and in response to resolution 74/263, in which the Assembly stressed that the Secretary of the Pension Board should be fully independent from the Chief Executive of Pension Administration, the two officials presented a joint proposal to address the delineation of functions, reporting lines, roles and responsibilities – and resultant accountability – for the positions as they related to the administration of the Fund and the servicing of the Board committees and working groups. They noted that it was important to carefully clarify the relevant roles and responsibilities in order to avoid any conflict-of-interest situations and to ensure appropriate audit and accountability in accordance with the Regulations of the Fund.

40. The proposal before the Board was based on the approved job description of the Secretary of the Pension Board, the Fund's Regulations and Rules, earlier General Assembly resolutions, the purpose and the terms of reference of various Board committees and working groups, and efficiency and proficiency considerations. The joint proposal of the management of the Fund and the Secretary was founded on the criteria as to whether the work of a committee or working group was oversight/governance or technical/operational in nature, as well as on fully respecting the decision of the Assembly that the Secretary should be fully independent from the Pension Administration and the investment management of the Fund.

41. Accordingly, it was suggested in the proposal that the Secretary of the Board and his/her office would be responsible for servicing the meetings of the Board, the Audit Committee and the Fund Solvency and Assets and Liabilities Monitoring Committee, as well as the Standing Committee, when it was acting as a governing body and not an appellate body. In addition, the Secretary would service ad hoc working groups and committees created under the umbrella of the Board, such as the Governance Working Group, unless the subject matter concerned a technical issue that would be more appropriate for the Chief Executive of Pension Administration or other entity to provide the services.

42. The joint document before the Board also contained proposals that the Pension Administration would be responsible for servicing the Committee of Actuaries and the Standing Committee (dealing with individual appeals). In addition, the proposal was for the Chief Financial Officer and the Budget Officer to service the Budget Working Group. The proposal also included a provision that the Chief Executive of

the Pension Administration would continue to service the United Nations Staff Pension Committee. The Representative of the Secretary-General for the investment of the assets of the Fund and the Office of Investment Management would be responsible for servicing the Investments Committee.

43. The Board was requested to approve the proposals. The Board's decision was to be incorporated into the relevant terms of reference and formally communicated to the current secretaries/focal points and Chairs of the committees and working groups.

Discussion in the Board

44. Considering the decision of the General Assembly decision in its resolution 73/274 to separate the functions of the Secretary of the Pension Board and the Chief Executive of Pension Administration, and in response to its resolution 74/263, in which the Assembly had stressed that the Secretary of the Pension Board should be fully independent from the Chief Executive of Pension Administration, the Board reviewed the proposal jointly prepared by the Chief Executive and the Secretary.

45. **The Board approved the following: the Representative of the Secretary-General for the investment of the assets of the Fund and the Office of Investment Management shall be responsible for servicing the Investments Committee.**

46. **The Board, with the exception of the United Nations participants' representatives, approved the following:**

(a) **That the Pension Administration continue to service the United Nations Staff Pension Committee;**

(b) **To amend article 4 (a) of the Regulations of the Fund so that it would read, "The Fund shall be administered by the United Nations Joint Staff Pension Board, the Chief Executive of Pension Administration, a staff pension committee for each member organization and a secretariat to each such committee";**

(c) **The Pension Administration will continue to provide technical/expert support to the various committees and working groups of the Board.**

47. **Regarding the servicing of the other committees and working groups, the Board asked the Governance Working Group to review the matter further on the basis of the discussions held at the sixty-seventh session of the Board, including the proposal of the group of executive heads that the Secretary of the Board act as secretary of all the committees and working groups of the Board listed in the joint proposal (other than the Investments Committee and United Nations Staff Pension Committee).**

48. **The Board requested the Governance Working Group to report to the sixty-eighth session of the Board and present recommendations on the proposed arrangement, as well as on the resource and the budget implications.**

49. **In the meantime, the Board agreed to maintain the current arrangement as detailed in the table included in pages 9 and 10 of the joint document.**

50. The United Nations participants' representatives presented a document, which outlined their views on the segregation of the duties between the Secretary of the Board and the Chief Executive of Pension Administration. They endeavoured to argue that the Board and its secretariat should have a policymaking/oversight role versus the executionary role of the Chief Executive in the maintenance of records (on behalf of the Secretary) and payment of benefits that the Secretary had certified. It was stated that the proposal had been made to reflect the view of the United Nations participants' representatives that this would provide appropriate checks and balances and was in line with legislative history of the Fund, the recommendations of OIOS in its report

(A/73/341) and General Assembly resolutions. The United Nations participants' representatives, in their proposal, rejected the proposals made in the joint document of the Chief Executive and Secretary and the corresponding amendments to articles 4 (a) and 8 of the Regulations of the Fund.

Chapter VI
Actuarial matters

A. Thirty-fifth actuarial valuation of the Fund as at 31 December 2019

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

52. The consulting actuary submitted to the Board the report on the thirty-fifth actuarial valuation of the Fund as at 31 December 2019. The previous valuation had been as at 31 December 2017, and its results had been reported to the General Assembly at its seventy-third session, in 2018. The Board also had before it the observations of the Committee of Actuaries, which had examined the valuation report prior to its submission to the Board.

Actuarial valuation bases

53. The valuation had been prepared on the basis of the actuarial assumptions recommended by the Committee of Actuaries and approved by the Board in 2019.

54. The actuarial assets value used for purposes of preparing the periodic actuarial valuations is calculated using a five-year smoothing methodology, subject to a limiting corridor of 15 per cent below and above the market value of the assets as of the valuation date. It was noted that the transition to a revised actuarial assets method, which had been approved by the Board in 2013, had been completed effective with the preparation of the current actuarial valuation. For the 31 December 2019 valuation, the actuarial asset value was determined to be $67,815.9 million, which was 94.14 per cent of the market value of the assets as at that date ($72,034.5 million).

55. The actuarial assumptions included three sets of economic assumptions, two sets of participant growth assumptions and three sets of longevity improvement factors that were used in various combinations. Valuations were performed on the basis of three sets of real rates of investment return assumptions of 4.5 per cent, 3.5 per cent and 2.5 per cent. In addition, in coordination with the assumed 2.5 per cent long-term inflation assumption, the annual rates of static increases in pensionable remuneration increased by 3.0 per cent for all the three sets of economic assumptions.

56. Furthermore, two sets of assumptions were used to reflect changes in the projected growth in the number of future active participants: (a) for Professional staff, positive growth of 0.5 per cent per annum over the next 10 years, with zero growth thereafter, and for General Service staff, zero growth for all years; and (b) negative growth of (1.0) per cent per annum over the next 10 years, with zero growth thereafter (for both Professional and General Service staff).

57. Lastly, three sets of assumptions were used to reflect anticipated improvements in longevity: (a) improvement in accordance with the scale of mortality reduction factors approved by the Board in 2017; (b) improvement at the rate of one half the tabular rate; and (c) improvement at the rate of one-and-a-half times the tabular rate.

58. The Committee of Actuaries recommended, and the Board agreed in 2019, that the following assumptions should be the basis for the 2019 regular valuation: a 3.0 per cent annual increase in pensionable remuneration in addition to the static scale, a 6.0 per cent nominal interest rate and a 2.5 per cent annual inflation rate (with respect

to increases in pensions after award); and the “10-year 0.5/0.0 per cent participant growth” assumption.

59. The various sets of economic and participant growth assumptions used in the 2019 valuation are summarized in table 2, with the regular valuation basis shown in the second column of the table under assumption I.

Table 2
Economic and participant growth assumptions used in the 2019 valuation

	Assumption (percentage)		
	I[a]	*II*	*III*
A. Economic factors			
Static increases in pensionable remuneration (in addition to merit scale)	3.0	3.0	3.0
Nominal rate of interest (investment return)	6.0	7.0	5.0
Price increases (reflected in increases of pensions to beneficiaries)	2.5	2.5	2.5
Real rate of interest (investment return after inflation)	3.5	4.5	2.5
Usual designation	3.0/6.0/2.5	3.0/7.0/2.5	3.0/5.0/2.5
Cost of two-track adjustment system (2.1 per cent of pensionable remuneration)	Included	Included	Included

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

	Assumption (percentage)		
	I[a]	*II*	*III*
C. Future longevity improvements			
Longevity improvement scale multiplied by	100	50	150

[a] Regular valuation basis.

60. The six specific combinations included in the actuarial valuations at 31 December 2019 were as follows:

(a) A.I combined with B.I and C.I (3.0/6.0/2.5, 10-year 0.5/0.0 per cent growth in participants and standard longevity improvements);

(b) A.II combined with B.I and C.I (3.0/7.0/2.5, 10-year 0.5/0.0 per cent growth in participants and standard longevity improvements);

(c) A.III combined with B.I and C.I (3.0/5.0/2.5, 10-year 0.5/0.0 per cent growth in participants and standard longevity improvements);

(d) A.I combined with B.II and C.I (3.0/6.0/2.5, 10-year minus 1.0 per cent growth in participants, with standard longevity improvements);

(e) A.I combined with B.I and C.II (3.0/6.0/2.5, 10-year 0.5/0.0 per cent growth in participants and one-half tabular longevity improvements);

(f) A.I combined with B.I and C.III (3.0/6.0/2.5, 10-year 0.5/0.0 per cent growth in participants and one-and-a-half times tabular longevity improvements);

61. The demographic and other related assumptions used for the 31 December 2019 actuarial valuation were the same for all sets of assumptions. The valuation reflected the following changes to demographic assumptions, as recommended by the Committee of Actuaries and approved by the Board in 2019:

(a) Resetting the period for forecasting mortality improvements for healthy pensioners and beneficiaries to 20 years from the date of the 2019 actuarial valuation, or through 2039;

(b) Revision of the rates of withdrawal, death in active service, disability and early retirement to better align with recent experience;

(c) Modification of the current commutation assumption to anticipate an effective commutation rate of 18.0 per cent, revised from the prior estimate of 19.0 per cent to better align with recent experience;

(d) Reduction in the active population growth assumption for General Service staff, from 0.5 per cent arithmetic growth for 10 years to zero growth for all years.

62. The provision for administrative expenses was based on a five-year average of the ratio of actual expenses to pensionable remuneration. This change in methodology was approved by the Committee of Actuaries at its fifty-eighth meeting, in 2019. The computed load for administrative expenses was determined as 0.36 per cent of pensionable remuneration, an increase from the load of 0.34 per cent of pensionable remuneration used in the preceding actuarial valuation.

Comparison of asset and liability measurement bases

63. It was pointed out to the Board that the determination of the Fund's liabilities (and the associated funded status) varied depending on the purpose of the measurement. Three different measurements were regularly determined for the Fund for the following purposes: the actuarial valuation to evaluate the adequacy of the current contribution level to meet the Fund's long-term obligations; a check of the Fund's solvency based on two calculations required under article 26 of the Regulations of the Fund; and the determination of the Fund's liability as required to be reported on the Fund's financial statements based on accounting standards under IAS 26. These various measurements are summarized in table 3.

Table 3
Bases of measurement of assets and liabilities

Basis	*Definition of liabilities*	*Definition of assets*
Actuarial valuation (funding) basis	Includes liabilities attributable both to services already rendered and services not yet rendered, for current and future participants	Includes actuarial assets value (smoothed assets) plus the present value of future contributions attributable to current and future participants

Basis	*Definition of liabilities*	*Definition of assets*
Solvency bases (article 26)	Liabilities are computed on the basis that all active participants terminate employment on the valuation date and elect to receive the benefit of highest actuarial value; one measure of the liability assumes there will be future adjustments to benefits and the second measure of liability assumes no future increases	Actuarial assets value (smoothed assets)
Financial statements (in accordance with the accounting requirements under IAS 26)	Liabilities are computed based on an ongoing plan basis, including the potential to grow into more valuable benefits, but benefits are based only on service rendered to date, and based on pensionable remuneration and final average remuneration as computed on the valuation date	Net assets available for benefits (no asset smoothing)

Analysis of the valuation results

64. Table 4 provides the results of the thirty-fifth actuarial valuation and compares them with the results of the regular valuation as at 31 December 2017.

Table 4
Comparison of valuation results as at 31 December 2019 and 31 December 2017

		Contribution rate required (as a percentage of pensionable remuneration) to attain actuarial balance of the Fund		
Valuation date	*Valuation basis*	*Required rate*	*Current rate*	*Difference (surplus)/ imbalance*
31 December 2019	3.0/6.0/2.5 with 10-year 0.5/0.0 per cent participant growth (regular valuation)	23.20	23.70	(0.50)
	3.0/7.0/2.5 with 10-year 0.5/0.0 per cent participant growth	16.36	23.70	(7.34)
	3.0/5.0/2.5 with 10-year 0.5/0.0 per cent participant growth	30.54	23.70	6.84
	3.0/6.0/2.5 with 10-year (1.0) per cent participant growth	23.39	23.70	(0.31)
	3.0/6.0/2.5 with 10-year 0.5/0.0 per cent participant growth and one-half tabular longevity improvements	22.85	23.70	(0.85)
	3.0/6.0/2.5 with 10-year 0.5/0.0 per cent participant growth and one-and-a-half tabular longevity improvements	23.58	23.70	(0.12)
31 December 2017	3.0/6.0/2.5 with 10-year 0.5 per cent participant growth (regular valuation)	23.75	23.70	0.05

65. The regular valuation as at 31 December 2019 showed that the required contribution rate as of 31 December 2019 was 23.20 per cent, compared with the current contribution rate of 23.70 per cent, resulting in a slight actuarial surplus of 0.50 per cent of pensionable remuneration. This represents a decrease of 0.55 per cent in the required contribution rate from the rate disclosed as at 31 December 2017 (i.e., a decrease from 23.75 per cent to 23.20 per cent), when the valuation had revealed an imbalance of 0.05 per cent. This is the third consecutive valuation that has disclosed a required contribution rate within 0.50 per cent of the actual contribution rate of 23.70 per cent of pensionable remuneration. As can be seen in table 4, under real rate of return assumptions of 4.5 per cent and 2.5 per cent, with 10-year 0.5/0.0 per cent participant growth, the results would be, respectively, a surplus of 7.34 and an imbalance of 6.84 per cent of pensionable remuneration. This demonstrates the major effect of the real rate of return assumption on the valuation results.

66. The consulting actuary performed an analysis of sources of gains and losses to reconcile the prior actuarial valuation to the current valuation (see table 5).

Table 5
Analysis of sources of gains and losses from prior actuarial valuation

Item	*Increase/(decrease) in required contribution rate (percentage of pensionable remuneration)*
Effect due to actual contributions being made at 23.70 per cent rather than at the 23.75 per cent theoretical rate from prior valuation	0.00
Investment experience, compared with expectations since the prior valuation	0.18
Change in the actuarial asset valuation method	(0.29)
Effect of the change in administrative expenses assumed in valuation	0.02
Net effect of cost-of-living adjustments for pensioners, net of other gains and losses affecting pensioners	(0.54)
Net effect of changes in actual inflation on pensionable remuneration and other gains and losses affecting active participants	0.10
Effect of higher-than-expected number of new participants	0.00
Effect of change in demographics for assumed future entrants based on the change in the demographic composition and pensionable remuneration of past participants	0.04
Effects of modifying the assumptions regarding utilization of the commutation option	0.07
Effects of modifying the demographic assumptions (withdrawal, disability, death in active service and early retirement) to better align with actual experience	(0.10)
Effect of extending period of recognition of mortality improvements through 2039	0.06
Effect of change in the participant growth assumption for General Service staff	0.01
Miscellaneous	(0.10)
Total change in required contribution rate	**(0.55)**

Current value of accrued benefits under article 26 of the Regulations of the Fund

67. The actuarial valuation contained the required comparison under article 26 of the Regulations of the Fund of the current assets of the Fund with the value of the accrued benefits on the valuation date on a termination basis (i.e., the benefits for retired participants and beneficiaries and the benefits considered to have been earned by all current participants if their service were terminated on that date).

68. With respect to its liabilities on a "plan termination" basis, the Fund was in a soundly funded position, as it had been for the past 15 valuations, if future adjustments of pensions were not taken into account. The funded ratio determined under the regular valuation basis and without future pension adjustments was 144.4 per cent. This meant that the Fund would have considerably more assets than needed to pay the benefits if no adjustments were made in pensions for changes in the cost of living. The funded position decreased considerably when account was taken of the current system of pension adjustments, including the estimated cost of the two-track system (2.1 per cent of pensionable remuneration); the current valuation indicated that, under the regular valuation basis, the funded ratio was 107.1 per cent. Table 6 shows the funded ratios revealed by the actuarial valuations since 1993, both with and without assuming future adjustments of pensions for inflation.

Table 6
Funded ratios, 1993–2019
(Percentage)

	If future pension payments are made	
Valuation as of 31 December	*Without pension adjustments*	*With pension adjustments*
1993	136.2	80.5
1995	132.4	81.1
1997	141.4	88.5
1999	180.1	113.4
2001	160.6	106.1
2003	144.5	95.4
2005	139.9	92.4
2007	146.9	95.3
2009	139.6	91.0
2011	130.0	86.2
2013	127.5	91.2
2015	141.1	100.9
2017	139.2	102.7
2019	144.4	107.1

Results of valuation in dollar terms and other disclosure statements

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

70. Accordingly, the table below summarizes the valuation results as of 31 December 2019, both as a percentage of pensionable remuneration and in dollar terms, under the six combinations of economic, participant growth and longevity improvement assumptions:

Table 7
Valuation results as at 31 December 2019

Economic assumptions	*Valuation results (surplus)/imbalance*	
	As a percentage of pensionable remuneration	*In United States dollar terms (millions)*
3.0/6.0/2.5 with 10-year 0.5/0.0 per cent participant growth (regular valuation)	(0.50)	(1 844.9)
3.0/7.0/2.5 with 10-year 0.5/0.0 per cent participant growth	(7.34)	(20 862.9)
3.0/5.0/2.5 with 10-year 0.5/0.0 per cent participant growth	6.84	35 565.7
3.0/6.0/2.5 with 10-year (1.0) per cent participant growth	(0.31)	(1 006.7)
3.0/6.0/2.5 with 10-year 0.5/0.0 per cent participant growth and one-half tabular longevity improvements	(0.85)	(3 144.7)
3.0/6.0/2.5 with 10-year 0.5/0.0 per cent participant growth and one-and-a-half tabular longevity improvements	(0.12)	(445.9)

Note: The regular valuation as at 31 December 2017 revealed an imbalance of 0.05 per cent of pensionable remuneration.

71. Table 8 provides the projected liabilities and assets of the Fund in dollar terms, as reflected in the regular valuation results as at 31 December 2019 and 31 December 2017, respectively.

Table 8
Projected liabilities and assets of the Fund
(Millions of United States dollars)

	31 December 2019	*31 December 2017*
Liabilities		
Present value of benefits:		
Payable to or on behalf of retired and deceased participants	36 554.7	35 335.7
Expected to become payable on behalf of active and inactive participants, including future new entrants	115 277.2	110 714.0
Total liabilities	**151 831.9**	**146 049.7**
Assets		
Actuarial asset value	67 815.9	60 419.2
Present value of future contributions	85 860.9	85 446.2
Total assets	**153 676.8**	**145 865.4**
(Surplus)/imbalance	**(1 844.9)**	**184.3**

72. As they have in the past, the consulting actuary and the Committee of Actuaries stressed that care must be taken when considering the dollar amounts of the valuation results. The liabilities shown in table 8include those for individuals who have yet to join the Fund; similarly, the assets include the contributions for future new participants. The surplus or imbalance indicates only the future effect of continuing the current contribution rate under various actuarial assumptions as to future economic and demographic developments. The valuation results were highly dependent on the actuarial assumptions used. As indicated in table 7, an imbalance of 6.84 per cent of pensionable remuneration was indicated on the 3.0/5.0/2.5 valuation basis, that is, a real rate of return of 2.5 per cent. A surplus of 7.34 per cent of pensionable remuneration was indicated on the 3.0/7.0/2.5 valuation basis, or a real rate of return of 4.5 per cent. Both

the consulting actuary and the Committee pointed out that the actuarial surplus, when expressed in dollar terms, should be considered only in relation to the magnitude of the liabilities and not in absolute terms. The imbalance of $184.3 million under the regular valuation as at 31 December 2017 represented 0.13 per cent of the Fund's projected liabilities as of that date. The surplus of $1,844.9 million under the current regular valuation represents 1.22 per cent of the Fund's projected liabilities.

Hypothetical projection models

73. Hypothetical models of the estimated progress of the Fund over the next 50 years were also prepared on the basis of the economic assumptions in the regular valuation, using the 10-year 0.5/0.0 per cent participant growth assumptions. The results were presented in both nominal and inflation-adjusted terms. These models showed that, on the basis of regular valuation assumptions, the Fund's assets had increased in real dollar terms for the entire 50-year projection period. Those models also showed that assets as a multiple of annual benefit payments would decline from 24.2 to 19.6 by the end of the 50-year period. Additional models, in which the assumed real rate of return on investments ranged from 1.5 to 5.5 per cent, were also prepared. The models showed that, if the Fund were to earn less than the assumed 3.5 per cent real rate of return, the Fund's assets in real dollar terms would begin to decrease more rapidly (e.g., after approximately 18 years under the 2.5 per cent real rate of investment return assumption).

International Accounting Standard 26

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

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

(a) Actuarial present value of accrued benefits will be disclosed as a note to the Fund's financial statements;

(b) IAS 26 liabilities will be calculated every biennium, concurrent with the actuarial valuation schedule;

(c) IAS 26 actuarial information will be added to the valuation reports.

76. Table 9 provides the IAS 26 accounting and reporting information as at 31 December 2019.

Table 9
Plan accounting and reporting (International Accounting Standard 26)

Actuarial present value of accumulated (promised) retirement plan benefits as at 31 December 2019[a]

	If future pension payments are made:	
	Under regulations without pension adjustments[b]	*Under regulations with pension adjustments*[b]
	(millions of United States dollars)	
Actuarial value of vested benefits		
Participants currently receiving benefits	26 482.2	34 702.6
Vested terminated participants	1 077.5	1 852.1
Active participants	16 198.7	22 136.2
Total vested benefits	**43 758.4**	**58 690.9**

	If future pension payments are made:	
	Under regulations without pension adjustments[b]	Under regulations with pension adjustments[b]
	(millions of United States dollars)	
Non-vested benefits	902.1	1 138.5
Total actuarial present value of accumulated plan benefits	**44 660.5**	**59 829.4**

[a] At a nominal interest rate (investment return) of 6.0 per cent and an annual inflation rate of 2.5 per cent.
[b] Results include loadings for two-track adjustment system.

View of the Committee of Actuaries

77. In its report to the Board, the Committee of Actuaries noted that the Fund had changed from a slight imbalance of 0.05 per cent of pensionable remuneration with the prior actuarial valuation (2017) to a modest surplus of 0.50 per cent as at 31 December 2019. This was the third consecutive valuation in which the Fund was close to actuarial balance. The Committee recalled its previous recommendation that it would be prudent for the required contribution rate to remain within a corridor of 2 per cent of pensionable remuneration of the actual 23.70 per cent contribution rate, to recognize the normal volatility that occurred from year to year owing to differences in reality, compared with assumptions.

78. The Committee noted that the elimination of the imbalance and the establishment of a small surplus was due primarily to the positive effects of lower-than-expected inflation, the transition to the updated actuarial asset method changes in demographic assumptions, offset in part by investment experience over the prior five years, the change in the assumed lump-sum commutation utilization and the extension of mortality improvements through 2039.

79. The Committee also noted that the projections indicated that, if the Fund earned the expected real rate of return of 3.5 per cent annually, the Fund was expected to remain adequately funded during the 50-year projection period. Furthermore, contributions plus investment return would continue to cover benefit payments and expenses throughout the period. It further noted that that assumption would be reviewed again in 2021 in the context of the actuarial assumptions review and in consultation with the Investments Committee.

80. The Committee concluded that, in the light of the emerging investment challenges caused by the COVID-19 pandemic in 2020, it could be challenging for the Fund to earn 3.5 per cent in the short term. Nevertheless, the Committee noted that the 3.5 per cent objective was a long-term assumption and acknowledged that there could be significant short-term variation.

81. The results of alternative sets of economic assumptions, consisting of a 4.5 per cent real rate of investment return and inflation of 2.5 per cent per annum and a 2.5 per cent real rate of investment return and inflation of 2.5 per cent per annum, clearly indicated the strong linkage between future long-term investment returns and the results of future actuarial valuations. The Committee noted that the two alternatives demonstrated that a 1 per cent difference in the real rate of investment return was equivalent to a change in the required contribution rate on the order of 6 to 7 per cent of pensionable remuneration (i.e., costs ranging from 16.4 to 30.5 per cent of pensionable remuneration). As in prior years, the Committee noted that the investment return continued to be the most important factor affecting the Fund's financial position.

82. The Committee reviewed the funded status as measured on a solvency basis under article 26 of the Regulations of the Fund, which increased from 139.2 per cent

at the previous valuation to 144.4 per cent without the application of the pension adjustment system and increased from 102.7 to 107.1 per cent when considering those adjustments. The Committee noted that the cost-of-living and two-track adjustments assumed to apply annually to pension benefits had an impact of approximately 37 per cent on the funded status of the plan (considering the base scenario). The Committee will continue to monitor the funded status closely, in particular the impact of the cost-of-living adjustments.

83. Reviewing the long-term, year-by-year projections of cash flow completed by the consulting actuary, the Committee did not foresee liquidity constraints for a long period of time. The Committee will continue to monitor this through the biennial actuarial valuations and future asset and liability management studies.

Statements on the valuation results

84. The Committee of Actuaries considered and approved a statement prepared by the consulting actuary as to the sufficiency of the assets to meet the liabilities under article 26 of the Regulations of the Fund:

> [T]he actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. Accordingly, there is no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund. The market value of assets as at 31 December 2019 is $72,034.5 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as at the valuation date.

85. The statement of the actuarial position of the Fund as at 31 December 2019, adopted by the Committee, is presented below:

> At its meetings in June 2020, the Committee of Actuaries reviewed the results of the actuarial valuation as of 31 December 2019, which was carried out by the consulting actuary. Based on the results of the regular valuation, and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration is sufficient to meet the benefit requirements under the plan and would be reviewed at the time of the next actuarial valuation, as of 31 December 2021.

86. The Committee also informed the Board that it would continue to review the evolving experience of the Fund. It would submit recommendations to the Board in 2021 on the assumptions to be used in the actuarial valuation of the Fund as at 31 December 2021.

Discussion in the Board

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

88. Overall, the Board noted that the current valuation revealed a surplus of 0.50 per cent of pensionable remuneration and expressed its satisfaction at the modest surplus revealed by the valuation. The Board emphasized the points made by the consulting actuary and the Rapporteur of the Committee of Actuaries that earning a real return of 3.5 per cent per annum over the very long term would be key to the continued sufficiency of assets in the Fund.

89. The Board noted also that that was the third consecutive valuation that disclosed a regular valuation result close to actuarial balance and that the surplus of 0.50 per cent of pensionable remuneration was the largest since the actuarial valuation prepared as at 31 December 2005. The Board recognized the sensitivity to the level of investment

return as the most important factor affecting the Fund's financial position and noted that, if the actuarial valuation had been performed after the market losses incurred in the initial weeks of the COVID-19 pandemic, the valuation result might not have been quite as favourable. At the same time, the consulting actuary and the Chair of the Committee highlighted the virtue of using a smoothed asset method in the valuations.

90. The Board observed the continuing decrease in the number of General Service staff, owing in part to the closing or downsizing of some peacekeeping missions. A question was raised concerning the revised actuarial assets method and its impact to the valuation results. The consulting actuary confirmed that the method had been approved by the Board in 2013 and that the transition had therefore been in place for quite some time and had now been fully completed. The consulting actuary confirmed that the revised method was an improved method to track the underlying market value of assets.

91. **The Board took note of the valuation results and thanked the consulting actuary and Committee of Actuaries for their work, prepared under the shadow of the COVID-19 pandemic. The Board welcomed the fact that the Fund remained close to actuarial balance, with a modest surplus as at 31 December 2019. The Board stressed the importance of continuing to achieve the 3.5 per cent annual real rate of return on a long-term basis for the future solvency of the Fund.**

B. Report of the Committee of Actuaries

92. The Rapporteur of the Committee of Actuaries presented the report of the fifty-ninth session of the Committee, which had been held online from 15 to 17 June and on 24 June 2020. The Committee's comments and conclusions on the actuarial valuation results as at 31 December 2019 are summarized in paragraphs 77–83 above.

93. The Board was informed that the Committee had reviewed and updated the Fund's solvency dashboard, as prepared for the Fund Solvency and Assets and Liabilities Monitoring Committee for the 31 December 2019 actuarial valuation results. The Committee had reviewed other changes regarding investment performance, capital market assumptions, mortality and new entrants' assumptions, and quality of data. The Committee concluded that the overall actuarial situation was good, although it remarked that investment returns would still need to be monitored closely because they would be the key determinant of the Fund's financial status.

94. It was recalled that, at its sixty-sixth session, in 2019, the Board had requested the Committee to proceed with its analysis regarding the development of a funding policy. The Committee recognized that, over the course of the Fund's 70-year existence and in keeping with its fiduciary and regulatory responsibilities, the Board had developed a comprehensive funding and risk management process. However, it was noted that such a written policy was considered a best practice and would further improve transparency in communications and stakeholders' understanding of the key issues affecting the funding and solvency of the Fund.

95. The Chair of the Committee noted that the Committee had prepared a draft policy and recommended that the following two items be considered as the funding objectives:

(a) Ensure that sufficient assets and future contributions were available to meet the current and future benefit obligations of the Fund to provide retirement, death, disability and related benefits;

(b) Ensure that a level required contribution rate was maintained within a specified corridor.

96. Given that that endeavour was a joint initiative with the Fund Solvency and Assets and Liabilities Monitoring Committee, the Committee of Actuaries had received initial feedback and decided to continue its dialogue with Fund Solvency and Assets and Liabilities Monitoring Committee over the course of the coming couple of years. The Committee of Actuaries noted that some key concepts needed to be thoroughly discussed between the two Committees, as well as with the Board, before the policy was finalized. The Committee decided it would need a separate meeting to fully cover the key policy items. It decided to update the Board on progress in 2021.

97. The Board was reminded that the Committee had completed an annual evaluation of the services provided to the Fund by the consulting actuary. The Committee confirmed in its most recent overall appraisal that the consulting actuary continued to apply high professional standards and consistently exceeded expectations.

98. **The Board thanked the Committee of Actuaries for its report and continued service to the Fund and took note of the Committee's report.**

C. Membership of the Committee of Actuaries

99. The Board was reminded that article 9 of the Regulations of the Fund provided 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 stipulates that the terms of regular members will be 3 years and renewable up to a maximum of 15 years. The terms of reference of the Committee also allows for ad hoc members to serve for 2-year terms, renewable up to 15 years. The Board was informed that the terms of two committee members were expiring at the end of 2020; both members had expressed their interest in continuing to serve the Fund.

100. **The Board decided to recommend to the Secretary-General to reappoint, beginning 1 January 2021, the following members of the Committee of Actuaries: (a) S. Inagaki (Japan), a regular member (Asian States), for a term of three years; and (b) R. Schmid (Switzerland), ad hoc member (Western European and other States), for a term of two years.**

101. The United Nations participants' representatives reminded the Board that article 9 of the Regulations of the Fund contained calls for five members of the Committee of Actuaries and not for ad hoc membership. In their opinion, the Board should either propose an amendment to article 9 so that ad hoc membership was in compliance with the Regulations or not renew the membership of the ad hoc member.

102. A representative of the executive heads reminded the Board, including the United Nations participants' representatives, that section E (rule E.1) of the rules of procedure of the Fund provided that, "Ad hoc members may be appointed to serve on the Committee of Actuaries and the Investments Committee, in addition to the regular members of those Committees".

Chapter VII
Investments of the Fund

A. Management of the investments of the Fund

103. The Acting Representative of the Secretary-General for the investment of the assets of the Fund informed the Board that, as at 31 December 2019, the Fund was financially sound, especially after a very strong investment performance of 18.7 per cent nominal return in 2019. He stated that the Office of Investment Management had achieved its long-term objective of meeting or exceeding the required 3.5 per cent real rate of return for the past 1-, 2-, 3-, 5-, 10-, 15-, 25- and 50-year periods, in line with its long-term financial objective. He said that the Office had also met the short-term financial objective of meeting or exceeding the policy benchmark over a three-year horizon and showed a performance of 10.3 per cent annualized nominal return versus the policy benchmark performance of 10.3 per cent annualized nominal return, although it trailed the policy benchmark in 2019.

104. The Acting Representative of the Secretary-General noted that the Office of Investment Management had not been unaffected by the COVID-19 crisis, which emerged in the first quarter of 2020, and the market value of the Fund's assets dropped to $63,037 million as at 31 March 2020 from $71,970 million as at 31 December 2019. The new policy benchmark returned -12.9 per cent in the first quarter of 2020. If the old policy benchmark had still been in use, it would have returned -13.5 per cent, a lower performance of 64 basis points, or approximately $460 million.

105. The new fixed income index (Bloomberg Barclays enhanced liquidity index) outperformed the old fixed income index (Bloomberg Barclays global aggregate) by 2.7 per cent (2.4 per cent versus -0.3 per cent), or approximately $560 million.

106. Both the new policy benchmark and the new fixed income benchmark performed according the design of the asset and liability management study of improved risk/return profile, compared with the old policy benchmark and fixed income benchmark.

107. The Office of Investment Management decided, at the end of the first quarter of 2020, not to rebalance the portfolio and remained underweight in equity versus the strategic asset allocation and overweight in cash, the latter to create a buffer in such unprecedented times.

108. The Office of Investment Management completed the asset and liability management study jointly with the Pension Administration after consultation and collaboration with all stakeholders. The Board endorsed the study and the new strategic asset allocation after recommendations from all committees, which jointly presented the study results during the sixty-sixth session of the Board, held in July 2019.

109. The Office of Investment Management completed the updated investment policy statement on the basis of a peer comparison and after consultation with the Investments Committee and the Fund Solvency and Assets and Liabilities Monitoring Committee.

110. The investment policy statement also included the outcome of the asset and liability management study, including the new strategic asset allocation and the policy benchmark. The investment policy statement was discussed at the sixty-sixth session of the Board meeting as part of the investment policy consultation between the Office of Investment Management and the Board.

111. The Office of Investment Management began the transition of publicly traded assets towards reaching the policy benchmark and completed the process by 31 March 2020.

112. The increased allocation for private market investments such as private equity, real estate and infrastructure would take multiple years to reach the strategic asset allocation targets. This glide path approach was subject to market conditions and resource capabilities.

113. The Acting Representative of the Secretary-General said that the Office of Investment Management had taken further steps to implement its approach to sustainable investing, including codifying the approach in the new investment policy statement and terms of reference of the Office's Internal Investment Committee and Private Markets Committee, and would publish the second "Sustainable Investing Report" in September 2020.

114. In 2019, the Office of Investment Management announced its commitment to divesting from thermal coal.

115. In July 2020, the Office of Investment Management took important steps by announcing its climate strategy commitment through its joining the United Nations-convened Net-Zero Asset Owner Alliance and by committing itself to implementing the recommendations of the Task Force on Climate-related Financial Disclosures.

116. The Office of Investment Management would further enhance its 2020 climate strategy by defining and implementing the approach towards a Net-Zero 2050 carbon footprint.

117. The Fund's policy of broad diversification of its investments by asset classes and geographical areas continued to be a reliable method of reducing risk and improving returns over the long-term. The Fund was unique among major pension funds in its commitment to global investments.

118. The Fund invested in the following asset classes: equity, fixed income, real estate, private equity, real assets, and cash and short-term investments. Equity included internally and externally managed portfolios. The real assets category was comprised of infrastructure, timber and commodities.

119. The Fund's assets were invested mostly in the local currency of each country/region, while the Fund's performance was measured and reported in United States dollars. On the basis of the recommendations of the Board of Auditors, the currency management study and the asset and liability management study, the Office of Investment Management had reduced the exposure of uncompensated currency risk to 30 per cent at the end of 2019, compared with 44 per cent at the end of 2017. That was achieved owing to a change in the cash benchmark in 2018.

120. The Fund's remaining currency exposure in global equity greatly matched the embedded currency risk in the liabilities resulting from the two-track feature of the pension adjustment system. The 2019 asset and liability management study included a thorough analysis of currency sensitivity of both assets and liabilities for the first time in the history of the Fund.

121. The Acting Representative of the Secretary-General said that the organizational chart showed the restructuring of the Office of Investment Management and fulfilled the OIOS observation on how the reporting lines should be reflected for improved segregation of duties and management of the Office. He delineated three distinct roles that would be reporting directly to the Representative of the Secretary-General, namely the Chief Risk Officer, the Chief Operating Officer and the Director of Investments.

122. The Chair of the Investments Committee told the Board that it was an honour to have served on the Investments Committee for 15 years. He said that he had witnessed many changes and that the Fund had stood the test of time and continued to deliver on its benchmark. He noted the importance of having the courage to focus on the 3.5 per cent annualized real rate of return. He commented on the Committee's role as

an advisory body. He said that he had, over the years, witnessed changes in the composition of the Committee and leadership. He lauded the steady improvement in the governance of the Fund. He was pleased that there was more clarity on the role of the Committee and appreciated the fact that the Acting Representative of the Secretary-General had initiated monthly online meetings, which would help members of the Committee to engage with the broader management of the Fund. He said that the meetings were more efficient from a logistical and cost point of view.

123. Another Investments Committee member said that the Committee would seek to be more engaged by providing more frequent input on investment matters. He added that its members took their roles very seriously. He noted that, over the past three years, the members had been coming up with additional ways in which to add value and help the Office of Investment Management. He said that a Committee representative of a specific region would arrange to have Office staff and Committee members to tap into a network of the most significant decision makers and companies and referred to very successful visits of the Committee to Brazil and to Silicon Valley.

124. The same Investments Committee member said that more time should be spent understanding volatility in the markets and agreed that the monthly meetings generated discussion on strategic asset allocation, tactical asset allocation and rebalancing, by which the resulting insight fit neatly into investment decisions. After describing the huge swings and the volatility in the financial markets, he commended the Acting Representative of the Secretary-General for the brave decisions that he had taken during that period to remain fully invested in the strategic asset allocation. He said that the Fund had reached $73 billion in February 2020. Equity markets had experienced losses anywhere from 20 to 35 per cent and the Fund had gone from $73 billion to $63 billion by the end of March 2020, representing a loss of $10 billion in one month. He noted that it would have taken a decade to recover a loss of such magnitude. He said that the key factors that allowed the Fund to recover demonstrated the benefit of the long-term investing objective of the Fund. It was further recognized by the Committee that, although risks persisted, the Acting Representative of the Secretary-General, in concert with his team, had been able to stay the course and recoup losses. It was his opinion that the Acting Representative of the Secretary-General was doing an extraordinary job with the Office of Investment Management team, the Fund and Investments Committee members, and he was honoured to be a part of the Committee.

125. The Chair of the Investments Committee concurred by saying that the leadership of the Acting Representative of the Secretary-General was calm, thoughtful and inclusive and that everyone had benefited from the many improvements that he had implemented in a short time to drive change and improve procedures in the Fund and from his deep institutional knowledge.

126. The Acting Representative of the Secretary-General thanked the other two Investments Committee members in attendance.

Discussion in the Board

127. A representative of the governing bodies wanted to know about the assessment of future risk in volatility in the coming months and years and the challenges for investment management. He also noted that the Office of Investment Management had underperformed in 2019, compared with the policy benchmark, by 1 per cent and enquired about the reason for that underperformance and which asset class accounted for the underperformance.

128. Another representative of the governing bodies conveyed appreciation to the Investments Committee and the Acting Representative of the Secretary-General on the reports on the management of investments presented to the Board. He said that there

would be tremendous investment opportunities in emerging countries, especially in developing ones, which was underscored by the African and Group of 77 Member States during his consultations with regional groups in New York. He also sought clarification on the relationship between the policy on recusal and conflict of interest.

129. A representative of the United Nations participants asked what was being done for the tactical asset allocation during the current crisis, including the cash holding levels at 5 per cent. He also asked for further clarification about the policy benchmark. He further asked for the timeline on the implementation of environmental, social and governance policy. With regard to transparency, he acknowledged the commitment of the Acting Representative of the Secretary-General to becoming more transparent in the sharing of information. He cited the Ontario Teachers’ Pension Plan website as a model to emulate.

130. A member of FAFICS reiterated the importance of achieving the 3.5 per cent real rate of return target and welcomed the fact that the Fund had exceeded the target in the different time horizons, except for the 20-year one. He welcomed the strengthening of anti-fraud and anti-corruption activities. He said that it would be appreciated if there were anything that could be done to ensure that communication to stakeholders was maintained and strengthened.

131. Another member of FAFICS said that the filling of the post of Representative of the Secretary-General was key to the good performance of the Fund and enquired whether the Secretary-General intended to consult with the Board on the selection of the Representative. He welcomed the increased transparency in reporting. With regard to monthly meetings of the Investments Committee, he welcomed the idea and wondered how it would be possible to ensure that the long-term strategy asset allocation would not be influenced too much by short-term views, leading to reduced quality of advice.

132. A representative of the governing bodies said that, with respect to environmental, social and governance considerations, protecting the environment was an objective that had gained importance and that he would like to see the concept of sustainable investing adopt a more balanced approach because not enough was being done on social and economic pillars. He also pointed out that the Net-Zero 2050 carbon footprint was not the target agreed in the intergovernmental format in the United Nations, neither by all the Member States. Accordingly, the concept of sustainability needed to be seen in a very balanced way, as contained in the 2030 Agenda for Sustainable Development.

133. A member of the group of executive heads said that the Board was aware that the Secretary-General took his fiduciary responsibility of the Fund very seriously and that he was very committed in that regard. The Secretary-General had been meeting regularly with the Acting Representative of the Secretary-General for updates on investments and strategies going forward and was keenly aware of the importance of filling the position of Representative very soon and of ensuring that the Office of Investment Management had a solid foundation to continue to implement the audit recommendations from OIOS. The Secretary-General was fully aware of the significance of the post and would be sure to seek the input of the stakeholders and the Board to fill the vacancy. He would also obtain the views of the Investments Committee and of the representation from the Board and the Chair of the Board, as well as ensure the participation of a senior member of the Committee on the interview panel. The Secretary-General would continue with the same practice as in the past in making that decision. He would choose the best candidate for the position. Although USGs and ASGs were political appointees, the Secretary-General understood that one of the requirements to perform the functions of the post of Representative was an

understanding of investment management. Therefore, the consultation and participation of the key stakeholder groups of the Fund would be part of this process.

134. A representative of the group of United Nations participants mentioned the investments in global emerging markets and Africa and reiterated that investments should meet the four investment criteria; namely, safety, profitability, liquidity and convertibility.

135. The Chair of the Investments Committee informed the Board that it was his last meeting with such an august Board. He said the Fund was approximately $24 billion, earning a 6 per cent real rate of return, when he had joined the Committee. He said that, over the course of the subsequent years, he had witnessed many changes and concluded that it was a testament of good governance.

136. With respect to short-term risk, the Chair of the Investments Committee said that, although conditions were extremely uncertain, they were not unprecedented. He noted that, every 10 years, the world experienced a major financial event. He cited the crises in 1987, when the market dropped 23 per cent in a single day, and the financial crisis in 2008–2009, which was even worse.

137. While the Chair of the Investments Committee acknowledged all the interesting questions raised earlier, he reminded the Board that the most important target was to achieve the 3.5 per real rate of return. He correlated the long-term real returns as a function of long-term real earnings growth and the real returns in bonds, which were, in turn, a function of real growth in gross domestic product. He said that his biggest concern was the underperformance of the bond markets in the past 15 years, which hampered the ability to generate the 3.5 per cent real rate of return.

138. With reference to the question on investing in Africa, the Chair of the Investments Committee felt that investments were adequate and that more funds would be allocated when the Office of Investment Management believed that the 3.5 per cent real rate of return would be best met through asset allocation. He added that the Fund was well diversified.

139. On the question of the 5 per cent allocation to cash, the Chair of the Investments Committee said that there was no standard percentage allocated to cash in a diversified portfolio. Cash was not a strategic allocation; it was for short-term safety.

140. The Chair of the Investments Committee said that the monthly meetings of the Committee were a good practice and that they improved communication. Such interaction gave the Committee more time to focus on key topics. For example, the next meeting would be on what to do with the strategic allocation to bonds.

141. Another Investments Committee member also agreed that the monthly meetings of the Committee were yielding better information for the investment team to make its own judgments, and that the Committee would provide informed advice about the market, in particular during periods of volatility. He noted the disconnect between economic activity and the markets. He said that 30 to 40 million people were unemployed in the United States of America and the European Union owing to COVID-19 and noted the challenges in reopening the economy. He noted that valuations were not a function of current prices and earnings streams and were difficult to judge. From a professional point of view, markets were overvalued. He said that the challenge was to have exposure to equity markets and fixed income, the lack of which was generating negative yield, thereby posing a challenge to achieving the 3.5 per cent real rate of return and deciding on the optimal asset mix to fulfil that target.

142. The Acting Representative of the Secretary-General responded to the question on underperformance by stating that it was due to private equity and referred to the

report on investments that showed the total return of each asset class over the past 15 years in United States dollars in absolute terms and on a relative basis.

143. The Acting Representative of the Secretary-General also clarified that there was a move from the old fixed income index (Bloomberg Barclays global aggregate) to the new fixed income index (Bloomberg Barclays enhanced liquidity index) to tackle currency risks and that it was under review by a task force.

144. With respect to environmental, social and governance considerations, the United Nations participants' representatives noted that the most frequently asked question from participants concerned divestment from fossil fuels. They had asked about the investment policy in terms of non-renewable energy and why no policy in that regard had been established in the past two years, during the focus of the Office of Investment Management on environmental, social and governance considerations.

145. The United Nations participants' representatives thanked the Acting Representative of the Secretary-General for the increased transparency and noted that Ontario Teachers' Pension Plan website was an example that they would love to emulate. They asked that, for now, more information be provided about the asset classes on the Office of Investment Management website each week or month.

146. In response to a question on environmental, social and governance strategies, the Acting Representative of the Secretary-General said that the Office of Investment Management's approach to sustainable investing was codified in the new investment policy statement and would be published in the second "Sustainable Investing Report", in September 2020. He mentioned that the investment policy statement, which was issued last August 2019, had addressed the sustainability agenda on three points: the environment, social considerations and governance. With respect to transparency and communication, the Office's commitment in the past four months was to provide all stakeholders with all relevant communications.

147. With regard to the question on the implementation of the risk management initiative and whether it would be successful, the Acting Representative of the Secretary-General was optimistic about its success. With respect to the question of recusal policy, he mentioned that it was being defined as a recusal policy to avoid real and perceived conflicts of interest.

148. **The Board took note of the information provided in the document.**

B. Membership of the Investments Committee

149. The Acting Representative of the Secretary-General for the investment of the assets of the Fund informed the Board of the guiding principles that underlay the composition of the Investments Committee. He said that the intent was to have a full membership of nine regular members, as specified in the terms of reference, and appropriate geographical and gender representation with a balance of public, private sector and multilateral institution experience.

150. The Board welcomed the intention of the Secretary-General to appoint Yasir O. Al-Rumayyan (Saudi Arabia), Sarah Omotunde Alade (Nigeria), Natalia Khanjenkova (Russian Federation) and Patricia Parise (Argentina) as regular members of the Investments Committee for a three-year term, commencing 1 January 2021.

151. The Board welcomed the reappointment of Macky Tall (Mali/Canada) as an ad hoc member of the Investments Committee for a one-year term, commencing 1 January 2021, and the proposal to designate Michael Klein (United States) as Chair of the Committee.

152. The Board was informed that the Chair of the Investments Committee, Madhav Dhar (India), who had served the Investments Committee since 2006, had reached his term limit of 15 years at the end of his current appointment on 31 December 2020. On behalf of the participants and beneficiaries of the Fund, the Board thanked the outgoing Chair for his distinguished service.

153. The Board was pleased to note the improved geographic representation, which reflected the five regions, a diversity in skill sets and gender balance.

154. The spokesperson for the United Nations participants' representatives welcomed the nominations and sought reassurances that due diligence checks had been completed, as necessary. It was confirmed.

155. **The Board took note of the proposals of the Secretary-General for the nomination of the Investments Committee members.**

C. Progress report on risk management and compliance

156. The Acting Representative of the Secretary-General for the investment of the assets of the Fund updated the Board on the progress of the Office of Investment Management risk management and compliance initiatives.

157. A risk management framework was put in place and enhancements were made to risk and performance reporting during 2019–2020. New reports were introduced, in addition to the risk dashboard reports used to monitor "tracking error", contribution to risk, standard deviation and expected shortfall on a weekly basis. The risk budget was updated and included a risk budget for all asset classes, including the risk budget for private markets, which were implemented in 2020. The Risk Management Committee and new Compliance Committee were established in December of 2017 and were functioning well. At the Committees' meetings, Office of Investment Management senior management reviewed risk management and compliance reports and indicators and discussed and approved proposals to strengthen controls. Those Committees met at least four times per calendar year, or more frequently as needed.

158. The Office of Investment Management risk group had been using an industry risk analytics system since 2011. The system was being used to monitor and report on the risk of the internally managed, public markets portfolios relative to the assigned benchmarks for those portfolios. A request for proposals was launched in 2019 with the Procurement Division to acquire an integrated risk and performance system. The request for proposals was concluded, and contract negotiations between the Division and the vendor were ongoing.

159. The Office of Investment Management implemented a quarterly, strategic risk report provided by an external service provider. That report enhanced the Office's ability to consistently and continuously monitor the overall financial sustainability and performance of the Fund in the short term (up to four years). The report provided long- and short-term risk decomposition, stress tests and updated optimizations within the strategic ranges for the Fund.

160. New benchmarks were in line with the new investment policy statement and were implemented in 2019. The Office of Investment Management intended to implement restrictions on thermal coal securities in 2020. As part of the 120-day plan (April to July 2020), a task force was established to review the investment policy statement and the asset and liability management study. Subsequent to that, new policies for benchmarks studies and Committee studies would be issued.

161. Updates on the Office of Investment Management Compliance Section were also provided. The Office had successfully implemented and closed 55

recommendations since January 2018 from OIOS. Five previous recommendations remained outstanding and were being implemented. In total, there were 15 open OIOS recommendations, including the 10 new recommendations received as part of the recent audit. The Office continued to focus on implementing and closing the recommendations. In addition, the Office was able to implement and close 13 of 19 recommendations from the Board of Auditors. The Office continued to focus on implementing and collecting evidence to close the six remaining recommendations and those from 2020. It also continued to work to strengthen anti-fraud controls and would commence a new fraud risk assessment later in 2020.

162. Annual ethics training was successfully conducted in September and October 2019. The training covered all Office of Investment Management compliance policies and additional training on fraud awareness.

163. A business continuity plan for the Office of Investment Management was in place and designed to address all critical business disruptions, including power outages, loss of electronic data and inaccessibility of the Office headquarters facility. The Office's business continuity planning provided a framework for restoring mission-critical systems within acceptable recovery configuration requirements. The Office established a Crisis Management Committee and a Business Continuity and Disaster Recovery Working Group to manage the Office's business continuity planning. A regular meeting was held on a quarterly basis.

164. **The Board welcomed the progress made and took note of the report.**

Chapter VIII
Financial matters

A. Financial statements for the year ended 31 December 2019

165. The Board considered the financial statements of the Fund for the year ended 31 December 2019.

166. The Fund's Chief Financial Officer informed the Board that the report of the Board of Auditors on the audit of the Fund's financial statements for the year ended 31 December 2019 contained an unqualified audit opinion. On that basis, the Board was requested to approve those financial statements.

Discussion in the Board

167. The group of executive heads thanked the Chief Financial Officer for the financial statements. it expressed appreciation for the positive performance in 2019, compared with 2018, which was the result mainly of an increase in investment income and an increase in contributions received. It noted that the increase in administrative expenses was due in large part to the result of the impact of the changes of the actuarial value of post-employment benefits liabilities, including after-service health insurance. The group supported the Audit Committee recommendation that management expand the scope of the statement of internal control to provide assurances under all aspects of the Fund's operations.

168. The group of governing bodies thanked the Fund for the financial statements containing comprehensive financial information. A representative of the group enquired as to whether there was a regulation requiring the Board to approve the financial statements. He proposed that the Board request the Audit Committee to review the financial statements and recommend (or not) their approval by the Board. He further enquired whether OIOS could provide assurances on the statement of internal control and recalled that OIOS had declined such a request in the past.

169. The group of executive heads noted that it was the responsibility of the Board to approve the financial statements and that the mandate of the Audit Committee was to provide analysis and advice but not to recommend approval of the financial statements.

170. The participants' group thanked the Chief Financial Officer for the financial statements and took note of the unqualified audit opinion by the Board of Auditors. It expressed appreciation for the positive performance of the Fund in 2019.

171. FAFICS expressed appreciation for the unqualified audit opinion on the Fund's financial statements. It welcomed the good financial results and the rate of implementation of the audit recommendations, which evidenced the strength and stability of the Fund.

172. The United Nations participants' representatives welcomed the financial statements. They asked whether the current cash levels were adequate for the current context market volatility. They requested clarification about forfeitures and suggested that the Fund could provide details on its website to alert participants of benefits to be forfeited.

173. A United Nations participants' representative asked the Chief Financial Officer to address whether matters of fraud or presumptive fraud, in relation to claims by former participants, appeared in the financial statements if they become known to the Fund. The Chief Financial Officer stated that the financial statements were prepared under IPSAS and IAS 26 and that claims by former participants did not fall under the criteria for recognition as a financial liability under IPSAS.

174. The Chief Financial Officer clarified that, as a good governance practice, the financial statements should be approved by the Board for presentation to the General Assembly. He explained that the reduction in cash equivalent was a regrouping, which did not affect liquidity levels. He recalled that, under article 46 of the Regulations of the Fund, the Fund was required to forfeit unclaimed benefits after a specific period. He recalled that, in 2018, the Fund had addressed a long outstanding backlog of forfeiture cases.

175. A member of the participants' group of specialized agencies noted that the financial statements did not reflect separate lines for the United Nations Staff Pension Committee secretariat services provided and resources received from the United Nations. In that respect, the Chief Financial Officer clarified that the receivables from the United Nations and the liabilities to the Organization were netted in one line. Given that the Fund used United Nations machinery, all administrative expenditures of the Fund were paid through the Secretariat and that, therefore, the Fund transferred cash in time for those payments. It was also noted that, with the change to an annual budget, the financial statements for the year 2020 would no longer include a statement of comparison of budget and actual amounts for the biennium.

176. **The Board took note with appreciation of the unqualified audit opinion of the Board of Auditors. The Board approved the financial statements for the year ended 31 December 2019, for presentation to the General Assembly.**

B. Budget estimates for the year 2021

1. Discussion in the Board on the budget estimates for 2021

(a) Proposed estimates for the year 2021

177. The budget estimates proposed by the Fund's management for 2021 amounted to $108,893,400 (before recosting), compared with $100,681,300 for 2020. The budget submission was presented for the secretariat of the Board ($1,261,900), the Pension Administration ($60,376,500), the Office of Investment Management ($45,309,700) and audit costs ($1,945,300). In addition, the estimates provided for one extrabudgetary post for the processing of after-service health insurance contributions, in the amount of $85,300, and an amount not to exceed $112,500 for the Emergency Fund.

(i) Secretariat of the Board

178. In response to General Assembly resolution 73/274, the position of Chief Executive Officer was replaced by two distinct and independent positions, namely, the Chief Executive of Pension Administration and the Secretary of the Pension Board, as from January 2020.

179. The proposed budget under the secretariat of the Board totalled $1,261,900 (before recosting), representing a decrease of 27.9 per cent compared with the appropriation for 2020. The request included one reclassification.

(ii) Pension Administration

180. The proposed budget under administrative costs totalled $60,376,500 (before recosting), representing an increase of 13.0 per cent compared with the appropriation for 2020, of which 5.1 per cent relates to technical adjustments, rental and maintenance of current premises and administrative services provided by the United Nations and 7.9 per cent relates to the Fund's strategic plan for the period. The request includes seven proposed additional posts, three conversions, two reclassifications and one redeployment.

181. For information purposes, the Pension Administration proposed to add a sentence in paragraph 79 of the Board's final proposed budget for 2021. The new paragraph should read as follows: "OPS will be at the centre of the strategy 2021–2023, mainly under pillar 1 ('simplify client experience') on processes and workflows, improvement in client services and support for employing organizations, and under pillar 2 ('modernize pension services') with the value stream mapping and the pilot projects for the introduction of robotic process automation". **The finance functions of the Geneva office were being centralized in New York and the positions would be reassigned to pension entitlements, operations support and client services in the Geneva office to further strengthen the services of the office.**

a. Extrabudgetary funding under Pension Administration

182. Resources in the amount of $85,300 before recosting were requested for one GS (OL) post to be funded by member organizations participating in the after-service health insurance scheme.

(iii) *Office of Investment Management*

183. The proposed budget under investment costs totalled $45,309,700 (before recosting), which reflects an increase of 3.2 per cent compared with the appropriation for 2020. The request includes the abolishment of two posts, two reclassifications and seven redeployments.

(iv) *Audit*

184. The Fund requested a total of $1,945,300 (before recosting) to cover external ($393,200) and internal ($1,552,100) audit costs, representing an increase of 21.0 per cent compared with the appropriation for 2020.

(v) *Emergency Fund*

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

(b) Budget Working Group

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

187. In accordance with the decision made by the Board at its sixty-sixth session (A/74/331, para. 413), the final composition of the Working Group was as follows:

Jane Makori (UNIDO)	Governing bodies
Tomoya Yamaguchi (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 Saguez	(FAFICS)

188. The Budget Working Group began its work on 9 June 2020. It had before it the budget estimates for 2021 and accompanying supplementary information. The Working Group benefited from valuable interaction with the members of the Secretariat of the Board, the Pension Administration and the Office of Investment Management.

(i) *Overview*

189. The Budget Working Group recommended amending the second sentence of paragraph 5 of the overview of the budget document, as follows: “The United Nations reimburses the Fund for the expenses incurred in providing these services, **which is funded from the United Nations regular budget reflected under section 1 of the proposed programme budget of the United Nations**.”

190. The section below contains recommendations reflecting a consensus view of the Budget Working Group.

(ii) *Secretariat of the Pension Board*

191. The Budget Working Group recommended the approval of the proposed amount of $1,261,900 (before recosting), representing a decrease of 27.9 per cent compared with the appropriation for 2020 for the secretariat of the Board.

192. The Budget Working Group recommended the secretariat of the Board and the Pension Administration to continue to review the organizational structure and resource level, including staff composition, in line with decisions of the General Assembly, inter alia, to ensure the independence of the Secretary of the Board.

193. The Budget Working Group recommended strengthening the justification for the proposed reclassification of Programme Management Officer from P-4 to P-5 with necessary amendments, so as not to repeat the justification that was not approved by the General Assembly at its seventy-fourth session. Consequently, the secretariat of the Board provided the further justification.

(iii) *Pension Administration*

194. The Budget Working Group recommended the approval of the amount of $59,474,100 (before recosting), representing an increase of 11.3 per cent compared with the appropriation for 2020 for Pension Administration.

195. The Budget Working Group welcomed the strategic plan of the Chief Executive of Pension Administration, its concepts and initiatives, and the creation of new units.

196. The Budget Working Group recommended the Pension Administration to review the effectiveness and efficiency gained after the first year of the new strategy implementation and its pilot projects in the context of proposed budget for 2023 and requests the Pension Administration to provide an update to the Board at the next session of the Board.

197. The Budget Working Group recommended that, in view of its vital and overarching role in the implementation of the strategic plan and organizational change, the Business Transformation and Accountability Unit report directly to the Chief Executive of Pension Administration.

a. Post resources

198. Having reviewed the proposed changes in post resources and following a dialogue with representatives of the Pension Administration, the Budget Working Group approved the changes reflected in table 10.

Table 10
Post resources (Pension Administration)

Component	*Action*	*Post*	*Category*	*Number*
Executive direction and management				
	Conversion	Special Assistant to the Chief Executive of Pension Administration	P-5	1
	Redeployment (outward to programme of work)	Performance Reporting Officer (Programme Management Officer)	P-3	(1)
Programme of work				
	New post	Chief of Business Transformation and Accountability Unit	P-5	1
	Conversion	Benefits Assistant (Operations)	GS (OL)	2
	Conversion	Benefits Assistant (Client services)	GS (OL)	1
	Conversion	Accountant	P-3	1
	Conversion	Programme Management Officer (Risk Management)	P-3	1
	Redeployment (Inward from executive direction and management)	Performance Reporting Officer	P-3	1
Total net change				**7**
	Reclassification	Benefits Officer	P-3 to P-4	1
	Reclassification	Accounting Assistant	GS (OL to PL)	1

b. Non-post resources

199. The Budget Working Group supported the proposed non-post resources subject to the following modifications:

(a) Contractual services: reduction of $660,800, or 5 per cent of resources;

(b) General temporary assistance, as reflected in table 11.

Table 11
General temporary assistance positions (Pension Administration)

Component	*Position*	*Category*	*Number*
Programme of work			
	Administrative Assistant (Chief Financial Officer)	GS (OL)	1
	Systems Analyst	P-2	1
	Accounting Assistant	GS (OL)	8
	Accounting Assistant (Payments Section)	GS (OL)	3
	Benefits Officer	P-3	1
	Benefits Assistant	GS (OL)	6
	Benefits Assistant (Operations Coordination and Liaison Unit)	GS (OL)	1
	Benefits Assistant (Client Services)	GS (OL)	3
	Team Assistant	GS (OL)	1
	Benefits Assistant (Operations – Geneva)	GS (OL)	14
	Benefits Assistant (Client Services – Geneva)	GS (OL)	1
	Information Systems Assistant (Geneva)	GS (OL)	1
	Programme Management Officer	P-4	1

Component	Position	Category	Number
	Information Systems Officer (Chief of Pension Interface Unit)	P-4	1
	Project Management Officer	P-4	1
	Information Systems Officer (Technology Innovation)	P-4	1
	Information Systems Officer (Project Management Support)	P-3	1
	Information Systems Officer (Business Intelligence)	P-3	1
	Information Systems Officer (Solution Analyst)	P-3	2
	Information Systems Assistant	GS (OL)	1
	Data Analyst (Information Management Officer)	P-4	1 (6 months)
	Communications officer	P-3	1 (6 months)
Executive office			
	Facilities Management Assistant	GS (OL)	1
Total			**53**

c. Extrabudgetary funding under Pension Administration

200. The Budget Working Group supported the resources for one GS (OL) staff member to be funded by member organizations participating in the after-service health insurance scheme.

(iv) Office of Investment Management (Office of Investment Management)

201. The Budget Working Group welcomed the initiatives led by the Acting Representative of the Secretary-General for the investment of the assets of the Fund.

202. The Budget Working Group recommended the approval of the proposed amount of $45,309,700 (before recosting), which reflects an increase of 3.2 per cent compared with the appropriation for 2020 resources for the Office of Investment Management.

a. Post resources

203. Having reviewed the proposed changes in post resources and following dialogue with representatives of the Office of Investment Management, the Budget Working Group recommended the approval of the proposal, as reflected in table 12.

Table 12
Post resources (Office of Investment Management)

Component	Action	Post title	Category	Number
Executive direction and management				
	Redeployment (inward from programme of work)	Risk Officer (Portfolio Construction)	P-4	1
	Redeployment (outward to programme of work)	Senior Programme Officer	P-5	(1)
		Administrative Officer	P-4	(1)
		Senior Administrative Assistant	GS (PL)	(1)
		Administrative Assistant	GS (OL)	(3)
Programme of work				
Investment Section	Abolishment	Investment Assistant-Fixed Income	GS (OL)	(1)
Programme administration	Redeployment (inward from executive direction and management)	Senior Programme Officer	P-5	1

Component	*Action*	*Post title*	*Category*	*Number*
		Administrative Officer	P-4	1
		Senior Administrative Assistant	GS (PL)	1
		Administrative Assistant	GS (OL)	3
Risk and Compliance Section	Redeployment (outward to executive direction and management)	Risk Officer (Portfolio Construction)	P-4	(1)
	Abolishment	Risk Assistant	GS (OL)	(1)
Total net changes				**(2)**
Investment Section	Reclassification	Investment Officer – North America	P-3 to P-4	1
Operations team	Reclassification	Accountant – Middle Office	P-2 to P-3	1

b. Non-post resources

204. The Budget Working Group supported the proposed non-post resources, including the general temporary assistance positions, as reflected in table 13.

Table 13
General temporary assistance positions (Office of Investment Management)

Component	*Position title*	*Category*	*Number*
Office of the Representative of the Secretary-General for the investment of the assets of the Fund			
	Investment Officer – Sustainable Investments	P-3	1
	Investment Associate – Environmental, Social and Governance	P-2/P-1	1
	Investment Associate – Environmental, Social and Governance	P-2/P-1	1
	Legal Associate	P-2/P-1	1
Investment Section			
	Global Equities		
	Investment Officer – Real Estate	P-4	1
	Investment Officer (North America)	P-4	1
	Investment Officer – External Manager	P-3	1
	Fixed Income		
	Investment Officer – Fixed Income Mortgage-backed Securities	P-4	1
	Investment Officer	P-3	1
Risk and Compliance Section			
	Risk Officer – Market Risk	P-3	1
	Risk Associate	P-2/1	1
	Compliance Associate	P-2/1	1
Operations and Information Systems Section			
	Operations		
	Accountant (Alternative Investments Platform)	P-3	1
	Accountant, Middle Office	P-4	1
	Accountant, Back Office	P-4	1
	Associate Accountant (Asia–Pacific)	P-2/1	1
	Information System Officer – Developer	P-3	1
	Associate Information Systems Officer (Infrastructure and Service Desk)	P-2/1	1
	Associate Information Systems Officer (Security Engineering)	P-2/1	1

Component	Position title	Category	Number
	Information Systems Officer – Data Analyst	P-3	1
Programme administration			
	Senior Administrative Assistant	GS (PL)	1
Total			**21**

(v) Audit

205. The Budget Working Group recommended the proposed amount of $1,945,300 (before recosting), representing an increase of 21 per cent compared with the appropriation for 2020 for Audit. This amount includes eight general temporary assistance positions, including two additional positions of Senior Auditor (P-5) and Investigator (P-4).

2. Conclusion

206. A summary of the resource changes recommended by the Budget Working Group is reflected in table 14.

Table 14
Estimates recommended for 2021
(Thousands of United States dollars/number of posts)

	Resources (before recosting)				
		Budget Working Group			
	Fund's proposal	Changes	Estimates	Fund's proposal	Budget Working Group
Pension Board secretariat	1 261.9	–	1 261.9	3	3
Pension Administration	60 376.5	(902.4)	59 474.1	204	201
Office of Investment Management	45 309.7	–	45 309.7	108	108
Audit	1 945.3	–	1 945.3		
Total	**108 893.4**	**(902.4)**	**107 991.0**	**315**	**312**
Extrabudgetary	85.3		85.3	1	1

(c) Board

(i) Discussion in the Board

207. The Chair of the Budget Working Group introduced its report and expressed her gratitude to the Chief Executive of Pension Administration, the Acting Representative of the Secretary-General for the investment of the assets of the Fund and their staff for their budget proposals and support during the deliberations on the budget. The Chair also thanked the members of the Working Group for their contributions and noted that the Group had worked effectively. She noted that the decisions of the Group were unanimous.

208. Representatives of the executive heads suggested the inclusion of key performance indicators of the Fund in future budget proposal documents. The group supported the creation of new units and the establishment of a post of Data Analyst (P-4). The group noted the increase in costs for rental of premises and expressed the need for a reconsideration of office space requirements, taking into account the experience gained with remote working arrangements during the COVID-19 pandemic.

209. A representative of the governing bodies expressed their support for the consensus proposed by the Budget Working Group and suggested a future review of the role of the secretariat of the Board and its organizational structure.

210. Representatives of the participants of specialized agencies and FAFICS said that they did not support the reduction in non-post resources recommended by the Budget Working Group because they related mainly to information technology, which proved to be essential during the COVID-19 pandemic. In the same context, the groups also expressed the importance of communication by the Fund and supported the establishment of the post of Communications Officer (P-3), which was not supported by the Working Group.

211. Representatives of the participants of specialized agencies noted a perceived conflict of interest existed when any member of the Budget Working Group employed by any part of the Fund was involved in reviewing budgetary matters pertaining to resources under the authority of the senior manager of that part of the Fund. Therefore, while a staff member of the Office of Investment Management serving on the Working Group could safely review budgetary matters for the Pension Administration, the Board secretariat and Audit, he/she could not opine on budgetary matters for the Office any more than a staff member of Pension Administration could opine on matters concerning Pension Administration. Second, they wished to include the fact that some of the meetings had been conducted without a quorum.

212. The views of the representatives of the United Nations participants' were as follows:

(a) The United Nations participants' representatives regretted that a dissenting view was not allowed on the budget proposal. One of the principles of consensus was that the minority view was also recorded;

(b) It noted with concern the increase by some 32 per cent in the cost per participant between 2018–2019 and the proposal for 2021, including the 13 per cent increase in 2020 alone, and recommended a decrease of at least $3 million to $5 million (before recosting) on the overall amount due to the duplication that could be found by scrutinizing the budget;

a. Secretariat of the Board

(c) The post of Secretary (D-1) should be budgeted as "new" and the temporary redeployment returned to Geneva;

(d) In addition, the secretariat of the Board, as the policy overseer and adviser of the Board, was underresourced and did not allow for the independence of the Secretary, as requested by the General Assembly in its resolution 74/263, and specific posts could be redeployed from the Pension Administration to ensure that independence;

(e) The Board secretariat should also have its own legal adviser, who would remain independent from the Pension Administration;

b. Pension Administration

(f) It was proposed that the post of Secretary (D-1) be returned to Geneva because the arrangement was temporary;

(g) The Executive Office must be reconstituted as soon as possible with the return of the P-5 and P-4 posts, given that there had been no effort to do so to date;

(h) The requested redeployment of the Budget Office from the Executive Office to Finance Services had created a conflict of interest for the Chief Financial Officer, making him both certifying and approving officer;

(i) It did not support the creation of the new Business Transformation and Accountability Unit in the Risk Management and Legal Section. This was in opposition to the OIOS recommendation in A/73/341, with which the Board had agreed, that it should be dismantled owing to disparate functions;

(j) While it believed that the Business Transformation and Accountability Unit was better placed in the secretariat of the Board, it could agree with the Budget Working Group's recommendation that the new office be placed with the Chief Executive of Pension Administration;

(k) It rejected the idea of the closing of the Finance Office in Geneva because doing so would lead to poor service to participants and beneficiaries in Europe, the Middle East and Africa and because the idea, along with functional reporting, had considerably increased the Pension Administration's budget proposal. (In addition, it had received a resolution from the Coordinating Committee for International Staff Unions and Associations of the United Nations System representing 60,000 participants and knew that various retiree associations had also reached out to the Pension Administration to oppose the closure;

(l) It was concerned about the frequent changes and new units being set up in operations, owing to the instability that was causing and about the underutilization of staff talent, whereby finance experts were redeployed to non-finance jobs. Those moves did not provide efficiencies at all but rather were increasing costs and weakening the pension system;

(m) With respect to posts, it welcomed the vision of the Chief Executive of Pension Administration of a paperless Fund and supported it. It also wanted to see a gap analysis done to ensure that new initiatives would not duplicate functionality implemented in the Integrated Pension Administration System that was either disabled or not used by the Pension Administration;

(n) With respect to non-post resources, it did not support the proposed increase in general temporary assistance funding. In cases in which there was a valid need, there should be a request for established posts. (It was of the understanding that specific staff had been hired for as long as eight years against general temporary assistance positions and believed that efficiencies and strengthened internal controls could be gained in establishing posts);

(o) Travel to Board meetings for Pension Administration staff should be reduced by 40 per cent;

(p) Travel costs should not be increased owing to functional reporting;

(q) It did not see any need for increases in information technology. The Integrated Pension Administration System project had gone over by at least $25 million;

c. Office of Investment Management

(r) It welcomed the change in structure to enhance the separation of duties so as to avoid a recurrence of the concerns detailed by OIOS, as detailed pursuant to the OIOS governance audit. It would suggest that the Compliance Unit could also report directly to the Secretary-General, as even his Representative must be compliant;

(s) It urged the incoming Representative of the Secretary-General to ensure equanimity in reporting lines to reduce the toxicity in the Office of Investment Management that had also been mentioned in the OIOS report on governance;

(t) With respect to posts, it did not support the abolishment of 2 GS (OL) posts and would support a small increase of four or five established posts if sufficient justification were provided, with a similar reduction in the proposed general temporary assistance resources;

(u) With respect to non-post resources, the Office of Investment Management had been successfully run in a lean manner, recruiting experts in the field of investing;

(v) Further to its intervention in 2019, it requested a reduction rather than an increase in general temporary assistance funding for six new and two existing positions, including several P-2/1 positions that did not bring expertise to the Fund;

(w) It noted that, after two years of focus on environmental, social and governance considerations in the office of the Director of the Office of Investment Management, no policy had been provided. In addition, the Acting Representative of the Secretary-General had confirmed that the Fund had approximately $1.5 billion maximum in non-renewable energy investments and mentioned that the Office would be reducing that investment around September 2020. Given that there was also another $700,000 included in the proposal for legal advice for environmental, social and governance considerations, it did not support the 2 P-2 positions requested. It believed one P-3 post was sufficient for environmental, social and governance considerations, both to develop a policy on the matter and to identify filters and tools that would support pro-environment, -social and -governance investing;

(x) It was of the understanding that, in addition to the positions requested in the legal office, the Office of Investment Management funded one post of Legal Officer in the Office of Legal Affairs and that there was a large number of external legal experts. Therefore, it did not support the P-2 general temporary assistance position in the legal office;

(y) It supported a decrease of $1,921,400 in the Fund's proposal for Pension Administration and another decrease of $1,037,600 in the proposal for the Office of Investment Management, which would result in an increase of 9.6 per cent compared with the appropriation for 2020 versus the 12.5 per cent proposed, but believed that there could be further cuts to the proposal that would bring the Fund closer to a zero-growth budget proposal, even while achieving (i) independence for the Secretary of the Board; (ii) the creation of a strategy of the Chief Executive of Pension Administration, including with regard to paperless transactions and robotics, and (iii) an improved Office whose staff could focus on safeguarding the assets of the Fund to be the best in class.

213. The focal points representing the Board's constituencies met on 23 July 2020 after the plenary session of the Board, with the sole objective of identifying a consensus on the budget proposals for 2021, based on the presentation of the Budget Working Group (done on 22 July 2020).

214. All focal points agreed that there were few issues on which agreement was needed in order to achieve a consensus, as discussed below.

215. The Board approved the general temporary assistance positions of Data Analyst (P-4) and Communications Officer (P-3) supporting the Chief Executive of Pension Administration's well-structured and results-oriented budget. The Board suggested that the two key functions of data analysis and communications should be funded for 12 months to ensure adequate support for the implementation of the three-pronged

Fund strategy. A request for establishing such posts could be made again at the next session of the Board.

216. In the interest of containing overall administration costs, the Board requested the Chief Executive of Pension Administration to ensure that, to the extent possible, any savings from rent (rationalize office space) and travel (given that there were already reductions owing to COVID-19 and the increasingly common practice of holding online meetings) should be used to finance the additional costs.

217. In view of the important role that financial services played in the administration of the Fund, the Board requested the Pension Administration to pause the redeployment of financial functions from Geneva to New York, to review the cost benefits, risks and impact of the proposed redeployment and report it to the Board at its next session. This had no cost implications.

218. The representatives of FAFICS did not support the proposal to pause the redeployment of financial functions from Geneva to New York, give that doing so would constitute micromanagement of management decisions of the Chief Executive of Pension Administration. Some members of the participants' group of the specialized agencies agreed with representative of FAFICS because they felt uncomfortable with the decision to put that redeployment on hold and override a management decision.

219. With regard to the reporting lines for the risk and compliance functions (Business Transformation and Accountability Unit), which was proposed to report to legal services, the Board requested that the Pension Administration ensure that, consistent with the accepted approach at the Office of Investment Management, the reporting line of such functions should be to the Chief Executive of Pension Administration. This had no cost implications.

220. Apart from those slight amendments, the focal points agreed with the report of the Budget Working Group.

(ii) Recommendations of the Board

221. In addition to the recommendations of the Budget Working Group, the Board agreed with paragraphs 215, 216 and 219 above. Accordingly, the Board approved, for submission to the General Assembly, the proposed budget estimates amounting to $112,388,800 (after recosting), as reflected in table 15. Of that amount, $7,995,100 (after recosting) was attributable to the cost of services provided to the United Nations for the United Nations Staff Pension Committee and was chargeable to the United Nations.

222. In addition, the Board approved resources amounting to $88,800 (after recosting) from extrabudgetary funding for one GS (OL) 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.

223. The breakdown of estimates for 2021 is reflected in table 15.

Table 15
Summary of total estimates for 2021
(Thousands of United States dollars)

	Estimate (before recosting)	*Estimate (after recosting)*	*Number of posts*
Secretariat of the Pension Board	1 261.9	1 325.0	3
Pension Administration[a]	59 474.1	61 513.0	201
Office of Investment Management	45 309.7	47 471.5	108
Audit	1 945.3	2 079.3	–
Total	**107 991.0**	**112 388.8**	**312**
Extrabudgetary	85.3	88.8	1

[a] Includes the amount of $7,995,100, after recosting, directly chargeable to the United Nations for services related to the United Nations Staff Pension Committee.

Chapter IX
Administrative matters

Status report on the Emergency Fund

224. The Board was provided with a report on the Emergency Fund for information.

225. 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.

226. During the biennium under review, the total amount paid out from the Emergency Fund was $145,318, representing 106 disbursements. Although the amount disbursed was 7 per cent lower than the previous biennium, the actual number of cases that were awarded Emergency Fund assistance increased by 5 per cent. Most of the disbursements during the first half of the biennium were one-time payments to beneficiaries who had been affected by the earthquakes in Mexico in September 2017 and the flooding that took place in Kerala, India, during August 2018. In the second half of the biennium, the payments were mostly one-time disbursements to beneficiaries who had proved hardship in paying for medical expenses or to assist with funeral expenses for deceased beneficiaries or immediate relatives. The number of payments made for medical or funeral expenses were comparable to those made in the first half of the biennium.

227. The result of the Fund's efforts to promulgate the existence of the Emergency Fund is reflected in the increased number of payments made over the past two bienniums. The Fund is looking to further simplify and streamline the review process, and in this regard it will propose some changes to the general principles for the operation and application of the Emergency Fund, as detailed in note A of the Regulations, Rules and Pension Adjustment System of the Fund at the next session of the Board.

228. The United Nations participants' representatives were again saddened that, despite a 5 per cent increase in cases (five), the number of disbursements where beneficiaries came to the Fund for assistance had fallen. The Pension Administration was reminded that, while proactive payments were appreciated, the original intention of the Emergency Fund was to help beneficiaries who were in need and asked for help. The participants' representatives also read the Board of Auditors' observations on the administration of the Emergency Fund, which highlighted the lack of objective criteria used to grant or reject assistance and the length of time taken to grant awards and disburse funds, which could be more than one year later.

229. FAFICS acknowledged with gratitude the increasing importance that the Fund attached to the processing and disbursement of requests for emergency assistance made by the affected United Nations retirees.

230. FAFICS noted that, while a slight increase in the number of payments had been made during the period January 2018 to 31 December 2019, the amount paid out from the Emergency Fund was 7 per cent lower than in the previous biennium.

231. As recalled in the status report, in 2017 and 2018, FAFICS had requested the Fund to conduct an end-to-end review of the Emergency Fund process, starting from the receipt of an application to the end result, including the disbursement of funds. FAFICS was pleased to note that, as a result of the end-to-end review, the Fund intended to propose some changes to the general principles for the operation and application of the Emergency Fund in an effort to simplify the review process. FAFICS stood ready to cooperate with the Fund in that exercise.

232. **The Board took note of the activities related to the Emergency Fund during the period from 1 January 2018 to 31 December 2019, including the total paid out, which amounted to $145,318, representing 106 disbursements. Furthermore, reporting on the activities of the Emergency Fund will change starting next year from a two-year to a one-year cycle, as decided by the Board at its sixty-fifth session.**

Chapter X
Audit

A. Report of the Audit Committee

233. The Chair of the Audit Committee introduced the fourteenth report of the Committee. The current membership of the Committee is set out in annex XI to the present report. The Chair informed the Board that, during its meetings, the Committee had held comprehensive and candid discussions with the Fund's internal auditors (OIOS), the Chief Executive of Pension Administration, 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 internal and external auditors as well as the Representative of the Secretary-General and the Chief Executive and their teams for their excellent support and cooperation.

234. The Chair noted that the dedication and commitment of the current leadership and staff had maintained the Fund in a stable financial and operational position, notwithstanding the impact of the COVID-19 pandemic. The Fund remained well funded. The Committee had noted that outstanding benefit cases were monitored more closely and that processing times had improved, allowing the Fund to process more than 75 per cent of initial benefits in 15 business days or fewer.

235. With respect to internal audit, the Chair reported that the Committee had endorsed the OIOS risk-based workplan for 2020, as required pursuant to its terms of reference. The Chair highlighted the Committee's sense that there was a better working relationship between OIOS and the management of the Fund.

236. As at 30 June 2020, 42 OIOS recommendations were open (10 of which were addressed to the Board).

237. With respect to external audit, once again at the time of its June 2020 meeting, the Committee had not seen the preliminary findings of the external audit of the 2019 financial statements but was pleased to learn that the Board of Auditors would issue an unqualified audit opinion. Furthermore, the Committee noted that receiving written audit plans, including information on materiality/risk considerations, would allow the Committee to perform its expected due diligence on audit work and coverage. With respect to the recommendations of the Board of Auditors, the Committee was informed that 33 of the 45 recommendations for earlier periods had been implemented and that 12 were under implementation.

238. The Committee reviewed the Fund's unaudited financial statements for 2019 and commended both parts of the Fund (the secretariat and the Office of Investment Management) for their commitment to working together, producing the financial statements that obtained an unqualified audit opinion. With regard to the statement of internal control, given that it did provide a degree of assurance to the readers of the financial statements, the Committee proposed that management look at the links between the risks identified by the Enterprise-wide Risk Management Working Group and the controls covered by the statement of internal control to provide a wider level of assurance to the Board.

239. The Committee received regular updates from the Enterprise-wide Risk Management Working Group and reviewed minutes of its meetings, together with revised risk treatment and response plans and the work of the business continuity/disaster recovery group. In relation to the risks, which were identified by the Working Group, the Committee recommended that the Board take all steps

necessary to fill the current senior and other leadership/management vacancies and ensure that more effective succession planning would be undertaken in the future.

Discussion in the Board

240. The Board expressed its appreciation for the work of the Committee and its report. In particular, strong support was expressed for the recommendation that management develop new key performance indicators. The United Nations participants' group stressed the importance of employing a consistent methodology. FAFICS commented that, given that there were no delays in processing, it was looking forward to a variety of other key performance indicators beyond the 15-day benchmark being developed.

241. The executive heads supported all the recommendations, with an emphasis on those related to a review of best practices and lessons learned from the experience of dealing with COVID-19, and the development of the revised key performance indicators. They also noted that the Committee had revised its terms of reference and supported the changes.

242. The group of governing bodies expressed concern that the Board did not have sufficient time to review the report of the Board of Auditors and asked that the Committee review the final report of the Board of Auditors and report back to the Board on any issues of concern. The governing bodies also suggested that the Committee follow up with OIOS on two questions: in view of the risk-based audit plan, whether the cancellation of the audit on public market-related transaction costs left any uncovered risk areas; and whether the recommendations of the OIOS governance audit addressed to the Board were still relevant in the light of the review of the external entity. The group congratulated both sides of the Fund on the progress made in closing the audit recommendations. The governing bodies also asked that more detail be included in the summaries of meetings of the different working groups and committees of the Fund, and that they be shared with the Board in a timelier manner throughout the year.

243. A member of the governing bodies group suggested that the Committee could review the financial statements and recommend their approval to the Board. The executive heads noted that it was the responsibility of the Board to approve the financial statements and that the mandate of the Committee was to provide analysis and advice but not to recommend approval of the financial statements.

244. The United Nations participants' representatives noted that the sharing of detailed minutes would allow the Board to take timely action, if needed. The Chair of the Committee agreed to discuss the issue of minutes with Committee members, while noting that it might be difficult for the Board to take action on the minutes when it was not in session. There was also a potential concern that confidential information could be released before the Board had a chance to assess and discuss it.

245. In response to a comment from a member of the Board that OIOS should be testing the controls supporting the statement of internal control, the Chair of the Committee noted that it was the responsibility of management to sign off on the statement of internal control. It was noted that different practices existed in different organizations.

246. **The Board expressed its appreciation for the Committee's work and its report. The Board endorsed the Committee's recommendations that:**

(a) **The Board approve the budget proposal for 2021 for OIOS, which includes the provision for two additional posts to be funded by general temporary assistance: one P-5 for internal audit and one P-4 for investigations. The provision of the P-4 investigation post should be on the basis that**

requirements for the position would be reviewed annually and take into consideration the type and number of investigations undertaken;

(b) **Management work with the Board of Auditors on resolving the submission of written audit plans and draft final reports in order to allow sufficient time for review of those documents by management and the Committee before presentation of the final reports to the Board;**

(c) **Management undertake a review of the lessons learned from the COVID-19 emergency on working arrangements and revise its business continuity plans accordingly for possible future events of that nature;**

(d) **Management review the statement of internal control to ensure that the controls validated under it cover all operational controls and that it be linked with the enterprise-wide risk management process in order to provide assurances for all aspects of the Fund's operations;**

(e) **Management review the use of the "75 per cent in 15 business days" processing key performance indicator to assess its continued accuracy and relevance as a key performance indicator measurement of the operations of the Fund. Furthermore, Management should look to develop and implement new key performance indicators that would provide more meaningful assessments of performance and success in the delivery of services;**

(f) **The Board take all steps necessary to fill the current leadership vacancies and ensure that more effective succession planning was undertaken in the future.**

247. **The Board reiterated its request that the minutes of Committee meetings be provided to Board members as soon as available. The Board thanked the members of the Committee for their professional service and dedication.**

B. Membership of the Audit Committee

248. The Board was informed that the terms of two members of the Audit Committee were coming to an end in July 2020.

249. **The Board approved the recommendation of the Audit Committee to appoint Tytti Yli-Viikari as an expert member of the Committee, to serve for the period from 1 August 2020 to 30 July 2024.**

250. **The Board also approved the appointment of Marco Breschi, as nominated by FAFICS, as a representative of the Fund retirees, to serve on the Audit Committee for the same term (1 August 2020 to 30 July 2024).**

251. **The Board expressed its appreciation to the outgoing members (Beatriz Sanz Redrado and Hazelien Featherstone) for their commitment and contribution to the work of the Audit Committee.**

C. External audit

252. 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 2019, approved by the Board of Auditors at its annual session on 22 July 2020.

253. The Board was informed that the Board of Auditors had audited the Fund's office in Geneva in October 2019 and the Fund's office in New York in November

and December 2019 and that, the COVID-19 crisis notwithstanding, the Board of Auditors had successfully completed the audit fieldwork remotely in May 2020.

254. The Board was informed that the Board of Auditors had issued an unqualified audit opinion on the Fund's financial statements for the year ended 31 December 2019, which had been prepared in accordance with IPSAS and IAS 26.

255. The Director reported that the Fund had made significant progress in addressing previous audit recommendations made by the Board of Auditors. The Board of Auditors had highlighted that 73 per cent of outstanding recommendations had been fully implemented and that that percentage showed the commitment of management to work with the Board of Auditors.

256. With respect to the Pension Administration, the Board of Auditors had noted opportunities to improve communication and coordination between the offices in New York and Geneva. The Board of Auditors had also identified opportunities to enhance the benchmark for the time taken to follow up on missing or invalid documents.

257. With regard to the Office of Investment Management, the Board of Auditors had identified opportunities to enhance the monitoring of personal securities trades, review the scope of the personal securities policies, enhance the controls for the financial statement closing process and develop a policy to address possible conflicts of interest related to external advisors.

Discussion in the Board

258. The group of executive heads thanked the Board of Auditors for completing the audit under difficult circumstances. The group reiterated its request for the audit report to be submitted earlier to allow for appropriate consideration by the Board. The group took note of the audit recommendations and action plan for implementation. With regard to the status of implementation, the group noted with appreciation that 73 per cent of the previous recommendations had been implemented and encouraged management to continue to implement outstanding recommendations.

259. The group of governing bodies expressed appreciation to the Board of Auditors for the work conducted under unprecedented circumstances. It welcomed the unqualified audit opinion and asked the Board of Auditors for suggestions on reviewing the timeline for the submission of the audit report to the Board. It recommended that the Board request the Audit Committee to review the external audit report and the report on the implementation of the audit recommendations at its next meetings and report back to the Board.

260. The participants' group thanked the Board of Auditors for the clear and comprehensive report prepared in difficult circumstances. It requested the Chief Executive of Pension Administration to comment on observations related to coordination and communication between the offices in New York and Geneva. The participants' group thanked the Board of Auditors for the audit report. It highlighted findings of the Board of Auditors that, while the Geneva office faced a similar workload to the New York office, it was understaffed by comparison and had not had the benefit of receiving as much training. It requested clarification regarding the recommendations of the Board of Auditors related to the accountability structure of the Geneva office, the calculation of the key performance indicator for cases requiring follow-up on missing or invalid documents and whether management might assess the benchmark time for that indicator, and the recommendation on the personal trading of securities.

261. FAFICS commended the Board of Auditors for the excellent presentation of its report. Regarding the timing of the audit report, FAFICS asked whether the Board of Auditors could submit its audit opinion prior to the issuance of the long-form report.

FAFICS noted the importance of receiving the audit report in advance to the annual session of the Board and suggested that detailed information could be reviewed later by the Audit Committee.

262. The Director was grateful for the comments and remarked that the audit had been successfully completed, given the smooth coordination, the professionalism of the Fund staff and the use of technology while working remotely. The Director noted that the report reflected the action plan to address the audit recommendations related to the Geneva office, which would be followed up during the next audit. She remarked that it was management's responsibility to define the action plan. With respect to the timing of the report, the Director suggested that the date of the annual meeting of the Board of Auditors, scheduled for 22 July 2021, could be considered in planning the next session of the Board.

263. With regard to the Office of Investment Management, the Director of the Board of Auditors clarified that the recommendations related to conflicts of interest did not relate to specific cases. She noted that the Office of Investment Management needed to review the scope of the application of existing procedures and policies to cover additional staff.

264. The Chief Executive of Pension Administration thanked the Board of Auditors for the audit and the good cooperation provided in closing implemented audit recommendations. With respect to the lack of consistency of guidelines between the offices in New York and Geneva, the Chief Executive noted that several aspects had been addressed since the Board of Auditors visited the Geneva office in the fall of 2019, in particular with the implementation of functional reporting. The Chief Executive highlighted the Fund's transparency and reported changes to the benefit performance indicator to incentivize the best performance and results for the Fund's beneficiaries and participants.

265. The Acting Representative of the Secretary-General for the investment of the assets of the Fund recognized the work of the Board of Auditors and accepted its recommendations. He said that most of the actions addressing the recommendations of the Board of Auditors were included in the risk and compliance progress report (sect. IV.C) to implement systems, policies and procedures.

266. **The Board took note of the report of the Board of Auditors and the report on the implementation of audit recommendations. The Board thanked the Board of Auditors for its work and requested that the audit report for the year 2020 be submitted earlier for the Board's consideration at its next session.**

D. Office of Internal Oversight Services

267. The Under-Secretary-General for Internal Oversight Services presented the report on the activities of OIOS at the Fund for the year ended 30 June 2020. OIOS reported that, during the year, it had issued four internal audit reports: three for the Pension Administration and one for the Office of Investment Management, as well as two advisory reports for the Office of Investment Management. In those reports, OIOS made a total of 27 important audit recommendations: 21 for the Pension Administration and 6 for the Office of Investment Management.

268. It was reported that, as at 30 June 2020, there were 42 open audit recommendations, including 10 for the Board, 27 for the Pension Administration and 5 for the Office of Investment Management. Those recommendations included four critical ones for the Board and one for the Pension Administration. OIOS highlighted the continued decrease in the number of open recommendations resulting from positive interaction between OIOS and the Fund's management.

269. The Board was informed that the 2020 internal audit plan envisaged six audit engagements. As at 30 June 2020, OIOS had completed two audits: the audit of governance mechanisms and related processes in the Office of Investment Management and the audit of data governance, data management and reporting in the Pension Administration.

270. The Board also received an update on the status of investigation activities. The Board noted that, over the past year, OIOS had received 21 complaints alleging misconduct of the Fund staff members. Allegations resulted in six investigations being opened, of which three were closed as unsubstantiated. Lastly, OIOS highlighted the need for an additional post of Senior Auditor (P-5) to ensure adequate internal audit coverage for increasing risks related to the Fund's investment operations. OIOS also requested an Investigator (P-4) to ensure adequate and timely investigation of the reports of misconduct by Fund staff.

271. The Board acknowledged that OIOS had attended the meetings and submitted quarterly reports to the Audit Committee. In addition, OIOS maintained regular meetings with the Fund's management, with no restrictions on the scope of work of OIOS. OIOS concluded the presentation by assuring the Board of its commitment to working with Fund management to provide timely, effective and independent internal oversight services.

Discussion in the Board

272. The Board took note of the OIOS report and expressed appreciation to the Representative of the Secretary-General for the investment of the assets of the Fund and the Chief Executive of Pension Administration for having accepted all the audit recommendations made. The group of governing bodies suggested that the report of the Audit Committee be considered in relation to the approval of additional posts for OIOS. The participants' group expressed appreciation for the spirit of cooperation between the Fund and OIOS.

273. The United Nations participants' representatives asked whether, in the context of the OIOS recommendation to ensure the independence of the Secretary of the Pension Board, the Pension Administration could propose changes to the Regulations of the Fund or whether they were to go through the Secretary for the Board's consideration. They also drew attention to the OIOS recommendation for the Board to reconstitute the Executive Office and asked how they intended the Board to do that, given that the Board had not done so in the two years since the request was issued. The Deputy Director for Internal Audit responded that OIOS could not comment on the matter because OIOS had conducted its audit on the Board's governance structure and related processes (A/73/341) in 2018 on the situation prevailing at that time and the separation of the roles of the Secretary and the Chief Executive of Pension Administration had occurred after the audit. OIOS had not reviewed the matter since. Nevertheless, OIOS noted that the Chief Executive could make proposals for changing the Regulations as deemed necessary, which would be submitted through the Secretary for the Board's consideration. The Deputy Director emphasized that it was for the Board to decide as to how the Secretary would liaise with management, the Representative of the Secretary-General and the Chief Executive.

274. FAFICS expressed appreciation for the good working relationship between OIOS and the Pension Administration. It highlighted that the Pension Administration had significantly improved the rate of implementation of audit recommendations, which was a sign of improved administration and better cooperation with the auditors.

275. The Under-Secretary-General for Internal Oversight Services noted that OIOS had worked to strengthen relations with management and continued audits during the COVID-19 crisis. She agreed to continue to engage with the Audit Committee to

ensure that audit resources were adequately utilized. She noted that OIOS handled investigations with its own resources. It was noted that OIOS regularly reviewed management action plans to implement audit recommendations, which helped to ensure that risks were being appropriately addressed.

276. **The Pension Board took note of the report of OIOS for the year ended 30 June 2020. The Board acknowledged the improvement in the relationship between management and OIOS.**

E. Audit of Office of Investment Management governance

277. In response to questions raised about the various roles and reporting lines in the Office of Investment Management, the Acting Representative of the Secretary-General for the investment of the assets of the Fund delineated three distinct staff who would be reporting directly to him, namely: the Chief Risk Officer, the Chief Operating Officer and the Director of Investment, the latter role being what OIOS referred to as Chief Investment Officer. The goal of the realignment in the reporting lines was to define clear functions and adequate segregation of duties and to address any perceived or real conflict of interest. He said that the Secretary-General had endorsed the new organizational structure by which the Risk Management and Compliance Service would report directly to the Representative of the Secretary-General to strengthen its operational independence and effectiveness.

278. The United Nations participants' group expressed concern at the concentration of power in the former Representative of the Secretary-General in making investment decisions, as disclosed in the audit report. It was also concerned at the way in which the Investments Committee had been marginalized, including with respect to the change in benchmarks, and asked what was being done to address the issues raised in the report.

279. With respect to the selection of the Investments Committee members, the United Nations participants' representatives commented that the process needed be more transparent, following geographic allocation, but also by ensuring sufficient experts in the three major categories of investment in the Fund: fixed income, public markets and private markets. The representatives also called for improvements in the terms of reference of the Internal Investment Committee and the Private Market Committee, by which the practice of concentrating decision-making into the Chair of the Committee should be avoided.

280. The Acting Representative of the Secretary-General explained that an internal task force had been created to review the terms of reference, composition and working methods of the Office of Investment Management's internal committees. In principle, the role of Chair of each committee would be occupied by the Investment Director and the Chiefs of the Risk Management and Compliance and of Operations and Information Technology Services.

281. The Acting Representative of the Secretary-General said that he had held monthly meetings online with the Investments Committee to discuss investments and receive advice from the Committee's members. He said that the monthly meetings were very well attended and very productive.

282. The Acting Representative of the Secretary-General said that steps had been taken to evaluate the results of the asset and liability management study, the investment policy statement and the portfolio benchmarks, as well as the need to adapt them to the new economic and market context. On the basis of the work of the task force and OIOS recommendations, a policy on how the Office of Investment Management conducts an asset and liability management study would be developed.

In addition to the development of the policy, an internal bottom-up workforce exercise would be performed to determine the capacity gaps and develop a strategy that would match the needs of the Office in the coming years.

283. The United Nations participants' representatives expressed concern about the findings concerning conflict-of-interest situations and ethical values and asked what was being done to address the recommendations, noting that managers responsible for creating a toxic environment should be held accountable.

284. The Acting Representative of the Secretary-General said that the Office of Investment Management was developing detailed disclosure and recusal procedures by providing examples of scenarios and explaining the steps that should be followed by staff to manage conflicts of interest effectively, in the best interest of the Fund. At the beginning of each internal committee, the members and invitees would have to disclose any conflict of interest or certify verbally that there was no conflict of interest, which would be recorded.

285. A representative of FAFICS said that there was a need to address risk that could be a concern for the Board or the Fund. He enquired whether there were checks and balances in the system to safeguard the investments against a potential corrupt master record keeper or rogue Representative of the Secretary-General. He said that the Investments Committee was not an oversight body, but rather an advisory body. Transparency was the greatest ally for avoidance of loss and fraud. He also noted that the absence of investment advisors at the Investments Committee meetings was a weakness. A representative from OIOS established that all the recommendations on its report were sufficient to establish a transparent and sound governance model for the Office of Investment Management with adequate checks and balances.

286. The representative of OIOS said that his team had used the bifurcated framework that was established by the General Assembly in 1948 as the fundamental basic principle for the audit. The auditors assessed how the role of the Representative of the Secretary-General had assisted the Secretary-General in fulfilling its fiduciary responsibilities on both a full-time and part-time basis and noted that, overall, the structure had worked well to date. They approached checks and balances by looking at the Investments Committee and recommending that it remain independent, as well as the Risk and Compliance Section. OIOS also evaluated the decision-making process and took into consideration the terms of reference and the delegation of authority and how the work should be distributed between the Director of the Office of Investment Management, who should be the Chief Investment Officer, and the Representative of the Secretary-General. The Internal Investments Committees should also be independent.

287. A representative of the United Nations participants' group said that the role of the Director was described as being the de facto Chief Investment Officer and sought clarification on what action should be taken, because the incumbent might not have the competencies required for the role of Chief Investment Officer. The Acting Representative of the Secretary-General responded that it was important to note that the Director had been hired under terms of reference that made the post responsible for investments and the management of the Office of Investment Management. Accordingly, it was clear that the skills needed to serve as Chief Investments Officer were part of the terms of reference, and there was therefore no need for action to be taken by human resources.

Chapter XI
Governance matters

A. Study on governance

288. Pursuant to General Assembly resolution 74/263, Mosaic Governance Advisors, an independent external entity (consultants) with expertise in pension fund governance matters, presented a comprehensive and objective analysis of the governance of the Fund. The analysis included a comparison of the Fund with best practices applied in international public pension organizations, and recommendations regarding the following:

(a) Governance structure of the Board and its committees;

(b) Board role, responsibilities and practices that were relevant for the proper governance of the Fund;

(c) A transition strategy for the Fund to align with best practices.

289. The consultants informed the Board of their review methodology, which included interviews with Board members, alternates and representatives, using questionnaires for consistency. They attended a meeting of the Governance Working Group to respond to questions from Group members about the review scope and timeline, and reviewed relevant documentation, including the Fund's Regulations, rules, terms of reference and policies. In addition, the consultants performed research on a group of 15 global pension fund peers and analysed aspects of the Fund governance structure, processes and practices, compared with peer research and their experience with public pension fund best practices.

290. The consultants shared with the Board the views expressed by most of the respondents during the interview process, including similar and differing views, and identified the following themes as needing resolution to create improved and more effective governance for the Fund:

(a) The role and mandate of the Board, its leadership, the Standing Committee and the Bureau;

(b) Agreement on the principles that were important to the governance of a pension fund;

(c) Consensus on the level to which improvement in governance was needed to enhance overall effectiveness.

291. They presented principles of sound pension plan governance that included the following:

(a) A need for those involved in pension fund governance and management to embrace a "financial institution" and "fiduciary first" mindset;

(b) As fiduciaries, the sole focus of the Board is to act in the best interest of all participants, retirees and beneficiaries;

(c) An understanding that strong, well-functioning boards know where they lead, where they oversee, where they partner with management and where they should not be involved.

292. In their report, the consultants compared the Fund governance practices against best practices and provided an overview of the Fund historical context and current state, as applicable, described best practices based on their knowledge, experience and observations, including peer research, and analysed how the Fund varied from best practices, labelling differences as minimal or significant.

293. The consultants found that the variance between the Fund governance practices and pension fund governance best practices was significant across all categories. The two most important variances noted were that the Board itself appeared to be at a different stage in its life cycle than best practice public pension fund boards, and that the Fund governance structure lacked the clear, modern fiduciary framework typically found in best practice public pension funds. They further noted that if the objective was to align the Fund governance with best practices, changes would be needed to the governance structure and practices.

294. The report of the consultants appears in annex XIV to the present report.

Discussion in the Board

295. Following their presentation, the consultants responded to the Board's questions. The Board members thanked the consultants for a very comprehensive, high-quality report that had been concluded in a very short period of time.

296. The group of executive heads stated that the recommendations of the report should be carefully reviewed and analysed by the Governance Working Group, with a continued collaboration with the consultants throughout the process. it noted that, when doing so, due regard should be given to the history of the governance of the Fund and other governance mechanisms in the United Nations system, and the Working Group should present to the Board, at its next session, concrete, actionable proposals, based on the recommendations made by the consultants.

297. The group of governing bodies emphasized that the study should be taken seriously by the Board and that it should approach the future evolution of the Fund's governance in an open, constructive and transparent manner. It noted that the Board needed further time to digest the report and realized the difficulties in providing more detailed comments, given the time constraints and special circumstances due to the COVID-19 crisis, which had hindered the ability to appropriately consult and negotiate with one other. Having said that, the group emphasized that the Board needed to communicate to the General Assembly its willingness to move ahead and not unduly delay the process. Furthermore, it urged that the review of Fund's governance take into account the participation of the specialized agencies in a concrete manner. The group stated that it was ready to participate constructively and requested that a strategy be developed to proceed with the reform.

298. A member of the group of governing bodies recalled earlier governance reform of the Fund, in particular General Assembly resolution 40/245, in which the Assembly had specifically invited "the competent organs of the member organizations of the UNJSPF to review the size and composition of the Board" and to submit their conclusions to the Assembly. Twelve specialized agencies and the United Nations Staff Pension Committee had provided their comments in 1987 and the seats were increased from 21 to 33. Another representative of the group supported the proposal that the administrations and the governing bodies of the specialized agencies be consulted in advance before any conclusions were made. He commented further that the study did not sufficiently reflect the staff pension committees in the administration of the Fund. He reminded the Board that the members in the Board were all members of the staff pension committees of their member organizations.

299. The participants' representatives from the specialized agencies expressed appreciation for the fact that the consultants had had a very inclusive approach to the study and had invited input from all Board members and other stakeholders. They took note of the recommendations, which they characterized as "rich", but agreed with other constituent groups that they needed more time to digest the report and its recommendations in order to provide any valuable input. They agreed that the report should be further examined by the Governance Working Group, should its mandate

be extended. The Working Group should, in their view, continue to work with the consultants in order to achieve the best results. They highlighted that the specialized agencies should continue to have a voice in the process and in the final decision-making.

300. The United Nations participants' representatives also noted that the report was comprehensive, took on board all views and flagged the kind of risks that had been highlighted for some time. If broadly implemented, that would allow the Board to move towards a best-in-class governance standing in its peer group, which, as the United Nations, was where they hoped to be. The participants' representatives endorsed the report as a whole, with a few reservations. With regard to the transition board, the 15 members should represent the broad spectrum of views that was present in the Board. To that end, it should follow the same methodology as the 15-member Standing Committee. In the view of the participants' representatives, the suggestion of the consultants that the electorate of 93, including staff pension committee secretaries, committee members and non-voting representatives and observers, be able to vote would not make sense. In their view, a 15-member Board would allow all members to properly carry out the oversight mandate of a board of directors. They noted that the current Standing Committee could just as easily fulfil that role, and the Regulations of the Fund already provided for the Committee to meet more frequently, not to mention that the Board had agreed that that could happen. The participants' representatives indicated that, in their view, the Committee could meet four times annually.

301. Concern was indicated by the United Nations participants' representatives that, while the consultants had called for a collective fiduciary responsibility, it was nevertheless important to ensure that the composition of the Board reflect the current level of participants at the Fund. The United Nations participants' representative believed that, because all other pension boards were subject to legal oversight and accountability, so it should be for the Board. With regard to who could be elected, they considered that no participant should be prevented from running for the Board of the Fund in which they were participating.

302. A FAFICS representative made the following statement:

Speaking on behalf of the FAFICS delegation, I note that Mosaic has managed to conduct its analysis and produce a report between June 19th 2020 and now, and in just 30 calendar days. This must be a record for the Fund, so congratulations to Rosemarie McClean, CEPA for all the related procurement activities, and to Mosaic for its productivity.

The PowerPoint report by the independent external entity, running to 190 pages, begins well enough from its mandate as laid out in paragraph 8 of GA resolution 74/263, part VIII, faithfully reproduced in the report. However, additional material beyond the scope of the GA resolution has been added unannounced to the mandate. That additional, unmandated material would expand the scope well beyond the confines of paragraph 8 (a) to 8 (e) to include a new catch-all subparagraph 8 (f) and an associated "Transition Strategy". It is difficult to see how any transition measures can be contemplated before a destination has been agreed. A transition strategy is premature at this embryonic stage of the process. The mandate for the current study, as approved by the General Assembly, does not call for transition or related strategy.

Before turning to the specifics of the General Assembly mandate, a word on methodology, which we will limit at this point to one aspect only, the selection of peer groups selected for best practice. After careful examination of the peer groups identified by the independent external entity, it is difficult to see how any one of them can be meaningfully benchmarked to the UN Pension

Board with its global, multicultural, multi-currency, multilinguistic profile. Yet a group of largely national peer funds, lacking most of the inherent constraints and requirements for broad representation which the UN system's global complexity poses and demands, are held up repeatedly as benchmarks for best practice. A collection of national funds, or even a limited multi-national one, would not constitute an appropriate peer group for a global Fund such as that of the UN with its assets, liabilities, participants and pensioners heavily distributed around the world. The attempt to match widely dissimilar peers suggests that adequate account of recognizing and defining the *sui generis*, global nature of the Fund has not been taken in the report.

New paragraph 8 (f) of the mandate beginning with "Any other aspects" has five subsections and covers a code of conduct, succession planning and ethics arrangements, matters already under study by two other working groups of the Board. They seem to be presented as part of the GA mandate for the independent external entity, but they are not, as a close reading of the resolution shows. A code of conduct, succession planning and ethics arrangements are thus at this stage the subject of overlapping recommendations which now come to the Board from two sources, the governance and succession working groups, on the one hand, and Mosaic, the independent external entity, on the other. Moreover, the recommendations by the two Board working groups and those by Mosaic are not identical. The Board will need to clarify this to avoid confusion by integrating, if appropriate, the Mosaic recommendations with those of the working group on three overlapping items.

More importantly, the Board will need to determine what comments, if any, it may wish to give the GA as regards the transition strategy. The strategy, unmandated, goes way beyond resolution 74/263, envisaging a Board of as few as 15 members for a transition to 34 permanent Board members without alternates or others. As presented, the Board transition structure, while tripartite, would have less capacity to reflect geographic and member organization diversity as a direct result of the proposed reduction in numbers. No analysis is presented with regard to this dimension that is quintessentially key to determining the representativeness of a new Board. Views will assuredly differ as to the desirability or otherwise of these changes, which reflect a careful balance or trade-off between political, social, cultural and corporate values. The Board may wish to comment on these matters to the General Assembly, but it would need much more data and analysis than is currently available from the report. The transition proposal could be further summarized in terms of uncertainty and the loss of all alternates and non-voting members, but the result would be only a partial picture needing to be filled in later. In the meantime, the Board may wish to contemplate whether such a radical rebuild is worth the risk that comes with major change and the unanticipated consequences. This is especially so in the case of the UN Pension Fund, already starting from a base of sound financials, as summarized in recent years of stable actuarial balances, full funding of its liabilities, excellent unqualified audits and solvency. It makes one wonder what can be so wrong with a governance arrangement that delivers these results. The age-old guidance of "if it ain't broke, don't fix it" may be more apropos in this case than ever. In the end the answer is a judgment call that is probably more reflective of political values than of technological calculations. FAFICS remains yet to be convinced, but will maintain an open mind as more facts and evidence are produced during debate.

FAFICS will comment briefly regarding 4 of the most important out of the 15 recommendations made by Mosaic, the first, second, fourth and sixth ones. The last of these concerns the use of the word fiduciary in the Fund. Lately, its meaning has been diluted as it is used as a comforter rather than a clarifier and is overdue for clarifying how the Fund discharges its responsibilities. On the first recommendation regarding, among others, consensus versus voting for decision-taking, there is little chance of change here for reasons too intricate to elaborate on beyond referencing GA resolution 41/213. Consensus is now an inextricable part of the DNA of the UN. On recommendation two regarding the redefinition of "fair and equitable", this is unlikely, given that the Board reaffirmed this definition last year in the Governance Working Group recommendations. The suggestion as regards voting seats for FAFICS does not work for us within current frameworks and cannot be pursued piecemeal.

To sum up, while there are several elements in this report FAFICS can support, we believe it very premature to discuss transition arrangements before we have an agreed destination – one that fully reflects UN diversity requirements which seem to have been lost in the push to shrink the size of the Board. We look forward to further interaction with the Fund secretariat and Mosaic partners, hopefully at a more appropriate pace that allows a full and proper consideration of the proposals. Let me close by thanking Mosaic for the time they gave us and for their careful listening, both today and over the last month.

303. The Chair of the Governance Working Group referred to the conference room paper (attached in annex XIV to the present report), in which the Working Group had summarized its preliminary views on the study and proposed a way forward. The Chair noted that a number of the consultants' recommendations were in line with the current thrust of the Working Group to further review participation at sessions of the Board; clarify and harmonize terms of reference and working methods of committees and working groups of the Board; and develop a code of conduct and appropriate measures to strengthen the integrity and effectiveness of the Board. The Working Group was of the view that the report and some of its recommendations went beyond the scope defined by the General Assembly, in particular "(c) implementation of a review and rotation scheme for the adjustment of the composition of the Pension Board on a regular basis, to allow eligible member organizations to share rotating seats in a fair and equitable manner".

304. The Governance Working Group noted that best practices and comparative analysis in the report were informative for the Board but remarked that the unique context and background of the Fund needed to be taken into account. The Working Group concluded that a number of the recommendations altered the fundamental nature, governing principles, size, composition, practices and working culture of the Board. They would entail significant amendments to the Regulations and Rules of the Fund. Therefore, ample time was needed for all Board members and stakeholders to carefully study the recommendations, understand their implications and discern their feasibility. The Working Group recommended specific language for the Board to adopt on the item for the report to the General Assembly.

305. The Board also enquired about the best practices related to term limits, membership of pension fund employees on the Board and the appropriate legal oversight regarding the decisions of the Board.

306. The consultants recognized the challenges in finding comparable pension funds for benchmarking purposes. However, they noted that the Fund was a pension fund and that called for a clear fiduciary mindset, which was the industry practice. They noted that it was important to have a clear line between the management and governance and confirmed that the best practice was not to have pension fund employees as members of the Board: "those individuals who are doing cannot also be overseeing". The consultants underscored the underlying behavioural and legal

standards: while representation and diversity were valued, the Board members "wore only one hat". That is, as fiduciaries, the Board members were to act in the best interest of all participants, retirees and beneficiaries.

307. With regard to the term limits, the consultants noted that two to three years was a typical term, yet the peer group had limits of two to five. While the operational environment was rapidly changing, the Board should still have a long-term vision, and, for the leadership of the Board, the term should be aligned with the strategic planning cycle. With regard to the legal oversight, the consultants responded that all stakeholders should have appropriate accountability mechanisms: those included the suggested general meeting of the participants, retirees and beneficiaries to provide feedback, as well as the reporting to the General Assembly, as the highest legislative body of the Fund.

308. In response to the suggestion that the Standing Committee be used as a transition board, given that it already had the buy-in from the Board regarding its composition, the consultants responded that it would be better to have a new structure for change. There needed to be a new way of electing members, a new culture and new working methods because that was much more powerful from a change management point of view. The mental break was important to reinforce the change, rather than using prior structures, in particular because there was an ongoing controversy surrounding the authority of the Standing Committee and what issues could be referred to it and whether those decisions were subject to legal review by the United Nations Appeals Tribunal. The smaller executive committee, consisting of the Board Chair, the Vice-Chair and, possibly, the Chairs of the Board's committees could provide the needed support and link between the Chief Executive of Pension Administration and the Board when the Board was not in session. The consultants noted that an executive committee concept typically involved no more than five individuals.

309. A member of the group of governing bodies welcomed the recommendations in the report and noted that all elements of governance should be reviewed. He mentioned that governance was an integral part of the pension system and questioned whether the best practices included similar bifurcated structures as the Fund with regard to managing assets and liabilities. He also requested further information on the fiduciary duty and noted that the fiduciary duty was even more important on the investment side. The consultants replied by stating that the investment management and related governance was not within the scope of their mandate. They noted that some peer funds had a similar bifurcated structure, whereas there were also pension funds in which both investments and Pension Administration (operations) were under the same board structure. The consultants emphasized that the fiduciary framework was essential for both sides of a pension fund.

310. **The Board expressed its appreciation to Mosaic for its work and reviewed with interest the numerous recommendations made within an extremely short period of time.**

311. **The Board recalled that, in General Assembly resolution 74/263, the Assembly had requested the Board to submit the report of the external entity, along with the comments of the Board, in the context of the report of the sixty-seventh session of the Board.**

312. **Considering the length of the report of the external entity that had been submitted to the Board late when it was already in session, to ensure that the numerous conclusions and recommendations contained in the report were carefully considered and analysed within the current legal and governance framework, the Board requested that the Governance Working Group be tasked with the review and analysis of the report, in liaison with Mosaic and in full**

consultation with the staff pension committees of member organizations, and to present its recommendations at the sixty-eighth session of the Board.

313. **The Board took note of the preliminary views of the Governance Working Group.**

314. **Furthermore, the Board agreed that members of the Governance Working Group should reach out to their constituents during the course of the year in order to obtain regular input, which could be taken into consideration in the Working Group's deliberations.**

315. **The Board recommended the following way forward:**

(a) **Share the conference room paper from the Governance Working Group (as initial reactions from the Working Group shared with the Board), along the report of the sixty-seventh sessions of the Board;**

(b) **The Governance Working Group should be tasked with reviewing and analysing the Mosaic report as a matter of priority;**

(c) **The Governance Working Group, taking into account Mosaic's expertise and experience of best practices in pension funds, may consult with Mosaic in the course of undertaking its review of the Mosaic recommendations, as appropriate. This would enable the Working Group to validate the assumptions upon which various conclusions and recommendations had been made;**

(d) **The Governance Working Group should consult with the staff pension committees of member organizations and take their views into consideration;**

(e) **The Governance Working Group should submit a progress report to a special session of the Board to be held early in 2021;**

(f) **On the basis of the decision of the Board, the Governance Working Group should submit its recommendations at the sixty-eighth session of the Board, in 2021, with specific and actionable recommendations, together with explanations supporting such recommendations;**

(g) **The Board should submit more detailed comments on the Mosaic report to the General Assembly in at main part of its seventh-sixth session, in 2021.**

B. Report of the Governance Working Group

316. 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 the 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.

317. At its sixty-sixth session, the Board considered the first report of the Governance Working Group and adopted most of its recommendations. The Board extended the membership and mandate of the Working Group until its next session and requested it to further study the attendance at the Board of secretaries of staff pension committees and members of the Investments Committee and the Committee of Actuaries; harmonization of the rules of procedure of committees of the Board; the representation of FAFICS at Board sessions; and the development of a code of conduct. The extension of the mandate of the Working Group was supported by the General Assembly in its resolution 74/263.

318. The membership of the Governance Working Group is provided in annex XIII to the present report.

319. The Board appreciated the work of the Governance Working Group. It was noted that there were interlinkages between the work of the Working Group and the governance review by the external entity.

320. On the basis of the work of the Governance Working Group and its discussions and exchanges during the sixty-seventh session of the Board, the Board made the following decisions:

1. General approach

321. The Board supported the mainstreaming of an approach that would maximize ICT-based solutions to ensure the Board's governance between sessions.

2. Attendance of staff pension committee secretaries

322. **The Board decided that staff pension committee secretaries may attend Board sessions. Whenever possible, they should follow the proceedings remotely.**

3. Harmonization of terms of reference and working methods of the committees of the Board

323. **To align with the Board decision regarding the participation of members of the Fund Solvency and Assets and Liabilities Monitoring Committee, the Board decided that only the Chair or one designated representative from other Board committees and working groups may participate in Board sessions to present their respective reports. Whenever possible, they should participate remotely. Other members of those Board committees and working groups could participate in deliberations under relevant agenda items by videoconference.**

324. **In that respect, the Board decided that the terms of reference of those committees and working groups should be harmonized, to include the following: "The Chair or a selected member of the Committee may attend sessions of the Board as a representative of their respective group. Whenever possible, they should participate remotely".**

325. **The Board also requested that terms of reference be developed for subsidiary bodies that did not have them.**

326. **The Board decided that the Budget Working Group, in particular, be established as a permanent committee.**

327. **The Board recommended that all its subsidiary bodies be encouraged to utilize videoconferencing to the extent possible to conduct their work.**

328. **When physical meetings were necessary, the Board recommended applying one system for travel standards and daily subsistence allowance to all members of all subsidiary bodies when travel was paid by the Fund, as well as harmonizing the terms of reference and practices with respect to travel when travel was paid by the Fund.**

4. Attendance of members of the Investments Committee and Committee of Actuaries

329. **The Board decided that the Chair or one designated representative of the Investments Committee may present the report of the Committee to the Board in person. Whenever possible, they should participate remotely. Other members**

could participate in the Board deliberations relevant to the Committee by videoconference.

330. **The Board further decided that the Chair and Rapporteur of the Committee of Actuaries may attend the Board session in person. Whenever possible, they should participate remotely. Other members could participate in the Board session remotely. The Board agreed that the terms of reference of the Investments Committee and Committee of Actuaries should be amended to reflect the above.**

5. Number of representatives of Federation of Associations of Former International Civil Servants

331. **The Board decided to defer consideration of the number of FAFICS representatives until the report of the external entity was considered by the Board and the General Assembly.**

6. 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.

332. **The Board agreed that the Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission (ST/SGB/2002/9), adopted by the General Assembly by its resolution 56/280, be recognized mutatis mutandis, as the Board's code of conduct, and reflected as such in the Fund's rules of procedure without prejudice to the legal status, privileges and immunities of those attending sessions of the Board or any of its committees or working groups.**

333. **The Board mandated the Governance Working Group to further elaborate appropriate procedures, measures and changes to the Regulations and Rules of the Fund to ensure adherence to the code of conduct, taking into account the suggestions and comments of the Board and General Assembly, as well as results of the independent governance analysis.**

7. Other topics

334. **The Board requested the Governance Working Group to review the attendance of alternates in the light of the external entity's report and the lessons learned.**

335. **The Board agreed to review the number of people travelling with respect to Pension Administration and Office of Investment Management staff to attend Board sessions as part of the Budget Working Group discussion.**

336. **The Board requested the Governance Working Group to review the proposal to change the Succession Planning Committee to a permanent committee.**

337. **The Board decided to extend the mandate and membership of the Governance Working Group until its next session.**

C. Report of the Fund Solvency and Assets and Liabilities Monitoring Committee

338. A representative of the Fund Solvency and Assets and Liabilities Monitoring introduced the seventh report of the Committee, and a recorded message from the Chair of the Committee was made available to the Board. The Board was informed that, in accordance with its mandate since the last session of the Board, the Committee

had focused its work on the results of the thirty-fifth actuarial valuation of the Fund as at 31 December 2019, as well as market reaction to the pandemic in the first half of 2020. The continuity of the work of the Committee was ensured through online meetings.

339. The current membership of the Fund Solvency and Assets and Liabilities Monitoring Committee is set out in annex XV to the present report. The representative of the Committee noted that the Committee was strongly supported by both the Chief Executive of Pension Administration and the Representative of the Secretary-General for the investment of the assets of the Fund. It also maintained excellent collaboration with the consulting actuary, the Committee of Actuaries and the Investments Committee.

340. The Fund Solvency and Assets and Liabilities Monitoring Committee kept itself informed on financial market developments through active communication with the Office of Investment Management and the Investments Committee. It took note of the resignation of the former Representative of the Secretary-General and expressed appreciation for the success of the Acting Representative of the Secretary-General and staff of the Office to manage the investments of the Fund through volatile financial markets and the successful implementation of business continuity measures to ensure that the Fund remained operational. It welcomed with appreciation the information that investment activity had successfully continued throughout the period of teleworking, and the monthly calls with the Investments Committee. It also noted the similarly successful implementation of business continuity measures in the Pension Administration and was pleased to see that the Fund secretariat had continued to exceed the performance benchmark for benefit processing.

341. The Fund remained well funded. The Fund Solvency and Assets and Liabilities Monitoring Committee welcomed the results of the 2019 actuarial valuation, which showed a small surplus of 0.50 per cent of pensionable remuneration and an improved funding ratio. However, the Committee took careful note of the information that it was given that the Committee of Actuaries continued to emphasize the primacy of meeting the assumed 3.5 per cent real rate of return in relation to the long-term solvency of the Fund. While the Fund remained in a strongly funded position, the longer-term impact of the COVID-19 crisis on the world’s financial markets would need to be monitored.

342. The Board was informed that the Fund Solvency and Assets and Liabilities Monitoring Committee had met with the Committee of Actuaries and the consulting actuary on the solvency dashboard and the development of a funding policy. It was noted that the Committee of Actuaries had updated the solvency dashboard for the current valuation results, along with other changes regarding investment performance, capital market assumptions, mortality and new entrants assumptions, and concluded that no item required immediate action, although investment and returns remained to be monitored closely.

343. With regard to funding policy, as suggested by the Committee of Actuaries, the Fund Solvency and Assets and Liabilities Monitoring Committee noted that a written policy documenting that process was considered a best practice and would be aimed at improving transparency in communications and stakeholders’ understanding of the key issues affecting the funding and solvency of the Fund. The Committee considered the concepts introduced by the Committee of Actuaries to be of interest but concluded that more work was required in that area. In the coming months, the Committee would continue its discussions on the funding policy and the move towards the new strategic asset allocation.

Discussion in the Board

344. Recalling the concerns expressed by the Fund's constituents during the period of challenging financial market conditions, the Board noted that receiving annual reports from its committees and working groups did not provide sufficient information about their work during the year. **The Board requested that minutes of the meetings of the Fund Solvency and Assets and Liabilities Monitoring Committee be shared with all members of the Board as soon as they were available during the year so that the Board could be made aware of issues that affected the solvency of the Fund in a timely manner.**

345. A member of the Board commented that he would like to see more discussion of strategic investment issues in the report of the Fund Solvency and Assets and Liabilities Monitoring Committee.

346. A representative of FAFICS noted that the expected benefit of having a funding policy needed to be clarified before the Fund Solvency and Assets and Liabilities Monitoring Committee could agree on such a document, especially in view of the strong funded status of the Fund.

347. The representative of the Fund Solvency and Assets and Liabilities Monitoring Committee agreed to take the comments and requests back to the Committee for further discussion.

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

(a) **The Board took note that:**

(i) **The Fund Solvency and Assets and Liabilities Monitoring Committee had held online meetings, believed that approach to have been successful and recommended continuing the use of such an approach for other Committee meetings in the near future;**

(ii) **The Fund Solvency and Assets and Liabilities Monitoring Committee had reviewed its role and mandate and recommended that it maintain its terms of reference and the continuation of its work, subject to changes and harmonization envisioned in view of the Board's decisions in paragraphs 323, 324, 327 and 328 above;**

(iii) **The Fund Solvency and Assets and Liabilities Monitoring Committee had endorsed the approach of continuing to follow the strategic asset allocation during the current conditions.**

(b) **The Board noted the successful implementation of business continuity measures and teleworking arrangements during the period of lockdown.**

(c) **The Board took note of the improved actuarial position but due note of the caveat with regard to the critical role of meeting the 3.5 per cent long-term rate of return.**

(d) **With regard to the risk solvency dashboard, the Board took note of the view of the Fund Solvency and Assets and Liabilities Monitoring Committee that no item required immediate action.**

(e) **The Board took note that further work would be required in developing a funding policy.**

D. Report of the Succession Planning Committee

1. Appointment of the Deputy Chief Executive of Pension Administration and the Secretary of the Pension Board

349. The Board, at its sixty-fifth session, 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.

350. The General Assembly, in paragraph 13 of its resolution 73/274, noted "the current dual role of the Chief Executive Officer and Secretary of the Pension Board, and decides to replace the existing post by two distinct and independent posts, namely, 'Pension Benefits Administrator' and 'Secretary of the Pension Board', by no later than January 2020". In paragraph 11 of section VIII of its resolution 74/263, the Assembly decided "that the Secretary shall be selected and evaluated by the Succession Planning Committee of the Board in accordance with relevant staff regulations and rules".

351. The members of the Succession Planning Committee, who were nominated by the respective constituent groups at the Board's sixty-sixth session, are presented in annex XVI to the present report.

352. In a closed session for each position, the Board opened the discussion of the selection of the positions of Deputy Chief Executive of Pension Administration and Secretary of the Pension Board.

2. Deputy Chief Executive of Pension Administration

353. The Board, before proceeding with the discussion on the selection of the Deputy Chief Executive of Pension Administration, considered the issue of the presence in the closed meeting 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 in the closed meeting for the interview and selection of their supervisor to constitute an actual conflict of interest.

354. The representative of the United Nations participants' group expressed her view that her presence did not constitute an actual conflict of interest and declined to recuse herself from the discussion and the closed meeting. The representative made reference to the case under the United Nations Appeals Tribunal (judgments 2017-UNAT-807 and 2019-UNAT-908, *Rockcliffe v. UNJSPB*), which confirmed that she was entitled to be allowed to participate in Board sessions as an elected member to the United Nations Staff Pension Committee.

355. The majority of the Board considered that, in the light of the structural conflict of interest identified by the majority of the Board, the representative of the United Nations participants' group should recuse herself and leave the meeting. In doing so, the majority of the Board noted the points discussed below.

356. The majority of the Board expressed its concern at the fact that the staff member who worked in the secretariat of the Fund had declined to leave the closed meeting of the Succession Planning Committee in which questions would be asked to the candidates for the position of the Deputy Chief Executive Officer as part of the selection process. Under article 7 of the Regulations of the Fund, the "Chief Executive of Pension Administration shall perform that function under the authority of the

Board … In the absence of the Chief Executive of Pension Administration, the Deputy Chief Executive of Pension Administration shall perform these functions".

357. For the reasons expressed by the majority of the Board at its sixty-fifth session in its closed meeting and in relation to the prior exercise for the selection of the Deputy Chief Executive Officer and at its sixty-sixth session in its closed meeting and in relation to the selection of the Chief Executive of Pension Administration, the majority of the Board believed that it would constitute an actual conflict of interest and roles for an individual to be a member (or alternate member) of the United Nations Staff Pension Committee and, consequently, of the Board, while simultaneously serving those two bodies as a staff member of the Fund secretariat. The Board exercised supervisory authority over the Deputy Chief Executive of Pension Administration and the Deputy Chief Executive of Pension Administration exercised authority over the staff members of the secretariat of the Fund. The staff member would, therefore, be both the Deputy Chief Executive of Pension Administration's subordinate (as a member of the Fund's secretariat) and part of the Deputy Chief Executive of Pension Administration's supervisory body (as a member of the Board). That view was confirmed by the Ethics Office in its opinion, dated 16 October 2018, in relation to a request for advice from the Chair of the sixty-fifth session of the Board in the context of the same staff member being nominated to serve on an ad hoc committee of the Board, namely, the Budget Working Group. The Ethics Office opined that: (a) a staff member, while serving on the Board, participated in the overseeing of the performance of the (Deputy Chief Executive of Pension Administration), who, in turn, managed the staff member's performance; and (b) when serving on the Budget Working Group, the staff member would have a say in the approval of his or her office's budget and posts, including possibly his or her own position and benefits, giving rise to both a personal conflict of interest and a conflict of functions.

358. In the light of the above conflict of interest, which was identified by the Board and confirmed by the Ethics Office, it was considered reasonable by the majority of the Board to request the staff member of the secretariat of the Fund (supervisee of the Deputy Chief Executive of Pension Administration position) to recuse herself from the selection process, and it was considered reasonable by the Board to expect such staff member to do so. The majority of the Board regretted that the staff member had declined to recuse herself and that the Board would, unfortunately, and in the light of such behaviour, need to consider legislating on the matter, which was a question of appropriate ethical conduct.

359. Given that the representative of the United Nations participants' group did not recuse herself and leave the discussion of the agenda item, the Board decided by a majority to continue its deliberations and that she could not participate in the closed meeting discussion of the candidates, nor vote to select the individual to be recommended for appointment.

360. The Succession Planning Committee presented three candidates for further consideration by the Board. The three candidates made a short presentation and responded to questions from the Board.

361. After the presentations made by the recommended candidates and thorough discussions within the groups, **the Board unanimously decided to recommend to the Secretary-General, in accordance with article 7 (a) of the Regulations of the Fund, that David Penklis be appointed as Deputy Chief Executive of Pension Administration.**

3. Secretary of the Pension Board

362. The Succession Planning Committee presented four candidates for further consideration by the Board. The four candidates made a short presentation and responded to questions from the Board.

363. 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 (c) of the Regulations of the Fund, that Jan De Preter be appointed as Secretary of the Pension Board.**

364. A United Nations participants' representative spoke in her capacity as a member of the Board. According to the most recent report on the composition of the Secretariat, close to 40 per cent of the Secretariat's staff served by the Fund were from the African region, another 20 per cent from the Asia and the Pacific region and further 7 per cent from Latin America and the Caribbean. The representative was very disappointed that the Succession Planning Committee had been unable to find a single competent African candidate or one of African descent who was qualified to reach the final list of candidates. There could not be a change in the culture at the top of the organization if unconscious bias and subtle racism continued to reign in the Board, and the Fund would be unable to satisfy its intended purpose, which was to provide the social security of former staff and their survivors – the most vulnerable widows and orphans. In her opinion, what the Board should do was to choose from a list that ensured that black voices would not continue to be muted. The representative wished to hear more about the process, especially about the demographic statistics of the candidates who had applied and who had made it to the long list.

365. The group of governing bodies recalled General Assembly resolution 74/263, in which the Assembly had requested the Board and the Secretary-General to ensure that staff composition be based on a wide geographical distribution, keeping in mind Article 101, paragraph 3, of the Charter of the United Nations. The group was somewhat disappointed that, with regard to the selection of the Deputy Chief Executive of Pension Administration/Secretary of the Board, that principle had not been fully adhered to when the final shortlist had been presented to the Board. The group trusted that future selection processes would fully adhere to that principle.

366. A number of representatives recognized under rule A.9 of the rules of procedure expressed concern regarding the decision not to allow them access to the interviews and documents with respect to the selection of Deputy Chief Executive of Pension Administration and Secretary of the Board. They underscored that, under rule A.10, they were accorded the same rights as members, except the right to vote. In addition, they had signed the confidentiality declaration required of all Board members and observers. Given that no voting had ensued, they emphasized that they should have been given equal access to the interviews and documents. They requested that, in future sessions, representatives be granted the same access as members to interviews and documents regarding selection of Chief Executive of Pension Administration, the Deputy Chief Executive and the Secretary, and that that position be reflected in the present report.

367. The Chair thanked the representatives for their statement, indicating that, because the sessions were closed sessions, involving the review of highly confidential documents and matters, the same process that had been used in 2019 for the selection process of the Chief Executive of Pension Administration was used in 2020.

368. The group of executive heads proposed that the following principles be introduced into the Board's governance framework:

(a) A requirement that Board members and alternates:

(i) Shall not be entitled to and shall not apply to any position in the Fund while serving on the Board and for a period of one year after the expiration of their term as a Board member or alternate member;

(ii) Will not agree to being a referee for any candidate applying for the role of Chief Executive of Pension Administration, Deputy Chief Executive of Pension Administration or Secretary of the Board. If, however, such a situation inadvertently arose, such Board member or alternate shall recuse themselves from the selection process;

(b) Staff members of the secretariat of the Fund (including the Office of Investment Management) shall not participate in any capacity in the succession planning or selection process of the Chief Executive of Pension Administration or the Deputy Chief Executive of Pension Administration, shall not receive any Board papers in relation to such process and shall not be entitled to attend the closed sessions of the Board or its committees when such matters are being discussed and shall, therefore, recuse themselves from any such discussions.

369. **The Board did consider the statement of the executive heads and decided to ask that it be taken up by the Succession Planning Committee in its work in 2020. It would be for the Committee to present a paper at the next session of the Board, in 2021, including the above proposed text and any other recommendations that it saw fit, taking into account its experience in this and other selection exercises.**

370. **The Board thanked the members of the Succession Planning Committee for their work.**

371. **Pending the Board's approval to change the Succession Planning Committee to a permanent committee, the Committee should establish its terms of reference.**

E. United Nations Appeals Tribunal judgments of interest to the Board

372. The Chief Executive of Pension Administration provided information on five judgments, in which the Board was the respondent, issued by the United Nations Appeals Tribunal since the sixty-sixth session of the Board, in July 2019.

373. The cases comprised two appeals of decisions of the Standing Committee at its 202nd meeting, in July 2019, a request for interpretation of judgment 2019-UNAT-912 submitted by the Fund, a request for revision of judgment 2019-UNAT-914 and an appeal of the decision of the Board to suspend the appellant from its sixty-sixth session of the Board. The Tribunal upheld the decisions of the Committee, dismissed the requests for revision of judgment and for interpretation of judgment and dismissed as not receivable the appeal against the decision of the Board to suspend the Board member from its sixty-sixth session.

374. In 2020-UNAT-1004, *Larriera v. UNJSPB*, the Tribunal had upheld a decision of the Standing Committee not to recognize the appellant as the surviving spouse of a former participant, who died in service, on the basis that the former participant was married to another person at the time of his death. In doing so, the Tribunal had affirmed its previous jurisprudence that "the principle of determining personal status by reference to the law of the staff member's nationality could only apply to a staff member who concluded a marriage or entered into another partnership recognized under his or her national law, and not to a staff member who chose to enter into a marriage or partnership under a law other than that of his or her nationality".

375. On another request for a survivor's benefit, 2020-UNAT-1007, *Pise v. UNJSPB*, the Tribunal had upheld the decision of the Standing Committee that the appellant was not entitled to a surviving spouse's benefit on the basis that the Regulations of the Fund in effect at the time of the former participant's separation from service provided that, if a participant elected to commute all or part of a deferred retirement benefit to a lump sum, as he had done, there would be no survivor's benefit payable. The Tribunal had affirmed that the applicable Regulations were those that were in effect at the time the former participant's rights vested, that is, at the time of his separation from service. The appellant could not benefit from subsequent changes to the Regulations, which could not be applied retroactively. Furthermore, the Fund had fulfilled its obligations by informing the former participant of the implications of his choice of benefit in plain language and by responding to his requests for information.

376. By its judgment 2020-UNAT-997, *Clemente v. UNJSPB*, the Tribunal had dismissed the Fund's request for interpretation of its previous judgment in the case. The Fund noted that the Tribunal had ordered it to pay the appellant the amount of the widow's benefit, together with interest, whereas pursuant to article 44 of the Regulations of the Fund, the Fund shall not be liable for interest on any due but unpaid benefits. The Tribunal had found that, article 44 notwithstanding, it could award interest where it considered it necessary to place an applicant in the same position he or she would have been in, but for an unlawful administrative decision by the Fund.

377. In its judgment 2020-UNAT-996, *Oglesby v. UNJSPB*, the Tribunal had dismissed a request for revision of judgment submitted by the appellant. In his original appeal, he had requested that his husband, whom he married after separation from service, be recognized as his prospective surviving spouse because he had not been able to legally marry him prior to his separation from service. The Tribunal had held that the appellant's calculation of the loss to him from his purchase of an annuity did not constitute a new fact because the cost was ascertainable before he brought his original proceeding and that, in any event, financial losses associated with purchasing an annuity made no difference to a determination that the Regulations of the Fund did not afford retrospective recognition of a marriage celebrated and/or legally recognized after separation from service.

378. In 2020-UNAT-1010, *Richards v. UNJSPB*, the Tribunal had dismissed the appeal as not receivable. It had affirmed that a contested decision must first be subjected to review or appeal by a staff pension committee or the Standing Committee, acting on behalf of the Board, before it could be appealed to the Tribunal. The appellant also submitted a request to the Board for withdrawal of its decision to suspend him from its sixty-sixth session, and the matter was considered by the Board (see chap. XIII.B of the present report).

379. **The Board took note of the above decisions of the United Nations Appeals Tribunal.**

F. Report of the 202nd meeting of the Standing Committee

380. **The Board took note of the report of the 202nd meeting of the Standing Committee, held in July 2019, before the sixty-sixth session of the Board.**

G. Election of members of the Standing Committee (rules of procedure, rule B.1)

381. **The members of the Standing Committee, as elected by the Board in 2020, are listed in annex III to the present report.**

H. Selection of members of the Budget Working Group for the review of the 2022 budget to be presented at the 2021 session of the Board

382. The Board appointed the following members to the Budget Working Group for 2021:

Vladimir Yossifov (WIPO)	Governing bodies
Tomoya Yamaguchi (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
Linda Saputelli	FAFICS
Adriana Gómez	FAFICS

Chapter XII
Benefit system/participants

Benefit provisions of the Fund

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

383. The Board reviewed the report on the monitoring of the impact of currency fluctuations on the pension benefits of the Fund. The document contained details on the usual, biennial monitoring of the operation of the two-track feature of the pension adjustment system. As in the past, the results indicated that the pension benefit amounts in the local currency track continued to be maintained at or near the targeted levels.

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

B. Changes to the Regulations, Rules and Pension Adjustment System of the Fund

385. The Board considered several amendments to the Regulations, Rules and Pension Adjustment System proposed by the Governance Working Group, the Chief Executive of Pension Administration and the United Nations Staff Pension Committee. The Working Group proposed amendments to the rules of procedure with regard to the adoption of a code of conduct for the Board. The Chief Executive proposed amendments to articles 4, 6, 7, and 8 in the context of the separation of the roles of the Chief Executive and the Secretary of the Board pursuant to General Assembly resolution 73/274.

386. With respect to benefit provisions, the United Nations Staff Pension Committee proposed amendments to article 33 (f) to address instances in which a beneficiary of a disability benefit was working while in receipt of a disability benefit and proposed a framework for its application. The Chief Executive of Pension Administration also proposed amendments to articles 34, 35, 35 *bis*, 36 and 37 to include in the Regulations of the Fund the reporting requirements for dependants that were already in the Administrative Rules, an amendment to article 46 (b) to limit the liability for benefits in cases in which a survivor did not claim a benefit for a period beyond five years, and an amendment to paragraph 19 of the pension adjustment system to clarify the conditions for a second cost-of-living adjustment in the same year.

387. In its resolution 74/263, the General Assembly had deferred its consideration of the amendments to articles 6 and 48, requesting the Board to address the amendment to article 6 in the context of the development of a code of conduct and appropriate regulations and procedures to address all questions of ethics, and in respect of article 48, to examine the possible impact on the access by 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. As explained in 2019 (A/74/331), the purpose of the amendment to article 6 was to reflect at the highest level the provision in section C.1 of the rules of procedure, as approved by the Board in 2018 and confirmed in 2019, to avoid a conflict of interest whereby a staff member of the Fund secretariat, of the secretariat of each staff pension committee or the secretariat of the Board, or a staff member of the Office of Investment Management, would also be a member of the Board.

388. The primary purpose of the amendments to article 48 was to clarify the jurisdiction of the United Nations Appeals Tribunal with regard to cases alleging non-observance of the Regulations of the Fund. Decisions on the pension rights of participants, retirees and other beneficiaries were made by the Chief Executive of Pension Administration and by staff pension committees. In cases in which a participant, retiree, beneficiary or other third party entitled to rights under the Regulations was dissatisfied with the decision of the Chief Executive or a staff pension committee, section K of the Administrative Rules of the Fund sets out the Fund’s review and appeals procedure for review of those decisions by the Standing Committee and then by the Tribunal, thereby providing successive levels of judicial review.

389. To date, the United Nations Appeals Tribunal had considered 37 appeals against the United Nations Joint Staff Pension Board, which was the respondent in cases against the Fund before the Tribunal. The majority of the pension cases before the Tribunal had concerned issues related to benefit provisions, mainly widow’s benefits and the restoration and validation of pension rights. Of the 37 cases considered by the Tribunal between July 2009 and March 2020, 34 concerned benefit provisions. Three cases concerned Board governance: in two cases, the Tribunal considered appeals of decisions of the Standing Committee, acting on behalf of the Board, on Board membership and attendance in the meetings of the Board, and it was those judgments that gave rise to the need to clarify the jurisdiction of the Tribunal with regard to Fund cases and maintain the authority of the General Assembly over decisions pertaining to the governance of the Fund.

390. The amendment to article 48 clarified the types of rights conferred by such participation, the breach of which would give rise to an appeal to United Nations Appeals Tribunal, **specifically rights affecting participation, contributory service and benefit entitlements under the Regulations of the Fund**, and that only those decisions were subject to appeal under section K of the Administrative Rules and article 48 of the Regulations and **receivable under the Statute of the Tribunal.**

391. Therefore, the proposed amendments to article 48 of the Regulations of the Fund would not have an impact on the rights of participants, retirees and other beneficiaries to continue to appeal decisions of the Chief Executive of Pension Administration or of a staff pension committee in respect of participation contributory service and benefit entitlements before the United Nations Appeals Tribunal.

392. The clarification reflected the existing accountability framework vis-à-vis the Board, the General Assembly and the United Nations Appeals Tribunal in that the clarification ensured that the Board and the Assembly continued to decide on matters of governance of the Fund, matters that were the ultimate province of the Assembly, and to insulate the Assembly’s ultimate decision-making on such matters from oversight by the United Nations Appeals Tribunal.

Discussion in the Board

393. The group of executive heads made the following statement in full support of the recommended amendments to article 48 ,”Jurisdiction of the United Nations Appeals Tribunal”, of the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund, such amendments having been adopted by the Pension Board in 2018:

> The 66th and 67th Pension Boards maintained the recommendation to amend article 48 and, this year, in response to the request of the General Assembly in its resolution 74/263, the 67th Pension Board is setting out in this report further analysis of and clarification on the proposed amendments, in particular to examine the possible impact on the access of staff members and

participants in the Pension Fund to justice in the United Nations Appeals Tribunal and its possible legal consequences.

The proposed amendments to article 48 do not have any negative impact on the rights affecting participation, contributory service and benefit entitlements of staff members/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 Fund's Regulations on matters affecting participation, contributory service and benefit entitlements of individual staff members/Fund participants or any other person who had succeeded to such rights after the participant's death therefore remains intact. Accordingly, the United Nations Appeals Tribunal ("UNAT") would still have jurisdiction over those rights of staff members or former staff members, as participants or beneficiaries in the Fund, respectively, and arising out of their participation in the Fund, as contemplated under article 21 of the Fund's Regulations. This is critical to staff members and the amendment to article 48 has no impact whatsoever on the rights of those staff members or former staff members to make an application to UNAT alleging non-observance of the Fund's Regulations in respect of those rights.

Those rights and matters need to be distinguished from matters of governance, which are the ultimate purview of the General Assembly.

The Pension Board is a subsidiary organ of the General Assembly and the General Assembly has delegated certain authority to the Pension Board to administer the Fund. Participation of staff members of member organizations in the Board as Participant Representatives elected or chosen under article 5 of the Fund's Regulations, is a matter of governance, which is under the sole jurisdiction of the General Assembly. Participation of staff members in the Board as Participant Representatives has no impact on their separate and distinct rights as a staff member and participant in the Fund and in relation to their participation, contributory service and benefit entitlements in the Fund.

The objective of the amendment to article 48 is to make clear the situations where the United Nations Appeals 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 Chief Executive of Pension Administration on questions of the rights of participants and beneficiaries of the Pension Fund in respect of their participation, contributory service and benefit entitlements and distinguish those matters from matters of governance which are for the Pension Board and, ultimately, the General Assembly and to insulate such governance matters from the oversight of the UNAT or contrary decisions of the UNAT.

The proposed amendments to article 48 clarify the current provision with regard to the jurisdiction of UNAT, as it applied similarly to the former United Nations Administrative Tribunal since the inception of the Fund. The clarification ensures that the Pension Board and the General Assembly continue to decide on matters of governance of the Pension Fund, matters that are the prerogative of the General Assembly and to insulate the General Assembly's ultimate decision-making on such matters from oversight or interference by the UNAT.

Should the General Assembly approve the proposed amendments to article 48, corresponding amendments will, we understand, need to be made to articles 2.9 and 7 of the Statute of the United Nations Appeals Tribunal to ensure uniformity of language between the amended text of article 48 of the Fund

Regulations and the UNAT Statute, as well as legal certainty with respect to the jurisdiction of the United Nations Appeals Tribunal.

The United Nations participants' representatives stated that, in their view, the present proposal in the note by the Chief Executive of Pension Administration did not provide any new analysis but merely proposed to resubmit an amendment. It failed to address the underlying concerns of the General Assembly in making such a far-reaching change.

A historical review of the establishment of the United Nations Appeals Tribunal as the competent body with the final say showed that Member States had invested considerable time on the matter, including the need for judicial review of decisions alleged to be in violation of the Regulations and Rules of the Fund, consistent with the rule of law.

The original intent of article 48 remained valid. The relevant rules of international law, principles of the rules of law and requirements of due process had to be addressed through a review process that was independent and that avoided perceived conflicts of interest. This was the essence of judicial review. In the opinion of United Nations participants' representatives, the proposal in its present form would have the effect of removing accountability through judicial review of the Fund secretariat and its Board for non-observance of all the Regulations, while providing no alternative means of recourse. The Board and its Committees would become self-policing bodies.

The General Assembly adopted the Regulations of the Fund and approved the Rules to provide the legal framework for administering the United Nations pension system. They included not only the rights of beneficiaries, but also the way in which the Fund operated. The oversight of the Fund was envisaged as entailing the inclusion of participants in the policy- and decision-making process.

The United Nations participants' representatives stated that the proposed amendment restricted those rights. It adversely affected the access of participants to legal recourse over any aspects of the management of the Fund and was therefore fundamentally flawed.

394. Annexes III and IV of the report of the Special Committee on Review of Administrative Tribunal Judgments (A/2909) detailed the depth of review undertaken before and at the time of introduction of the article recognizing the right of judicial review, with which member organizations had to agree to participate in the Fund.

395. The United Nations participants' representatives stated that, according to the proposal by the Pension Administration, the justification provided by the Chief Executive of Pension Administration for proposing a change to the Regulations of the Fund was due to the Fund's unsuccessful defence of two cases involving non-observance of regulations that did not involve benefits, whereas article 48 covered non-observance of the Regulations, Rules and the Pension Adjustment System of the Fund. The jurisdiction of the United Nations administration of justice system had been an integral part of ensuring the full and fair application of the Regulations and Rules.

396. **The Board approved amendments to articles 4, 6, 7 and 8 but decided to establish a task force to address the amendment to article 33 (f) and to develop the framework for its application. The Board did not approve the amendments to articles 34, 35, 35 bis, 36, 37 and 46 (b). The Board reaffirmed its approval of amendments to articles 6 and 48 and approved the amendment to paragraph 19 of the pension adjustment system and a new section G to the rules of procedure in respect of the adoption of a code of conduct for the Board. In addition to the provisions that were not approved by the Board, the United Nations participants' representatives did not support the amendments to articles 4, 6, 7, 8 and 48.**

Chapter XIII
Other matters

A. Application for membership in the Fund

1. Admission of a new member organization

397. The Board was informed that the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies had applied for membership in the Fund. The Fund secretariat had reviewed the application and concluded that the organization met the requirements provided in article 3 of the Regulations of the Fund. ICSC had also reviewed the Staff Regulations and Rules of the Wassenaar Arrangement and informed the Fund that they followed the relevant human resources provisions of the United Nations common system. The organization's governing body, the Plenary, had decided, at its December 2019 meeting, to authorize the secretariat of the Wassenaar Arrangement to submit to the Board its application to become a member organization of the Fund, with effect from 1 January 2021.

398. On the basis of the available information and documentation, the Board reviewed the membership application. **The Board made an affirmative recommendation to the General Assembly for the admission of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies to membership in the Fund, effective 1 January 2021.**

2. Cost of admission of new member organization to the Fund

399. Article 3 of the Regulations of the Fund provides the requirements for the admission of new member organizations. Article 3 (c) provides further that, after acceptance of the Fund's self-contained Regulations, an agreement is reached with the Board as to the conditions that shall govern the admission of a new organization, in particular with regard to full or partial recognition of service performed by the organization's staff before it became a member organization of the Fund.

400. The Board was informed that, with the anticipated membership growth and additional workload associated with the admission process, the Fund secretariat had embarked on a process of reviewing its procedures and practices in admitting new member organizations to the Fund. The purpose of the review was to estimate the administrative costs of the admission of a new member organization and to ensure that the Fund secretariat would continue to be able to effectively and efficiently service all its member organizations, participants and retirees. The analysis for the cost used the experience of the Preparatory Commission for the Comprehensive Nuclear-Test-Ban Treaty Organization admission in 2018 as a baseline. The review covered work and costs related to legal and technical reviews, administrative work and operational costs associated with an admission process.

401. In order for the admission to be cost-neutral in respect of administrative costs associated with the additional workload for the Fund, it was recommended that, henceforth, the administrative and other costs related to the admission process be covered by the new organization. Once the organization joined, it would cover its own administrative expenses, in accordance with article 15 (c) of the Regulations of the Fund.

402. **The Board reviewed the analysis and approved the proposed one-time flat fee of $25,000 and a fee of $20 per staff member/new participant, payable by a new, joining organization, to cover administrative and other additional costs related to the admission process. It further agreed that the admission fee would**

be included in the presentation to the Board, as well as to the General Assembly, when the admission of a new member organization was submitted for their approval, and subsequently incorporated into the agreement between the Fund and the new organization.

403. **The executive heads requested that the Pension Administration submit to the Board at its next session a policy framework on admission fees.**

B. Request for withdrawal of Board decision

404. At its sixty-sixth session, the Board made a decision to suspend a United Nations participants' representative from the session after concluding that he had deliberately disseminated, through electronic messaging, confidential information concerning budget negotiations that were still ongoing during the Board session (A/74/331, paras. 419–422).

405. On 23 September 2019, the United Nations participants' representative filed a request for the Board to review and reconsider the decision of the Chair of the sixty-sixth session of the Board on the grounds that it was unlawful, had no basis in law, that the Chair had not sought to establish the facts of the case and that the applicant was not provided an opportunity to respond to the allegation against him. However, the Board considered that it had acted within its full authority and considered the actions to be in direct violation of the requirements set out in the declaration on confidentiality and conflict of interest, which, in accordance with the Board's rules of procedure, was required to be signed by all Board members and alternate members before the start of the session and had been signed by the participants' representative.

406. The United Nations participants' representative also appealed the Board decision to the United Nations Appeals Tribunal on the basis that the decision was beyond the authority of the Board. In that appeal, the participants' representative noted that the information disseminated was a summary of a position that had been publicly expressed by FICSA and that it should not have been considered to be confidential. The Tribunal issued its full judgment, 2020-UNAT-1010, on 19 June 2020 and dismissed the appeal as not receivable because the participants' representative had not followed the procedures under section K of the Administrative Rules of the Fund.

407. During 2019–2020, because the United Nations participants' representative continued to attend meetings of the United Nations Staff Pension Committee and the Governance Working Group, the suspension from the Board therefore did not affect the individual's role as a United Nations participants' representative.

408. The acting spokesperson for United Nations participants clarified that the request should have been sent to the Standing Committee for consideration at its meeting, in line with section K of the Administrative Rules of the Fund, and that that was a prerequisite for appealing to the United Nations Appeals Tribunal. She regretted that that had not been done and asked that the matter be removed from the agenda of the sixty-seventh session of the Board and remanded to the Committee.

409. **The Board considered the request by the United Nations participants' representative and upheld the decision to suspend him from its sixty-sixth session, confirming that the suspension applied to that session only, not to the ongoing sixty-seventh session.**

C. Venue and date of the sixty-eighth session of the Board

410. The Board took note of the offer received from the Secretariat to host its sixty-eighth session in 2021 at a location to be determined. The Secretariat noted that the venue would depend upon the dates of the meeting, the COVID-19 situation and any related potential, international travel restrictions.

411. **The Board thanked the United Nations and accepted the invitation. The tentative dates agreed were 22 to 30 July 2021, subject to coordination with ICSC. In addition, a meeting of the Standing Committee was tentatively scheduled for 20 July, with training to be held on 21 July. The Board asked that the secretariat inform the Board of the final arrangements in a timely manner.**

D. Other business

Allocation of seats on the Board

412. The Board took note that, prior to the beginning of the sixty-seventh session of the Board, the representatives of the ITU, UNIDO and WIPO staff pension committees had written to the Secretary of the Board and Chief Executive of Pension Administration on the reallocation of seats, requesting the maintenance of the status quo established before the sixty-sixth session of the Board. The representatives expressed their concern about the reallocation of member seats at the sixty-seventh session, without adequate consultation with the agencies. The representatives also highlighted that such change had been reflected in the rules of procedure of the Fund, notwithstanding the fact that the General Assembly had requested that an independent external expert entity be engaged by the Fund to review the composition of the Board.

413. In recognizing the concerns expressed in the letters of those staff pension committees, the Board, at its sixty-seventh sessions, recalled the report of the Governance Working Group and the decision taken at the sixty-sixth session of the Board to adopt option 1 on the composition of the Board and to include that option in its report to the General Assembly (A/74/331, para. 267). Option 1 reads, "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."

414. **The Board requested that the Governance Working Group consider the matter of the composition of the Board seats with voting rights when reviewing the report of Mosaic on the governance of the Board.**

415. **Furthermore, the Board emphasized the need for the Governance Working Group to consult with the staff pension committees of member organizations and to take their views into consideration when preparing its final report to the sixty-eighth session of the Board.**

416. The United Nations participants regretted that the Board had not reverted the composition to the previous session. Given that the issue of composition was being reviewed, they requested the Governance Working Group to take into account option 4, as contained in annex XIII of the report of the sixty-sixth session of the Board (A/74/331).

Other matters

417. A United Nations participants' representative, on behalf of her constituents, requested that the Chief Executive of Pension Administration use her good offices to impress upon member organizations to use one common calculation implemented in

the Integrated Pension Administration System for pension contributions when partial months were involved. The use of a calendar day method, versus the 20 different methods being used by organizations, would result in efficiency gains due to a reduced number of exception reports, a reduced workload and equitable collections for staff having work for similar periods in different organizations.

418. A member of the United Nations participants' group reminded the Board that it had agreed with the OIOS recommendation to improve the culture at the top of the organization. She stated that non-implementation of that recommendation had resulted in an unimproved status in the matter of the reconstitution of the Executive Office, had resulted in whistle-blowers in the Fund being vilified instead of lauded for efforts in securing the Fund and a lack of improvement in the working conditions and environment of staff of the Fund.

419. A representative of the specialized agencies' participants noted that management issues should not be discussed at the Board.

420. The representative of FICSA delivered a joint statement on behalf of the three staff federations FICSA, Coordinating Committee for International Staff Unions and Associations of the United Nations System and United Nations International Civil Servants Federation (see annex XX to the present report).

421. A United Nations participants' representative drew attention to the statement of the federations in which they had said that the United Nations Staff Pension Committee did not have adequate field representation. He regretted that research had not been carried out on the matter. Three and, soon, four of the six United Nations participants' representatives were field based, as were a large number of General Assembly representatives. That compared favourably with other staff pension committees. Furthermore, they covered a number of entities. Given that there were only six seats, it was not possible to have representatives from each of the 75 entities, but all were represented collectively.

E. Closure of the sixty-seventh session of the Board

422. A participants' representative from the specialized agencies took the floor to pay tribute to Tom Repasch and Mustafizur Rahman, who were leaving the Board after many years of distinguished membership, and wished them well in their future endeavours.

423. The Board expressed its appreciation to the Chair, the other officers of the Board and to the Fund and Board secretariats for their contributions to the efficient and effective conduct of the session.

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-seventh session

1. The Secretary of the Board 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-seventh 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		
Governing body	V. Mustaciousu	G. V. Rodolico
Executive head	A. Vanhoutte	V. Seznec
Participants	J. Levins	C. Ascone
World Health Organization		
Governing body	A. Ludowyke	G. Burgos
Executive head	C. Hennetier Rossier	K. Schotte
Participants	O. C. Bascones	G. Basu
United Nations Educational, Scientific and Cultural Organization		
Executive head	M. Bona	A. Khisty
Participants	M. Mone	T. Jongwe

Representing	*Member*	*Alternate*
International Labour Organization		
Governing body	R. Behzad	F. Merle
Executive head	L. Bormioli (16–20 July)	A. Zhang (21–24 July)
International Atomic Energy Agency		
Governing body	M. L. Melon	
Participants	I. Zabaar	M. Wynsford-Brown
United Nations Industrial Development Organization		
Participants	A. Killmeyer-Oleche	
World Intellectual Property Organization		
Executive head	T. Dayer (17, 20 and 23 July)	J. Cook Robbins (16, 21–22 and 24 July)
International Civil Aviation Organization		
Governing body	M. Ramirez Koppel	Y. J. Lee
Participants	C. Dermarkar	A. Larcos
International Telecommunication Union		
Executive head	J.-P. Lovato	
World Meteorological Organization		
Participants	M. Schalk	A. Tonbazin-Garibian
International Maritime Organization		
Governing body	A. Prempeh	H. Decker
International Fund for Agricultural Development		
Executive head	A. Lario	P. Moreau-Peron
International Organization for Migration		
Governing body	S. Saffa	

2. The Secretary of the Board has also been informed that the following have been appointed as representatives, for the sixty-seventh 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*
J. E. Garcia II	UNESCO	Governing body
F. Leger	ILO	Participants
W. Tam	IAEA	Executive head
S. Berladski Baruch	UNIDO	Governing body

Representatives	*Organization*	*Representing*
D. Masera (16–21 July)	UNIDO	Executive head
K. Ivanov (22–24 July)	UNIDO	Executive head
V. Yossifov	WIPO	Governing body
N. Davi (16–20, 23–24 July)	WIPO	Participants
W. Meredith (21–22 July)	WIPO	Participants
K. Balram	ICAO	Executive head
V. Vasely	ITU	Governing body
J. Mariani	ITU	Participants
S. A. Mashi	WMO	Governing body
B. Cover	WMO	Executive head
A. Girend	IMO	Executive head
B. Martin-Castex	IMO	Participants
B. Rajender	IFAD	Governing body
L. Chicca	IFAD	Participants
A. Rovira	IOM	Executive head
A. Bernaud (16–21 July)	IOM	Participants
C. Murphy (22–24 July)	IOM	Participants
M. L. Fichera	ICGEB	Executive head
S. Madsen	ITLOS	Executive head
R. Bchara	STL	Participants
W. Schoen	CTBTO Preparatory Commission	Governing body
M. Breschi	FAFICS	Pensioners
W. Sach	FAFICS	Pensioners
L. Saputelli	FAFICS	Pensioners
G. Schramek	FAFICS	Pensioners
M. Sebti (Alt.)	FAFICS	Pensioners
A. Gomez Saguez (Alt.)	FAFICS	Pensioners

Secretary	*Staff pension committee*
F. Loriat (Secretary ad interim)	WHO
C. McGarry	ILO
I. Welter	UNESCO
S. You	FAO/WFP
R. Dotzauer	UNIDO
M.-S. Zinzindohoué	WIPO
S. Suedi	ITU
M. Buch (16–17 July)	WMO
D. Maffi (20–24 July)	WMO
I. Lopez-Cardona (Deputy Secretary)	IMO
S. Mwangi (Deputy Secretary)	IOM
F. Maselli (17, 20 and 23–24 July)	IFAD
A. Bartolucci (16 and 21–22 July)	IFAD
M. Kashou	STL
E. Gouws	International Criminal Court
S. Gordon Hall	CTBTO Preparatory Commission

3. The following attended the Board session as observers:

Coordinating Committee for International Staff Unions and Associations of the United Nations System

S. Brezina (16 and 17 July)

P. Nemeth (20–24 July)

Federation of International Civil Servants' Associations

T. Quinn-Maguire

United Nations International Civil Servants Federation

M. Polane

Office of Internal Oversight Services (17 July)

F. Ndiaye

E. Burns

G. Kumar

V. Bendapudi

M. Odusote

N. Yamakawa

Q. He

G. Menekse

J. Kaur

D. Nyskohus

External auditors (23 July)

V. Monasterio

P. Dequero

Audit Committee

A. Chughtai, Chairperson

Succession Planning Committee

M.-A. Pegorier, Chairperson

Mosaic Governance Advisors (22 July)

A. McDuffy

C. Jackson

D. Maurek

A. Kumar

Consulting actuary

T. Manning

S. Schulman

Committee of Actuaries

D. Latulippe, Chairperson

B. Yen

A. Scardino

Office of Investment Management

P. Guazo, Acting Representative of the Secretary-General for the investments of the Fund

H. Bril, Director

T. Shindo

W. Wilkinson

W.-C. Wang

I. Munch

S. Peerthum

Pension Administration

R. McClean, Chief Executive of Pension Administration

J. Sareva

M. C. O'Donnell

C. Dell'Accio

K.-L. Soll

S. Gas

D. Mapondera

K. Manosalvas

S. Win

E. Stanczak

4. A. Blythe served as Secretary of the Board ad interim for the session, with the assistance of K. Toomel and G. Arndt.

* Did not attend.

Annex III

Membership of the Standing Committee

Representing	*Member*	*Alternate*
United Nations (Group I)		
General Assembly	P. R. O. Owade	J. Stosberg
	T. Yamaguchi	
Secretary-General	K. Alford	
	A. Roy	
Participants	M. Rockcliffe	I. Faye
	I. Richards	
Specialized agencies (Group II)		
Governing body	V. Mustaciosu (FAO)	G. V. Rodolico (FAO)
Executive head	C. Hennetier Rossier (WHO)	K. Schotte (WHO)
Participants	C. Ascone (WFP)	M. Pardo (FAO)
Specialized agencies (Group III)		
Governing body	J. E. Garcia II (UNESCO)	
Executive head	W. Tam (IAEA)	
Participants	F. Leger (ILO)	E. Fombuena (ILO)
Specialized agencies (Group IV)		
Governing body	V. Yossifov (WIPO)	
Executive head	J. -P. Lovato (ITU)	
Specialized agencies (Group V)		
Participants	M. Schalk (WMO)	

	Member	*Alternate representative*
Federation of Associations of Former International Civil Servants		
	L. Saputelli	G. Schramek
	M. Sebti	A. Gomez Saguez

Annex IV

Statement of the actuarial sufficiency, as of 31 December 2019, of the United Nations Joint Staff Pension Fund to meet the liabilities under article 26 of the Regulations

1. In the report of the thirty-fifth actuarial valuation of the United Nations Joint Staff Pension Fund, the consulting actuary has assessed the actuarial sufficiency of the Fund, for purposes of determining whether there is a requirement for deficiency payments by the member organizations under article 26 of the Regulations of the Fund. The assessment as at 31 December 2019 was based on participant and asset information submitted by the secretariat of the Fund and on the Regulations in effect as from 1 January 2018.

2. The demographic and other actuarial assumptions used, including a 6.0 per cent discount rate, were those adopted by the Pension Board at its sixty-sixth session, in 2019, except that future new participants were not taken into account and no future salary growth was assumed.

3. The liabilities were calculated on a plan termination methodology. Under this methodology, the accrued entitlements of active participants were measured on the basis of their selecting the benefit of highest actuarial value available to them, assuming termination of employment on the valuation date. The liabilities for pensioners and their beneficiaries were valued on the basis of their accrued pension entitlements as at the valuation date. For purposes of demonstrating sufficiency under article 26 of the Regulations, no provision was made for pension adjustments subsequent to 31 December 2019.

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

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

Actuarial sufficiency of the Fund as at 31 December 2019

(Millions of United States dollars)

Item	*Amount*
Actuarial value of assets[a]	67 815.9
Actuarial value of accrued benefit entitlements	46 968.0
Surplus	**20 847.9**

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

6. As indicated in the table above, the actuarial value of assets exceeds the actuarial value of all accrued benefit entitlements under the Fund, based on the Regulations of the Fund in effect on the valuation date. **Accordingly, there is no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund.** The market value of assets as at 31 December 2019 is $72,034.5 million. Therefore, the market value of assets also exceeds the actuarial value of all accrued benefit entitlements as of the valuation date.

Annex V

Statement of actuarial position of the United Nations Joint Staff Pension Fund as at 31 December 2019

Introduction

1. The actuarial valuation as of 31 December 2019 was performed on a range of economic assumptions regarding future investment earnings and an assumed long-term inflation assumption of 2.5 per cent. In addition, two sets of participant growth assumptions and three sets of longevity improvement assumptions were used. The remaining actuarial assumptions, which are of a demographic nature, were derived on the basis of the emerging experience of the Fund, in accordance with sound actuarial principles. The assumptions used in the valuation were those adopted by the Pension Board at its sixty-sixth session, in 2019, based on the recommendations of the Committee of Actuaries.

Actuarial position of the Fund as at 31 December 2019

2. At its meetings in June 2020, the Committee of Actuaries reviewed the results of the actuarial valuation as at 31 December 2019, which was carried out by the consulting actuary. Based on the results of the regular valuation and after consideration of further relevant indicators and calculations, the Committee of Actuaries and the consulting actuary were of the opinion that the present contribution rate of 23.7 per cent of pensionable remuneration was sufficient to meet the benefit requirements under the plan and would be reviewed at the time of the next actuarial valuation, as at 31 December 2021.

Annex VI

Membership of the Committee of Actuaries (as of July 2020)

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 America and the Caribbean)
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 Europe and Other States)
R. Nantambi-Amiri (Uganda)	Region I (African States)

Annex VII

Membership of the Investments Committee (as of July 2020)

Members

Madhav Dhar (Chair – India)

Keiko Honda (Japan)

Simon Jiang (China)

Achim Kassow (Germany)

Michael Klein (United States of America)

Luciane Ribeiro (Brazil)

Ad hoc members

Abel Moffat Sithole (South Africa)

Katina Stefanova (Bulgaria)

Macky Tall (Mali/Canada)

Tay Lim Hock (Singapore)

Annex VIII

Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019

Letter of transmittal to 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 Fund for the year ended 31 December 2019, which we hereby approve. The Chief Executive of Pension Administration and the Acting 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*) Rosemarie **McClean**
Chief Executive of Pension Administration
United Nations Joint Staff Pension Fund

(*Signed*) Pedro **Guazo**
Acting Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

Statement of certification

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019 have been prepared in accordance with the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund,[1] 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

[1] The financial rules of the United Nations Joint Staff Pension Fund are promulgated by the United Nations Joint Staff Pension Board in accordance with article 4 (b) of the Regulations of the Fund with effect from 1 January 2017. Subject to the provisions of the Regulations of the Fund and to resolutions and decisions of the General Assembly pertaining to the financial operations of the Fund, those financial rules shall govern the financial management and administration of the Fund and should be read in conjunction with the Administrative Rules. With regard to any matter not specifically covered by those rules, the appropriate provisions of the Financial Regulations and Rules of the United Nations shall apply, mutatis mutandis.

Statement of internal control for the year ended 31 December 2019

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan.

The United Nations Joint Staff Pension Board, a subsidiary organ of the General Assembly, has the overall supervisory responsibility for the administration of the Fund and for the observance of the Regulations and Rules of the Fund. The Pension Board appoints an independent Secretary, who is responsible for a full range of secretariat conference management and other secretariat services.

The Chief Executive of Pension Administration discharges the Pension Board's responsibility for the administrative supervision of the pension administration. The Chief Executive, acting under the authority of the Pension Board, collects contributions, ensures record-keeping for pension administration, certifies benefit payments and deals with other issues related to the Fund's participants and beneficiaries. The Chief Executive 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. Until 31 December 2019, the Chief Executive Officer/ Secretary of the Pension Board was responsible for both of the roles now assigned separately to the Secretary of the Pension Board and the Chief Executive of Pension Administration.

The investment of the assets of the Fund is the responsibility of the Secretary-General, who 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 the delegated responsibility for the management and accounting of the investments of the Fund. The Representative exercises that 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 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 2019.

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 its internal control framework;

(ii) The Fund Solvency and 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) *Risk assessments*. 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, chaired by the Chief Executive 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-wise 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 pension administration and the Office of Investment Management perform fraud risk assessments 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.

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 2019 was supported by the following:

(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) The identification of key financial reporting risks;

(iii) The identification and documentation of entity-level controls, key controls over financial reporting, anti-fraud controls and 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 and anti-fraud controls performed by management;

(b) Assertion letters on the effectiveness of internal controls over financial reporting signed by key officers in the pension administration 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, which is the master record keeper for the Fund's investments and the custodian bank for the investments. The audit was conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. The audit concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved;

(d) In April 2016, the pension administration obtained the International Organization for Standardization (ISO) 27001 information security certification for the Integrated Pension Administration System, which was 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. Since then, the Fund suspended the yearly surveillance audit in order to seek certification on its conformance with the ISO 27701 standard on privacy information management systems, which would extend the scope of its security controls to personal identifiable information. Pending completion of the procurement process for the new ISO certification services, the Fund continues to maintain and update the controls originally certified under the ISO 27001 certification schema;

(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 2019 was an unqualified opinion;

(f) The Audit Committee reviewed the results of the 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, 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 endorsed by the Audit Committee, OIOS conducted audits to provide assurance on the effectiveness of internal controls and to identify control deficiencies. The Chief Executive 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 independently examined the Fund's internal controls and 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 2019 draws attention to key areas having an impact on internal controls over financial reporting, as follows:

(a) At its sixty-sixth session, in July 2019, the Pension Board established a distinct position for the Secretary of the Pension Board. At its seventy-fourth session, the General Assembly adopted its resolution 74/263, in which, among other aspects, it stressed that the Secretary of the Pension Board should be fully independent from the Chief Executive of Pension Administration and the Representative of the Secretary-General and should report directly to the Pension Board, while being provided with administrative support from the pension administration and the Office of Investment Management, as necessary;

(b) The pension administration was affected by a cyberattack on 26 October 2019. Detection and corrective measures were immediately activated, and no data was lost. With the support of a specialized cybersecurity firm, the Fund completed all the necessary technical testing and validations and the implementation of protective measures. As a result, the incident had no significant impact on critical business functions and no financial impact on the Fund. The Fund strengthened its control mechanisms to prevent and detect possible future cyberattacks. Additional security measures, including regular awareness training, continue;

(c) At the same time, although financial market volatility in the first quarter of 2020 affected the Fund's assets, the impact of the market downturn has been alleviated by the positive performance of the Fund in 2019. The Fund has sufficient liquidity, and no disruption is expected in the payment of benefits.

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 2019.

(*Signed*) Rosemarie **McClean**
Chief Executive of Pension Administration
United Nations Joint Staff Pension Fund

(*Signed*) Pedro **Guazo**
Acting Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

24 April 2020
New York

Financial overview

A. Introduction

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan. As at 31 December 2019, there were 24 member organizations participating in the Fund. 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 United Nations Joint Staff Pension Board, a subsidiary organ of the General Assembly, has the overall supervisory responsibility for the administration of the Fund and for the observance of the Regulations and Rules of the Fund. The Pension Board appoints an independent Secretary, who is responsible for a full range of secretariat conference management and other secretariat services. The role of the Secretary of the Pension Board is distinct from the roles and responsibilities pertaining to all aspects of the management, administration and investments of the Fund. The Secretary reports directly to the Pension Board.

3. The Chief Executive of Pension Administration is appointed by the Secretary-General on the recommendation of the Pension Board.

4. The Chief Executive acts under the authority of the Pension Board in the discharge of the latter's responsibility for the administrative supervision of the Fund as a whole. That includes responsibility for strategic planning and operational direction; the establishment of policy; the administration of the Fund's operations and the certification of benefit payments; risk management; regulatory compliance; the overall supervision of staff; and stakeholder communications. The Fund secretariat staff, under the authority of the Chief Executive, provides technical support services, prepares background documentation and offers guidance and advice to the Pension Board and its subsidiary bodies, including its Standing Committee and the Committee of Actuaries. The Chief Executive serves as Secretary of the United Nations Staff Pension Committee. The Chief Executive participates in the 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. In accordance with article 7 (b) of the Regulations of the Fund, in the absence of the Chief Executive of Pension Administration, the Deputy Chief Executive performs the functions of the Chief Executive.

5. Until 31 December 2019 the Chief Executive Officer/Secretary of the Pension Board was responsible for both of the roles now assigned separately to the Secretary of the Pension Board and the Chief Executive of Pension Administration.

6. The investment of the assets of the Fund is 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 Pension 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 arranges for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which are open to examination by the Pension Board.

B. Financial performance

Changes in net assets available for benefits

7. There was an increase in the net assets available for benefits for the year ended 31 December 2019 of $11,258.5 million (2018: decrease of $3,589.9 million). The increase was attributable primarily to investment income for the year.

8. The investment income for 2019 was $11,362.3 million (2018: loss of $3,306.5 million). Investment income for 2019 primarily comprised a net change in the fair value of investments of $10,009.8 million and dividend income of $918.5 million and interest income of $518.8 million. The change of $14,668.8 million from the prior year was driven largely by the change in the fair value of financial assets designated at fair value.

9. Total contributions (from participants: $890.4 million; member organizations: $1,771.3 million; and other contributions: $27.2 million) for 2019 were $2,688.9 million (2018: $2,457.2 million), reflecting an increase of $231.7 million (or 9.4 per cent) compared with the total contributions for 2018.

10. Pension benefits for 2019 of $2,700.0 million (2018: $2,669.6 million) reflected an increase of $30.4 million (or 1.1 per cent) compared with the benefits for 2018.

11. Administrative expenses for 2019 of $91.8 million (2018: $70.1 million) reflected an increase of $21.7 million (or 31.0 per cent). The increase in administrative expense was due primarily to the impact of the changes in the post-employment benefits liabilities, including after-service health insurance, of $19.3 million.

Statement of net assets available for benefits

12. Net assets available for benefits as at 31 December 2019 were $72,034.5 million (2018: $60,776.0 million), reflecting an increase of $11,258.5 million (or 18.5 per cent).

13. Cash and cash equivalents as at 31 December 2019 were $436.4 million (2018: $564.9 million), reflecting a decrease of $128.5 million (or 22.7 per cent).

14. The fair value of investments as at 31 December 2019 was $71,550.0 million (2018: $60,309.8 million), reflecting an increase of $11,240.2 million (or 18.6 per cent). Details with regard to the investment classes as at 31 December 2019 and 31 December 2018 are as follows:

(Millions of United States dollars)

	31 December 2019	*31 December 2018*	*Change*	*Percentage*
Equities	42 309.1	34 401.2	7 907.9	23.0
Fixed income	20 412.6	18 824.8	1 587.8	8.4
Real assets	5 201.8	4 340.4	861.4	19.8
Alternatives and other investments	3 626.5	2 743.4	883.1	32.2
Total investments	**71 550.0**	**60 309.8**	**11 240.2**	**18.6**

15. Investments and cash and cash equivalents are as follows:

(Millions of United States dollars)

	31 December 2019	*31 December 2018*	*Change*	*Percentage*
Investments	71 550.0	60 309.8	11 240.2	18.6
Cash and cash equivalents	436.4	564.9	(128.5)	(22.7)
Total investments and cash and cash equivalents	**71 986.4**	**60 874.7**	**11 111.7**	**18.3**

16. As a result of the global spread of the coronavirus disease (COVID-19), economic uncertainties have arisen that are likely to negatively affect the financial condition, results of operations and cash flows of the Fund. The changes in the value of the Fund's portfolio, which declined significantly following the market downturn in the first quarter of 2020, are consistent with the negative trend observed in the markets. Given that the COVID-19 pandemic is still unfolding, the Fund expects the volatility in the markets to persist in the months to come. As at 12 June 2020, the estimated unaudited market value of the total investments of the Fund, net of the cash and cash equivalents held by the Fund secretariat, was approximately $70 billion. For additional information and weekly fund performance updates, please refer to the Fund's website (https://oim.unjspf.org/investments-at-glance/weekly-fund-performance).

17. Total liabilities of the Fund as at 31 December 2019 were $256.5 million (2018: $362.9 million), reflecting a decrease of $106.4 million (or 29.3 per cent). The decrease in total liabilities was due primarily to the decrease in payable from investments traded of $132.7 million, offset by the increase in after-service health insurance and other employee benefits of $16.1 million.

Actuarial situation of the Fund

18. 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.

19. The actuarial present value of accumulated plan benefits as at 31 December 2019 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	26 482	34 703
Vested terminated participants	1 078	1 852
Active participants	16 199	22 136
Total vested benefits	**43 759**	**58 691**
Non-vested benefits	902	1 138
Total actuarial present value of accumulated plan benefits	**44 661**	**59 829**

Key statistics

20. The number of Fund participants as at 31 December 2019 was 131,583 (2018: 128,594), an increase of 2,989, or 2.3 per cent.

21. The number of periodic benefits paid by the Fund as at 31 December 2019 was 79,975 (2018: 78,716), an increase of 1,259 or 1.6 per cent.

Financial statements for the year ended 31 December 2019

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits

(Thousands of United States dollars)

	Note	*31 December 2019*	*31 December 2018 (reclassified)*[a]
Assets			
Cash and cash equivalents	4	436 354	564 891
Investments	5, 6		
Equities		42 309 141	34 401 159
Fixed income		20 412 531	18 824 833
Real assets		5 201 835	4 340 466
Alternatives and other investments		3 626 467	2 743 377
		71 549 974	**60 309 835**
Contributions receivable		64 912	55 889
Accrued income from investments	7	163 163	158 251
Receivable from investments traded	5	15 390	7 869
Withholding tax receivable	8	35 789	20 133
Other assets	9	25 398	22 068
Total assets		**72 290 980**	**61 138 936**
Liabilities			
Benefits payable	10	105 970	102 488
Payable from investments traded	5	27 191	159 913
After-service health insurance and other employee benefit liabilities	11	103 989	87 891
Other accruals and liabilities	12	19 352	12 597
Total liabilities		**256 502**	**362 889**
Net assets available for benefits		**72 034 478**	**60 776 047**

The accompanying notes are an integral part of these financial statements.

[a] See note 24 for details with regard to the reclassifications.

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 2019*	*For the year 2018*
Investment income/(loss)	13		
Net change in fair value of investments		10 009 778	(4 502 075)
Interest income		518 791	376 716
Dividend income		918 469	912 237
Income from real assets		78 547	55 510
Less: transaction costs and management fees		(158 748)	(143 435)
Less: withholding tax		(3 232)	(5 972)
Other investment-related (expenses)/income, net		(1 348)	505
		11 362 257	**(3 306 514)**
Pension contributions	14		
From participants		890 381	820 209
From member organizations		1 771 258	1 630 838
Other contributions		27 217	6 104
		2 688 856	**2 457 151**
Pension benefits	15		
Withdrawal settlements and full commutation benefits		194 582	181 671
Retirement benefits		2 511 119	2 530 498
Other benefits/adjustments		(5 736)	(42 609)
		2 699 965	**2 669 560**
Administrative expenses	16		
Fund secretariat		49 428	36 222
Office of Investment Management		40 028	32 212
Audit		1 631	1 235
Pension Board		678	450
		91 765	**70 119**
Other expenses	17	952	819
Increase/(decrease) in net assets available for benefits		**11 258 431**	**(3 589 861)**

The accompanying notes are an integral part of these financial statements.

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	Note	For the year 2019	For the year 2018
Cash flows from investing activities			
Purchase of investments		(48 917 774)	(25 154 053)
Proceeds from sale/redemption of investments		47 553 775	23 932 026
Dividends received from equity investments, *excluding withholding tax*		878 922	876 424
Interest received from fixed-income investments		525 863	377 678
Income received from unitized real asset funds, *excluding withholding tax*		75 641	55 483
Other investment-related (expense)/income, net		(1 348)	510
Transaction costs, management fees and other expenses paid		(159 551)	(144 649)
Withholding taxes reimbursement		11 582	31 732
Net cash used by investing activities		**(32 890)**	**(24 849)**
Cash flows from operating activities			
Contribution from member organizations and participants		2 656 821	2 405 906
Benefits payments		(2 693 636)	(2 710 412)
Net transfer from/to from other plans		21 780	(475)
Administrative expenses paid		(80 574)	(77 953)
Other payments, net		(950)	(696)
Net cash used by operating activities		**(96 559)**	**(383 630)**
Net decrease in cash and cash equivalents		(129 449)	(408 479)
Cash and cash equivalents at the beginning of year	4	564 891	971 807
Exchange gains on cash and cash equivalents		912	1 563
Cash and cash equivalents at the end of year	**4**	**436 354**	**564 891**

The accompanying notes are an integral part of these financial statements.

United Nations Joint Staff Pension Fund
Schedule A

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2018–2019

(Thousands of United States dollars)

	Initial appropriation 2018–2019			*Final appropriation 2018–2019*			*Actuals on a comparable basis 2018–2019*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Fund secretariat													
Posts	32 059.4	14 476.1	46 535.5	33 622.1	15 085.3	48 707.4	33 651.8	15 082.1	48 733.9	29.7	(3.2)	26.5	0
Other staff costs	11 599.8	647.3	12 247.1	11 951.7	295.4	12 247.1	11 248.0	223.8	11 471.8	(703.7)	(71.6)	(775.3)	(6)
Hospitality	5.8	–	5.8	5.8	–	5.8	0.3	–	0.3	(5.5)	–	(5.5)	(95)
Consultants	223.2	–	223.2	223.2	–	223.2	224.1	–	224.1	0.9	–	0.9	0
Travel of staff	1 096.5	–	1 096.5	1 096.5	–	1 096.5	809.1	–	809.1	(287.4)	–	(287.4)	(26)
Contractual services[a]	18 812.0	2 128.5	20 940.5	19 446.7	2 128.5	21 575.2	19 256.7	2 148.6	21 405.3	(190.0)	20.1	(169.9)	(1)
General operating expenses	13 282.4	3 751.1	17 033.5	12 225.5	3 592.0	15 817.5	12 517.0	3 653.3	16 170.3	291.5	61.3	352.8	2
Supplies and materials	136.8	68.5	205.3	117.3	58.7	176.0	73.1	25.0	98.1	(44.2)	(33.7)	(77.9)	(44)
Furniture and equipment	1 554.1	636.0	2 190.1	965.4	302.7	1 268.1	1 121.7	239.9	1 361.6	156.3	(62.8)	93.5	7
Subtotal	**78 770.0**	**21 707.5**	**100 477.5**	**79 654.2**	**21 462.6**	**101 116.8**	**78 901.8**	**21 372.7**	**100 274.5**	**(752.4)**	**(89.9)**	**(842.3)**	**(1)**

United Nations Joint Staff Pension Fund
Schedule A (continued)

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2018–2019 (continued)

(Thousands of United States dollars)

	Initial appropriation 2018–2019			*Final appropriation 2018–2019*			*Actuals on a comparable basis 2018–2019*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
B. Office of Investment Management													
Posts	25 388.5	–	25 388.5	26 080.6	–	26 080.6	26 692.6	–	26 692.6	612.0	–	612.0	2
Other staff costs	3 501.0	–	3 501.0	4 109.0	–	4 109.0	3 330.4	–	3 330.4	(778.6)	–	(778.6)	(19)
Hospitality	28.1	–	28.1	28.1	–	28.1	9.9	–	9.9	(18.2)	–	(18.2)	(65)
Consultants	1 125.8	–	1 125.8	918.3	–	918.3	551.6	–	551.6	(366.7)	–	(366.7)	(40)
Travel of representatives[b]	711.5	–	711.5	613.3	–	613.3	268.2	–	268.2	(345.1)	–	(345.1)	(56)
Travel of staff	1 551.6	–	1 551.6	1 551.6	–	1 551.6	1 164.3	–	1 164.3	(387.3)	–	(387.3)	(25)
Contractual services	45 265.5	–	45 265.5	38 804.6	–	38 804.6	31 350.9	–	31 350.9	(7 453.7)	–	(7 453.7)	(19)
General operating expenses	8 226.2	–	8 226.2	6 152.9	–	6 152.9	4 835.4	–	4 835.4	(1 317.5)	–	(1 317.5)	(21)
Supplies and materials	62.6	–	62.6	63.1	–	63.1	46.6	–	46.6	(16.5)	–	(16.5)	(26)
Furniture and equipment	1 409.0	–	1 409.0	809.0	–	809.0	633.4	–	633.4	(175.6)	–	(175.6)	(22)
Subtotal	**87 269.8**	**–**	**87 269.8**	**79 130.5**	**–**	**79 130.5**	**68 883.3**	**–**	**68 883.3**	**(10 247.2)**	**–**	**(10 247.2)**	**(13)**
C. Audit													
External audit	655.3	131.1	786.4	655.3	131.1	786.4	655.3	131.0	786.3	–	(0.1)	(0.1)	(0)
Internal audit	1 766.3	353.3	2 119.6	2 125.2	425.1	2 550.3	2 030.8	406.1	2 436.9	(94.4)	(19.0)	(113.4)	(4)
Subtotal	**2 421.6**	**484.4**	**2 906.0**	**2 780.5**	**556.2**	**3 336.7**	**2 686.1**	**537.1**	**3 223.2**	**(94.4)**	**(19.1)**	**(113.5)**	**(3)**
D. Pension Board	1 006.5	–	1 006.5	1 332.8	–	1 332.8	1 126.8	–	1 126.8	(206.0)	–	(206.0)	(15)
Total administrative expenses	**169 467.9**	**22 191.9**	**191 659.8**	**162 898.0**	**22 018.8**	**184 916.8**	**151 598.0**	**21 909.8**	**173 507.8**	**(11 300.0)**	**(109.0)**	**(11 409.0)**	**(6)**

The purpose of schedule A is to compare budget amounts with actual amounts for the biennium 2018–2019 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. Percentages are rounded to the nearest whole number; 0 indicates a value between zero and 1, but not zero, while (0) indicates a value between -1 and zero, but not zero.

[a] Actuals include expenditure for the United Nations International Computing Centre ($11.4 million).

[b] Comprises travel of Investments Committee members only.

United Nations Joint Staff Pension Fund
Schedule A (continued)

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2018–2019 (continued)

Explanation of significant differences (greater than +/-5 per cent) between budget and actual amounts on a comparable basis

A. Fund secretariat

Other staff costs. The underexpenditure is attributable primarily to lower-than-projected expenditure for general temporary assistance, owing to the overall movement of staff in operations and the time it took to refill those positions.

Hospitality. The underexpenditure is the result of efforts to minimize hospitality costs.

Travel. The underexpenditure is due to lower-than-anticipated expenditure for travel, related mainly to outreach missions with fewer-than-planned trips for work coordination between offices in New York, Geneva and Nairobi, as most of that travel was postponed to 2020 and 2021 in the context of the new functional reporting. The underexpenditure also reflects the replacement of some staff travel with videoconferencing and teleconferencing.

Supplies, furniture and equipment. The underexpenditure is due primarily to lower-than-anticipated requirements for supplies and materials.

B. Office of Investment Management

Posts. The overexpenditure reflects the actual expenditure compared with the budgeted rates in relation to standard costs and vacancies.

Other staff costs. The underexpenditure is due primarily to general temporary assistance positions not being filled in the Investments and Operations and Information Technology Sections because of the ongoing challenges in hiring suitable staff for specialized posts in the Office of Investment Management.

Hospitality. The underexpenditure is the result of continued efforts to minimize hospitality costs and the lower-than-anticipated number of functions hosted.

Consultants. The underexpenditure is attributable to the procurement of consultancy services related to the data management programme through contractual services rather than consultant experts as initially planned.

Travel. The underexpenditure is attributable to a decrease in travel of representatives, owing to the attendance of a lower-than-anticipated number of members at Investments Committee meetings. In addition, several members did not submit their travel expenses for reimbursement, which also contributed to the underexpenditure. The underexpenditure is also attributable to lower-than-anticipated expenditure for staff travel, owing largely to changes in work priorities under a volatile market and to numerous projects being undertaken simultaneously, thereby limiting the ability to travel for a number of staff. In addition, meetings with fund managers and corporation management staff were held during their visits to New York, and some anticipated travel was replaced by videoconferences.

Contractual services. The underexpenditure is primarily in the Operations and Information Technology Section, where certain projects under the target operating model have been taking longer than had been anticipated in the due diligence and competitive selection process. Many of those projects are in the final stages of the procurement process, and the finalization of those efforts from a contractual perspective is due to be completed in 2020. In addition, the expenditure for some projects was lower than anticipated owing to a reduction in costs for tax and account advisory services, as well as in fees paid for custodian services following the transition to a single custodian model. The underexpenditure is also attributable to putting on hold the provision of risk and compliance advisory services and shifting the focus to strengthening the internal team.

General operating expenses. The underexpenditure is due primarily to the surrendering of office space and the partial reimbursement of the cost of improvements to the 5th-floor office space, the deferral of procurement activities for the disaster recovery site and delays in construction projects in 2019.

Supplies and materials. The underexpenditure is attributable to lower-than-anticipated requirements for supplies and materials.

Furniture and equipment. The underexpenditure is attributable primarily to lower-than-anticipated expenditure for the acquisition of software, owing to the postponement of some information technology-related projects and to continued efforts to find more cost-effective alternatives.

D. Pension Board

The underexpenditure is attributable to lower-than-anticipated expenditure related to the travel of committee members.

United Nations Joint Staff Pension Fund
Schedule B

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2019

(Thousands of United States dollars)

	Initial appropriation 2019			*2018 budget balance carried forward*			*Revision to appropriation*			*Final budget 2019*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
A. Fund secretariat												
Posts	16 070.9	7 258.7	23 329.6	(32.2)	40.3	8.1	1 562.7	609.2	2 171.9	17 601.4	7 908.2	25 509.6
Other staff costs	5 892.1	323.0	6 215.1	(718.6)	213.4	(505.2)	351.9	(351.9)	–	5 525.4	184.5	5 709.9
Hospitality	2.9	–	2.9	2.9	–	2.9	–	–	–	5.8	–	5.8
Consultants	134.1	–	134.1	11.1	–	11.1	–	–	–	145.2	–	145.2
Travel of staff	514.7	–	514.7	205.2	–	205.2	–	–	–	719.9	–	719.9
Contractual services	9 225.5	1 056.0	10 281.5	556.5	(79.5)	477.0	634.7	–	634.7	10 416.7	976.5	11 393.2
General operating expenses	6 716.0	1 913.1	8 629.1	(3 342.0)	(1 498.9)	(4 840.9)	(1 056.9)	(159.1)	(1 216.0)	2 317.1	255.1	2 572.2
Supplies and materials	69.0	34.6	103.6	41.5	20.7	62.2	(19.5)	(9.8)	(29.3)	91.0	45.5	136.5
Furniture and equipment	689.8	320.0	1 009.8	648.1	312.7	960.8	(588.7)	(333.3)	(922.0)	749.2	299.4	1 048.6
Subtotal	**39 315.0**	**10 905.4**	**50 220.4**	**(2 627.5)**	**(991.3)**	**(3 618.8)**	**884.2**	**(244.9)**	**639.3**	**37 571.7**	**9 669.2**	**47 240.9**

United Nations Joint Staff Pension Fund
Schedule B (continued)

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2019 (continued)

(Thousands of United States dollars)

	Initial appropriation 2019			*2018 budget balance carried forward*			*Revision to appropriation*			*Final budget 2019*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
B. Office of Investment Management												
Posts	12 689.8	–	12 689.8	(264.3)	–	(264.3)	692.1	–	692.1	13 117.6	–	13 117.6
Other staff costs	1 765.6	–	1 765.6	666.8	–	666.8	608.0	–	608.0	3 040.4	–	3 040.4
Hospitality	13.5	–	13.5	7.7	–	7.7	–	–	–	21.2	–	21.2
Consultants	504.5	–	504.5	241.2	–	241.2	(207.5)	–	(207.5)	538.2	–	538.2
Travel of representatives[a]	355.9	–	355.9	136.9	–	136.9	(98.2)	–	(98.2)	394.6	–	394.6
Travel of staff	707.2	–	707.2	290.9	–	290.9	–	–	–	998.1	–	998.1
Contractual services	22 884.5	–	22 884.5	6 237.8	–	6 237.8	(6 460.9)	–	(6 460.9)	22 661.4	–	22 661.4
General operating expenses	4 193.8	–	4 193.8	(300.6)	–	(300.6)	(2 073.3)	–	(2 073.3)	1 819.9	–	1 819.9
Supplies and materials	31.3	–	31.3	(1.9)	–	(1.9)	0.5	–	0.5	29.9	–	29.9
Furniture and equipment	556.3	–	556.3	579.0	–	579.0	(600.0)	–	(600.0)	535.3	–	535.3
Subtotal	**43 702.4**	**–**	**43 702.4**	**7 593.5**	**–**	**7 593.5**	**(8 139.3)**	**–**	**(8 139.3)**	**43 156.6**	**–**	**43 156.6**
C. Audit												
External audit	327.6	65.5	393.1	0.1	0.1	0.2	–	–	–	327.7	65.6	393.3
Internal audit	887.3	177.5	1 064.8	(120.9)	(24.2)	(145.1)	358.9	71.8	430.7	1 125.3	225.1	1 350.4
Subtotal	**1 214.9**	**243.0**	**1 457.9**	**(120.8)**	**(24.1)**	**(144.9)**	**358.9**	**71.8**	**430.7**	**1 453.0**	**290.7**	**1 743.7**
D. Pension Board	512.2	–	512.2	43.6	–	43.6	326.3	–	326.3	882.1	–	882.1
Total administrative expenses	**84 744.5**	**11 148.4**	**95 892.9**	**4 888.8**	**(1 015.4)**	**3 873.4**	**(6 569.9)**	**(173.1)**	**(6 743.0)**	**83 063.4**	**9 959.9**	**93 023.3**

United Nations Joint Staff Pension Fund
Schedule B (continued)

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2019 (continued)

(Thousands of United States dollars)

	Final budget 2019			*Actuals on a comparable basis*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Fund secretariat										
Posts	17 601.4	7 908.2	25 509.6	17 631.1	7 905.0	25 536.1	29.7	(3.2)	26.5	0
Other staff costs	5 525.4	184.5	5 709.9	4 821.7	112.9	4 934.6	(703.7)	(71.6)	(775.3)	(14)
Hospitality	5.8	–	5.8	0.3	–	0.3	(5.5)	–	(5.5)	(95)
Consultants	145.2	–	145.2	146.1	–	146.1	0.9	–	0.9	1
Travel of staff	719.9	–	719.9	432.5	–	432.5	(287.4)	–	(287.4)	(40)
Contractual services[b]	10 416.7	976.5	11 393.2	10 226.7	996.6	11 223.3	(190.0)	20.1	(169.9)	(1)
General operating expenses	2 317.1	255.1	2 572.2	2 608.6	316.4	2 925.0	291.5	61.3	352.8	14
Supplies and materials	91.0	45.5	136.5	46.8	11.8	58.6	(44.2)	(33.7)	(77.9)	(57)
Furniture and equipment	749.2	299.4	1 048.6	905.5	236.6	1 142.1	156.3	(62.8)	93.5	9
Subtotal	**37 571.7**	**9 669.2**	**47 240.9**	**36 819.3**	**9 579.3**	**46 398.6**	**(752.4)**	**(89.9)**	**(842.3)**	**(2)**
B. Office of Investment Management										
Posts	13 117.6	–	13 117.6	13 729.6	–	13 729.6	612.0	–	612.0	5
Other staff costs	3 040.4	–	3 040.4	2 261.8	–	2 261.8	(778.6)	–	(778.6)	(26)
Hospitality	21.2	–	21.2	3.0	–	3.0	(18.2)	–	(18.2)	(86)
Consultants	538.2	–	538.2	171.5	–	171.5	(366.7)	–	(366.7)	(68)
Travel of representatives[a]	394.6	–	394.6	49.5	–	49.5	(345.1)	–	(345.1)	(87)
Travel of staff	998.1	–	998.1	610.8	–	610.8	(387.3)	–	(387.3)	(39)
Contractual services	22 661.4	–	22 661.4	15 207.7	–	15 207.7	(7 453.7)	–	(7 453.7)	(33)
General operating expenses	1 819.9	–	1 819.9	502.4	–	502.4	(1 317.5)	–	(1 317.5)	(72)
Supplies and materials	29.9	–	29.9	13.4	–	13.4	(16.5)	–	(16.5)	(55)
Furniture and equipment	535.3	–	535.3	359.7	–	359.7	(175.6)	–	(175.6)	(33)
Subtotal	**43 156.6**	**–**	**43 156.6**	**32 909.4**	**–**	**32 909.4**	**(10 247.2)**	**–**	**(10 247.2)**	**(24)**

United Nations Joint Staff Pension Fund
Schedule B (continued)

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2019 (continued)

(Thousands of United States dollars)

	Final budget 2019			*Actuals on a comparable basis*			*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	327.7	65.5	393.2	–	(0.1)	(0.1)	(0)
Internal audit	1 125.3	225.1	1 350.4	1 030.9	206.1	1 237.0	(94.4)	(19.0)	(113.4)	(8)
Subtotal	**1 453.0**	**290.7**	**1 743.7**	**1 358.6**	**271.6**	**1 630.2**	**(94.4)**	**(19.1)**	**(113.5)**	**(7)**
D. Pension Board	882.1	–	882.1	676.1	–	676.1	(206.0)	–	(206.0)	(23)
Total administrative expenses	**83 063.4**	**9 959.9**	**93 023.3**	**71 763.4**	**9 850.9**	**81 614.3**	**(11 300.0)**	**(109.0)**	**(11 409.0)**	**(12)**

The purpose of schedule B is to compare budget amounts 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. Percentages are rounded to the nearest whole number; 0 indicates a value between zero and 1, but not zero, while (0) indicates a value between -1 and zero, but not zero. A reconciliation of the differences is provided in note 21.2.

[a] Comprises travel of Investments Committee members only.

[b] Actuals include expenditure for the United Nations International Computing Centre ($6.5 million).

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 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan. There were 24 member organizations participating in the Fund as at 31 December 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, 4 of whom 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, 7 of whom 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 United Nations Joint Staff Pension Board, a subsidiary organ of the General Assembly, has the overall supervisory responsibility for the administration of the Fund and for the observance of the Regulations and Rules of the Fund. The Pension Board appoints an independent Secretary, who is responsible for a full range of secretariat conference management and other secretariat services. The role of the Secretary of the Pension Board is distinct from the roles and responsibilities pertaining to all aspects of the management, administration and investments of the Fund. The Secretary reports directly to the Pension Board.

5. The Chief Executive of Pension Administration is appointed by the Secretary-General on the recommendation of the Pension Board.

6. The Chief Executive acts under the authority of the Pension Board in the discharge of the latter's responsibility for the administrative supervision of the Fund as a whole. That includes responsibility for strategic planning and operational direction; the establishment of policy; the administration of the Fund's operations and the certification of benefit payments; risk management; regulatory compliance; the overall supervision of staff; and stakeholder communications. The Fund secretariat staff, under the authority of the Chief Executive, provides technical support services, prepares background documentation and offers guidance and advice to the Pension Board and its subsidiary bodies, including its Standing Committee and the Committee of Actuaries. The Chief Executive serves as Secretary of the United Nations Staff Pension Committee. The Chief Executive participates in the 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. In accordance with article 7 (b) of the Regulations of the Fund, in the absence of the Chief Executive, the Deputy Chief Executive performs the functions of the Chief Executive.

7. Until 31 December 2019 the Chief Executive Officer/Secretary of the Pension Board was responsible for both of the roles now assigned separately to the Secretary of the Pension Board and the Chief Executive of Pension Administration.

8. The investment of the assets of the Fund is 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 Pension 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 arranges for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which are open to examination by the Pension Board.

9. 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. In 2019, the Executive Office was supervised by the Chief Financial Officer on a temporary basis.

10. The Chief Financial Officer reports to the Chief Executive 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 Pension Fund, reviewing the budgetary, financial and accounting operations of the Fund and ensuring that an adequate financial control environment is in place to protect the Fund's resources, and guarantees the quality and reliability of financial reporting. In addition, the Chief Financial Officer is responsible for setting the rules for the collection, from the 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, the accounting standards adopted by the Fund and 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

11. Members of the staff of each of the 24 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 2019, the Fund had active contributors (participants) from member organizations including the main 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

12. 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.

13. The Representative of the Secretary-General is assisted by the staff of the 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

14. Article 12 of the Regulations of the Fund provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. The Fund performs actuarial valuations every two years and intends to continue to do 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 2019.

1.6 Retirement benefit

15. 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.

16. 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 the final average remuneration multiplied by the first five years of contributory service;

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

(c) 2 per cent of the final average remuneration multiplied by the next twenty-five years of contributory service;

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

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

18. 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).

19. 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 $1,141.84 (effective 1 April 2020, 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.

20. 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 $1,816.32 (effective 1 April 2020, 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.

21. "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.

22. 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

23. 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.

24. 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 percent 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 whose participation commenced on or after 1 January 2014 is detailed in article 29 of the Regulations and Administrative Rules of the Fund.

25. 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

26. 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.

27. 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 5 years, to a maximum increase of 100 per cent.

1.7 Disability benefit

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

29. 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, the disability benefit 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.

30. 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 $3,024.24 (effective 1 April 2020, 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

31. 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

32. 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

33. 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

34. 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).

35. 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

36. 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 article 11 (c) of the Regulations of the Fund. The participants' contributions for the years ended 31 December 2019 and 31 December 2018 were $890.4 million and $820.2 million, respectively. The contribution figures do not include interest on the contributions.

37. 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. In accordance with article 25 of the Regulations, the contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled $1,771.3 million and $1,630.8 million during calendar years 2019 and 2018 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.

38. 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

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

40. 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.

41. 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.

42. 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.

43. 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.

44. 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

45. 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

46. In accordance with the Regulations of the Fund adopted by the General Assembly and the Administrative Rules of the Fund, including the financial rules, established by the Pension Board and reported to the Assembly and the member organizations, the accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. The financial statements of the Fund consist of the following:

(a) A statement of net assets available for benefits;

(b) A statement of changes in net assets available for benefits;

(c) A statement of cash flows;

(d) A statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses;

(e) A note disclosing the actuarial present value of defined retirement benefits, distinguishing between vested benefits and non-vested benefits;

(f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.

47. The Fund adopted IPSAS as from 1 January 2012. This also specifically included the adoption of IAS 26, which not only 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 under IPSAS standards. For instance, as required under

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 stipulates 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.

48. 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

49. 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 the 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 the 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. The Fund did not have any combinations of entities and operations during 2019; accordingly, the Fund did not experience any impact on its financial statements upon adoption of the accounting standard.

50. 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 application 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 2019, the Fund did not have any derivative contracts, the impact of the change on the measurement of financial instruments was not expected to be material. The Fund expects to complete its evaluation of the requirements of IPSAS 41 in detail and the impact of the change in measurement and disclosure requirements on the Fund's financial statements during 2020.

51. In January 2019, the IPSAS Board issued IPSAS 42: Social benefits, which provides guidance on accounting for social benefits expenditure. Social benefits are defined as cash transfers provided to specific individuals and/or households who meet eligibility criteria, to mitigate the effect of social risks and address the needs of

society as a whole. IPSAS 42 requires recognition of an expense and a liability for the next social benefit payment. The standard does not apply to cash transfers to individuals and households that do not address social risks, for example emergency relief. This standard is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. Following an initial analysis, the Fund does not expect any impact on its financial statements upon adoption of the accounting standard.

52. 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 to have immaterial impact on the Fund's financial statements.

2.3 Other general information

53. 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 on the Integrated Pension Administration System. 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. 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

54. 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

Classification of investments

55. 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.

56. 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.

57. The Fund classifies its investments into the following categories:

- Equities (including exchange-traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)

- Fixed income (including government and agency securities, corporate and municipal/provincial bonds and mortgage- and asset-backed securities)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timberland and agriculture)
- Alternatives and other investments (including investments in private equity funds and commodity funds)

Valuation of financial instruments

58. The Fund uses the established and documented process of its independent master record keeper for determining fair values. That process 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.

59. 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.

Interest and dividend income

60. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents and fixed-income investments.

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

Income from real assets and alternative investments

62. Income distributed from unitized funds is treated as income in the period in which it is earned.

Receivable/payable from investments traded

63. 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.

64. 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

65. The Fund's portfolio comprises direct investments and indirect investments. Indirect investments are typically made through investment vehicles such as real estate investment trusts, exchange-traded funds, limited liability partnerships or depository receipts. The Fund is exempt from national taxation by 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.

66. 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.

67. 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 that 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.

68. The Fund also incurs costs 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

69. 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

70. The Fund holds 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 relies primarily on these tests, which are performed by the investee company's independent auditors.

71. When the fair value is based on an observable market price, the quoted price at the reporting date is used. The fair value of an asset determined in accordance with

IPSAS 29 reflects a hypothetical exit transaction at the reporting date. Changes in market prices after the reporting date are therefore not reflected in asset valuation.

72. 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.

73. 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. 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 may require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

74. 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.

75. The valuation of investments in real assets and alternative investments through limited liability partnerships requires significant judgement owing to the absence of quoted market values, the inherent lack of liquidity and the long-term nature of such investments. The valuation of these investments is based on the valuation provided by the general partners or managers of the underlying investments. The Fund relies primarily on these tests, which are performed by the investee company's independent auditors, and on the individual investment managers' compliance with generally accepted accounting standards and valuation procedures.

Taxes

76. 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 during the year and any tax receivable deemed recoverable at the end of the year.

Impairment

77. 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

78. 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 at the respective year-end date of the financial statements.

Actuarial assumptions

79. The Fund uses actuarial methods for the disclosure of employee benefits liabilities. The related assumptions in respect of after-service health insurance and other employee benefits of the staff of the Fund are disclosed in note 11. Note 18 contains information on assumptions used for the actuarial liability to the beneficiaries of the Fund.

3.5 Contributions

80. 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

81. 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

82. 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.

83. 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 spot rate 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

84. 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

85. 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.

86. 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

87. 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

88. 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

89. 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

90. 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.

91. 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

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

93. After-service health insurance and repatriation grants are classified as defined benefit schemes and accounted for as such.

94. 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

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

96. 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.

97. 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 2019 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 +/-5 per cent) between the actual and budget amounts.

98. 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

99. 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.

100. The following parties are considered related parties for the Fund in 2019:

(a) Key management personnel: the Chief Executive Officer (see note 1.2), 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 24 member organizations participating in the Fund;

(d) The United Nations International Computing Centre.

101. A summary of the relationship and transactions with the above parties is given in note 23.

3.16 Subsequent events

102. 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 in the financial statements.

103. 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

104. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Cash at bank – Office of Investment Management	199 937	347 391
Cash at bank – Fund secretariat	171 194	171 557
Cash held by external managers – Office of Investment Management	65 223	45 943
Total cash and cash equivalents	**436 354**	**564 891**

Note 5
Financial instruments by category

105. The tables below provide an overview of all financial instruments held by category as at 31 December 2019 and 31 December 2018.[2]

(Thousands of United States dollars)

	As at 31 December 2019		
	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	436 354	–	–
Investments			
Equities	42 309 141	–	–
Fixed income	20 412 531	–	–
Real assets	5 201 835	–	–
Alternatives and other investments	3 626 467	–	–

[2] Non-financial assets and liabilities other than employee benefits are excluded from the table, as this analysis is required only for financial instruments.

	As at 31 December 2019		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Contributions receivable	–	64 912	–
Accrued income from investments	–	163 163	–
Receivable from investments traded	–	15 390	–
Withholding tax receivables	–	35 789	–
Other assets	–	21 674	–
Total financial assets	**71 986 328**	**300 928**	**–**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	–	–	105 970
Payable from investments traded	–	–	27 191
After-service health insurance and other employee benefit liabilities	–	–	103 989
Other accruals and liabilities	–	–	19 352
Total financial liabilities	**–**	**–**	**256 502**

Investments exceeding 5 per cent of net assets

106. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2019.

107. There were no investments representing 5 per cent or more of equities, fixed income or alternatives and other investments as at 31 December 2019. The Fund held a total of $651.6 million in two real estate funds as at 31 December 2019, which represented 5 per cent or more of investments in the real assets category.

(Thousands of United States dollars)

	Reclassified 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			
Equities	34 401 159	–	–
Fixed income	18 824 833	–	–
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**	**–**

	Reclassified as at 31 December 2018		
	Financial instruments at fair value	Loans and receivables	Other financial liabilities
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 benefit liabilities	–	–	87 891
Other accruals and liabilities	–	–	12 597
Total financial liabilities	**–**	**–**	**362 889**

Investments exceeding 5 per cent of net assets

108. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2018.

109. There were no investments representing 5 per cent or more of equities, fixed income or alternatives and other investments as at 31 December 2018. 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 investments in the real assets category.

Note 6
Fair value measurement

110. 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.

111. 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.

112. The tables below present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2019 and 31 December 2018.

(Thousands of United States dollars)

Fair value hierarchy as at 31 December 2019	*Level 1*	*Level 2*	*Level 3*	*Total*
Equities				
Common and preferred stock	40 686 191	–	–	40 686 191
Funds-exchange traded funds	1 388 880	–	–	1 388 880
Funds-common stock	–	–	138 935	138 935
Stapled securities	95 135	–	–	95 135
Total equities	**42 170 206**	**–**	**138 935**	**42 309 141**
Fixed income				
Government and agency securities	–	18 863 212	–	18 863 212
Asset-backed securities	–	153 402	4 183	157 585
Corporate bonds	–	552 610	42 856	595 466
Municipal/provincial bonds	–	37 873	–	37 873
Commercial mortgage-backed	–	704 655	–	704 655
Funds – corporate bond	–	–	53 740	53 740
Total fixed income	**–**	**20 311 752**	**100 779**	**20 412 531**
Real assets				
Real estate funds	–	229 906	4 818 178	5 048 084
Infrastructure assets	–	–	137 037	137 037
Timberlands	–	–	16 714	16 714
Total real assets	**–**	**229 906**	**4 971 929**	**5 201 835**
Alternatives and other investments				
Private equity	–	–	3 562 570	3 562 570
Commodity funds	–	–	63 897	63 897
Total alternatives and other investments	**–**	**–**	**3 626 467**	**3 626 467**
Total	**42 170 206**	**20 541 658**	**8 838 110**	**71 549 974**

(Thousands of United States dollars)

Fair value hierarchy as at 31 December 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
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**

Fair value hierarchy as at 31 December 2018	Level 1	Level 2	Level 3	Total
Fixed income				
Government and agency securities	–	13 744 842	–	13 744 842
Corporate bonds	–	3 745 133	40 046	3 785 179
Municipal/provincial bonds	–	779 077	–	779 077
Notes, deposits and commercial paper	–	458 049	–	458 049
Commercial mortgage-backed	–	9 040	–	9 040
Funds – corporate bond	–	–	48 646	48 646
Total fixed income	**–**	**18 736 141**	**88 692**	**18 824 833**
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**

Equities

113. 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.

114. Common stock funds amounting to $138.9 million as at 31 December 2019 (31 December 2018: $127.6 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

115. 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.

116. Corporate bond funds amounting to $53.7 million as at 31 December 2019 (31 December 2018: $48.6 million), asset-backed securities of $4.2 million (31 December 2018: zero), and corporate bonds amounting to $42.9 million (31 December 2018: $40.0 million) 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

117. Real assets amounting to $4,971.9 million as at 31 December 2019 (31 December 2018: $4,092.8 million), net of carried interest of $171.9 million

(31 December 2018: $176.9 million), as well as alternatives and other investments amounting to $3,626.5 million as of 31 December 2019 (31 December 2018: $2,743.4 million), net of carried interest of $222.5 million (31 December 2018: $138.2 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.

118. Two real estate funds amounting to $229.9 million (31 December 2018: $247.6 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.

119. There were no transfers between levels for the year ended 31 December 2019.

120. 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	–	–	–	–
Real assets	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	**–**	**–**	**43 719**	**43 719**
Transfers out of				
Fixed income	–	(43 719)	–	(43 719)
Equities	–	–	–	–
Real assets	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	**–**	**(43 719)**	**–**	**(43 719)**

121. For the year ended 31 December 2018, there was a transfer of one fixed-income security, amounting to $43.7 million out of level 2 and into level 3. The security was priced by multiple vendors as at 31 December 2017, as compared with a single vendor as at 31 December 2018. Consequently, the Fund decided to classify this investment as level 3.

122. The table below presents the movements in level 3 instruments for the period ended 31 December 2019 by class of financial instrument.

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternatives and other investments*	*Total*
Opening balance	**127 585**	**88 692**	**4 092 843**	**2 743 377**	**7 052 497**
Purchases	7 941	8 025	1 215 337	977 215	2 208 518
Sales/return of capital	(516)	(308)	(668 870)	(547 301)	(1 216 995)
Transfers (out of)/into level 3	–	–	–	–	–
Net gains and losses recognized in the statement of changes in net assets available for benefits	3 925	4 370	332 619	453 176	794 090
Closing balance	**138 935**	**100 779**	**4 971 929**	**3 626 467**	**8 838 110**
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	(8 758)	4 370	96 583	444 865	537 060

123. The table below presents the movements in level 3 instruments for the year 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

Note 7
Accrued income from investments

124. 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 2019	*31 December 2018*
Cash and cash equivalents	130	142
Fixed-income securities	101 121	108 180
Dividends receivable on equities	56 820	47 742
Real assets and alternative investments	5 092	2 187
Total accrued income from investments	**163 163**	**158 251**

Note 8
Withholding tax receivables

125. Withholding tax receivables as at 31 December 2019 and 31 December 2018 and withholding tax expense for the years ended 31 December 2019 and 31 December 2018 by country are as follows:

(Thousands of United States dollars)

Country	For the year 2019			As at 31 December 2019			For the year 2018			As at 31 December 2018		
	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	42	–	(2)	44	–	44	–	134	(134)	–	–	–
Austria	–	–	–	–	–	–	–	29	1	–	–	–
Belgium	625	–	(5)	630	–	630	656	653	3	–	–	–
Brazil	196	–	196	401	(401)	–	363	–	363	416	(416)	–
Canada	12	–	–	12	–	12	–	–	–	–	–	–
Chile	401	434	(58)	38	–	38	431	260	173	13	–	13
China	3 578	587	2 790	14 747	(14 450)	297	3 343	183	3 064	13 206	(13 110)	96
Colombia	8	–	–	8	–	8	–	–	–	–	–	–
Czechia	148	–	–	233	–	233	85	–	–	85	–	85
France	–	–	–	–	–	–	–	226	(7)	–	–	–
Germany	7 531	6 431	206	15 668	–	15 668	8 724	7 715	787	14 774	–	14 774
Greece	–	–	–	111	(111)	–	–	–	–	113	(113)	–
Ireland	–	31	–	–	–	–	32	148	(2)	31	–	31
Japan	4	–	–	4	–	4	–	–	–	–	–	–
Luxembourg	4	–	–	4	–	4	–	–	–	–	–	–
Mexico	–	–	(2)	60	–	60	44	–	(1)	58	–	58
Netherlands	2 198	91	13	3 064	–	3 064	1 800	881	26	970	–	970
New Zealand	–	–	–	–	–	–	2	–	2	–	–	–
Norway	363	–	(2)	365	–	365	–	–	–	–	–	–
Papua New Guinea	–	–	–	19	(19)	–	–	–	–	19	(19)	–
Philippines	107	43	(1)	65	–	65	–	–	–	–	–	–
Russian Federation	1 894	–	451	1 443	–	1 443	1 276	–	1 276	–	–	–
Singapore	44	42	(1)	45	–	45	42	–	–	42	–	42
South Africa	–	–	–	–	–	–	693	673	20	–	–	–
Spain	2 260	2 530	19	248	–	248	2 285	1 950	27	537	–	537
Sweden	–	–	–	30	(30)	–	–	–	–	31	(31)	–
Switzerland	9 166	–	(391)	12 095	–	12 095	9 574	15 968	316	2 538	–	2 538
Turkey	72	–	8	334	(233)	101	51	–	14	298	(261)	37
United Kingdom	1 817	1 393	11	1 365	–	1 365	1 882	2 912	44	952	–	952
Total	**30 470**	**11 582**	**3 232**	**51 033**	**(15 244)**	**35 789**	**31 283**	**31 732**	**5 972**	**34 083**	**(13 950)**	**20 133**

126. 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 provided for in 2019, unless there is certainty of reclaim in the subsequent years.

127. The table below presents an ageing analysis of withholding tax receivable as at 31 December 2019 and 31 December 2018.

(Thousands of United States dollars)

	As at 31 December 2019			*As at 31 December 2018*		
Country	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*
Australia	–	44	44	–	–	–
Belgium	–	630	630	–	–	–
Canada	–	12	12	–	–	–
Chile	–	38	38	–	13	13
China	–	297	297	63	33	96
Colombia	–	8	8	–	–	–
Czechia	–	233	233	–	85	85
Germany	–	15 668	15 668	–	14 774	14 774
Ireland	–	–	–	–	31	31
Japan	–	4	4	–	–	–
Luxembourg	–	4	4	–	–	–
Mexico	–	60	60	–	58	58
Netherlands	–	3 064	3 064	–	970	970
Norway	–	365	365	–	–	–
Philippines	–	65	65	–	–	–
Russian Federation	–	1 443	1 443	–	–	–
Singapore	–	45	45	–	42	42
Spain	–	248	248	–	537	537
Switzerland	–	12 095	12 095	–	2 538	2 538
Turkey	–	101	101	–	37	37
United Kingdom	–	1 365	1 365	–	952	952
Total	**–**	**35 789**	**35 789**	**63**	**20 070**	**20 133**

Note 9
Other assets

128. 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 2019	*31 December 2018*
Prepayments and benefits receivable	14 976	15 184
Property, plant and equipment	3 724	3 941
Intangible assets in use	–	25
United Nations receivables	6 039	2 339
Other receivables	659	579
Total	**25 398**	**22 068**

9.1 Prepayments and benefits receivable

129. An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Prepayments	4 206	3 267
Advance benefit payments due to payroll conversion	6 345	7 484
Benefits receivable	9 075	8 764
Benefits receivable – provision	(4 651)	(4 331)
Total	**14 975**	**15 184**

9.2 Property, plant and equipment

130. 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 2019	1 320	13 963	2 439	17 722
Additions	–	4 661	(2 439)	2 222
Disposals/transfers	(86)	–	–	(86)
31 December 2019	1 234	18 624	–	19 858
Accumulated depreciation				
1 January 2019	1 249	12 532	–	13 781
Depreciation	71	2 368	–	2 439
Disposals/transfers	(86)	–	–	(86)
31 December 2019	1 234	14 900	–	16 134
Net book value, 31 December 2019	**–**	**3 724**	**–**	**3 724**

	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**

131. 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

132. 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 2019	20 980	–	20 980
Additions	–	–	–
Transfers	–	–	–
Disposals	(644)	–	(644)
31 December 2019	20 336	–	20 336
Accumulated amortization			
1 January 2019	20 955	–	20 955
Amortization	25	–	25
Disposals	(644)	–	(644)
31 December 2019	20 336	–	20 336
Net book value, 31 December 2019	**–**	**–**	**–**

(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**

Note 10
Benefits payable

133. The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Withdrawal settlements	59 490	54 842
Lump-sum payments	12 146	19 486
Periodic benefits payable	34 297	27 573
Other benefits payable/adjustments	37	587
Total	**105 970**	**102 488**

Note 11
After-service health insurance and other employee benefits

134. 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 2019	*31 December 2018*
After-service health insurance liability	93 611	80 477
Repatriation grant and related costs	4 977	3 271
Education grant and related costs	381	360
Annual leave	4 686	3 468
Home leave	334	315
Total	**103 989**	**87 891**

After-service health insurance, annual leave, and repatriation grants liability

135. 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.

136. The liabilities as at 31 December 2019 were the result of the roll-forward to 31 December 2019 of the end-of-service benefit obligations as at 31 December 2018 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

137. In performing the roll-forward to 31 December 2019, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2019 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2018.

138. 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.

139. For 31 December 2019, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 2.84 per cent for the after-service health insurance scheme
- 2.99 per cent for repatriation benefits
- 2.50 per cent for annual leave

140. 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

141. For the purpose of comparison, the table below shows the impact on accrued liability based on a 0.5 per cent change in the discount rate.

Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*
Increase of 0.5 per cent	11 per cent decrease	4 per cent decrease	4 per cent decrease
Decrease of 0.5 per cent	13 per cent increase	4 per cent increase	4 per cent increase

142. The comparison of health-care cost trend rates is as follows:

	31 December 2019	*31 December 2018*
United States non-Medicare	5.44 per cent trending down to 3.85 per cent after 13 years	5.57 per cent trending down to 3.85 per cent after 14 years
United States Medicare	5.26 per cent trending down to 3.85 per cent after 13 years	5.38 per cent trending down to 3.85 per cent after 14 years
United States dental	4.66 per cent trending down to 3.85 per cent after 13 years	4.73 per cent trending down to 3.85 per cent after 14 years
Non-United States – Switzerland	3.76 per cent trending down to 2.85 per cent after 8 years	3.89 per cent trending down to 3.05 per cent after 9 years
Non-United States – Eurozone	3.83 per cent trending down to 3.65 per cent after 3 years	3.91 per cent trending down to 3.65 per cent after 4 years

143. The increase in the total after-service health insurance liabilities reported from 31 December 2018 to 31 December 2019 is due primarily to the impact of changing the financial assumptions, in particular the decrease in the discount rates for benefits denominated in United States dollars.

144. Other specific key assumptions used in the calculations on the basis of census data as at 31 October 2018 are outlined below.

After-service health insurance

145. A total of 250 active staff were included in the calculation: 202 United States-based and 44 non-United States-based active staff, plus 4 active staff who participated in dental-only plans. A total of 91 retired staff or their surviving spouses were also included in the calculation: 73 United States-based and 15 non-United States-based retirees or their surviving spouses plus 3 retirees or surviving spouses who participated in dental-only plans. For active staff, the average age was 47 years with 10 years of service. The average age of retirees was 70 years.

Repatriation benefits

146. 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.

147. 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.

148. A total of 82 eligible staff with an average annual salary of $81,804 were considered.

Annual leave

149. 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.

150. A total of 280 active staff with an average annual salary of $99,432 were considered.

Note 12
Other accruals and liabilities

151. 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 2019	*31 December 2018*
Accruals for management fees and expenses	14 452	6 933
Restoration payable	3 342	2 869
Operating leases accrual	1 109	2 237
After-service health insurance payable to member organizations	–	6
Audit fee accrual	197	197
Other	252	355
Total	**19 352**	**12 597**

Note 13
Investment income

152. 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.

153. 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 by 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)

	2019	*2018*
Total change in fair value for financial assets designated at fair value	**10 009 778**	**(4 502 075)**
Interest income		
Interest income on cash and cash equivalents	11 477	8 670
Interest income on fixed income instruments	507 314	368 046
Total interest income	**518 791**	**376 716**
Total dividend income	**918 469**	**912 237**
Total income from real assets	**78 547**	**55 510**
Transaction costs		
Management fees and other related fees	(129 209)	(111 690)
Small capitalization fund management fees	(11 892)	(12 903)
Brokerage commissions	(14 374)	(14 841)
Other transaction costs	(3 273)	(4 001)
Total transaction costs	**(158 748)**	**(143 435)**
Withholding tax	**(3 232)**	**(5 972)**
Other investment-related (expenses), income, net	**(1 348)**	**505**
Net investment income	**11 362 257**	**(3 306 514)**

154. 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 2019 and 31 December 2018.

(Thousands of United States dollars)

	2019			*2018*		
	Market price	*Currency*[a]	*Total change*	*Market price*	*Currency*[a]	*Total change*
Equities	8 388 111	72 595	8 460 706	(3 886 905)	(504 519)	(4 391 424)
Fixed income	674 440	(2 336)	672 104	(189 910)	(360 996)	(550 906)
Real assets investments	365 531	5 818	371 349	298 456	(42 080)	256 376
Alternative investments	513 865	(3 556)	510 309	197 327	(11 524)	185 803
Cash, cash equivalents and receivable and payable from investment traded	–	(4 690)	(4 690)	–	(1 924)	(1 924)
Total change in fair value for financial assets designated at fair value	**9 941 947**	**67 831**	**10 009 778**	**(3 581 032)**	**(921 043)**	**(4 502 075)**

[a] Change in currency exchange gain/(loss) includes a realized currency exchange loss of $467.7 million (2018: loss of $256.0 million) and an unrealized currency exchange gain of $535.5 million (2018: loss of $665.0 million).

Note 14
Pension contributions

155. Pension contributions received during the period can be broken down as follows:

(Thousands of United States dollars)

	2019	*2018*
Contributions from participants		
Regular contributions	884 515	814 410
Contributions for validation	1 006	992
Contributions for restoration	4 860	4 807
	890 381	**820 209**
Contributions from member organizations		
Regular contributions	1 769 030	1 628 818
Contributions for validation	2 228	2 020
	1 771 258	**1 630 838**
Other contributions		
Contributions for participants transferred in under agreements	23 013	2 296
Receipts of excess actuarial value over regular contributions	444	236
Other contributions/adjustments	3 760	3 572
	27 217	**6 104**
Total contributions for the period	**2 688 856**	**2 457 151**

156. 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 (ICSC) and the yearly step increase to individual pensionable remuneration received by all participants.

157. During 2019, ICSC revised the pensionable remuneration rates for staff in the Professional and higher categories on two separate occasions, effective 1 January 2019 and 1 February 2019. As a result, the pensionable remuneration rates increased by 7.2 per cent on average for staff in the category compared with the previous revision, effective 1 February 2018.

158. Effective 1 January 2019, the Comprehensive Nuclear-Test-Ban Treaty Organization became the Fund’s twenty-fourth member organization, with 285 new participants. Contributions for participants transferred in under agreements include $18.7 million from 107 Treaty Organization participants who transferred the pension rights for their prior services in the Treaty Organization to the Fund.

Note 15
Pension benefits

159. Pension benefits during the period can be broken down as follows:

(Thousands of United States dollars)

	2019	2018
Withdrawal settlements and full commutation of benefits		
For contributory service of 5 years or less	54 360	47 506
For contributory service of more than 5 years	140 222	134 165
	194 582	**181 671**
Retirement benefits		
Full retirement benefits	1 308 496	1 335 160
Early retirement benefits	717 656	717 804
Deferred retirement benefits	107 173	104 730
Disability benefits	86 227	80 269
Survivor benefits	259 820	259 848
Child benefits	31 747	32 687
	2 511 119	**2 530 498**
Other benefits/adjustments		
Payments for participants transferred out under agreements	1 232	2 772
Forfeitures	(1 408)	(42 222)
Other benefits/adjustments	(5 560)	(3 159)
	(5 736)	**(42 609)**
Total benefit expenses for the period	**2 699 965**	**2 669 560**

Note 16
Administrative expenses

160. Administrative expenses in 2019 and 2018 are as follows:

(Thousands of United States dollars)

	2019				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	19 660	14 604	–	–	34 264
Changes in the value of the after-service health insurance liability	9 114	3 797	222	–	13 133
Other staff costs	4 822	2 262	–	–	7 084
Hospitality	–	3	–	–	3
Consultants	148	105	–	–	253
Travel	435	727	–	–	1 162
Contractual services	8 781	17 261	–	–	26 042
General operating expenses	5 612	740	–	–	6 352

	2019				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Supplies and materials	51	15	–	–	66
Furniture and equipment	805	514	–	–	1 319
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 409	–	1 409
Pension Board expenses	–	–	–	678	678
Total administrative expenses	**49 428**	**40 028**	**1 631**	**678**	**91 765**

(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
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 341	–	1 341
Pension Board expenses	–	–	–	450	450
Total administrative expenses	**36 222**	**32 212**	**1 235**	**450**	**70 119**

Note 17
Other expenses

161. Other expenses during the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Emergency fund expense	38	97
Provision for unrecoverable overpayments of benefits	914	722
Total other expenses for the period	**952**	**819**

Note 18
Actuarial situation of the Fund
(see also note 1.5)

162. 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.

163. 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.

164. 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.

165. 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

166. The significant actuarial assumptions used are the same as those used in the valuation as at 31 December 2019 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

167. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-sixth session, in July 2019. 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

168. The actuarial present value of accumulated plan benefits as of 31 December 2019 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	26 482	34 703
Vested terminated participants	1 078	1 852
Active participants	16 199	22 136
Total vested benefits	**43 759**	**58 691**
Non-vested benefits	902	1 138
Total actuarial present value of accumulated plan benefits	**44 661**	**59 829**

Information on participation in Fund

169. The last valuation was provided by the consulting actuaries as at 31 December 2019, on the basis of participation, shown below.

	As at 31 December 2017
Active participants accruing benefits	
Number	119 932
Annual remuneration (millions of United States dollars)	11 467
Average remuneration (United States dollars)	**95 613**
Inactive participants no longer accruing benefits	
Number	11 651
Annual benefits payable at normal retirement age (millions of United States dollars)	119
Average benefit payable at normal retirement age (United States dollars)	**11 298**
Retired participants and beneficiaries	
Number	79 975
Annual benefits (millions of United States dollars)	2 455
Average benefit (United States dollars)	**30 697**

Note 19
Commitments and contingencies

19.1 Investment commitments

170. As at 31 December 2019 and 31 December 2018, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Real estate funds	2 736 907	2 676 748
Private equity	2 912 648	2 809 048
Infrastructure funds	224 881	144 578
Timberland funds	11 270	11 270
Total commitments	**5 885 706**	**5 641 644**

171. 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

172. As at 31 December 2019 and 31 December 2018, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	31 December 2019	*31 December 2018*
Obligations for property leases		
Less than 1 year	5 745	6 003
1–5 years	–	5 532
Greater than 5 years	–	–
Total property lease obligations	**5 745**	**11 535**

19.3 Legal or contingent liabilities and contingent assets

173. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Fund.

174. 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 2019 or 31 December 2018.

Note 20
Risk assessment

175. 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).

176. 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.

177. 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

178. 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

179. The Fund is primarily exposed to credit risk in its fixed income asset class. The Fund manages credit risk in line with the authorized 2019 investment policy statement and the relevant benchmarks for fixed-income investments. The benchmarks require the issue or issuer to have been rated by at least one of the following well-known credit rating agencies: S&P Global Ratings, Moody's and Fitch.

180. The tables below summarize the credit ratings obtained from rating agencies (Moody's, S&P Global Ratings or Fitch) for the Fund's fixed-income portfolio as at 31 December 2019 and 31 December 2018. The Fund used the issue ratings of Moody's Investors Service as the primary source for the information shown in the tables. If the issue is not rated, then the Moody's issuer rating is used. If neither the issue nor the issuer is evaluated by Moody's, then ratings for the issue or issuer are obtained from S&P Global Ratings or Fitch.

(Thousands of United States dollars)

	31 December 2019					
Fixed income	*Aaa/AA to Aa3/AA-*	*A1/A+ to A3/A-*	*Baa1/BBB+ to Baa3/BBB-*	*Ba1/BB+ to B3/B-*	*Not rated*[a]	*Total*
Government and agency securities	15 725 534	1 463 835	1 082 996	590 847	–	18 863 212
Asset-backed securities	157 585	–	–	–	–	157 585
Corporate bonds	45 031	479 792	70 643	–	–	595 466
Municipal/provincial bonds	37 873	–	–	–	–	37 873
Commercial mortgage-backed	704 655	–	–	–	–	704 655
Funds – corporate bond	–	–	–	–	53 740	53 740
Total	**16 670 678**	**1 943 627**	**1 153 639**	**590 847**	**53 740**	**20 412 531**
Percentage	**81.6**	**9.5**	**5.7**	**2.9**	**0.3**	**100.0**

[a] One security, amounting to $53.7 million, was a bond fund and, as such, was not evaluated by any credit rating agency.

(Thousands of United States dollars)

	31 December 2018					
Fixed income	*Aaa/AA to Aa3/AA-*	*A1/A+ to A3/A-*	*Baa1/BBB+ to Baa3/BBB-*	*Ba1/BB+ to B3/B-*	*Not rated[a]*	*Total*
Government and agency securities	9 905 490	3 012 324	793 255	33 773	–	13 744 842
Corporate bonds	1 172 546	1 971 865	640 768	–	–	3 785 179
Municipal/provincial bonds	671 683	107 394	–	–	–	779 077
Notes, deposits and commercial paper	38 961	419 088	–	–	–	458 049
Commercial mortgage-backed	9 040	–	–	–	–	9 040
Funds – corporate bond	–	–	–	–	48 646	48 646
Total	**11 797 720**	**5 510 671**	**1 434 023**	**33 773**	**48 646**	**18 824 833**
Percentage	**62.6**	**29.3**	**7.6**	**0.2**	**0.3**	**100.0**

[a] One security, amounting to $48.6 million, was a bond fund and, as such, was not evaluated by any credit rating agency.

181. The table below presents a maturity analysis of fixed-income securities as at 31 December 2019 and 31 December 2018.

(Thousands of United States dollars)

Maturity	*31 December 2019*	*31 December 2018*
Less than 1 year	959 882	4 367 259
1–5 years	3 150 021	6 252 073
5–15 years	6 119 642	4 662 539
Greater than 15 years	10 182 986	3 542 962
Total	**20 412 531**	**18 824 833**

20.2 Liquidity risk

182. Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

20.3 Market risk

183. 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.

184. 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.

185. 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 times when losses exceed VaR 95.

186. All numbers in the table below are reported for a one-year term horizon. For 2019, the estimated volatility on absolute basis (benchmark not included) of the total Fund was 6.86 per cent, the estimated VaR 95 was 11.32 per cent and the estimated expected shortfall (5 per cent) was 17.45 per cent. A VaR 95 of 11.32 per cent indicates that there is a 95 per cent chance that portfolio losses will not exceed 11.32 per cent over the year. The asset class with the lowest VaR (lowest risk) is cash, followed by fixed income and infrastructure and timberlands, and the asset class with the highest VaR (highest risk) is real estate, followed by commodities, total equity 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 2019, total equity contributed 86.17 per cent to total Fund risk, while fixed income contributed -0.24 per cent, real estate 7.09 per cent, private equity 6.65 per cent, commodities 0.04 per cent, infrastructure 0.26 per cent and timberlands 0.03 per cent. As at 31 December 2019, equities represented 58.73 per cent of the net assets available for benefits.

187. All numbers in the tables below are annualized using historical simulation.

(Percentage)

	2019			
Asset class	*Volatility (standard deviation)*	*VaR (95%)*	*Contribution to risk*	*Expected shortfall (5%)*
Total fund	6.86	11.32	100.00	17.45
Total equity	10.17	18.16	86.17	26.08
Fixed income	2.58	4.36	(0.24)	5.65
Cash and short-term	0.16	0.25	0.00	0.34
Real estate	12.83	21.59	7.09	30.42
Private equity	9.88	17.62	6.65	25.48
Commodities	10.41	17.38	0.04	24.76
Infrastructure	9.67	17.52	0.26	25.32
Timberlands	9.67	17.52	0.03	25.32

Note: Figures are reported from MSCI RiskMetrics as at 31 December 2019. Percentages are rounded to the nearest two decimal places; 0.00 indicates a value smaller than 0.01 but not zero.

(Percentage)

Asset class	2018 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	14.35	23.90	8.45	35.56
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
Timberlands	14.11	24.35	0.04	35.21

Note: Figures are reported from MSCI RiskMetrics as at 31 December 2018. Percentages are rounded to the nearest two decimal places; 0.00 indicates a value smaller than 0.01 but not zero.

188. 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

189. 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.

190. As at 31 December 2019 and 31 December 2018, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Common and preferred stock	40 686 191	32 402 313
Funds – exchange-traded funds	1 388 880	1 774 285
Funds – common stock	138 935	127 585
Stapled securities	95 135	96 976
Total equity instruments	**42 309 141**	**34 401 159**

191. Considering the total Fund risk as 100 per cent, the contribution to risk due to equities is 86.17 per cent (2018: 82.05 per cent) of the total Fund risk, and the rest is contributed by all other asset classes.

192. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights.

193. The Fund's equity investment portfolio by industrial sector based on the Global Industry Classification Standard as at 31 December 2019 and 31 December 2018 was as follows:

(Percentage)

	31 December 2019		*31 December 2018*	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]	*Fund's equity portfolio*	*Benchmark*[b]
Financials	16.25	17.29	16.12	17.77
Information technology	17.80	17.69	15.02	15.29
Communication services	8.27	9.01	8.01	9.26
Consumer discretionary	11.82	11.03	10.93	10.68
Consumer staples	6.70	7.48	7.24	7.77
Energy	5.15	5.40	5.57	6.37
Health care	11.85	12.15	12.86	12.49
Industrials	8.33	8.30	8.16	8.51
Materials	4.49	4.90	4.58	5.12
Utilities	2.78	3.43	2.90	3.46
Real estate	2.89	3.32	3.02	3.28
Other	3.67	Not applicable	5.59	Not applicable
Total	**100.00**	**100.00**	**100.00**	**100.00**

[a] Benchmark source: MSCI All Country World Index, customized to exclude tobacco and controversial weapons.
[b] Benchmark source: MSCI All Country World Index.

194. On September 28, 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.

195. The table below presents an analysis of the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (on the basis of counterparty's place of primary listing or, if not listed, place of domicile).

(Percentage)

	31 December 2019	*31 December 2018*
North America	56.0	58.4
Europe	17.3	18.4
Asia-Pacific	9.7	11.7
Emerging markets	17.0	10.9
International regions	–	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 2019 and 31 December 2018, respectively. Net financial assets amounting to $44.4 million in 2019 (2018: net financial liabilities of $102.6 million), not held at fair value (see note 5) are excluded from this table. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

	As at 31 December 2019					
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and others*	*Cash*	*Total*
United States dollar	35.40	23.95	5.57	4.26	0.56	69.74
Euro	4.88	0.05	0.72	0.69	0.02	6.36
Japanese yen	3.79	–	0.19	–	0.01	3.99
British pound sterling	2.91	–	0.19	0.09	0.00	3.19
Hong Kong dollar	2.63	–	–	–	0.00	2.63
Canadian dollar	1.78	0.03	0.32	–	0.00	2.13
Republic of Korea won	1.11	0.43	–	–	0.00	1.54
Swiss franc	1.51	–	–	–	0.01	1.52
Brazilian real	0.73	0.70	–	–	0.00	1.43
Australian dollar	1.13	0.03	0.24	–	0.00	1.40
Indian rupee	0.79	0.17	–	–	0.00	0.96
Mexican peso	0.27	0.63	–	–	0.00	0.90
Malaysian ringgit	0.15	0.36	–	–	0.00	0.51
South African rand	0.39	0.12	–	–	0.00	0.51
Russian rouble	–	0.50	–	–	0.00	0.50
Swedish krona	0.48	–	–	–	0.00	0.48
Thai baht	–	0.43	–	–	0.00	0.43
Danish krone	0.31	–	–	–	0.00	0.31
Polish zloty	–	0.24	–	–	0.00	0.24
Singapore dollar	0.21	–	–	–	0.00	0.21
Philippine peso	0.10	0.10	–	–	0.00	0.20
Turkish lira	0.06	0.08	–	–	0.00	0.14
Peruvian sol	–	0.10	–	–	0.00	0.10
Czech koruna	–	0.09	–	–	0.00	0.09

	As at 31 December 2019					
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and others*	*Cash*	*Total*
Hungarian forint	–	0.08	–	–	0.00	0.08
New Israeli shekel	–	0.08	–	–	0.00	0.08
Colombian peso	–	0.07	–	–	0.00	0.07
Chinese yuan (renminbi)	0.07	–	–	–	0.00	0.07
Norwegian krone	0.05	0.00	–	–	0.00	0.05
Chilean peso	–	0.05	–	–	0.00	0.05
Egyptian pound	–	0.04	–	–	–	0.04
Romanian leu	–	0.03	–	–	0.00	0.03
New Zealand dollar	0.02	–	–	–	0.00	0.02
African franc	–	–	–	–	0.00	0.00
Pakistani rupee	–	–	–	–	0.00	0.00
Total	**58.77**	**28.36**	**7.23**	**5.04**	**0.60**	**100.00**

Note: Percentages are rounded to the nearest two decimal places; 0.00 indicates a value smaller than 0.01 but not zero.

(Percentage)

	As at 31 December 2018					
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and other*	*Cash*	*Total*
United States dollar	34.13	16.62	5.51	3.84	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

	As at 31 December 2018					
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and other*	*Cash*	*Total*
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**	**30.92**	**7.13**	**4.51**	**0.93**	**100.00**

Note: Percentages are rounded to the nearest two decimal places; 0.00 indicates a value smaller than 0.01 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 securities, floating-rate debt instruments, 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 fixed income benchmark. 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.

	2019		2018	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	5.00	4.89	6.40	6.96

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 5.00 per cent (2018: 6.40 per cent) compared with the benchmark, which can lose or gain approximately 4.89 per cent (2018: 6.96 per cent). This arises primarily from the increase/decrease in the fair value of fixed-interest securities. Floating-rate debt instruments comprise approximately 1 per cent of the total fixed-income investments used for calculating effective duration as at 31 December 2019 and 31 December 2018.

Note 21
Budget information

21.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2019	*2018 budget balance carried forward*	*Approved increases/ (decreases)*	*Final appropriation 2019*
Fund secretariat	50 221	(3 619)	639	47 241
Office of Investment Management	43 702	7 593	(8 139)	43 156
Audit	1 458	(145)	431	1 744
Pension Board	512	44	326	882
Total	**95 893**	**3 873**	**(6 743)**	**93 023**

202. In its resolution 72/262 A, the General Assembly approved the initial appropriation for the biennium 2018–2019. The Assembly approved the final appropriation for the biennium in its resolution 74/263.

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 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 Fund.

(Thousands of United States dollars)

	2019	*2018*
Actual amount on a comparable basis[a]	**71 763**	**79 835**
Basis differences		
Asset additions/disposals	(2 222)	(2 249)
Depreciation, amortization and impairment	2 464	4 719
Unliquidated obligations	5 322	(6 846)
Prepayments	(722)	406
Employee benefits	16 087	(6 479)
Other accruals	(927)	733
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**91 765**	**70 119**

[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), establishing the United Nations University (UNU), 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 2018 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 UNU. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately. The costs of the 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 2019 and 31 December 2018 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)					
2019	4	857	343	204	1 404	–	–
2018	5	1 046	370	245	1 661	–	–

208. Key management personnel in 2018 and 2019 were the Chief Executive Officer (see note 1.2), the Representative of the Secretary-General, the Deputy Chief Executive Officer (vacant for the year 2019), the Director of the Office of Investment Management and the Chief Financial Officer, as they had the authority and responsibility for planning, directing and controlling the activities of the Fund.

209. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment and entitlements such as the representation allowance and other allowances, the assignment grant and other grants, the rental subsidy, personal effect shipment costs and employer pension and current health insurance contributions.

210. There were no outstanding advances against entitlements of key management personnel as at 31 December 2019 and 31 December 2018.

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 2019	*As at 31 December 2018*
After-service health insurance	377	1 355
Repatriation grant	163	157
Annual leave	76	118
Total	**616**	**1 630**

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 Pension 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 and communications technology 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 2019, 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 2019, the Fund has updated the presentation of the statement of net assets available for benefits by combining the presentation of fixed-income and short-term investments and by presenting, in note 20.1 to the present financial statements, a maturity analysis of fixed-income securities as at 31 December 2019 and 31 December 2018. The change is intended to provide more meaningful information to the users of the financial statements, in line with the 2019 investment policy statement, and to enhance disclosure by presenting all fixed-income instruments together.

218. As a result, certain line items have been amended in the statement of 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 combining the short-term investments and fixed income categories on the statement of net assets available for benefits is as follows:

(Thousands of United States dollars)

	Previously reported as at 31 December 2018	*Regrouping*	*After regrouping as at 31 December 2018*
Investments			
Short-term investments	2 710 995	(2 710 995)	–
Equities	34 401 159	–	34 401 159
Fixed income	16 113 838	2 710 995	18 824 833
Real assets	4 340 466	–	4 340 466
Alternatives and other investments	2 743 377	–	2 743 377
Total	**60 309 835**	**–**	**60 309 835**

Note 25
Subsequent events

220. As a result of the spread of the coronavirus disease (COVID-19), which, in March of 2020, was declared by the World Health Organization to be a global pandemic, economic uncertainties have arisen that are likely to negatively affect the financial condition, results of operations and cash flows of the Fund.

221. The extent of the impact on the financial performance of the Fund will depend on future developments, including the following, all of which are highly uncertain and cannot be reliably predicted: (a) the duration and spread of the COVID-19 outbreak; (b) the related restrictions and advisories; (c) the effects on financial markets; and (d) the effects on the global economy. In line with most experts, the Fund management believes that the impact of the outbreak will be material on the economy. Some central banks have started to act by reducing interest rates and taking other measures. The duration and impact of the outbreak, as well as the efficacy of the interventions of Governments and central banks, are unknown at the present time. The rapid development and fluidity of the pandemic makes it difficult to reliably estimate the ultimate impact on the financial conditions and results of the Fund in future periods, as at the date of signing the present financial statements.

222. In accordance with IPSAS 14: Events after the reporting date, the COVID-19 pandemic is considered to be a non-adjusting subsequent event; accordingly, no adjustments for events subsequent to 31 December 2019 are reflected in the financial statements. The financial instruments at fair value presented through the statement of changes in net assets have been recognized in accordance with the applicable IPSAS standards. Changes in market prices after the reporting date have not been reflected in asset valuation.

223. 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 2018*	*New entrants*	*Transfer*		*Separations*	*Adjustments*[a]	*Participants as at 31 December 2019*	*Percentage increase/ (decrease)*
			In	*Out*				
United Nations[b]	84 854	7 715	255	255	6 753	453	85 363	0.6
International Labour Organization	3 819	416	30	29	285	12	3 939	3.1
Food and Agriculture Organization of the United Nations	11 163	1 223	82	90	576	42	11 760	5.3
United Nations Educational, Scientific and Cultural Organization	2 479	201	23	20	139	5	2 539	2.4
World Health Organization	10 819	799	66	62	548	18	11 056	2.2
International Civil Aviation Organization	789	52	9	5	83	1	761	(3.5)
World Meteorological Organization	360	46	5	4	32	1	374	3.9
International Atomic Energy Agency	2 734	214	20	34	131	1	2 802	2.5
International Maritime Organization	277	97	5	2	12	–	365	31.8
International Telecommunication Union	726	47	9	2	32	–	748	3.0
World Intellectual Property Organization	1 222	66	14	10	76	–	1 216	(0.5)
International Fund for Agricultural Development	586	61	11	4	40	2	612	4.4
International Centre for the Study of the Preservation and Restoration of Cultural Property	43	2	1	–	1	–	45	4.7
European and Mediterranean Plant Protection Organization	19	3	–	–	2	–	20	5.3
International Centre for Genetic Engineering and Biotechnology	174	5	3	1	6	–	175	0.6
World Tourism Organization	88	3	1	–	3	–	89	1.1
International Tribunal for the Law of the Sea	40	2	–	1	–	–	41	2.5
International Seabed Authority	42	4	4	1	6	–	43	2.4
United Nations Industrial Development Organization	698	40	4	7	22	1	712	2.0
International Criminal Court	1 225	73	12	24	54	2	1 230	0.4
Inter-Parliamentary Union	48	2	–	1	2	–	47	(2.1)
International Organization for Migration	5 951	1 323	27	45	346	13	6 897	15.9
Special Tribunal for Lebanon	438	34	18	17	24	–	449	2.5
Comprehensive Nuclear-Test-Ban Treaty Organization	–	285	15	–	2	(2)	300	Not applicable
Total	**128 594**	**12 713**	**614**	**614**	**9 175**	**549**	**131 583**	**2.3**

[a] Adjustments are due mainly to corrections of erroneous entries from prior years, which reduce/(increase) the 2019 headcounts. They include adjustments to participant counts dropped from the 2018 closing balances owing to contract adjustments made in 2019, as well as those that, in 2019, were rolled into the closing balances of 2018 owing to contract modifications.

[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 2019

Member organization	*Number of benefits awarded*											
				Withdrawal settlement								
	Retirement benefit	*Early retirement benefit*	*Deferred retirement benefit*	*< 5 years*	*> 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant benefit*	*Transfer under agreement*	*Total*
United Nations[a]	391	451	336	3 230	2 065	1 073	126	2	102	–	17	7 793
International Labour Organization	33	19	12	165	50	18	3	–	3	–	–	303
Food and Agriculture Organization of the United Nations	83	65	19	273	111	94	15	–	11	–	–	671
United Nations Educational, Scientific and Cultural Organization	30	15	7	63	20	9	2	–	2	–	–	148
World Health Organization	87	61	22	274	71	158	12	–	15	1	1	702
International Civil Aviation Organization	9	9	3	57	4	2	–	–	–	–	–	84
World Meteorological Organization	10	2	–	17	1	4	–	–	2	–	–	36
International Atomic Energy Agency	30	19	11	45	13	11	–	–	12	–	1	142
International Maritime Organization	2	2	–	7	–	–	–	–	2	–	–	13
International Telecommunication Union	7	9	–	9	–	5	2	–	4	–	–	36
World Intellectual Property Organization	21	20	2	25	2	18	–	–	6	–	–	94
International Fund for Agricultural Development	3	16	1	14	3	10	2	–	2	–	–	51
International Centre for the Study of the Preservation and Restoration of Cultural Property	1	–	–	–	–	–	–	–	–	–	–	1
European and Mediterranean Plant Protection Organization	–	1	–	–	–	–	–	–	1	–	–	2
International Centre for Genetic Engineering and Biotechnology	3	3	–	–	–	–	–	–	–	–	–	6
World Tourism Organization	–	–	1	2	–	–	–	–	–	–	–	3
International Seabed Authority	2	1	–	3	–	3	–	–	–	–	–	9
United Nations Industrial Development Organization	3	7	1	8	2	2	1	–	–	–	–	24
International Criminal Court	1	2	8	35	6	–	–	–	1	–	1	54
Inter-Parliamentary Union	1	–	1	–	–	–	–	–	–	–	–	2
International Organization for Migration	18	4	8	259	55	7	–	–	2	–	–	353
Special Tribunal for Lebanon	1	1	–	10	9	1	–	–	2	–	1	25
Comprehensive Nuclear-Test-Ban Treaty Organization	–	1	–	2	–	–	–	–	–	–	–	3
Total	**736**	**708**	**432**	**4 498**	**2 412**	**1 415**	**163**	**2**	**167**	**1**	**21**	**10 555**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2019

Type of benefit	*Total as at 31 December 2018*	*New*	*Benefits discontinued, resulting in award of survivor benefit*	*All other benefits discontinued*	*Total as at 31 December 2019*
Retirement	29 179	736	(267)	(423)	29 225
Early retirement	16 744	708	(170)	(217)	17 065
Deferred retirement	7 847	432	(46)	(131)	8 102
Widow	11 580	141	495	(441)	11 775
Widower	1 055	22	76	(32)	1 121
Disability	1 676	167	(14)	(31)	1 798
Child	10 601	1 415	23	(1 184)	10 855
Secondary dependant	34	1	–	(1)	34
Total	**78 716**	**3 622**	**97**	**(2 460)**	**79 975**

Table 4
Status of processable entitlement cases

	Number of cases	
	As at 31 December 2019	*As at 31 December 2018*
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)	101	327
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	499
Deferment of choice under article 32 of the Regulations of the Fund (election/payment of benefits deferred by the beneficiary up to 36 months)	3 615	3 717
Total	**4 114**	**4 216**
Not ready for payment		
Cases reviewed but withheld because of issues/missing additional proof documents	900	701
For payment (case inventory)		
Cases in progress	86	329
Cases scheduled for review	181	595
Total	**267**	**924**
Total processable cases	**5 382**	**6 168**

Annex IX

Report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019: 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 2019 and the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III), the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2018–2019 (statement IV) 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 2019 (statement V), 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 2019 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26.

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 of Pension Administration and the Acting Representative of the Secretary-General for the investment of the assets of the Fund, within their respective authority under the Regulations of the Fund, are 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 of Pension Administration and the Acting Representative of the Secretary-General, within their respective authority under the Regulations of the Fund, are 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

Annex X

Membership of the Budget Working Group (as of July 2020)

Member	*Representing*
J. Makori (UNIDO))	Governing bodies
T. Yamaguchi (United Nations)	Governing bodies
J. P. Lovato (ITU)	Executive heads
D. Thatchaichawalit (United Nations)	Executive heads
T. Jongwe (UNESCO)	Participants
M. Rockcliffe (United Nations) (Chair)	Participants
M. Seenappa	FAFICS
A. Gomez Saguez	FAFICS

Annex XI

Membership of the Audit Committee (as of July 2020)

Member	*Representing*
V. Yossifov (WIPO)	Governing bodies
L. Mazemo (United Nations)	Governing bodies
A. Chughtai (ILO) (Chair)	Executive heads
A. Roy (United Nations)	Executive heads
J. Levins (WFP)	Participants
N. Ndiaye-Dieng (United Nations)	Participants
M. Breschi	FAFICS

Expert member
T. Yli-Viikari
M. McMahon

Annex XII

Long-form report of the Board of Auditors on the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2019

Summary

The United Nations Joint Staff Pension Fund was established in 1949 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 2019 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 from 14 to 29 October 2019 in the Fund's Geneva office and from 11 November to 11 December 2019 at the Fund's headquarters in New York.

After May 2020, the Board conducted the audit remotely owing to the coronavirus disease pandemic. This included the final audit of the financial statements.

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 net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2019 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26. The audit included a general review of the 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 net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2019 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with IPSAS and International Accounting Standard 26.

Overall conclusion

The Fund has prepared financial statements in accordance with International Accounting Standard 26 and following the provisions of IPSAS since 2012. The Fund has incorporated the guidance from International Accounting Standard 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.

Key findings

The Board's key findings are set out below.

Fund secretariat

Communication between Fund secretariat offices

The Board evaluated the Committee of Sponsoring Organizations of the Treadway Commission internal control integrated framework components related to information and communications and monitoring and supervision and how these components are present in the Fund secretariat offices in New York and Geneva. The Board noted that both offices carry out the same operations and procedures, related to the programme of work (including the Operations, Client Services and Outreach Section and Financial Services). However, the number of personnel that must carry out these procedures in the Geneva office is fewer compared with the number of personnel in the secretariat office in New York, although both offices manage and provide services to approximately the same number of beneficiaries.

In addition, the Board observed that staff members in the Geneva office performed tasks without specific guidelines. Furthermore, for the formulation of the Fund's risk control matrix, the Geneva office risks were not correctly identified. Also, the Board noted that the Geneva office had its own performance indicators, which were unknown to the secretariat office in New York.

Benchmark for the time taken to follow up on missing or invalid documents

The Board noted that, when the Pension Entitlements Section processes a benefit, whether a core document is deemed invalid or additional documentation is required, the process is suspended and the benchmark to measure the service provided (the Section is expected to process 75 per cent of separations within 15 business days) stops. Once the requested documentation is received, the case is resumed; however, a new period of 15 business days is assigned to the process. Without a proper process for following up on missing or invalid documents, the practice of constantly postponing benchmarks for additional documentation requirements may hamper the possibility for beneficiaries, and for the Fund, to determine, with an acceptable certainty, the actual time for completion of the processing of a benefit.

Office of Investment Management

Personal securities trades

The Board identified that the current monitoring does not allow for the tracking and assessment of the impact of all staff members' activities in connection with their personal securities transactions that could result in conflict between personal interests (whether direct or indirect) and the interests of the Fund. The Board additionally noticed the absence of a formal document, except for the organizational chart and the delegation of authority, that clearly specifies which staff members are directly responsible for investment decisions and management. There is no control that allows for the registration of the trading transactions of staff members with the purpose of checking compliance with the internal policy provisions on the matter. Furthermore, there is no system that automatically tracks the personal securities transactions of all the staff members in order to avoid conflict with the activities of the Fund.

Scope of the policies applicable to the employees of the Office of Investment Management

The Board identified that employees of the Fund secretariat who did not belong to the Office of Investment Management might be involved, in different ways, in investment operations of the Office; however, currently, the personal securities policy and procedures are applicable only to the employees of the Office and not to those who belong to the Fund secretariat or any other employee who may be involved in transactions of the Office.

Financial statements closing process

The Board noticed that the Office of Investment Management had posted in the Oracle E-Business Suite system as a debit entry instead of a credit entry an adjustment regarding the fair value of the investments as at 31 December 2019 and had also provided inaccurate data about four different reports referring to investments, in which the Office alluded to a version control issue and an Excel formula issue. As a result, the Office had to reprocess entire files, reverse three movements of the journal entries and record new manual adjustment entries, subsequently reissuing the financial statements in order to update several notes to the financial statements.

Absence of an advisory policy

The Board observed that the Office of Investment Management did not have a specific policy and a formal procedure on external advisers to help to identify the nature of the various contracted services and regulate the confidentiality of the information handled by external advisers, identify possible conflicts of interest and facilitate follow-up regarding the verification of the provision of the contracted services.

Main recommendations

The Board recommends that the United Nations Joint Staff Pension Fund:

Fund secretariat

(a) **Clearly establish the management accountability structure of the Geneva office within the pension administration structure, which should, in turn, enable timely and complete information flow between the Geneva office’s finance and client services and the Pension Administration in New York;**

(b) **Pause the period of 15 business days in the Integrated Pension Administration System only in cases of missing or invalid documents and resume the period once the necessary documentation has been received;**

Office of Investment Management

(c) **Issue to all staff members a formal document that establishes which officials should answer the questions stated in the trade order pre-clearance form;**

(d) **Review, clarify and adjust the Office of Investment Management personal securities trading policy in matters related to excessive personal trading and the minimum holding period of 60 days of any investment in order to enable a better understanding of the policy;**

(e) **Develop and implement a system that allows for the tracking of the personal trading accounts of all the Office of Investment Management staff members and also of those employees of the Fund who have a clear reporting line to the Office staff for preventing potential conflicts of interest with the activities of the Fund;**

(f) **Monitor and control the possible conflicts of interest of employees and adopt the measures necessary to address cases in which conflicts are detected;**

(g) **Redefine the applicability of the personal securities policies and procedures, with the purpose of applying them to any staff member of the Fund involved in the work of the Office of Investment Management, including the personnel of the Fund secretariat;**

(h) **Assess the design and operation of the current controls and develop a method to detect inaccuracies related to the financial statements closing process in order to ensure that the controls operate effectively, as designed;**

(i) **Develop a special policy for external advisers that addresses, among other matters, conflicts of interest, the confidentiality of information and the performance review and monitoring of contracted service providers;**

(j) **Review the current guidelines on conflicts of interest and design a procedure that allows for the Office of Investment Management staff to be informed in a timely manner about the current list of external advisers, so that the staff can disclose potential conflicts between an employee and external adviser.**

Key facts

24	Number of member organizations
131,583	Participants in the Fund
79,975	Periodic benefits
$72.29 billion	Total assets
$72.03 billion	Net assets available for benefits
$14.05 billion	Income and contributions
$2.79 billion	Total expenses, including benefit payments
$11.36 billion	Investment income

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1949 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 24 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 Fund and has reviewed its operations for the year ended 31 December 2019 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 net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2019 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26. This included an assessment of 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 the 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 the management of the Fund, whose views have been appropriately reflected in the report.

B. Findings and recommendations

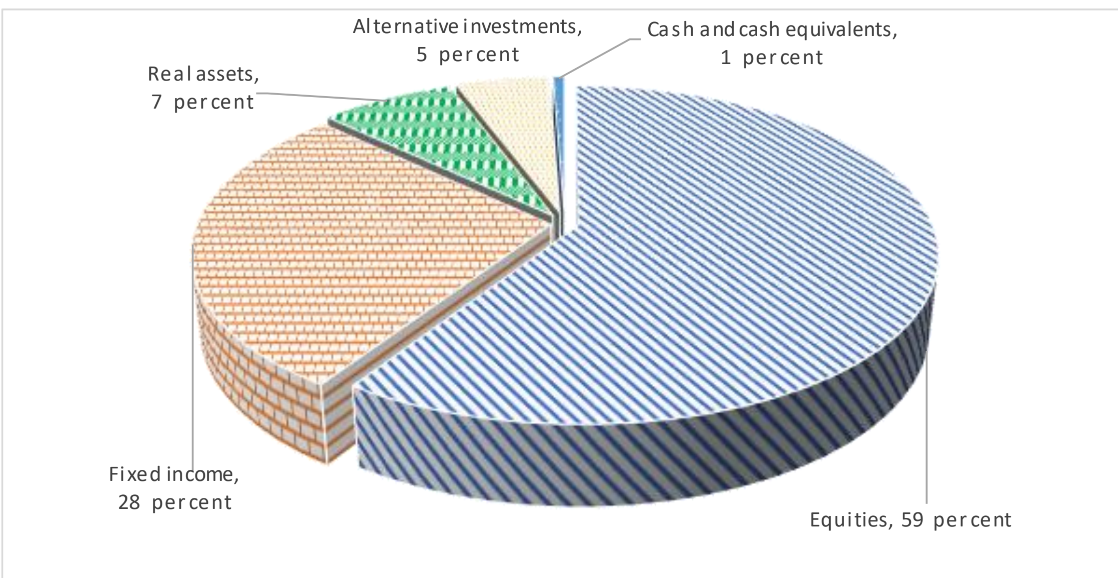
1. Follow-up to previous recommendations

6. The Board followed up on the 45 outstanding recommendations as at 31 December 2018 and noted that 33 (73 per cent) had been fully implemented and 12 (27 per cent) were under implementation. The details are provided in the annex to chapter II.

2. Financial overview

7. As at December 2019, the total assets of the Fund amounted to $72.29 billion, (2018: $61.14 billion) and the total liabilities amounted to $0.26 billion (2018: $0.36 billion). The net assets available for benefits amounted to $72.03 billion (2018: $60.78 billion), which represented an increase of $11.26 billion (18.53 per cent) compared with the decrease of $3.59 billion in 2018. The Fund assets consist mainly of investment, representing 98.9 per cent of the total assets, whose fair value by the Fund as at 31 December 2019 was $71.55 billion. The asset allocation was $42.31 billion (59 per cent) in equities, $20.41 billion (28 per cent) in fixed income, $5.20 billion (7 per cent) in real assets, $3.63 billion (5 per cent) in alternative investments and $0.44 billion (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 2019

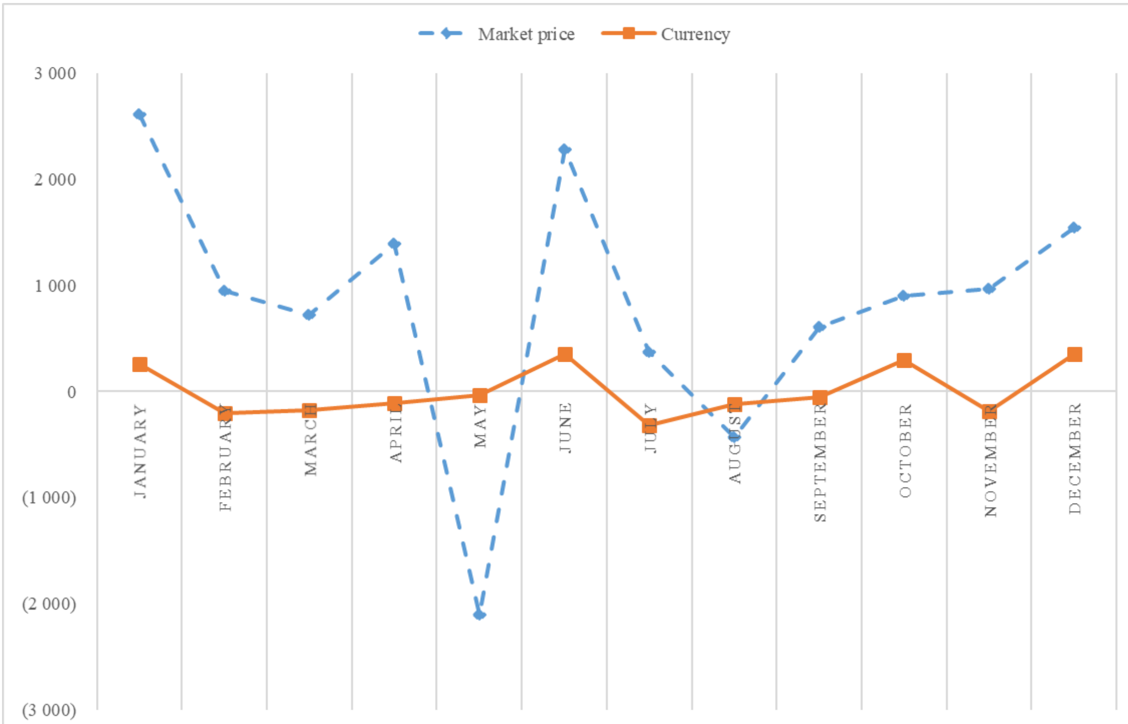


Source: United Nations Joint Staff Pension Fund financial statements.

8. The total income of the Fund in 2019 amounted to $14.05 billion (2018: loss of $0.85 billion), comprising investment income of $11.36 billion and contributions of $2.69 billion (2018: $2.46 billion). The total expenses of the Fund were $2.79 billion (2018: $2.74 billion), comprising pension benefit payments of $2.70 billion (2018:

$2.67 billion) and administrative expenses and other expenses amounting to $0.09 billion (2018: $0.07 billion). The monthly breakdown of investment income in 2019 is shown in figure II.II.

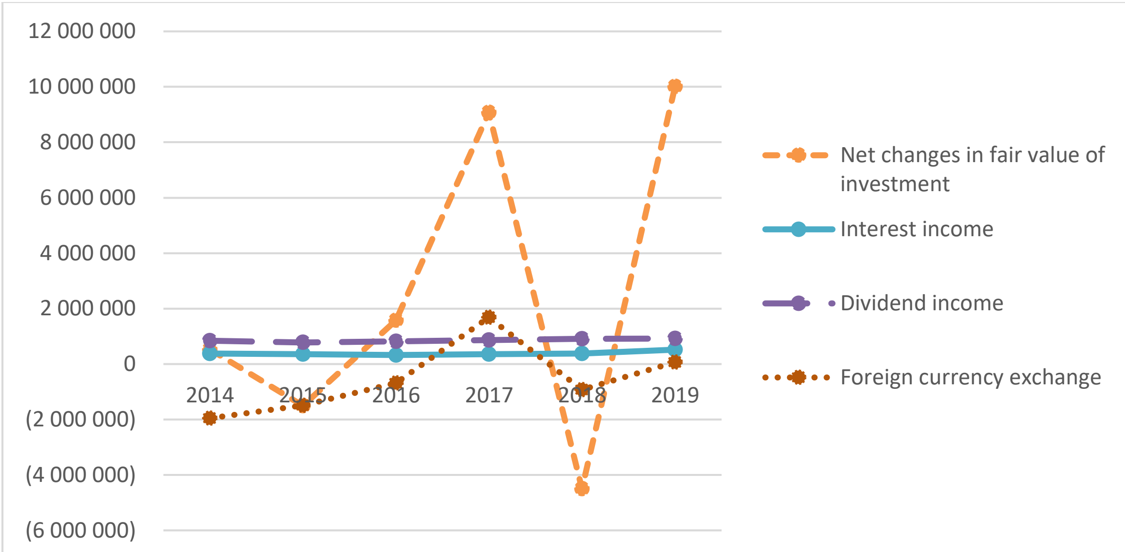
Figure II.II
Investment income in 2019
(Thousands of United States dollars)



Source: United Nations Joint Staff Pension Fund financial statements.

9. In the year 2019, the total investment income of the Fund was $11.36 billion (2018: loss of $3.31 billion), including an increase in the fair value of investment of $10 billion (decrease in the fair value of investment in 2018: $4.5 billion), with a foreign exchange gain of $0.067 billion (2018: loss of $0.92 billion). Historically, the increase/decrease in the fair value of investment has been the driving force for investment income. The other components have largely remained constant. The different components of investment income are shown in figure II.III.

Figure II.III
Components of investment income, 2014–2019
(Thousands of United States dollars)



Source: United Nations Joint Staff Pension Fund financial statements.

10. As a result of the spread of the coronavirus disease, which, in March 2020, the World Health Organization declared to be a global pandemic, economic uncertainties have arisen that are likely to have a negative impact on the financial condition, results of operations and cash flows of the Fund.

Participants

11. As at 31 December 2019, the Fund had 131,583 participants (2018: 128,594 participants). In 2019, the annual periodic benefit payments made by the Fund amounted to $2.70 billion and were issued in 15 currencies, in some 190 countries. The income contributions, however, amounted to $2.69 billion; the expenditure on benefits in 2019 therefore exceeded contributions by 0.3 per cent.

Actuarial valuation

12. Article 12 of the Regulations of the Fund provides that the Pension Board shall have an actuarial valuation, at least once every three years, prepared by the consulting actuary. It also provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results.

13. Currently, the Fund is carrying out an actuarial valuation every two years. The Fund carried out the actuarial valuation to ascertain its position as at 31 December 2019. The valuation revealed an actuarial surplus of $1.85 billion. The actuarial valuation of the Fund's assets was at $153.68 billion and that of the liabilities at $151.83 billion. Therefore, the Fund is at the funding level of 101.22 per cent.

14. The actuarial valuation as at 31 December 2017 revealed an actuarial deficit of $184.3 million. The actuarial valuation of the Fund's assets was at $145.87 billion and that of the liabilities at $146.05 billion. Therefore, the Fund was at the funding level of 99.88 per cent.

15. The funded ratio increased in 2019, to 107.1 per cent, compared with 102.7 per cent in 2017. The increases in funded ratios, between 2017 and 2019, are largely attributable to the 12.24 per cent increase in the actuarial value of assets used to

calculate the valuation and, therefore, used to calculate the funded ratios. Accordingly, the value of the actuarial assets in 2019 is $67.82 billion, or 12.24 per cent greater than the value of the assets as of the prior valuation in 2017, of $60.42 billion. That is to say, the value of the actuarial assets for the 2019 calculation is bigger than the increases in liabilities over the biennium combined with modest growth in the future number of Professional participants (see table II.1).

Table II.1
Ratio analysis

Ratio	*31 December 2019*	*31 December 2017*
Funding ratio		
Total assets: pension obligation (actuarial value)	1.07	1.03

16. The Board noted some inaccuracies in the file named "active participants data as of 31 December 2019", part of the set submitted to the actuary. In that regard, the Fund pointed out that these had no impact on headcount or the actuarial valuation results and that they were regularly fixed during the benefits process. Given the fact that the census data accuracy still has scope for improvement, this will be analysed in a future audit.

Financial statements

17. Various suggestions made by the Board for enhancement of disclosures to the financial statements were reflected in the final version of the statements.

3. Fund secretariat

Communication between Fund secretariat offices

18. In the eighth progress report on the adoption of IPSAS by the United Nations, the Secretary-General indicated that the United Nations would use the internal control integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission as the basis for its approach to strengthening internal controls. In the report, he establishes that a good internal control evaluation would focus on the risk assessments that an entity carries out and the control of key activities.

19. In line with the above, and in order to assess the internal control components related to information and communications and monitoring and supervision of the Fund secretariat, the Board reviewed the execution of the operations of the secretariat offices located in New York and Geneva. Operations of these offices comprise pension entitlements, client services and outreach and financial services, all of which are present in both New York and Geneva. They involve activities such as the administration of participants from entry to separation and the determination and payment of deriving benefit entitlements, recalculation and revision, emergency fund assistance to beneficiaries, securing daily servicing, and ensuring monthly and other benefits for participants and beneficiaries, among others.

20. The Board noted that the Finance, Client Services and Record Management Section in Geneva was responsible for weekly payment and updating benefits information relating to, for example, death or change of residence. In addition, it responds to the queries of the participants/beneficiaries when they contact the secretariat office (through e-mail or phone calls). The processes mentioned above are performed in the New York office by different units, including through an independent call centre, unlike in the office in Geneva, where the same processes are performed

by only one unit and without a call centre. It should be noted that both offices manage approximately the same number of beneficiaries.

21. Moreover, the Board asked the Geneva office about the existence of specific guidelines, procedure manuals or administrative circulars for its operating procedures. The office stated that it had no specific guidelines to address its practices regarding client services, finance and human resources, among others. In this regard, the Fund headquarters stated that the Geneva office operated under the same regulations and rules; therefore, it followed the same operating procedures as New York. Furthermore, it stated that this was reflected in the fact that both offices used the same systems for basic functions such as benefits processing (the V3 Integrated Pension Administration System) and customer services (the iNeed system) and, therefore, that the same procedures applied.

22. In addition, the Board noted that the risk control matrix did not address the risks of the two different offices. It also noted that the Geneva office was not involved in the formulation of the risk control matrix. Furthermore, the Board noted that a comprehensive risk control matrix had not been developed for all areas of the Geneva office, such as budget (for instance, monitoring and reporting) and accounting (such as overpayment and year-end activities).

23. It was also observed that no feasibility study had been conducted by the headquarters for the Geneva office in order to assess the implementation of the iNeed system (e.g., to determine the amount of resources needed for that purpose). The commissioning of the iNeed system began in April 2019. In May 2019, the headquarters instructed the Geneva office to start using the system, without having received prior training. This instruction resulted in an increase in the workload for the Geneva staff, since they had not received adequate training on the new system. Moreover, the iNeed system requires the manual entry of each query from participants, beneficiaries or member organizations. The follow-up and closing of the query must also be done manually. Owing to the limited staff in the Geneva office, queries that cannot be cleared up by the client services section are referred to the finance section or Pension Entitlements Section, which must manually enter the query in iNeed, follow up, solve it and close the ticket, all of which is in addition to their normal work involving the calculation and delivery of benefits.

24. The Board verified that the Geneva office had its own performance indicators developed by each section (such as the finance section) and approved by each respective first reporting officer. These key performance indicators are aligned with the Fund's strategic framework. The Board subsequently requested the New York office to provide additional information on the matter, which stated that the Geneva office did not have performance indicators to help to determine the office's performance; therefore, the Board concludes that the Geneva office's key performance indicators are unknown to the New York office.

25. The Board also observed that, as noted in the report of the Pension Board on the administrative expenses of the Fund and the report on the work of Pension Board's sixty-sixth session (A/74/331), 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. In the organizational reviews of the Fund, conducted by the Board, 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. This also distorts accountability. As a result, global coordination, efficiency and service delivery at the operational level within the Fund had become suboptimal. The Board considers that the key performance indicators of the Geneva office should also be included in the strategic framework of the Fund.

26. **The Board recommends that the Fund clearly establish the management accountability structure of the Geneva office within the pension administration structure, which should, in turn, enable timely and complete information flow between the Geneva office's finance and client services and the Pension Administration in New York.**

27. **In order to close the gaps between the Geneva and New York offices, the Board recommends that the Pension Administration ensure that the risk control matrix be amended to include the risks of the Geneva office operations; develop a manual on administrative procedures regarding client services, finance and human resources; evaluate the training needs of the Geneva office staff on the iNeed software; and include the Geneva office's performance indicators in the strategic framework of the Pension Administration.**

28. The Fund secretariat accepted these recommendations and recognized the need for closer coordination between the Geneva and New York offices. The secretariat stated that, effective 1 January 2020, it had implemented a functional leadership approach to enhance accountability, facilitate strategic planning and execution, offer quality control, share best practices and ensure that risks were successfully managed. Regarding functional reporting, functional units of the Geneva office reported directly to the respective chiefs in the New York headquarters office. Functional chiefs were accountable for service delivery to beneficiaries and participants across all geographic locations.

Emergency fund

29. In accordance with the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund (2019 version), the emergency fund is intended to provide relief in individual cases of proven hardship, owing to illness, infirmity or similar cases, to beneficiaries who are currently receiving a periodic benefit from the Fund.

30. Moreover, as stated in paragraph 2 (c) the section on procedures for dealing with such cases, all requests should be accompanied by substantiating documentation; in cases involving medical expenses, that documentation must include a medical statement regarding the nature of the illness, the type and cause of treatment provided by the physician and/or hospital, and proof of the expenditure and payment for each. If the request has been channelled through the secretary of a staff pension committee, certain documentation can sometimes be waived as it will already have been verified and approved by the organization's health insurance scheme. United Nations family cases are similarly referred to the United Nations insurance section.

31. Regarding funeral expenses, the Fund's regulations establish that assistance may be provided in hardship cases towards funeral expenses for immediate dependent relatives. The present ceiling for reimbursement, which reflects the movement of the United States cost-of-living index from 1974 (when this assistance was added to costs that could be reimbursed) to 2018, is $1,320, subject to subsequent adjustments.

32. The Board noted that there was no formal means to test and that much flexibility was exercised as to which applicants received assistance from the emergency fund. The applications are examined without an objective and standard procedure, taking into account factors such as age, the number of years of contributory service, the amount of the Fund benefit, the country in which the pensioner resides, the availability of insurance, other possible sources of income and/or assistance and the circumstances surrounding the expenditure.

33. In this regard, following a review of the requests granted or rejected (i.e., closed cases) in 2019, the Board noted the following:

(a) There was no uniformity in the revised documentation for deciding whether to grant or reject emergency fund requests. Table II.2 shows a breakdown of all the documents that the Board reviewed for the sample selected and the number of cases in which the document was and was not available in the Integrated Pension Administration System, by type of decision taken (granted, voided and rejected);

Table II.2
Availability of supporting documentation in the Integrated Pension Administration System, by type of decision taken

	Granted			*Voided*			*Rejected*		
Supporting documentation	*Document available*	*Document not available*	*N/A*	*Document available*	*Document not available*	*N/A*	*Document available*	*Document not available*	*N/A*
Review checklist	5	8	0	1	2	0	0	1	0
Petition letter	10	3	0	2	1	0	1	0	0
Follow-up by the Fund	2	11	0	2	1	0	0	1	0
Medical statement	8	5	0	2	1	0	0	1	0
Type of treatment	4	2	7	1	1	1	0	0	1
Proof of expenses	12	1	0	2	1	0	0	1	0
Proof of disbursements	8	5	0	1	2	0	0	1	0

Source: Information provided by the Fund and analysed by the Board.
Abbreviation: N/A, not applicable (cases involving funeral expenses).

(b) In a total of 77 cases closed as at 31 July 2019, the average time to complete the workflows was 300 days. Of those 77 cases, 45 were closed in less than six months, 9 were closed in less than one year but more than six months and 23 were closed in more than one year;

(c) The Integrated Pension Administration System did not have uniform records of the information received from the applicant. Moreover, in the System, these documents were not classified and the files did not have specific names related to the emergency fund. This situation hindered the review of the cases in the sample. Furthermore, the information is received by email or correspondence and is manually recorded in the Integrated Pension Administration System. This process does not ensure that the data input in the System is properly recorded, complete and accurate;

(d) In accordance with the Regulations of the Fund, assistance for funeral expenses must be delivered to immediate family members of the deceased. In the review conducted by the Board, a case was identified in which the reimbursement for funeral expenses was not provided to a direct relative of the deceased beneficiary but to an official representative of the local retiree association.

34. The Board considers that there is a risk of arbitrariness in the granting, voiding or rejecting of the emergency fund applications. In addition, the Board considers that, although the budget for the emergency fund may be immaterial with respect to the resources administered by the Fund – $112,500 in 2019 – it is not an obstacle for the Fund to establish a uniform procedure for the granting of resources from the emergency fund.

35. **The Board recommends that the Fund establish a procedure to make uniform the criteria, evaluation process and granting of resources from the emergency fund, which would allow more transparency and consistency in the decisions taken by the Fund's management.**

36. **The Board recommends that the Fund establish a guideline to record emergency fund-specific supporting information in the Integrated Pension Administration System before granting the emergency fund assistance.**

37. The Fund accepted the recommendations and stated that it would take action to improve the situation. In this regard, the Fund stated that it would establish uniform evaluation criteria for emergency fund assistance to be used by both offices, in New York and Geneva, and that it would provide a guideline to record emergency fund-specific supporting documents in the Integrated Pension Administration System.

Hiring of consultants in the secretariat of the Fund

38. The hiring and management of consultants and individual contractors are governed by administrative instruction ST/AI/2013/4. In addition, the use of consultants falls within the administrative responsibilities of the Chief Executive of Pension Administration, pursuant to article 7 of the Regulations, Rules and Pension Adjustment System of the Fund.

39. The administrative instruction requires the entity to ensure a competitive process. A screened pool of individuals should be generated, with relevant records based on the entity's requirements. The final selection process requires scrutiny of a minimum of three candidates against the established terms of reference that outline the work expected, as well as the competencies, expertise and experience necessary for the position.

40. Regarding the terms of reference, in accordance with section 3 of the administrative instruction, the Fund is required to develop terms of reference for consultants and include them in their contracts. Terms of reference include measurable, attainable, results-based and time-bound outputs and functions performed to achieve the objectives and targets.

41. The Board selected a sample of eight consultant contracts extracted from Umoja, which had expenses accrued during 2019, to assess how consultants were hired and managed in accordance with the established procedures.

42. From the sample analysed, the Board noted inconsistencies in the development of the terms of reference. It was noted that some did not include targets of the work assignment, specific delivery dates and indicators for the evaluation of the outputs. Hence, the monitoring and evaluation of the achievements of the consultant performance against the outputs in terms of quality and timelines were neither established nor clearly defined. Therefore, by not having standard requirements for the development of terms of reference, the Fund is not able to properly monitor and evaluate the achievements of its consultants.

43. **The Board recommends that the Fund establish standardized requirements for the development of terms of reference for consultants.**

44. The Fund accepted the recommendation and stated that it would issue guidelines for the preparation of terms of reference for consultants in alignment with administrative instruction ST/AI/2013/4.

Benchmark for the time taken to follow up on missing or invalid documents

45. In accordance with the strategic framework for the programme of work of the Fund secretariat, the Pension Entitlements Section (in charge of processing the benefits) is expected to process 75 per cent of initial separations within 15 business days.

46. The period of 15 business days begins upon reception of the three core documents (payment instruction, separation notification and separation personnel action) and ends once the benefit is released. Once the core documents have been

received, the benefit requirements are processed by the Pension Entitlements Section through workflows in the Integrated Pension Administration System. Depending on the type of benefit, additional documentation may be requested. The follow-up of these cases is carried out by personnel of the Pension Entitlements Section, either with the member organization or directly with the participant.

47. The Board noted that, when the Pension Entitlements Section processes a benefit, whether a core document is deemed invalid or additional documentation is necessary, the process is suspended and the 15-day period stops. Once the requested documentation is received, the case is resumed; however, a new period of 15 business days is assigned to the process.

48. Also, the Board observed that the Fund had no formal procedure to follow up on cases with missing or invalid documentation.

49. The Board considers that, without a proper process for following up on missing or invalid documents, the practice of constantly postponing benchmarks for additional documentation requirements may hamper the possibility for beneficiaries, and for the Fund, to determine, with a reasonable certainty, the actual time for completion of the processing of a benefit.

50. **The Board recommends that the Fund pause the period of 15 business days in the Integrated Pension Administration System only in cases of missing or invalid documents and resume the period once the necessary documentation has been received.**

51. **The Board recommends that the Fund establish a procedure for the follow-up of cases with missing or invalid documents.**

52. The Fund accepted the recommendations and indicated that it had taken concrete actions to ensure that cases with missing or invalid documents were handled appropriately and given proper attention.

Signature verification review

53. In accordance with article 46 (c) of the Regulations, Rules and Pension Adjustment System of the Fund, the right to continued periodic payments of a retirement, early retirement, deferred retirement or disability benefit, widow’s or widower’s benefit, divorced surviving spouse’s benefit, child’s benefit or secondary dependant’s benefit shall be forfeited if, for two years after a periodic payment has been due, the beneficiary has failed to submit payment instructions, or has failed or refused to accept payment, or has failed to submit the duly signed certificate of entitlement.

54. In line with the regulations and rules of the Fund, it is essential that the Fund monitor the continued eligibility of its beneficiaries through, among other mechanisms, an appropriate certificate of entitlement process.

55. In this context, the Fund secretariat instituted the “signature verification” control, the main objective of which is to review the signatures in the certificate of entitlement received, identifying discrepancies in the beneficiary’s signatures through a comparison with the first payment instruction signed by the beneficiary.

56. The system is set up to select all beneficiaries over 75 years of age, all beneficiaries receiving survivor’s benefits, beneficiaries who have not been reviewed in five years and 25 per cent of the remaining population, excluding new beneficiaries who have been receiving payment for less than six months and beneficiaries of deferred retirement benefits.

57. The Board reviewed the validation of signatures in the certificate of entitlements until 31 October 2019, noticing the existence of 610 cases of open workflows of

signature verifications initiated between 2014 and 2018 and 17,619 cases opened in 2019.

58. The Pension Administration has taken targeted actions to address the previous low completion of signature verifications relating to the annual certificate of entitlement exercise. In this context, the Pension Administration prioritized the signature verification of the 610 backlogged cases, while also reviewing the 17,619 cases relating to the 2019 certificate of entitlement exercise.

59. The backlog for the period prior to the 2019 certificate of entitlement exercise has been reduced from 610 to 35. The volume of cases relating to the 2019 exercise, which was ongoing until the end of April 2020, was reduced from 17,619 to 1,598 cases. All these signature review cases were expected to have been reviewed and completed by 30 April 2020. Therefore, the Fund does not have a backlog of signature verification cases, since 98.71 per cent of the outstanding signature verification cases from the Integrated Pension Administration System that came into force in August 2015 had been reviewed as at November 2019.

60. Although the Board acknowledges the Fund’s efforts to close all the open workflows for signature verification, it considers that the purpose of the control was not achieved in a timely manner. The Board holds that the control established for the certificate of entitlement process is not efficient, since it is not meeting the deadlines.

61. **The Board recommends that the Fund continue to reduce the timelines of the signature verification process in order to reduce the risk of improper benefit payments.**

62. **The Board recommends that the Fund prioritize the signature verification of the 35 backlogged cases from the period prior to 2019 and the 1,598 backlogged cases from 2019.**

63. The Fund accepted the recommendations and stated that it had implemented a signature verification project to ensure the completion of all outstanding certificate of entitlement-related signature verification cases by April 2020.

Segregation of duties in the creation of benefits

64. The process of creating benefits is performed through workflows in the Integrated Pension Administration System by personnel of the Pension Entitlements Section of the Fund secretariat.

65. This process of creating and calculating benefits (entitlement cases) begins with the calculation, then goes through a first review by an auditor and finally a second review by the releaser.

66. In the case of a recalculation, for example, as a result of changes in the currency of payment or modifications to the benefit or beneficiaries, the same three steps are performed.

67. The Board requested all the benefits released between January and November 2019 to verify the segregation of duties in all workflows. During the verification, two workflows released and certified by the same person were identified.

68. However, these cases were possible to identify only because of reporting issues; therefore, the total number of cases that could have presented issues of segregation of duties during the period under review was not possible to determine.

69. Some of the reporting issues include:

(a) Missing auditor;

(b) Missing releaser;

(c) The calculator, auditor or releaser do not correspond to the last user that performed each step.

70. In addition, the Board noted that 17 users who had been assigned the role of calculator in the Integrated Pension Administration System had performed the role of auditor in other workflows; however, none of the active users had been assigned the auditor role in the System. Not having active users with auditor roles hampers the review of the benefits release.

71. According to the Fund, all benefit assistants in the Pension Entitlements Section have dual roles as calculators and auditors. Some of the cases noted by the Board were caused by a user mistake and a defect in the Integrated Pension Administration System application activity log.

72. The Board also noted that, because of a reporting issue, the list of users provided by the Fund did not indicate active users with an auditor profile.

73. In the Board's opinion, the inadequate segregation of duties in the processing of benefits increases the risk of creating unauthorized benefits, since these can be released by the same person who creates them. In addition, in the absence of a review by an auditor, there may be errors in the calculation of the benefit.

74. Finally, in line with the implementation of the internal control integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission, as the foundation of the Fund's approach to strengthening internal controls, it is emphasized that, in the context of the identification and assessment of risk, the factor of ineffective segregation of duties increases the possibility of risk of fraud.

75. **The Board recommends that the Fund evaluate the technical feasibility of establishing parameters for the different roles involved in the workflows for the creation of benefits to ensure an adequate segregation of duties.**

76. **The Board recommends that the Fund ensure that the establishment of parameters for the different roles is consistent with the roles granted to each user and in accordance with the recertification carried out by the Information Management Systems Service in conjunction with the Chief of the Pension Entitlements Section.**

77. The Fund accepted both recommendations. Regarding the first recommendation, the Fund secretariat stated that the application defect was being addressed with the implementation of a system enhancement, which would ensure that the Integrated Pension Administration System applied a proper segregation of duties between the calculator, auditor and releaser functions.

78. With regard to the second recommendation, the Fund will improve the reports used during the user recertification process to confirm the segregation of duties.

4. Office of Investment Management

Personal securities trades

79. The Office of Investment Management established, in its personal securities trading policy (2019 version), that all its staff members 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.

80. In this context, staff members must disclose, through the trade order pre-clearance form, their activity relating to any covered accounts, and, unless an exemption applies, any securities transactions in which the staff member has or will

acquire a financial interest must be pre-cleared. In addition, those staff members directly responsible for investment decisions and management must answer two additional questions included in the form.

81. The Board identified that the Office of Investment Management had procedures in place and pre-clearance forms to avoid potential conflicts arising from the personal securities transactions of employees using knowledge of the Fund's transactions.

82. However, the Board noticed the absence of a formal document, except for the organizational chart and the delegation of authority, which designates the officials approved for making investments and clearly specifies which staff members should answer the two questions in the trade order pre-clearance form that are only applicable to staff members directly responsible for investment decisions and management.

83. In addition, the Board verified that one investment officer did not answer the two questions requested in the trade order pre-clearance form, even though, in the designation of approved officials, the Office of Investment Management establishes that this investment officer is responsible for investment decisions and management. Therefore, in the Board's opinion, there is no certainty as to which officials must respond to the two questions in the form.

84. In addition, the Office of Investment Management personal securities trading policy establishes that staff members are prohibited from engaging in excessive personal trading or short-term trading that may raise concerns that the staff member's energies and interests are not properly aligned with the interests of the Fund.

85. However, it has not been determined what is understood by "excessive personal trading". More specifically, it is not clear whether it is related to the amount of shares to buy or sell, the number of pre-clearance forms requested or the number of investments in securities made in one year, etc. In its personal securities trading policy, the Office of Investment Management does, however, recommend a holding period of 60 days for all investments in order to avoid excessive personal trading or short-term trading.

86. Finally, the Board observed that the Office of Investment Management was in negotiations with a service provider located in New York, who will be retained for the development and maintenance of a software platform to ensure automatic monitoring of personal trading by the staff members of the Office. Although contract negotiations began in December 2018, the contract was signed on 28 April 2020. During the audit, evidence was provided to demonstrate that the implementation of the software was ongoing.

87. The Board considers that the Office of Investment Management does not have an automated control that allows for the registration of the trading transactions of staff members with the purpose of checking compliance with the personal securities trading policy and that there is no system that automatically tracks the personal securities transactions of all the staff members in order to avoid conflict with the activities of the Fund.

88. **The Board recommends that the Office of Investment Management issue to all staff members a formal document that establishes which officials should answer the questions stated in the trade order pre-clearance form.**

89. **The Board recommends that the Office of Investment Management review, clarify and adjust its personal securities trading policy in matters related to excessive personal trading and the minimum holding period of 60 days of any investment in order to enable a better understanding of the policy.**

90. **The Board recommends that the Office of Investment Management develop and implement a system that allows for the tracking of the personal trading**

accounts of all the staff members of the Office and also of those employees of the Fund who have a clear reporting line to the Office of Investment Management staff for preventing potential conflicts of interest with the activities of the Fund.

91. **The Board recommends that the Office of Investment Management monitor and control the possible conflicts of interest of employees and adopt the measures necessary to address cases in which conflicts are detected.**

92. The Fund accepted the first recommendation. The Office of Investment Management will clarify the language in questions 4 and 5 of the trade order pre-clearance form to make it clearer.

93. Regarding the second recommendation, the Office stated that the definition of excessive personal trading, which included a recommended holding period of 60 days, would be revised. The scope of the policy would also be revised.

94. The Office of Investment Management agreed with the third and fourth recommendations, stating that the current monitoring could be enhanced and that it had taken steps to secure the personal trading surveillance system through the "ComplySci" automated system.

Scope of the policies applicable to the employees of the Office of Investment Management

95. The Risk and Compliance Section of the Office of Investment Management has established personal securities policies and procedures, aiming to prevent fraudulent or manipulative practices against the Fund's holdings.

96. The Board identified, from minutes of committee meetings and the report on the Office of Investment Management staff reporting line, that employees who belonged to the Fund secretariat were involved, in different ways, in the investment operations of the Office. Currently, however, the aforementioned policies and procedures are applicable only to the employees of the Office.

97. The Board is of the view that each person involved in the work of the Office of Investment Management, who has any type of information or knowledge about the operations of the Office, must accept and comply with the policies and procedures of the Office by signing the forms developed to address aspects of security trading, conflicts of interest and fraud, among other issues.

98. **The Board recommends that the Office of Investment Management redefine the applicability of the personal securities policies and procedures, with the purpose of applying them to any staff member of the Fund involved in the work of the Office, including the personnel of the Fund secretariat.**

99. The Office of Investment Management agreed with the recommendation. The Office will include the staff with a clear and formal reporting line to the Office in the list of the Office staff that should comply with the personal securities policies and procedures.

Absence of an advisory policy

100. The United Nations, on behalf of the Fund, had 13 contracts with external advisers, 8 of which were extended during 2020. The main purpose of the contract advisory services is to provide consulting and advisory services and undertake research concerning investment issues.

101. During 2019, the Fund paid more than approximately $3.5 million for advisory services.

102. After an examination of a sample of three advisory contracts, the Board observed that the Office of Investment Management did not have a specific policy on

external advisers, considering that the services provided by such advisers mainly involve providing actionable insights to the Office through consultancies and studies to ensure that the Office has the capacity to make better investment decisions.

103. The Office of Investment Management has not defined procedures to make available the necessary information for new or even current brokers, advisers or external service providers to identify a potential conflict of interest.

104. In addition, the Office of Investment Management does not have a formal procedure to be applied on a regular basis that would help to verify the performance of the contracted service providers, in order to compare the service contracted with that actually provided.

105. The Board considers that it is relevant for the Office of Investment Management to define a policy that helps to identify the nature of the various contracted services and regulate the confidentiality of the information handled by external advisers, identify possible conflicts of interest and facilitate follow-up regarding the verification of the provision of the contracted services.

106. **The Board recommends that the Office of Investment Management develop a special policy for external advisers that addresses, among other matters, conflicts of interest, the confidentiality of information and the performance review and monitoring of contracted service providers.**

107. **The Board recommends that the Office of Investment Management review the current guidelines on conflicts of interest and design a procedure that allows for the staff of the Office to be informed in a timely manner about the current list of external advisers, so that the staff can disclose potential conflicts between an employee and external adviser.**

108. The Office of Investment Management accepted the recommendations. The Office will strengthen its existing monitoring of the external service provider evaluation procedures and will incorporate the matter of the disclosure of conflicts into the Office's compliance policy.

Outdated and non-formalized procedure manuals

109. In accordance with paragraph D.11 of the financial rules of the Fund, the Representative of the Secretary-General for the investment of the assets of the Fund shall establish an investment policy as well as investment guidelines to ensure that investment decisions are taken in the best interest of the Fund and on behalf of the participants and beneficiaries of the Fund.

110. Pursuant to the above-mentioned provision and as an internal control best practice, the Office of Investment Management has developed several procedure manuals, policies and guidelines on aligning its operations with the investment policy.

111. The new investment policy statement approved by the Representative of the Secretary-General (2019 version), states, in paragraph 7, that the policy includes information on the eligible investment universe of asset classes, the strategic asset allocation, the policy benchmark, the risk parameters and the investment process; however, the Board observed that some information in the policy statement was not updated, for instance, the risk parameters and the investment process were not considered, even as annexes.

112. Accordingly, the Board noticed that the investment procedures of the Office of Investment Management included in the above-mentioned policy, instead of being updated, amended or enhanced as part of a living document, have not been modified since March 2014. Despite the fact that the Office has amended certain investment

procedures since 2014, these have not been incorporated into an updated document in order to have a comprehensive text aligned with the new investment policy statement.

113. In terms of the risk management manual of the Office of Investment Management, the investment policy risk controls of the risk management programme have not been updated since they were approved in March 2014, while the investment policy statement has been issued and updated twice, in 2016 and 2019.

114. In addition, the Board verified that the new delegation of authority mentioned in the investment policy statement has not been approved. The latest and current designation of approved officials was signed in November 2017.

115. Also, in paragraph 73 of the new investment policy statement, external investment management is mentioned briefly, despite the fact that at least 15 per cent of the portfolio is externally managed. The related policies about the operations and risk management of external managers were not referenced in the statement.

116. The Board further noted that the Risk and Compliance Section defines three groups within its work structure, namely, the compliance, risk and performance groups. In particular, the performance group measures the performance of the Fund through thorough analysis and periodic reports and relates updated information on the assets of the Fund directly to the custodian. Currently, there is a performance manual in a draft format. It is essential that these rules governing the operations of the performance group be formalized and that their application and compliance be guaranteed.

117. The Board reminds the Office of Investment Management that one of the purposes of procedures and guidelines is to provide employees with the necessary instructions on how to proceed, in a timely manner, in important aspects of the processes of the Office. This has become even more important following the hiring of 20 new employees during 2019.

118. The Board considers that the Office of Investment Management needs to disseminate clear and updated versions, in a timely manner, of investment guidelines and useful internal procedure manuals and align them with any new investment policy statement.

119. **The Board recommends that the Office of Investment Management review and update at least once a year the investment guidelines in order to align them with the investment policy statement.**

120. **The Board recommends that the Office of Investment Management disseminate updated versions of internal procedure manuals and guidelines previous to the enforcement of such procedures.**

121. **The Board recommends that the Office of Investment Management incorporate the policy on the operations and risk management of external managers into the investment policy, considering that 15 per cent of the portfolio is externally managed.**

122. The Office of Investment Management stated that it expected to finalize the update of the investment procedures and risk manual in 2020 to reflect the new investment policy statement. The Office will distribute the updated version of the manual to all staff. In addition, the comprehensive delegation of authority document is currently being updated and will be finalized in 2020.

Legal team

123. In accordance with the organizational chart of the Office of Investment Management, the legal team of the Office of the Representative of the Secretary-General is currently composed of four lawyers, three of whom were hired in 2019.

124. The Office of Investment Management stated that the legal team is responsible, among other functions, with the assistance of the Office of Legal Affairs and external counsel, for the drafting, review and negotiation of the agreements resulting from investment decisions made by the Office of Investment Management, such as the legal documentation related to the private equity and real estate investments made by the Fund, and, with the assistance of the Office of Legal Affairs and the Procurement Division, for the operational aspects of the agreements resulting from the procurement of goods and services through formal modes of solicitation.

125. During the audit, the Board identified that there was no formal document approved and circulated to the employees of the Office of Investment Management that establishes the functions and activities for which the legal team is responsible.

126. In addition, the Board noted that the legal team did not have a tool to formally record the documents reviewed and processed, the complexity of the matters, the requests made by other sections of the Office of Investment Management, the status of the documents, the allocation of tasks and the timelines of the document revisions.

127. The Board considers that it is necessary to issue a formal procedure that establishes the roles, functions and specific activities performed by the legal team, considering that the legal team provides support to most sections of the Office of Investment Management.

128. **The Board recommends that the Office of Investment Management establish and implement a formal procedure that defines, among other matters, the functions and activities to be carried out by the legal team, the responsible staff members and the team's timelines, according to the support that the team provides to the other sections of the Office.**

129. **The Board recommends that the Office of Investment Management define a mechanism that allows for, among other functions, the tracking of documents reviewed and processed by the legal team and the recording of the complexity of the matters, the status of the documents, the allocation of tasks and the timelines of the document revisions.**

130. The Office of Investment Management agreed to establish and implement a formal procedure that clearly defines the functions and activities of the legal team. The Office will prepare a formal document in that regard and will disseminate it to all the staff members of the legal team.

131. Regarding the second recommendation, the legal team will start recording the information in an Excel spreadsheet. In the event that a technological solution is not reasonably feasible, the Excel spreadsheet solution will be considered as the legal team's official registry.

Training policies and procedures in the Office of Investment Management

132. The United Nations has several learning programmes that are mandatory for all staff to ensure familiarity with key regulations, rules and processes.

133. In accordance with the Secretary-General's bulletin ST/SGB/2018/4, dated 11 July 2018, on United Nations mandatory learning programmes, staff members are to complete the self-paced mandatory learning programmes within six months of the issuance of the bulletin, or within six months of joining the Organization or assuming a role for which additional learning is mandatory.

134. In the bulletin, the Secretary-General states that the mandatory learning programmes for all staff members are the following:

(a) BSAFE;

(b) Prevention of sexual harassment and abuse by United Nations personnel – working harmoniously;

(c) HIV/AIDS in the workplace orientation programme;

(d) Ethics and integrity at the United Nations;

(e) Information security awareness – foundational;

(f) United Nations human rights responsibilities;

(g) I know gender: an introduction to gender equality for United Nations staff;

(h) Prevention of sexual exploitation and abuse by United Nations personnel;

(i) Preventing fraud and corruption at the United Nations.

135. Furthermore, staff members at the P-4 and P-5 levels have to complete the management development programme as mandatory training.

136. In addition, every year, the Risk and Compliance Section of the Office of Investment Management organizes and carries out ethics and anti-fraud training sessions. All staff members of the Office have to participate in an annual training session and sign the annual certification of compliance with the Office of Investment Management policies.

137. On 26 November 2019, the Board requested the Office of Investment Management to provide the certificates of the United Nations mandatory learning programmes for 11 employees, for the purpose of checking whether they had completed such courses. It was verified that:

(a) Seven employees had not completed at least four mandatory courses within six months of joining the Organization;

(b) For three of the seven employees, the Office did not provide the information related to three mandatory courses;

(c) For three others of the seven employees, it was not possible to verify whether they had completed all United Nations mandatory learning programmes because the Office did not provide such information;

(d) For one of the employees, who was at the P-5 level, it was not possible to check whether he had carried out the mandatory management development programme. This case is particularly important considering that the employee is in charge of the alternative investments portfolio.

138. Ethics and anti-fraud training sessions were held on 23 September and 7 October 2019, and the Board identified that one Senior Investment Officer had signed the annual certification of compliance with the Office of Investment Management policies on 3 December 2019, that is to say, after the Board had requested such information.

139. With regard to access to systems of the Office of Investment Management, the Board could not verify the existence of the staff application access form for seven officials. This document is to be completed by officials joining the Office in order to give them access to the Office's systems and set up an email account, as indicated by the Risk and Compliance Section.

140. Finally, the Office of Investment Management did not provide the performance evaluation covering the period from April 2018 to March 2019 for four staff members. These staff members were holding temporary appointments.

141. Completing the mandatory learning programmes is a duty of all staff members of the United Nations system, which implies taking the courses in a timely manner. This is particularly important in the case of one portfolio manager who makes investment decisions but had not completed the mandatory courses relevant to that staff member's position and level.

142. In that regard, the Board is of the view that the Office of Investment Management is responsible for monitoring and controlling that all staff members have completed the United Nations mandatory courses relevant to their position in a timely manner.

143. Finally, regarding the observations related to the annual ethics and anti-fraud training sessions, the staff application access form and the performance evaluation, the Board considers that the Office of Investment Management is responsible for ensuring that all staff members comply in a timely manner with the policies and procedures defined internally and that there are records of the documents that prove such compliance.

144. **The Board recommends that the Office of Investment Management define a formal mechanism for monitoring and ensuring that all staff members of the Office, in particular new employees, complete the United Nations mandatory learning programmes within six months of joining the Organization or assuming a role for which additional learning is mandatory.**

145. **The Board recommends that the Office of Investment Management ensure that its staff send the appropriate certificate to the corresponding section in relation to United Nations mandatory learning programmes, the courses conducted by the Office and compliance with policies designed and implemented by the Office, and any other document of the employee that should be available in a repository.**

146. The Fund stated that it would improve its mechanism for monitoring and ensuring the completion by all Office of Investment Management staff members of the United Nations mandatory learning programmes within six months of joining the Organization or assuming a role for which additional learning is mandatory.

147. The Office of Investment Management will also include, in the internal training programmes, staff with a dual reporting line, including those with a clear and formal reporting line to the staff of the Office.

Control deficiencies in the investment commitments register

148. During the analysis of the information used for preparing note 19.1 to the financial statements, the Board verified that two funds had been added back into the unfunded commitment balance and six funds had not been accurately captured in the calculation of the unfunded commitments.

149. In addition, the Board noticed that the Office of Investment Management prepares the list of investment commitments once a year, on 31 December; however, there is no effective mechanism for recording and monitoring the investment commitments throughout the year, which, in the Board's opinion, should be put in place.

150. The Board highlights that the findings detected correspond with the review carried out on the financial statements; however, these only reinforce the facts already detected in the 2018 audit.

151. In addition, there was no adequate coordination among the operations team, legal team and Senior Investment Officers regarding the necessary information to be obtained on the investment commitments that were closed during the year.

152. The Board acknowledges that the Office of Investment Management is working on the implementation of the platform for real assets and alternative investments.

However, until the platform is implemented, the Office should reinforce the manual controls applied to these types of investments.

153. **The Board recommends that the Office of Investment Management develop and implement a mechanism or methodology that allows for the tracking of all investment commitments to be disclosed in the financial statement at any time of the year.**

154. **The Board recommends that the Office of Investment Management establish a formal procedure among the legal team, Senior Investment Officers and operations team to obtain timely information about the deals that have been closed during the year for preparing the note on investment commitments included in the notes to the financial statements.**

155. The Office of Investment Management acknowledged that the automation of the entire alternative investments process was important and therefore accepted the recommendations 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 system to manage the alternative investments portfolio.

Absence of procedures and information to support the acquisition process for real assets and alternative investments

156. The Board noticed that, for real assets and alternative investments, the Office of Investment Management did not have a digital repository/file containing the consolidated information associated to each fund invested in. The repository/file should include all stages of the deal, from the evaluation stage to the point at which the transaction has been deemed satisfactory from a business and legal perspective and has satisfied all the conditions imposed by the Private Markets Committee.

157. In addition, there is no detailed procedure that establishes the general process for closing an agreement with the Fund, either for real assets or alternative investments.

158. On the basis of these facts, the Board considers that the current operation for these kinds of investments is not efficient and effective. The Board points out that this is not the first time that control deficiencies have been observed.

159. Furthermore, the Office of Investment Management must have the evidence to ensure that the acquisition process for each fund complies with a defined standard and that the process is not subject to the discretion of the investment officer.

160. **The Board recommends that the Office of Investment Management develop a digital repository/file containing all the information for each fund needed to support the acquisition process, from the evaluation stage to the point at which the transaction has been deemed satisfactory from a business and legal perspective and has satisfied any conditions imposed by the Private Markets Committee.**

161. **The Board recommends that the Office of Investment Management develop, document and implement a detailed procedure that establishes the stages for closing an agreement concerning real assets and alternative investments.**

162. The Office of Investment Management accepted both recommendations. Regarding the recommendation to develop a system that better supports the acquisition process for new alternative investments, it stated that the software platform that had been under development was expected to have a workflow to document the acquisition process, beginning from the evaluation stage to the point at which the transaction had been deemed satisfactory from a business and legal perspective. This would assist the Fund in tracking the transaction, and the accounting team would be able to retrieve accurate reports on the total commitment for each closed fund.

163. Regarding the second recommendation, the Fund stated that a detailed procedure to establish the general process for closing agreements was needed. This issue was addressed in the investment procedure document that was in the process of being adopted.

Financial statements closing process

164. The Board noticed that the Office of Investment Management had posted in the Oracle E-Business Suite system as a debit entry instead of a credit entry an adjustment regarding the fair value of the investments as at 31 December 2019 and had also provided inaccurate data about four different reports referring to the fair value of real assets and alternative investments, investment commitments, the investment portfolio used to calculate the value at risk and the cash held by external managers, in which the Office alluded to a version control issue and an Excel formula issue.

165. Upon the review of the information, the Office of Investment Management recognized other issues found in the data provided to the Board.

166. Consequently, although the net amount of the adjustment entries was not material, the Office of Investment Management had to reprocess entire files, reverse three movements of the journal entries, record new manual adjustment entries and update the financial statements, given the impact on several notes to the financial statements.

167. In addition, as at every year-end closing, the Office of Investment Management updated its procedures manual to ensure that the investments of the Fund were subject to adequate internal controls. The procedures, controls and employees involved in the financial statements closing process were included in the manual. Nevertheless, the above-mentioned issues were not detected during the process.

168. On the basis of these facts, the Board considers that the current controls do not effectively address the detection of inaccuracies on a timely basis, as evidenced by the situations in which transactions were improperly recorded and inaccurate reports were provided related to the notes to the financial statements.

169. Furthermore, not updating the manual in a timely manner or reinforcing the importance of the controls detailed therein could result in these procedures not being taken into account by the employees in a formal way in the future.

170. **The Board recommends that the Office of Investment Management assess the design and operation of the current controls and develop a method to detect inaccuracies related to the financial statements closing process in order to ensure that the controls operate effectively, as designed.**

171. **The Board recommends that the Office of Investment Management disseminate an enhanced and approved version of its procedures manual once the procedures and controls performed have been appropriately reflected in the manual.**

172. The Office of Investment Management accepted the recommendations and acknowledged that existing internal controls over financial reporting could be further enhanced in line with the recommendation of the Board. The Fund stated that it would enhance the existing year-end accounting procedures by developing additional preventive and detective controls related to the financial statements closing process that would be updated and included in the procedures manual of the Office.

Office of Investment Management mandatory leave policy

173. The Office of Investment Management mandatory leave policy approved in August 2019 establishes, as part of industry best practices, that one of the simplest and most cost-effective anti-fraud measures is to ensure that designated staff of the Office take an official leave of at least 10 consecutive days.

174. The policy states that the designated staff comprise all staff members in the operations, information systems, investments and trading departments. In addition, the mandatory leave must be taken once every fiscal year ending in March.

175. In November 2019, just four months before the end of the fiscal year, the Board noticed that 39 staff members subject to the mandatory leave policy had not taken the 10 consecutive days of leave.

176. In addition, in May 2020, the Board verified that, for the fiscal year ending on 31 March 2020, the issue remained unresolved and 14 staff members had not taken the 10 consecutive days of leave.

177. The Office of Investment Management provided evidence that staff members except for those 14 had taken their mandatory leave. Given that the annual leave report provided by human resources only reflects vacation days taken by employees, the United Nations holidays are not included therein. The United Nations holidays had to be added in the calculation of the 10 consecutive days of leave in order for the methodology to reflect accurately the level of compliance, especially since many staff members had chosen to take their mandatory leave in combination with United Nations holidays, such as Christmas, New Year, Good Friday, Labour Day or Eid al-Adha.

178. Although the Office of Investment Management Risk and Compliance Section regularly checks the progression of this matter every year and all staff members sign the annual certification establishing that each has read, understood and agreed to comply with the mandatory leave policy, the objective of the policy is not being reached.

179. The Board considers that the Office of Investment Management should ensure compliance with the mandatory leave policy, considering that its objective is to prevent fraud that may result from a lack of regular control.

180. **The Board recommends that the authorities of the Office of Investment Management ensure compliance with the mandatory leave policy, avoiding possible fraudulent situations.**

181. The Office of Investment Management stated that fewer than 14 staff members had not taken the 10 consecutive days of leave; however, the Board encourages the Office to ensure compliance by all personnel subject to the policy.

C. Disclosures by management

1. Write-off of cash, receivables and property

182. During the year 2019, the Fund secretariat recorded write-offs of receivables of $594,275.69 as a result of normal business operations in accordance with the established policy on benefit overpayments receivables. The Fund reported that there were no write-offs of receivables from the Office of Investment Management and there were no write-offs of cash or property.

2. Ex gratia payments

183. The Fund reported that there were no ex gratia payments during the year 2019.

3. Cases of fraud and presumptive fraud

184. The Fund reported that there were no cases of fraud and presumptive fraud for the financial year ended 31 December 2019.

D. Acknowledgement

185. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Acting Representative of the Secretary-General for the investment of the assets of the Fund, the Chief Executive of Pension Administration 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

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Response of the Fund*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
1	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 stated that it produced quarterly performance review documents for all portfolios and held quarterly performance meetings to assess the value addition to the portfolio owing to active management, that it produced, on a daily basis, a portfolio allocation report and, on a weekly basis, a report with the portfolio performance that was distributed to the investment team and senior management, and that it presented quarterly performance attribution reports to the Investments Committee for all asset classes in the quarterly investments committee blue book.	The Office of Investment Management has implemented reports that are reviewed every week that assess the value addition to performance owing to active management. Therefore, the Board considers that this recommendation has been implemented.	X			
2	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	Part (a) of the recommendation was closed by the Board in 2018. The Office of Investment Management took note of part (b) and indicated that the asset and liability management study had been presented to the United Nations Joint Staff Pension Board in July 2019 after consultation with, and with	Part (a) of the recommendation has been implemented. Regarding part (b), the Board noted that the asset and liability management study, which evaluates the Fund's foreign exchange exposure, among other functions, was presented in July 2019. The Board also acknowledged the	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			addition to regular monitoring of the fair value of the assets.	the full support of, the Investments Committee, the Committee of Actuaries and the Fund Solvency and Assets and Liabilities Monitoring Committee. This study is considered an internal mechanism through which the Fund monitors and evaluates its foreign exchange exposures. The Fund stated that it monitored foreign exchange exposures on a daily, weekly and quarterly basis, through different reports that highlight fund exposures and active risk, including currency risk. Finally, each asset class has currency and country deviation limits in place, which also restrict the amount of currency exposure relative to the benchmarks included in the investment policy statement. The Office of Investment Management indicated that the action plan to address currency exposure included actions such as the implementation of the fixed income benchmark and the cash benchmark, and the implementation of the risk dashboard report and the risk navigator report. It also indicated that there were no more actions planned and	mechanisms developed by the Office of Investment Management to monitor and evaluate the losses or gains owing to foreign exchange. Therefore, the Board considers that this recommendation has been implemented.				

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				that there was nothing else that could be done as the action plan had been completed.					
3	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.	The Board has reviewed the evidence provided by the Office of Investment Management in the email sent on 13 June 2019. The evidence provided by the Fund is the contract entitled "Service legal agreement for Bloomberg order management system", which constitutes the evidence necessary for establishing that this recommendation has been fulfilled. The contract was signed on 6 July 2019 by the Director of the Procurement Division, on behalf of the Pension Fund, and Bloomberg's general partner. Therefore, this recommendation is considered implemented.	X			
4	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 Fund submitted to the Board evidence of implementation in December 2019. There are no outstanding client queries in Outlook. The Fund developed procedures for iNeed. Emails are sent to clients providing a service request number, which can be referenced by clients when communicating with the Fund. An immediate	The Board reviewed the evidence provided and found it sufficient. Therefore, this recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Response of the Fund*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			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.	response is sent to the client immediately after the query is received. Status updates are provided if required by the client. iNeed has a functionality to send updates to clients when a query is resolved.					
5	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 the processing of benefits. As the Integrated Pension Administration System is still in the process of being enhanced, and reliable historical data are being gathered, the Fund decided to maintain the benefits processing benchmark for all types of benefits. Any revision thereto will be carried out in the context of the preparations for the Fund's next strategic framework. The cases of death in service are covered in the analysis conducted by the Fund.	The Board has reviewed the following information: (a) the evidence provided by the Fund related to the annual performance report and which shows that, as at October 2019, the 75 per cent benchmark had been fulfilled; (b) of the total benefits provided by the Fund, the one for which the highest percentage of applications is received (72 per cent) is withdrawal settlement (article 31 of the Regulations of the Fund), and, in this sense, the Fund has maintained the 75 per cent of initial benefits processed within 15 business days for the most common benefits; (c) regarding the time taken to process the other types of benefits, which are more specific, such as deferred	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					retirement benefit (article 30) and residual settlement (article 38), these benefits represent 1 per cent of the requests from beneficiaries. The Fund requires additional time for those cases. However, the idea is to accommodate those processing times so as to comply with the 75 per cent benchmark already established and not to give them a different benchmark. Therefore, this recommendation is considered implemented.				
6	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 that all related activities, from the date of the mailing to the follow-up actions, were completed within a calendar year. (b) Additional tools were deployed in the Integrated Pension Administration System member self-service 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	(a) The Board has reviewed the evidence provided by the Fund in a document entitled "Certificate of entitlement annual timeline", which establishes the certificate of entitlement process for one year. (b) The Board verified the total number of beneficiaries with access to the certificate of entitlement and there were no two-track or duplicate certificates of entitlement. In addition, the Board reviewed additional evidence provided by the Fund in respect of this issue. (c) The Fund provided evidence in respect of enquiries with the local JP Morgan Bank, in which the possibility was explored of	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				banks to distribute benefit payments in 190 countries. Moreover, the Fund's correspondent bank confirmed that local regulations limited the banks' involvement.	engaging corresponding banks in the certificate of entitlement process. However, the response of the bank was negative. Therefore, this recommendation is considered implemented.				
7	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 Office of Investment Management has finalized and approved the risk budget for all categories of the assets.	The Board considers this recommendation implemented.	X			
8	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.	The Fund continues to improve the already strong relations with the member organizations through designated focal points to facilitate and expedite the submission of separation documents. The Fund implemented a tool to show the status of the separation documents for each separating staff through the member self-service. In order to enhance the communication with member organizations, the Fund has launched business intelligence dashboards on a new member organization site within the Fund's intranet to show the status of separation documents provided by organizations. The Fund has also been working with Systems, Applications and Products in Data Processing and United Nations	The Board reviewed the evidence provided by the Fund, namely, the guidance for the electronic submission of separation documents. A tool to display basic separation proof documents in the member self-service was deployed in June 2017 and allows member self-service users to see the status of the separation personal action form, the separation notification form (PF4) or the payment instruction documents in the Integrated Pension Administration System. The Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Headquarters to implement the so-called PF4 interface to receive the contribution information for separating staff, which will replace the separation notification form (PF4). Owing to the coronavirus disease (COVID-19) crisis, the electronic submission of separation documents is now available for all member organizations through dedicated mailboxes. The Fund has also started a project to accept the payment instruction through the member self-service.					
9	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.	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.	The Board has reviewed the following information: (a) the evidence provided by the Fund related to the annual performance report and which shows that, as at October 2019, the 75 per cent benchmark had been fulfilled; (b) of the total benefits provided by the Fund, the one for which the highest percentage of applications is received (72 per cent) is withdrawal settlement (article 31 of the Regulations of the Fund), and, in this sense, the Fund has maintained the 75 per cent of initial benefits processed within 15 business days for the most common benefits;	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					(c) regarding the time taken to process the other types of benefits, which are more specific, such as deferred retirement benefit (article 30) and residual settlement (article 38), these benefits represent 1 per cent of the requests from beneficiaries. The Fund requires additional time for those cases. However, the idea is to accommodate those processing times so as to comply with the 75 per cent benchmark already established and not to give them a different benchmark. Therefore, the recommendation is considered implemented.				
10	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 (separation notifications) regarding retiring staff. 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	The Fund has not provided any evidence of expeditious action taken towards implementation. Therefore, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				expand this initiative to other member organizations and explore mechanisms for the electronic submission of separation documents.					
11	2016	A/72/5/Add.16, chap. II, para. 112	The Board recommends that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.	The Fund submitted to the Board evidence of implementation in December 2019. There are no outstanding client queries in Outlook. The Fund approved procedures for the use of iNeed.	The Board considers this recommendation implemented.	X			
12	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.	All system fixes related to the closing of workflows were implemented. A small number of outstanding workflows will continue to exist since benefit entitlement cases are processed daily but the batch closing is conducted weekly. Thus, any remaining workflows are mostly those already processed but pending weekly batch closure.	The Board obtained access to the business intelligence dashboard to test the information provided by the Fund. As a result, the Board considers this recommendation implemented.	X			
13	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 is procuring consulting services to conduct the audit of the Integrated Pension Administration System. Technical evaluation is being conducted by an ad hoc panel. The audit will be completed in 2020.	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 service, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
14	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 requirements for the two separation data interface projects with the United Nations (managed through Umoja) were defined and are currently with Systems, Applications and Products in Data Processing. The Integrated Pension Administration System will be adjusted accordingly. In parallel, the Fund continues to improve the already strong relations with the member organizations through designated focal points to facilitate and expedite the submission of separation documents. The Fund has started a pilot project with the United Nations Development Programme and the United Nations Children's Fund to receive separation notifications (PF4s) electronically. Owing to the COVID-19 crisis, the electronic submission of separation documents is now available for all member organizations. The Fund has created dedicated mailboxes for this purpose.	As the new data interface is still in progress, the recommendation is considered under implementation.		X		
15	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	The Fund submitted to the Board evidence of implementation in December 2019. There are no outstanding client	The Board reviewed the evidence provided and found it sufficient. Therefore, this	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			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.	queries in Outlook. The Fund developed procedures for iNeed. Emails are sent to clients providing a service request number, which can be referenced by clients when communicating with the Fund. An immediate response is sent to the client immediately after the query is received. Status updates are provided if required by the client. iNeed has a functionality to send updates to clients when a query is resolved.	recommendation is considered implemented.				
16	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 yet implemented, the recommendation is considered under implementation.		X		
17	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 stated that the action plan to address currency exposure included actions such as the implementation of the fixed income benchmark and the cash benchmark and the implementation of the risk dashboard report and the risk navigator report. It also indicated that there were no more actions planned and that there was nothing else that could be done as the action plan had been completed.	The Board noted the progress made by the Office of Investment Management to expedite the implementation of the recommendations of the independent review. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
18	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.	As a result of the Board's recommendation and a third-party currency management study, the Office of Investment Management changed the cash benchmark to the United States dollar as the only benchmark on 1 October 2018, to reduce currency risk and mitigate the amount of uncompensated foreign exchange exposures within the Fund, after extensive consultation with all stakeholders. After further analysis and in the context of the asset and liability management study, the Office also changed its fixed income benchmark, as recommended in the currency management study, which was implemented on 1 October 2019. In addition, the Office stated that the study included an analysis of the currency composition of the liabilities resulting from the two-track feature and a currency hedging analysis.	The Board acknowledged the actions taken by the Office of Investment Management as a result of implementing this recommendation, which included an evaluation of the currency composition of the liabilities, among others. In addition, the Board noted a reduction of non-United-States-dollar exposure since 2017. Therefore, the recommendation is considered implemented.	X			
19	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.	As part 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	The Board has reviewed the last asset and liability management study as the evidence provided by the Office of Investment Management. The study, presented in July 2019, comprises the following	X			

						Status after verification			
No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Implemented	Under implementation	Not implemented	Overtaken by events
				risk. As pointed out in the currency management study and included in the statement of work for the asset and liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset and 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 and liability management study will be to evaluate the advantages and disadvantages of currency hedging overlay strategies.	main objectives: (a) to match the Fund's liability projections as prepared by the Fund's consulting actuary in the actuarial valuation of 31 December 2017; (b) to conduct a thorough risk analysis of the Fund; and (c) to evaluate the current long-term investment strategy and provide advice on improving the strategy. Therefore, this recommendation is considered implemented.				
20	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 asset and liability monitoring study was completed in June 2019 and presented to the Board in July 2019. As part of the study, the Office of Investment Management implemented a new fixed income benchmark to reduce uncompensated currency risk. As pointed out in the currency management study and included in the asset and liability monitoring study, Ortec Finance, which was retained as the consultant	As part of the asset and liability monitoring study, the Fund implemented a new fixed income benchmark to reduce uncompensated currency risk. The Board noted that the action plan to address currency exposure was conducted by the Office of Investment Management. The Board noted the actions taken and concluded that the recommendation had been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				assisting in the completion of the asset and liability monitoring study, analysed the currency composition of the liabilities in relation to the asset side in order to gain an in-depth understanding of the currency matching at the balance sheet level. The Office of Investment Management indicated that the action plan to address currency exposure included actions such as the implementation of the fixed income benchmark and the cash benchmark and the implementation of the risk dashboard report and the risk navigator report. It also indicated that there were no more actions planned and that there was nothing else that could be done as the action plan had been completed.					
21	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.	The Office of Investment Management implemented a cash benchmark in October 2018 and implemented a new fixed income benchmark in 2019 to reduce uncompensated currency risk. The Fund stated that each asset class had currency and country deviation limits in place established in the risk budget, which also restricted the amount of	In the investment policy statement issued in 2019, the new benchmarks were included and, considering that the currency exposure was addressed through the currency and country deviation limits established in the risk budget, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				currency exposure relative to the benchmarks included in the investment policy statement.					
22	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 stated that the procurement process for the critical software had been completed.	As long as the acquisition of the software has not been executed, the recommendation remains under implementation.		X		
23	2018	A/74/5/Add.16, chap. II, para. 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.	In line with the recommendation, the Fund submitted the financial statements for the year ending 31 December 2019 with changes in the certification.	The Board reviewed the changes in the certification of the financial statements stemming from this recommendation and concluded that the recommendation had been implemented.	X			
24	2018	A/74/5/Add.16, chap. II, para. 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.	The Fund updated the presentation of credit risk for fixed income investment in accordance with the International Public Sector Accounting Standards (IPSAS) to enhance the completeness and transparency of the information.	The Fund reflected additional disclosures related to credit risk in the 2019 financial statements. The Board noted the breakdown of the credit risk disclosures, including the unrated fixed income securities to reflect the risk exposure of all its debt securities, as well as the addition of a maturity analysis, and concluded that the recommendation had been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
25	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management has updated the existing procedure included in its operations manual for withholding tax by adding further details and expanding explanations of the steps related to the monitoring and decision-making process for withholding tax receivables. The tax policy and procedures manual was approved on 27 May 2020.	In the tax policy and procedures manual approved on 27 May 2020, the Board noted the progress made through the addition of further details and explanations of the steps related to the monitoring and decision-making process for withholding tax receivables. Therefore, the recommendation is considered implemented.	X			
26	2018	A/74/5/Add.16, chap. II, para. 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.	The Fund regularly exchanges information and cooperates with its member organizations to expedite the submission of separation documents. Evidence of regular interactions has been provided. Regarding other enhancements, the Fund recently implemented system enhancements to automate the follow-up of missing payment instruction forms.	The Board reviewed the evidence provided by the Fund related to the communication with the member organizations, mainly with the United Nations Children's Fund and the United Nations Development Programme, where most of the open workflows are located. With these emails, the Board obtained evidence that the Fund is in constant communication with the other organizations in order to improve the process and close the open workflows in a coordinated manner.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					In addition, the Board was provided evidence by the Fund through a document on workflows for missing documents from reporting entities opened as of 31 December 2017, which showed the 84.99 per cent reduction of open cases as at 29 November 2019. Therefore, the recommendation is considered implemented.				
27	2018	A/74/5/Add.16, chap. II, para. 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.	The Pension Entitlements Section monitors the ageing of all open workflows and requests missing documents from member organizations and/or participants. Workflows that have been open for more than three years are periodically reviewed and closed. This is an ongoing process, but significant progress has been achieved.	Evidence for the implementation of the recommendation has been provided. Therefore, this recommendation is considered implemented.	X			
28	2018	A/74/5/Add.16, chap. II, para. 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.	The Fund reviewed and closed these workflows. Owing to a broad categorization, death notifications contributed to the number of workflows included in this category. The Fund also continues to liaise with member organizations to ask them to submit required documents. The Fund has achieved significant progress in this area, with only 81 cases open as at the end of April 2020.	Evidence for the implementation of the recommendation has been provided. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
29	2018	A/74/5/Add.16, chap. II, para. 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.	The Fund introduced changes in the interface logic to clean these cases. The changes resulted in a reduction from 9,486 cases in 2017, to 4,019 cases in 2018 and to 174 cases as at the end of April 2020. The remaining cases can be explained by the fact that it was not possible to implement an automated solution for cases that are received in hard copy The Fund will continue to clean cases as they emerge.	Evidence for the implementation of the recommendation has been provided. Therefore, this recommendation is considered implemented.	X			
30	2018	A/74/5/Add.16, chap. II, para. 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.	The pilot project with the International Civil Aviation Organization was completed in October 2019. The programme direction team for the interface programme first met in November 2019. The business case and programme definition document were updated. The project development team approved the extension of the pilot project to the United Nations Industrial Development Organization (through an agreement with Systems, Applications and Products in Data Processing) and two other member organizations (the World Intellectual Property Organization or the International Fund for	The evidence provided for the implementation of this recommendation is not sufficient. Therefore, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				Agricultural Development). Schedules for pending interface projects and the roll-out of the monthly contributions project to other member organizations will be completed in the medium term. The business intelligence dashboard for participation reconciliation exceptions was implemented in April 2020. The dashboards are scheduled to be shared with member organizations in June 2020. The reconciliation data are updated daily to reflect any resolution of the discrepancies. When the monthly financial interface is in operation, it will be possible to process and view the participation reconciliation exceptions the day after the data are received.					
31	2018	A/74/5/Add.16, chap. II, para. 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	The pilot project with the International Civil Aviation Organization was completed in October 2019. The programme direction team for the interface programme first met in November 2019. The business case and programme definition document were updated. The project development team approved the extension of the pilot	The evidence provided for the implementation of this recommendation is not sufficient. Therefore, the recommendation is considered under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Response of the Fund*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
			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.	project to the United Nations Industrial Development Organization (through an agreement with Systems, Applications and Products in Data Processing) and two other member organizations (the World Intellectual Property Organization or the International Fund for Agricultural Development). Schedules for pending interface projects and the roll-out of the monthly contributions project to other member organizations will be completed in the medium term.					
32	2018	A/74/5/Add.16, chap. II, para. 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.	The Board considered the recommendation implemented. The revised user access management procedure, the password policy and the active directory policy were updated for devices using the latest operating systems. The Fund also completed the implementation of the new password policy, which began in early 2019.	The Board obtained the necessary evidence and considers this recommendation implemented.	X			
33	2018	A/74/5/Add.16, chap. II, para. 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	To address the recommendation, a revised version of the user access management procedure was approved on 12 February 2019. To ensure compliance with user account controls, the Enterprise Security Unit annually conducts the user	The Board obtained the necessary evidence and considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			procedure, adjusting it to the current operation dynamics of the Fund and their related risks.	account recertification process on the basis of the revised user access management procedure.					
34	2018	A/74/5/Add.16, chap. II, para. 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.	The user accounts monitoring process is well defined in the revised user access management procedure. Since January 2017, the Fund has conducted periodic reviews of user accounts. In addition, the user account recertification process is completed annually.	The Board obtained the user access management procedure. Therefore, the Board considers this recommendation implemented.	X			
35	2018	A/74/5/Add.16, chap. II, para. 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.	The census data for the actuarial valuation of the Fund as at 31 December 2019 was prepared and submitted to the consulting actuary with the required validations and sign-offs. To address the recommendation, the Fund reviewed the census data preparation process, specifying the detailed review conducted by the Risk Management and Legal Services Section, and Financial Services prepared a detailed description of the review and produced evidence of the review and sign-offs.	Evidence for the implementation of the recommendations has been provided, namely, the revised risk and control matrix for the census data and the process map, a description of the review performed by Financial Services and the Risk Management and Legal Services Section, and the sign-offs by the Risk Management and Legal Services Section, Financial Services and the Accounts Section. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
36	2018	A/74/5/Add.16, chap. II, para. 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.	The Fund is using the iNeed system for handling and tracking all client queries. Email queries received by the Fund prior to the implementation of iNeed were handled in July 2019.	Evidence for the implementation of the recommendations has been provided. Therefore, this recommendation is considered implemented.	X			
37	2018	A/74/5/Add.16, chap. II, para. 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.	iNeed assigns a random unique service request number to each query. Clients receive an email notifying them of the service request number and that their query has been received. Then, they receive an email reply to their query, also containing the service request number. Finally, when the service request has been considered resolved, clients receive an email with the service request reference stating that the query is considered resolved. Although clients cannot log into the system to track the whereabouts of the query, they can contact the Fund at any time to request an update on the status of the query. This is similar to the process followed for queries addressed to the information and communications technology help desk system or any other system.	The evidence provided by the Fund was a screenshot of the iNeed e-mail with the service request number for receipt and a message on the resolution of the issue. In this document, the Board noted the unique tracking number assigned to the queries. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
38	2018	A/74/5/Add.16, chap. II, para. 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.	On the basis of a memo from the Legal and Compliance Unit containing an assessment of the probability of outflows of resources arising from legal cases pending, the Fund did not need to recognize a provision for contingent liabilities for the year ended 31 December 2019.	The Board reviewed the memo on contingent liabilities from the Legal and Compliance Unit containing an assessment of the probability of outflows of resources. Therefore, this recommendation is considered implemented.	X			
39	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management took the following actions to incorporate environmental, social and governance metrics into the Office's investment decision-making process: (a) the investment policy statement of the Office was updated to state that all of the Office's activities integrate the principles of sustainable investing, including taking into account environmental, social and governance metrics, while remaining entirely consistent with its fiduciary responsibility to meet its long-term investment objective; (b) guidelines were created that clearly explain the integration of environmental, social and governance metrics and are to be used in the investment decision-making process for each respective asset class;	The workplan implemented by the Office of Investment Management seeks to ensure the integration of the environmental, social and governance metrics into the investment decision-making process across all asset classes. Therefore, the Board considers that this recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				(c) investment officers across all asset classes were formally trained on the methodology and functionality of all internal and external environmental, social and governance platforms to further enhance their understanding of the tools and facilitate the integration of environmental, social and governance metrics into their investment decision-making processes; (d) efforts were made to ensure that environmental, social and governance analysis and metrics are streamlined and built into the documentation process of the investment recommendation process and overseen by the Internal Investment Committee, for internal public equity and fixed income, and the Private Markets Committee, for private equity, real estate and real assets; (e) a yearly report on sustainable investing was published and the Office website was updated to include information on the Office's approach to sustainable investing; (f) attendance is logged for all training sessions, a confirmation from the sustainable investing team on attendance and the					

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				completion of trainings is to be sent to each senior investment officer, and each senior investment officer is required to sign off on the integration guidelines upon receipt; and (g) senior investment officers are encouraged to integrate environmental, social and governance considerations into their investment decision-making process.					
40	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management created guidelines that clearly explain the integration of environmental, social and governance metrics and are to be used in the investment decision-making process for each respective asset class.	As long as the training sessions have not been finalized and the guidelines have not been approved, the recommendation remains under implementation.		X		
41	2018	A/74/5/Add.16, chap. II, para. 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	The Office of Investment Management sustainable investment team has developed in-house automated environmental, social and governance assessment tools that allow investment officers to analyse and evaluate	The Office of Investment Management has developed automated environmental, social and governance assessment tools that allow investment officers to analyse and evaluate environmental, social and governance metrics for their	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			documentation that such metrics were considered during the process before approval.	environmental, social and governance metrics for their respective portfolio holdings. The environmental, social and governance analysis tool is embedded within the broader investment model that allows all investment teams to perform both fundamental and environmental, social and governance analyses simultaneously to improve efficiency in their investment decision-making processes. These environmental, social and governance investment support tools were rolled out to the public equity teams in 2019 by the sustainable investment team and continue to be supported by them. The sustainable investment team has also automated the Office's investment rationale to populate relevant data for portfolio managers that include both environmental, social and governance metrics and fundamental metrics for any equity security being considered for investment.	respective portfolio holdings. Therefore, the Board considers this recommendation implemented.				

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*Response of the Fund*	*Assessment of the Board*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
42	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management sustainable investment team has developed guidelines on due diligence with external managers for private market teams that outline material environmental, social and governance factors to consider, how each factor is used in the context of private markets, best practices for environmental, social and governance incorporation by an external fund and how these material environmental, social and governance factors can have an impact on the risk-adjusted return of the Fund's private markets portfolio. Furthermore, the sustainable investment team has finalized and streamlined a formal environmental, social and governance process that is now embedded into the private market investment decision-making process for each private market team and must be followed prior to submitting investment recommendations. The sustainable investment team is currently developing a dashboard system for private markets similar to that of the public equity to provide material fundamental and environmental, social and governance data.	The Board acknowledges the progress that has been made; however, while it is not possible to verify that the actions taken are achieving the desired results, the recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
43	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management has finalized the first part of the process of seeking services related to the processing and fund administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process as it has many steps and involves other areas, such as procurement and the Office of Legal Affairs, to be finalized, as well as the technical implementation phase.	The Board acknowledges the progress that has been made; however, it considers that implementation is still in progress. Therefore, the recommendation is considered under implementation.		X		
44	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management has finalized the first part of the process of seeking services related to the processing and fund administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December	The Board acknowledges the progress that has been made; however, it considers that implementation is still in progress. Therefore, this recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				2020 reflects the fact that it is a lengthy process as it has many steps and involves other areas, such as procurement and the Office of Legal Affairs, to be finalized, as well as the technical implementation phase.					
45	2018	A/74/5/Add.16, chap. II, para. 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.	The Office of Investment Management has finalized the first part of the process of seeking services related to the processing and fund administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process as it has many steps and involves other areas, such as procurement and the Office of Legal Affairs, to be finalized, as well as the technical implementation phase.	The Board acknowledges the progress that has been made; however, it considers that implementation is still in progress. Therefore, this recommendation is considered under implementation.		X		
Total					**45**	**33**	**12**	**–**	**–**
Percentage					**100**	**73**	**27**	**–**	**–**

Annex XIII

Membership of the Governance Working Group (as of July 2020)

Member	
Md. M. Rahman (United Nations)	Governing bodies
J. E. Garcia II (UNESCO) (Chair)	Governing bodies
M. H. Lopez (United Nations)	Executive heads
A. Vanhoutte (FAO/WFP)	Executive heads
I. Richards (United Nations)	Participants
I. Zabaar (IAEA) (Vice-Chair)	Participants
W. Sach	FAFICS
G. Schramek	FAFICS

Annex XIV

Comments of the Governance Working Group on the report of Mosaic Governance Advisors

1. The Governance Working Group highly appreciates the efforts of Mosaic Governance Advisors in conducting an independent analysis of the governance of the United Nations Joint Staff Pension Board, pursuant to General Assembly resolution 74/263, within a limited time and under the current challenges of coronavirus disease (COVID-19).

2. The Working Group views the report with keen interest and notes that a number of the recommendations made by Mosaic are in line with the current thrust of the Working Group to further review participation at sessions of the Board; clarify and harmonize the terms of reference and working methods of committees and working groups of the Board; and develop a code of conduct and appropriate measures to strengthen the integrity and effectiveness of the Board.

3. When Mosaic was selected, the Working Group conveyed, through the Chief Executive for Pension Administration, its opinion that the scope of the governance analysis should closely follow the parameters of paragraph 8 of General Assembly resolution 74/263. That opinion was reiterated during an informal dialogue held with Mosaic in June 2020.

4. The Working Group is of the view that the report of Mosaic and some of its recommendations go beyond the scope defined by the General Assembly, in particular in paragraph 8 (c), with regard to the "implementation of a review and rotation scheme for the adjustment of the composition of the Pension Board on a regular basis, to allow eligible member organizations to share rotating seats in a fair and equitable manner".

5. The best practices and comparative analysis in the report are informative for the Pension Board, but the unique context and background of the United Nations Joint Staff Pension Fund need to be taken into account.

6. The Working Group underscores the need for inclusive reflection on how the governance of the Board can be strengthened. As requested by the General Assembly in its resolution 74/263, the views of the Board should be submitted to the Assembly before action is taken on the recommendations contained in the report.

7. A number of the recommendations would alter the fundamental nature, governing principles, size, composition, practices and working culture of the Board. Their implementation would entail making significant amendments to the Regulations and Rules of the Pension Fund. It would therefore be necessary to provide ample time for all Board members and stakeholders to carefully study them, understand their implications and discern their feasibility.

8. **The Governance Working Group recommends that the Board adopt the following language on the item for its report to the General Assembly:**

> **The Board highly appreciated the efforts of Mosaic Governance Advisors in conducting an independent analysis of the governance of the Board, taking into account best practices, in accordance with General Assembly resolution 74/263, in a short amount of time and under difficult circumstances.**
>
> **The Board took note of the preliminary comments of the Governance Working Group, which it agreed to annex to its report to the General Assembly.**

Board members engaged in an initial exchange of views and expressed the following:

(a) **The Board expressed interest in and appreciation for the quality of the report and the information on best practices;**

(b) **The Board noted that the implementation of some of the far-reaching recommendations contained in the report would entail making significant amendments to the Regulations and Rules of the Fund and alter the nature, size and composition, and practices of the Board;**

(c) **The Board noted that a number of recommendations went beyond the specific parameters set forth in the General Assembly resolution;**

(d) **Because the report was received only during the Board session, the Board would have appreciated more time to study the recommendations, and their implications and feasibility, before giving their views.**

Way forward:

(a) **The Board may wish to request Mosaic to conduct further analysis, taking into consideration the initial views provided by the Board.**

(b) **The Board may wish to request the Governance Working Group to further study, in consultation with constituent groups and member organizations, the recommendations made by Mosaic and submit a report to the Board at its next session.**

Enclosure

Letter dated 28 August 2020 from the founder and Chief Executive Officer of Mosaic Governance Advisors addressed to the Secretary of the United Nations Joint Staff Pension Board

Attached herewith is the report of Mosaic Governance Advisors on the comprehensive review of governance of the United Nations Joint Staff Pension Fund, which has been revised based upon feedback received (see attachment).

We respectfully request that you provide a copy of the confidential report to the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, and the Fifth Committee of the General Assembly.

On behalf of Mosaic Governance Advisors we thank the members of the United Nations Joint Staff Pension Board, their alternates and representatives, committees and working groups, and staff for their time and effort in answering questions and providing materials to support the scope of work. Our team relied heavily upon them for historical context and information and received prompt responses to all requests.

(*Signed*) Amy L. **McDuffee**
Founder and Chief Executive Officer
Mosaic Governance Advisors

Attachment

Comprehensive review of the governance of the United Nations Joint Staff Pension Fund: a confidential report to the General Assembly

Executive summary

1. Pursuant to General Assembly resolution 74/263, Mosaic Governance Advisors, an independent external entity with expertise in pension fund governance matters, conducted a comprehensive and objective analysis of the governance of the United Nations Joint Pension Staff Fund from 19 June 2020 to 13 July 2020. The objective of the analysis was to compare the Pension Fund to best practices applied in international public pension organizations and make recommendations regarding:

(a) Governance structure of the United Nations Joint Pension Staff Board and its committees;

(b) Role, responsibilities, and practices of the Pension Board that are relevant for the proper governance of the Fund;

(c) A strategy to transition governance of the Fund to align with best practices.

2. The present report sets out 1 recommendation to the General Assembly and 15 recommendations to the Pension Board from across the scope of work that, if implemented, would make structural and procedural changes to the Board, which would modernize its operations and serve to minimize the gap between the Pension Fund and governance best practices.

Key findings and conclusions

3. Mosaic conducted interviews with Board members, representatives and alternates. The following views were shared by most interviewees: the Pension Fund provides a very important benefit; the relationship between the General Assembly and the Pension Board has changed in recent years; rebuilding trust should be a priority; each constituent group should be represented in the composition of the Board; there are areas of imbalance in various aspects of governance structure, process and practices; there is insufficient clarity, transparency and communication at all levels within the governance structure and with stakeholders.

4. Differing views gathered through the interview process revealed that the following themes need resolution to create better, more effective governance for the Pension Fund: confusion about the roles and mandates of the Board, its leadership, the Standing Committee, and the Bureau; disagreement about which principles are important to the governance of a pension fund; and the level to which improvement to governance is needed to enhance overall effectiveness. Some interviewees believed that minimal change was needed to improve governance. Others held a contrary view. For example, as one interviewee noted: "The Pension Fund is in a political governance framework which is inappropriate for a financial institution."

5. Mosaic's review demonstrated that the variance between the governance practices of the Pension Fund and international public pension fund governance best practices is significant in each of the scope areas. The following two overarching themes explain the variance: (a) the Pension Board itself appears to be at a different stage in its life cycle than what is typically observed in best practice public pension fund boards; and (b) the governance structure of the Fund lacks the clear, modern fiduciary framework typically observed not only in best practice public pension funds, but in the vast majority of public pension funds.

6. If the objective is to align the governance of the Fund with pension fund best practices, change is needed to the Fund's governance structure and practices.

7. The recommendations made to the Pension Board appear in table 1. They are best viewed within the context of the findings and analyses set forth herein. A transition strategy is also provided to depict an approach to implementing the recommendations.

Table 1
Recommendations to the Pension Board

Report section	*Description*	*Variance from best practices (minimal/significant)*	*Recommendation*
II.A	Board size	Significant	*Recommendation 1* The Board should: (a) seek changes to the Regulations to create a smaller, nimbler Board; (b) strive for consensus but adhere to the Rules, which specify that a vote be taken by a majority of the Board members present; (c) limit the use of alternates and non-voting members to strengthen Board accountability and align fiduciary decision-making to those with a Board seat.
II.B	Board composition and allocation of seats	Significant	*Recommendation 2* The Board should: (a) recommend to the General Assembly that the interpretation of the principle of "fair and equitable" be redefined to one that solely reflects a fiduciary focus; (b) maintain the tripartite structure; (c) seek change to the Regulations to: (i) establish a requirement to hold an annual general meeting; (ii) provide retirees with voting privileges; and (iii) set forth that employees of the Pension Fund may not occupy pension boards.
II.C	Board meeting frequency	Significant	*Recommendation 3* The Board should: (a) develop and adopt an annual workplan for the Board and its committees; (b) based on the needs articulated in the workplan, schedule a sufficient number of regular Board and committee meetings during the year; (c) schedule a strategic planning session either on a stand-alone basis or coupled with one of the regular Board meetings.

Report section	*Description*	*Variance from best practices (minimal/significant)*	*Recommendation*
II.D	Board terms and rotation	Significant	*Recommendation 4* The Board should: (a) eliminate the concept of rotation as it relates to Board seats in favour of having Board continuity; (b) seek to amend the Regulations to: (i) establish specific, staggered terms of service for all Board seats; (ii) adopt limits on the number of terms that Board members can serve overall and consecutively; and (iii) establish parameters for Board seat vacancies.
III.A.1	Pension Board purpose and role	Significant	*Recommendation 5* The Board should: (a) clarify the purpose and role of the Board as one of overall stewardship, oversight and setting strategic direction; (b) establish a long-term, future vision of success for the organization; (c) transform the Board to a stage 4, visionary/ institutional board; (d) commit to making the corresponding governance changes necessary to support the Board in making its transformation.
III.A.2 (a)	Pension Board responsibility: fiduciary responsibilities	Significant	*Recommendation 6* The Board should: (a) seek changes to the Regulations to clarify its role as a fiduciary to the Fund, and expressly state the duties and standards to which fiduciaries will be held accountable; (b) provide appropriate fiduciary training to Board members, alternates, and representatives, upon initial induction to Board service and periodically thereafter.
III.A.2 (b)	Pension Board responsibility: span of governance responsibilities	Significant	*Recommendation 7* The Board should: (a) create terms of reference for the Board as a collective body; (b) create terms of reference or a comparable document for the Standing Committee, Bureau, Succession Planning Committee and working groups; (c) seek change to the Regulations to limit the mandate of the Standing Committee to appeals, and allow appeals to be presented before the Standing Committee more frequently;

Report section	Description	Variance from best practices (minimal/significant)	Recommendation
			(d) create a smaller mechanism of the Board that can operate as a consistent decision-making body throughout the year and serve as the Chief Executive of Pension Administration's point of contact; (e) provide the terms of reference to those individuals considering candidacy or appointment to the Board or its committees; (f) rebalance the responsibilities among the Board and its committees and determine whether new committees are needed; (g) ensure that all responsibilities are appropriately fulfilled.
III.A.3	Terms of reference for the Chair of the Pension Board	Significant	*Recommendation 8* The Board should: (a) eliminate the cycle of Chair rotation and elect a Chair from its entire membership based on the candidate's ability to satisfy the duties, competencies and time availability; (b) increase the term length to align with the strategic planning cycle, and specify limits for the number of overall and consecutive terms; (c) increase the level of expected responsibility, authority and accountability so that the Board Chair is responsible for Board performance; (d) enhance the Board Chair terms of reference; (e) create terms of reference for all other Board leadership roles.
III.A.4	Terms of reference for all Pension Board members	Significant	*Recommendation 9* The Board should: (a) enhance its terms of reference for individual Board members to align with best practices; (b) ensure the terms of reference are used to support the entirety of the Board member life cycle, from candidacy and appointment to induction and onboarding, to self-evaluation.
III.B	Board and Standing Committee restrictions and limitations	Significant	*Recommendation 10* The Board should: (a) identify and evaluate the risks present to it in fulfilling its fiduciary responsibilities in the light of constraints; (b) revisit and resolve the intended scope of the Standing Committee versus the scope of the Bureau.

Report section	*Description*	*Variance from best practices (minimal/significant)*	*Recommendation*
III.C	Self-evaluation methodology	Significant	*Recommendation 11* The Board should: (a) conduct a self-evaluation annually; (b) ensure full Board discussion of the self-evaluation to support the principle of building trust and commitment to continuous governance improvement; (c) codify the Board's principles in a policy that is accessible to all stakeholders; (d) provide the Board Chair with the authority, responsibility and accountability to customize the self-evaluation working methods within the contours of the Board's principles.
III.D	Standards of professional and ethical conduct, including conflicts of interest	Significant	*Recommendation 12* The Board should: (a) ensure timely completion of the code of conduct as developed by the Governance Working Group; (b) develop a comprehensive policy in accordance with best practice elements; (c) ensure proper resourcing of the ethics and compliance programme to effectively support the policy; (d) subject Board members to the same financial disclosure process as Pension Fund staff.
III.E	Oversight of culture	Significant	*Recommendation 13* The Board should: (a) set out cultural expectations for the organization in connection with the long-term future vision of success; (b) modify the self-evaluation process to incorporate an assessment of Board culture; (c) enhance the monitoring of organizational culture.
III.F	Executive evaluation	Significant	*Recommendation 14* The Board should: (a) delegate the responsibility of evaluating the Deputy Chief Executive of Pension Administration to the Chief Executive of Pension Administration; (b) develop a Chief Executive of Pension Administration evaluation process to align with best practice working methods outlined herein; (c) establish a process, consistent with best practice working methods, to annually evaluate the Board Secretary;

Report section	Description	Variance from best practices (minimal/significant)	Recommendation
			(d) codify the evaluation processes in a policy that is made available to stakeholders to underscore the principles of transparency and accountability.
III.G	Succession planning	Significant	*Recommendation 15* The Board should: (a) mitigate short-term succession risk at the Board Secretary level through a Deputy Board Secretary position; (b) establish a practice of long-range succession planning for executive positions and the Board Secretary position, consistent with best practice working methods; (c) establish a practice of long-range succession planning for Board member positions, consistent with best practice working methods; (d) conduct long-range succession planning discussions at the full Board level with the support of the Succession Planning Committee.

Transition strategy

8. Mosaic's recommendation is to establish a new 15-member transition board for the Pension Fund, utilizing candidates from the current pool of 93 Board members, alternates and representatives. All 93 current Board members, alternates and representatives would be expected to evaluate the professional credentials of the candidates and ultimately vote for the new transition board members.

9. The primary and immediate purpose of the transition board is to take the steps necessary to implement the recommendations in the present report. The steps include operating under delegated authority from the Board to draft and recommend changes to the General Assembly pertaining to the Fund's Regulations. In addition, the Transition Board should evaluate and establish new and necessary Board committees or renew appropriate Board committees. It is recommended that the transition board's committees be comprised of Board members and outside experts appointed by the Board, as needed. Further information on the transition strategy can be found in section IV of the present report.

Pension Board comments

10. Mosaic presented its report to the Board of the United Nations Joint Staff Pension Fund during its sixty-seventh session. Mosaic observed no clear consensus from the Board during the presentation or ensuing discussion. The Board suspended its discussion on the item prior to attaining resolution.

11. Mosaic later confirmed with the Chief Executive of Pension Administration that the Board, through subsequent discussions, was not prepared to accept or reject Mosaic's recommendations. Instead, the Board requested that its Governance Working Group study the recommendations in Mosaic's report and directed the Working Group to provide its recommendations to the Board at the sixty-eighth session in July 2021.

12. During the presentation, Mosaic observed that Board members appeared appreciative of the work performed, along with the quality of work, considering the

time frame provided. Some noted the report's relevancy and that it appeared overall to be an important tool to improve the governance structure of the Fund. Others characterized the recommendations, if implemented, as very rich in terms of the impact that may be achieved. They noted that the recommendations would support the new Chief Executive of Pension Administration in her strategy and direction and would help the Fund to move towards being best in class.

13. Notwithstanding, most Board members who spoke highlighted that insufficient time was provided to the Board to digest the report and give it due consideration; therefore, it was premature to provide constructive feedback or any decisions.

14. Mosaic captured the following additional themes, without attribution, made by Board members in table 2. The themes do not reflect a consensus of the Board. Mosaic remarks to the comments are also provided.

Table 2
Additional Board comments and Mosaic remarks

Themes from Board member comments	*Mosaic remarks*
The report went beyond the scope of General Assembly resolution 74/263. One Board member stated that the report did not go far enough. Another Board member stated that the report did not address the distribution of responsibility among the Board, the General Assembly and the Secretary-General.	The scope of the project was contractually established. Mosaic delivered a report that aligns with the contractual scope.
Board members had been given a very limited amount of time for thorough consideration of the report's far-reaching recommendations.	Mosaic adhered to the timeline specified per the contract scope.
The Pension Fund has no comparable peers, given its geographic, multi-currency, multicultural and multi-linguistic participant and retiree profile. The unique background and context of the Fund should be taken into further consideration.	The United Nations Joint Staff Pension Fund is a pension fund with business objectives similar to other pension funds: to take in contributions, to invest assets and to pay benefits. Therefore, its governance structure may be compared to that of other pension funds. Mosaic acknowledges that all pension funds, like all organizations, have their own unique characteristics. No two pension funds are exactly alike; care is needed when translating and implementing governance standards and best practices.
The Standing Committee should serve as the transition board.	Mosaic does not view the Standing Committee as a tenable alternative to implementing the transition board as recommended. There is a perception among the Board that the Standing Committee is not effective or that its purpose lacks clarity. Mosaic believes that starting anew is necessary to provide for effective change management and successful long-term outcomes.
Mosaic did not address the importance of the staff pension committees to the Fund's governance within its report.	Mosaic addressed the staff pension committees through the recommended mandate of the transition board.

Themes from Board member comments	*Mosaic remarks*
No change is needed due to the Fund's clean financial audits, its sound investment performance and full funding of liabilities. A radical rebuild may introduce risk to the Fund's stability.	Mosaic acknowledges the Fund's successful performance record but notes that appropriate attribution of the outcomes is warranted. Structural governance changes will serve to enhance, and not increase the risk of, the Fund's performance outcomes.
Many issues raised by the report are not new to the Board. They have been studied by the Governance Working Group or its predecessor working groups over the last decade.	Mosaic agrees, noting that more than sufficient time has been given to their study.

Recommendation to the General Assembly

15. Mosaic's singular recommendation to the General Assembly is as follows:

Recommendation to the General Assembly:

(a) **amend the Fund's Regulations in a manner consistent with the recommendations and transition strategy set forth in the present report; and**

(b) **create the transition board with a mandate consistent with the present report.**

Based upon our observations, the following are critical dependencies to a successful outcome:

- A Board election conducted in accordance with the transition strategy set forth in the present report
- A delegation of Board authority for recommending Fund Regulation changes to the transition board
- An accountability mechanism between the General Assembly and the Pension Board to follow progress on the transition strategy, such as an update by the Board to the General Assembly during its seventy-sixth session (2021)

Acknowledgements

16. Mosaic thanks the members of the Pension Board of the United Nations Joint Staff Pension Fund, their alternates and representatives, committees and working groups, and staff for their time and effort in answering questions and providing materials to support the scope of work. The Mosaic team relied heavily upon them for historical context and information and received prompt responses to all requests. Mosaic also extends gratitude to the staff of other public pension funds who agreed to be interviewed for purposes of peer research.

Contents

		Page
I.	Introduction	251
II.	Board structure	253
	A. Board size	253
	B. Board composition and allocation of seats	255
	C. Board meeting frequency	259
	D. Board terms and rotation	261
III.	Board role, responsibilities and practices	263
	A. Terms of reference for the Chair and all members of the Pension Board	263
	B. Board and Standing Committee restrictions and limitations	272
	C. Self-evaluation methodology	273
	D. Standards of professional and ethical conduct, including conflicts of interest	275
	E. Oversight of culture	276
	F. Executive evaluation	277
	G. Succession planning	279
IV.	Transition strategy	280
V.	Appendices	284

I. Introduction

Background and introduction

17. Mosaic Governance Advisors is an independent governance consulting firm, located in the United States of America in the Denver, Colorado, metropolitan area. Mosaic has substantial and relevant experience in public pension fund governance. Mosaic specializes in governance evaluation, benchmarking, strategic planning, board self-evaluation, executive evaluation, succession planning, policy review and development, and other pension fund governance-related matters. The team has extensive experience working with public retirement systems within the United States and internationally as governance consultants and as former executive staff of public pension funds. Mosaic's experience also includes working within the private sector at large financial services and investment consulting firms.

18. Mosaic was selected by the United Nations in June 2020 through a competitive bidding process.

Mosaic's philosophy

19. In Mosaic's experience and in accordance with established industry practices, the core purpose of a pension fund is to collect sufficient contributions from its members, to invest the contributions with skill and care, and to provide benefits and services to the fund's participants, retirees and beneficiaries in a timely and accurate manner.

20. The core principles of achieving sound pension plan governance include: (a) those involved in pension fund governance and management embrace a "financial institution" and "fiduciary first" mindset; (b) a diversity of views is valued; however, as fiduciaries, the sole focus of the board is the best interest of all participants, retirees and beneficiaries; (c) strong, well-functioning boards know where they lead, where they oversee, where they partner with management and where they should not be involved.

21. Pension fund practices that are viewed to be optimal among a range of practices are best practices. They may inform but should not solely define governance decisions. The application of best practices should be customized to each organization and its unique circumstances. Best practices are demonstrated by pension fund boards and organizations that are considered by peers to be leaders in their industry. Some best practices reflect an "industry standard", while others reflect an approach or working method that is recognized as optimal or high functioning.

22. Table 3 delineates the scope areas as set forth by the contract between the United Nations and Mosaic, along with corresponding sections of the report where the areas are addressed.

Table 1
Mapping of scope areas to report sections

Scope area	*Section of the present report where addressed*
(a) Size, composition and frequency of meetings; (b) Allocation of seats; (c) Implementation of a review and rotation scheme for the adjustment of the composition of the Board on a regular basis, to allow eligible	II. Board Structure A. Board size B. Board composition and allocation of seats C. Board meeting frequency

Scope area	Section of the present report where addressed
member organizations to share rotating seats in a fair and equitable manner;	D. Board terms and rotation
(d) Terms of reference for the Chair and all members of the Pension Board, including the issue of conflict of interest;	III. Board role, responsibilities and practices A. Terms of reference for the Chair and all members of the Pension Board 1. Pension Board purpose and role 2. Pension Board responsibilities 3. Terms of reference for the Chair of the Pension Board 4. Terms of reference for all Pension Board members
(e) Self-evaluation methodology and any appropriate restrictions or limitations of the Pension Board and its Standing Committee;	B. Board and Standing Committee restrictions and limitations C. Self-evaluation methodology
(f) Any other aspects that may be identified as relevant for the proper governance of the Fund, including: (i) Development of a code of conduct for Board members; (ii) Mechanisms to assess the performance of senior management of pension funds for the purpose of assigning accountability and evaluating results; (iii) Measures to ensure that integrity and ethical values are ingrained in the culture of the Pension Fund; (iv) Mechanisms and measures to ensure timely and proper succession planning with regards to top Pension Fund officials; (v) Evaluating and assessing the value of Pension Board committees and the criteria for membership in such committees.	D. Standards of professional and ethical conduct, including conflicts of interest E. Oversight of culture F. Executive evaluation G. Succession planning
Transition strategy	IV. Transition strategy

Review methodology

23. Mosaic conducted a thorough discovery process, including interviews with Pension Board members, alternates and representatives, in their respective constituency groups, along with supporting Pension Fund staff. Questionnaires were used for consistency across all groups. We attended a meeting of the Governance Working Group to field its questions regarding the scope and timing of the review. We further reviewed relevant documentation, including Pension Board Regulations and Rules, terms of reference and policies. In addition, we performed research on a group of 15 global pension fund peers[1] selected by us and agreed upon by certain members of Pension Fund leadership. Using the results of the discovery process, we analysed aspects of the Pension Fund governance structure, processes and practices, as compared with peer research, interviews, proprietary best practices checklists, and experience and expertise working with pension funds. To maintain accuracy, we performed a fact check of specific aspects of information with Pension Fund leadership. Finally, we summarized findings, analyses and recommendations in the present report and presented it to the Board during its sixty-seventh session.

[1] See appendix 1.1, Peer list.

Report organization: comparing Pension Fund governance practices with best practices

24. To compare Pension Fund governance practices with industry best practices, each section of the report is organized as follows: an overview of Mosaic's understanding of the current situation and historical context of the Pension Fund, as applicable, is provided. A description of best practices based on Mosaic's knowledge, experience and observations follows. Mosaic's analysis of how the Pension Fund varies from best practices in that specific area is provided. The variance is labelled as either of two categories: minimal – the Pension Fund practice essentially aligns with best practices; or significant – the Pension Fund practice differs from best practices. Each section concludes with a recommendation to align the Pension Fund with best practices.

II. Board structure

25. The section addresses the following four scope areas:

(a) Board size;

(b) Board composition and allocation of seats;

(c) Board meeting frequency;

(d) Board terms and rotation.

A. Board size

Size of the United Nations Joint Staff Pension Board

26. The Board is comprised of 33 members having voting rights, 29 alternates, 25 representatives of the member organizations' staff pension committees, 4 non-voting representatives and 2 alternates of the Federation of Associations of Former International Civil Servants. Attendance at Pension Board sessions typically exceeds 100 people.[2] Pension Fund rules for the Board[3] specify voting; however, in practice, interviewees reported to us that the Board rarely votes and instead relies on a consensus-based approach that takes into consideration the views of non-voting Board members, alternates and others in attendance.

Best practices: board size

27. The average board size for large public sector pension boards is between 9 and 11 members, with most boards having between 5 and 19 members.[4] The use of alternates is an accepted practice; however, having more than one alternate per board seat and/or providing an alternate for all board seats is uncommon. The use of non-voting board seats is also uncommon. It is difficult to establish a "perfect" board size because of the complexity of pension funds, applicable laws, rules, regulations and members' needs.

---

[2] Owing to the attendance of representatives, observers, individual experts, committee members and ex officio members in addition to Board members.

[3] United Nations Joint Staff Pension Fund rules of procedure, section A.6; and Regulations, annex III.

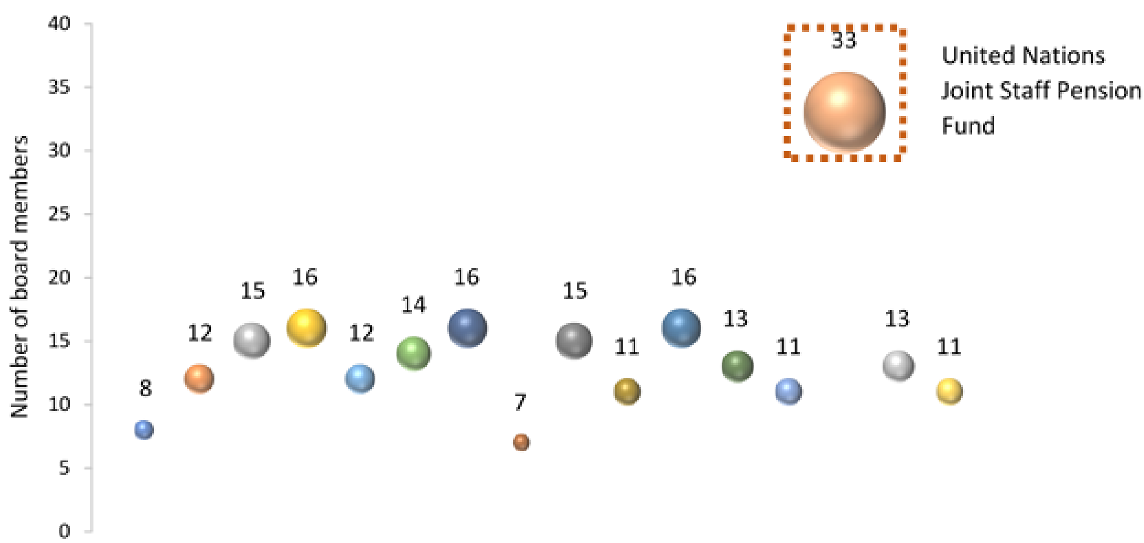
[4] National Association of State Retirement Administrators, "Overview of public pension plan governance", November 2019.

28. Researchers and sociologists have concluded that, regardless of sector or industry, smaller boards are correlated with better performance.[5] Board size that allows for a diversity of opinions, proportionality, fairness, transparency, adequate stakeholder representation, sufficient skills and experience, as well as functional effectiveness and efficiency, is viewed as ideal. Attaining consensus is an aim; however, voting in accordance with parliamentary or procedural rules is common.

Board size: variance from best practices – significant

29. The variance between Pension Fund practices and best practices in board size is significant. As depicted in figure I, the size of the Pension Board is an outlier relative to the group of selected peers. Attendance at Pension Board sessions, including members, alternates, observers, ex officio appointees and independent experts, is without peer comparison. Limited use of alternates and non-voting members is seen in other pension funds. Active participation in board deliberations is limited to board members only.

Figure I
Comparison of board size: United Nations Joint Staff Pension Board and selected Pension Fund peers



> **Recommendation 1**
>
> **The Board should: (a) seek changes to the Regulations to create a smaller, nimbler Board; (b) strive for consensus, but adhere to the Rules, which specify that a vote be taken by a majority of the Board members present; and (c) limit the use of alternates and non-voting members to strengthen Board accountability and align fiduciary decision-making to those with a Board seat.**

[5] Robert C. Pozen, "What GE's board could have done differently", *Harvard Business Review*, July 2018, available at https://hbr.org/2018/07/what-ges-board-could-have-done-differently.

B. Board composition and allocation of seats

Pension Fund Board composition

30. The Board's composition, depicted as of 2019 in table 2, was designed to reflect the long-standing principle of "fair and equitable representation". Composition is based on a formula for calculating the number of active participants for each member organization. As the Fund grew (the number of participants grew and more member organizations joined) and matured (the retiree population grew), the options for satisfying the principle of "fair and equitable" became more limited; the concept of rotation was introduced to address the situation. Differences of opinion exist among the Board and its constituent groups as to whether the current composition satisfies the principle of "fair and equitable" and whether the assumptions driving the formula are accurate.

Table 2
Pension Board composition (as of 2019)

Group	*Number of members*	*Composition*
I. United Nations	12	United Nations Staff Pension Committee
		4 from members elected by the General Assembly
		4 from members appointed by the Secretary-General
		4 from members elected by the participants
II. FAO	3	FAO Staff Pension Committee
		1 from members elected by the governing body
		1 from members appointed by the Director General
		1 from members elected by the participants
WHO	3	WHO Staff Pension Committee
		1 from members elected by the governing body
		1 from members appointed by the Director General
		1 from members elected by the participants
Staff pension committees in groups III, IV and V (15 members)		
III. UNESCO	2	5 from members elected by the governing bodies
ILO	2	
IAEA	2	
IV. UNIDO	2	5 from members appointed by the Chief Executive Officers
WIPO	1.5	
ICAO	1.5	
ITU	1	
V. WMO	1	5 from members elected by the participants
IMO	1	
IFAD	1	
IOM	1	

Abbreviations: FAO, Food and Agriculture Organization of the United Nations; IAEA, International Atomic Energy Agency; ICAO, International Civil Aviation Organization; IFAD, International Fund for Agricultural Development; ILO, International Labour Organization; IMO, International Maritime Organization; IOM, International Organization for Migration; ITU, International Telecommunication Union; UNESCO, United Nations Educational, Scientific and Cultural Organization; UNIDO, United Nations Industrial Development Organization; WHO, World Health Organization; WIPO, World Intellectual Property Organization; WMO, World Meteorological Organization.

31. The tripartite composition provides representation from member organizations' governing bodies, administration and participants. Representation of a segment of the retiree population occurs through representatives of the Federation of Associations of Former International Civil Servants, but without voting rights. Board members are members of the staff pension committees after being appointed from the General Assembly and from the bodies of other member organizations corresponding to the General Assembly and appointed by the Secretary-General or other chief administrative officers, or elected by staff members of the member organizations.

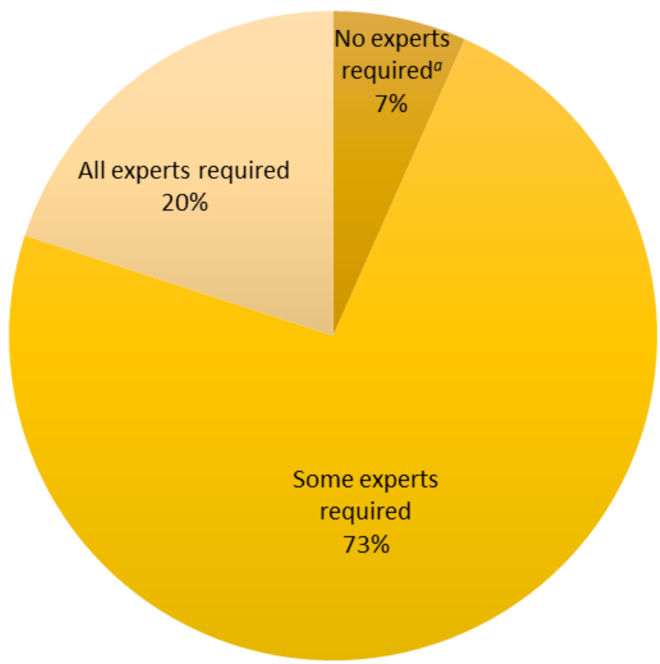
Best practices: board composition

32. A range of practices exist within the international public pension fund community, including the following:

(a) Board composition that provides for "adequate" representation and expertise through a mixture of plan participants (both active and retired), government officials and/or other public members. As depicted in figure II, that reflects 80 per cent of the selected peer group;

(b) Board composition that solely focuses on expertise and skills with appointed representation ("board of experts" model) (20 per cent of the selected peer group).

Figure II
"Experts" representation on the boards of the peer group



Note: "Experts" include external independent experts and/or constituent members required to have expertise. External experts possessed or were required to possess a level of expertise in areas such as accounting, actuarial science, administration of an employee benefit plan, banking, business, climate-related finance, economics, education, fiduciary law, information technology, investment management, public policy, retirement and risk management. The peer group included 15 pension boards.

[a] Although no experts are required by governing law, one peer has experts on its board, in practice.

33. The principle of "fair and equitable" is achieved by other pension fund organizations through the application of a modern fiduciary framework, which requires all board members to act in the best interests of all participants, retirees and

beneficiaries, even though the fund may be servicing hundreds of employers and hundreds of thousands of participants.[6] That holds true even for pension funds in which the concept of constituent representation is expressed through board composition, such as it is with the Pension Fund.

34. Board members individually and collectively possess appropriate skills, experience and pension expertise to execute their fiduciary responsibilities. Taken together, the board's collective expertise and representation provide assurance to participants, employers and sponsors as to the fairness, reasonableness, effectiveness and efficiency of the board as it exercises its fiduciary roles, responsibilities and duties.

35. Best practice pension boards that provide retirees with a board seat also provide voting rights and equal board privileges. To ensure that all constituent voices are infused in the work of the board, best practice peers hold an annual general meeting for participants, retirees or beneficiaries, at which they can ask questions and interact with board members, but not participate in the board's decision-making. To maintain proper independence of the board, non-executive pension fund staff do not occupy a board seat in best practice pension settings.

Pension Board qualifications

36. In the Regulations, there are no specific knowledge or expertise requirements to serve as a Pension Board member. Furthermore, there is no formalized method or documented standard, such as a skills matrix or competencies, for evaluating candidates against the criteria for membership at the full Board level. It was reported to us that the constituent groups informally seek out those from among their ranks who may have the best background to fit the perceived responsibilities of the Board.

Pension Fund committee qualifications

37. A standard process for populating some committees is set forth in the Regulations and Rules; however, the method by which qualifications of potential committee members are considered and evaluated is not standardized or documented. The Committee of Actuaries is comprised of independent actuaries who bring professional skills and expertise to the Board's proceedings; that is a unique structure that appears to be working well, as reported to us by interviewees. The Audit Committee is comprised of two independent experts as well as qualified members from the Board, staff pension committees and retirees. Qualifications are set out in the section 3 of the Committee's terms of reference. That is consistent with best practices and was also reported as working well by interviewees.

38. Interviewees noted that the Board reviews the curricula vitae of all potential members of the Audit Committee prior to approving their appointment. However, we observed no specific process-related documentation to that effect. Similarly, it was reported that the Succession Planning Committee sought members from among the constituent groups possessing background and/or expertise relevant to the business of the committee; however, no formalized or standardized approach was used, and there are no comparable terms of reference for the Committee or documentation of the process for sourcing members. To supplement and further serve to professionalize the Succession Planning Committee's work, an independent executive recruitment firm was retained to assist with the recruitment of the Chief Executive of Pension Administration; it was reported to us that the process worked well.

[6] See Appendix 1.3, Peers: employers served.

Best practices: qualifications of board members

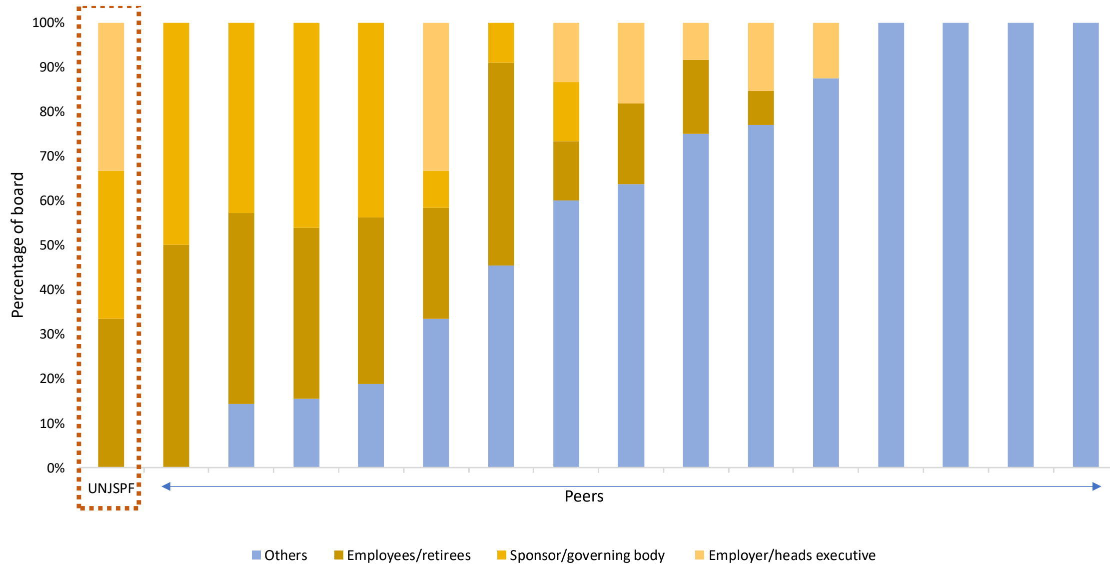
39. In some markets, the regulatory oversight body is involved in establishing the set of foundational skills or competencies required for pension board members and assessing whether candidates satisfy those skills.[7] Pension board members must sit through training and take a test to demonstrate their competency before they begin their service to the board. That follows the theme of professionalizing boards to ensure they are equipped with the collective set of skills and expertise necessary to fulfil fiduciary functions, independently challenge management and exercise leadership. A variety of methods can be used to "professionalize" a board: a board or committee can retain independent outside consulting expertise, populate committee seats with external experts, require that board and committee members themselves have specific expertise, require that board members receive continuing education and training, or use a combination of those methods. There is a trend in some markets for the pension regulator to require a certain amount of ongoing education and training for pension fund board members, regardless of their backgrounds or expertise.

Board composition and allocation of seats: variance from best practices – significant

40. The variance between Pension Fund practices and best practices in board composition is significant. The current interpretation of the principle of "fair and equitable" for all member organizations creates a representation focus instead of a fiduciary focus. Alternates and non-voting board seats are utilized to an extent that has no comparison among best practice peer pension funds. Retirees represented on the Pension Board are not permitted to vote at Board meetings. The Pension Fund does not currently hold an annual general meeting for all participants, retirees and beneficiaries. Pension Fund Regulations currently permit Pension Fund staff employees to serve on the Board. As depicted in figure III, there are no Board members external to the Pension Fund operating environment that hold Board seats. The Pension Board does not use a skills matrix in assessing Board candidates.

[7] A sample board and board member skills matrix and competencies was provided to the Pension Board.

Figure III
Peer data: board representation



Note: The "Others" category includes executive staff members of the organization that invest fund assets, members with varying backgrounds chosen by a body that is comprised of a single or mix of constituents, such as employees, employers and sponsors, and members required to have expertise in some manner related to the pension field.

Abbreviation: UNJSPF, United Nations Joint Staff Pension Fund.

Recommendation 2

The Board should: (a) recommend to the General Assembly that the interpretation of the principle of "fair and equitable" be redefined to one that solely reflects a fiduciary focus; (b) maintain the tripartite structure; and (c) seek change to the Regulations to: (i) establish a requirement to hold an annual general meeting; (ii) provide retirees with voting privileges; and (iii) set forth that Pension Fund employees should not be able to occupy seats on the Pension Board.

C. Board meeting frequency

Frequency of Board meetings

41. Per the rules of procedure,[8] the Board shall meet in sessions not less frequently than once every two years. In practice, Board meetings are held annually as multi-day, in-person events. The rules also specify that special sessions of the Board are held upon the decision of the Board or of the Standing Committee, or at the request of most of the members of the Board. In practice, special meetings of the Board rarely occur.

42. Interviewees reported lengthy sessions and long hours for each day of the Board's proceedings; however, interviewees' perceptions are that most decisions are not finalized until the last two days of the annual meeting session. Some found it

[8] Rules of procedure of the Pension Fund, section A.1.

challenging to dedicate the time and focused energy to Board proceedings given their demanding day jobs.

43. Historically, the Standing Committee met to conduct Board business when the full Board was not in session. It was reported to us that, over time, the practice evolved to meeting once per year, either immediately before or during the annual Board session, to review appeals cases. Current practice is for the Standing Committee to meet immediately before the Board session. Other Committees of the Board, including the Audit Committee, the Fund Solvency and Assets and Liabilities Monitoring Committee and the Succession Planning Committee, meet more frequently. The Audit Committee has embraced the good practice of creating an annual workplan of routine and forward-looking items to guide its work. The Board does not approve the Audit Committee's workplan.

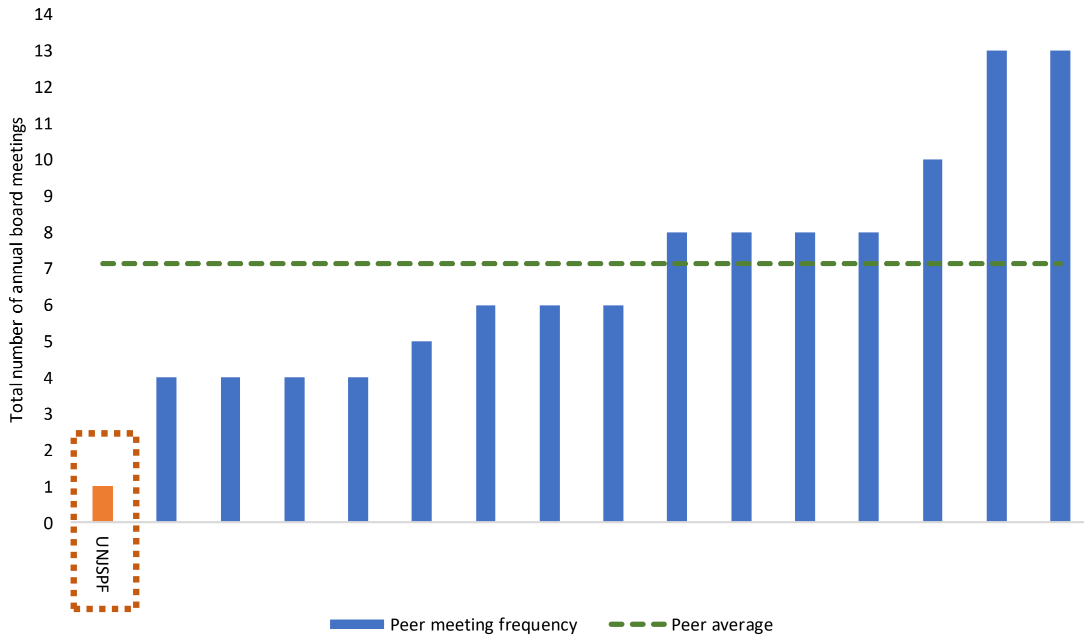
Best practices: board meeting frequency

44. The need for meetings and meeting frequency is determined using a board-approved annual board and committee workplan that reflects the cycle of routine required board action as well as the board's need to be responsive to strategic, forward-looking issues. Single annual board meetings are extremely rare. On average, the selected pension fund peer group boards met 7 times per year; meeting occurrences ranged from 4 times per year to 13 times per year. Generally, the number of meeting days ranges from a one- to three-day board meeting cycle. Lengthier board meeting cycles typically accommodate meetings of the full board and all committees during the same cycle. Many leading pension fund boards earmark an annual planning session to address strategic, forward-looking issues. Special board meetings in addition to the annual meeting calendar are conducted on an as-needed or required basis. Monthly board meetings are becoming uncommon. Consideration is given to the dynamic nature of the external climate within which the fund operates; the board needs the ability to act and react based upon changing circumstances. For example, during the early stages of the COVID-19 pandemic, Mosaic research indicated that 67 per cent of non-United States public pension fund boards reported meeting more frequently to be in a position to address the crisis and the novel risks it posed. Many pension fund peers have temporarily transitioned to an online board meeting format in response to the pandemic.

Board meeting frequency: variance from best practices – significant

45. The variance between Pension Fund practices and best practices in board meeting frequency is significant. As depicted in figure IV, single annual board sessions for a plan the size of the Pension Fund is without comparison in the selected peer group, or in any other large public pension fund of which Mosaic is aware. Board sessions are atypically long, both in number of days and hours per day, minimizing the potential for effectiveness and group productivity. The Board and some committees do not have an annual workplan of routine and forward-looking items from which to evaluate or align meeting frequency.

Figure IV
Board meeting frequency: comparison with peers



Abbreviation: UNJSPF, United Nations Joint Staff Pension Fund.

Recommendation 3

The Board should: (a) develop and adopt an annual workplan for the Board and its Committees; (b) based on the needs articulated in the workplan, schedule a sufficient number of regular Board and committee meetings during the year; and (c) schedule a strategic planning session, either on a stand-alone basis or coupled with one of the regular Board meetings.

D. Board terms and rotation

Pension Fund Board terms and rotation

46. Documentation describing the terms of Board members and the election or appointment processes, including timing, eligibility and the method by which they occur, is not readily accessible to stakeholders. Elected United Nations Staff Pension Committee members (participants' representatives and members of the General Assembly), according to the Regulations, have a four-year term limit. A cycle of routine annual rotation occurs in alignment with a schedule adopted by the Board. Board members can separate from the post from which they were initially appointed or elected during their term and continue to hold their Board seat.

Board terms: best practices

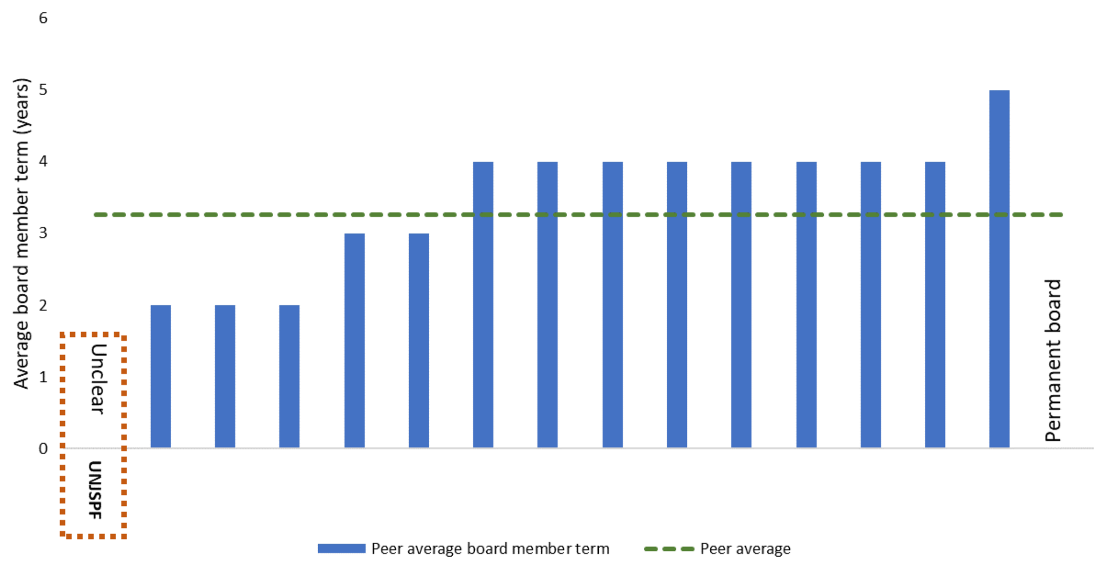
47. It is best practice to seek a blend of tenured and fresh faces on the board to maintain continuity while bringing new thinking to the boardroom. Best practices also prefer an established term of no less than three years, since it takes approximately two to three years for board members to become knowledgeable and comfortable with aspects of the business of the board beyond their area of expertise. Terms are

staggered and term limits are prescribed for the total maximum allowable terms, both consecutive and overall, to balance the principles of board continuity and periodic refreshment. Together, those measures help the board to avoid a situation whereby it has too many "similarly situated" board members. Rotation of board seats is uncommon and is not considered to be best practice.

Board terms and rotation: variance from best practices – significant

48. The variance between Pension Fund practices and best practices in board terms and rotation is significant. There is a lack of clarity and transparency regarding the length of Board tenure (terms) and conditions that trigger a Board seat vacancy. As indicated in figure V, peer funds typically have terms for board members. The Board relies heavily on frequent seat rotation, compromising the principle of board continuity. There is no transparency regarding Board member terms, term limits and Board member replacement processes.

Figure V
Length of term of board members: peer comparison



Note: The length of terms of ex officio board members is not included. The peer fund length of term was averaged. There were varying term lengths for different board members. The peer fund length of term ranged from two to six years.

Recommendation 4

The Board should: (a) eliminate the concept of rotation as it relates to Board seats in favour of having Board continuity; and (b) seek to amend the Regulations to: (i) establish specific, staggered terms of service for all Board seats; (ii) adopt limits on the number of terms that Board members can serve overall and consecutively; and (iii) establish parameters for Board seat vacancies.

III. Board role, responsibilities, and practices

49. The section addresses the following seven scope areas:

(a) Terms of reference for the Chair and all members of the Pension Board;

(b) Board and Standing Committee restrictions and limitations;

(c) Self-evaluation methodology;

(d) Standards of professional and ethical conduct, including conflicts of interest;

(e) Oversight of culture;

(f) Executive evaluation;

(g) Succession planning.

A. Terms of reference for the Chair and all members of the Pension Board

Context

50. Terms of reference codify the various aspects of governance, including purpose, role, responsibilities and other expectations of the position or body for which they were created. To comprehensively evaluate terms of reference, due consideration must be first given to identifying and comparing underlying governance aspects with best practices. Therefore, the following subsections are addressed herein:

(a) Pension Board purpose and role;

(b) Pension Board responsibilities;

(c) Terms of reference for the Chair of the Pension Board;

(d) Terms of reference for all Pension Board members.

1. Pension Board purpose and role

Pension Fund Board purpose and role

51. Regulations specify the Board's purpose as one of administration (article 4 (a)). Most interviewees articulated the Board's purpose as being "administration", as specified per the Regulations, but appeared to differ in their understanding of administration. In the aggregate, interviewees presented us with inconsistent and divergent interpretations of the Board's purpose and role, including:

(a) Strict administration in accordance with regulations and rules;

(b) Oversight and policymaking;

(c) Involvement in benefits and investment decision-making.

52. Notwithstanding the different interpretations, the Board's purpose and role were characterized by interviewees as being relatively constant over the past two decades. The General Assembly's recent decisions to override Board recommendations were noted by interviewees as causing confusion among Board members in the clarity of the Board's role and relationship with the General Assembly.

Board purpose and role: best practices

53. Board members of leading pension organizations have clarity about the board's purpose and role. A clear difference is recognized among the legislative body as

pension plan sponsor, the board's governance function and the pension fund executive management's function:

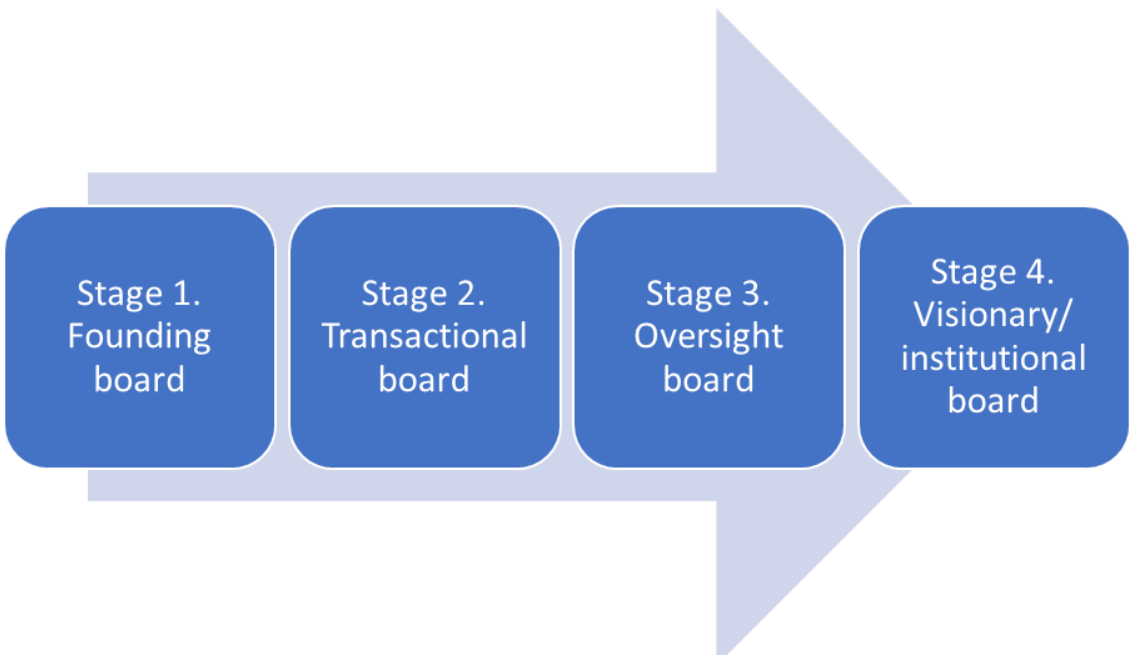
(a) The legislative body is responsible for setting, maintaining and updating the legal framework within which the fund operates;

(b) The board is responsible for overall stewardship, oversight and setting strategic direction;

(c) Pension fund management is responsible for administration.

54. Boards recognize and accept that the line between governance and management evolves periodically with the changing operating climate. Boards and management teams respond by embracing a cultural mindset of continuous improvement to satisfy evolving fiduciary standards of prudence and to optimize governance in alignment with the organization's evolving needs. As pension fund organizations evolve and mature, so too do their governance needs. Pension fund boards tend to evolve through the life cycle stages set out in figure VI.

Figure VI
Board life cycle stages



Note: Appendix 2 describes the four board life cycle stages.

55. Leading pension fund peers have evolved into stage 4, visionary/institutional boards. In that context, the board's purpose and role is to provide oversight of the fund's administration and, as an overall organizational steward, drive towards a future vision of organizational success. The board sets priorities for itself, the organization as an employer and the pension fund, along with its participant programmes and services, and stays focused on their achievement. There is a strong leadership competency within the board that was achieved by transforming the board chair's role from one of facilitating board meetings to facilitating board performance.

Board purpose and role: variance from best practices – significant

56. The variance between Pension Fund practices and best practices in board purpose and role is significant. There is a lack of perceived clarity as to the purpose and role of the Board among the Board members, alternates and representatives. The Board's efforts are focused on achieving annual performance objectives but lack a long-term (e.g. 10-year) organization-wide vision.[9] Recent Board discussions regarding Board structure, representation and conflicts of interest have reportedly shifted the Board's focus, at times, from fulfilling its purpose and role, or from meaningfully participating in visionary/forward-looking topics. Based on the materials reviewed and interviews, it appears that the Board is functioning between a stage 2, transactional board and a stage 3, oversight board.

Recommendation 5

The Board should: (a) clarify the purpose and role of the Board as one of overall stewardship, oversight and setting strategic direction; (b) establish a long-term, future vision of success for the organization; (c) transform the Board to a stage 4, visionary/institutional board; and (d) commit to making the corresponding governance changes necessary to support the Board in making its transformation.

2. Pension Board responsibility

57. The section addresses:

(a) Fiduciary responsibilities;

(b) Span of governance responsibilities.

(a) Pension Fund fiduciary responsibilities

58. Interviewees presented us with divergent and conflicting views about the Pension Fund's legal or organizational status, some of which were untrue, including:

(a) The Fund is a United Nations department or agency;

(b) The Fund is a joint venture between the United Nations and its member organizations;

(c) The Fund is a "trust" and operates for the exclusive benefit of its members and beneficiaries.

59. The lack of clarity has created differing expectations of Board responsibilities, including fiduciary responsibilities. The Regulations on the matter are also unclear. They do not expressly state that the Pension Board and its members are fiduciaries and do not explicitly use the term "trust"; however, the term "fiduciary" is expressly attached to the Secretary-General relative to investing Fund assets.[10] Notwithstanding, the term "fiduciary" appeared in some of the Board-related documents that Mosaic reviewed, such as the Board's self-evaluation.

---

[9] The strategic plan was presented by the Chief Executive of Pension Administration at the July 2020 Board session. The strategic plan is predominantly a Chief Executive of Pension Administration-led, versus Board-led, exercise.

[10] Terms of reference of the Investments Committee. Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund, article 20.III.3.

Fiduciary responsibilities: best practices

60. In a best practice setting, the governing law or regulation for pension organizations is clear on the following important aspects:

(a) Identifies those who are fiduciaries;

(b) Identifies the duties of fiduciaries;

(c) Defines the fiduciary standard to which decision makers will be held accountable;

(d) Expressly provides that the assets of the plan will be held in trust.

61. At a minimum, the relevant fiduciary standard includes the following best practice concepts:[11]

(a) Undivided loyalty to the fund beneficiaries;

(b) The exercise of care, skill, prudence and diligence appropriate to the prevailing circumstances;

(c) The duty to act in accordance with plan documents governing fund performance;

(d) The duty to avoid unreasonable favouritism toward one beneficiary group over another;

(e) The duty to limit fund expenses to amounts that are reasonable and appropriate;

(f) The delegation of duties, when appropriate, to prudently select, instruct and monitor agents;

(g) The duty to refrain from prohibited or conflicted actions.

62. Board members of leading pension organizations are clear on their fiduciary responsibilities, the standards to which they are held and any others who may also be acting in a fiduciary capacity to the fund. Board members are clear that they are to make decisions in the best interest of all members and beneficiaries, irrespective of representation or who elected or appointed them to the board.

Fiduciary responsibilities: variance from best practices – significant

63. The variance between Pension Fund practices and best practices in fiduciary responsibilities is significant. The Regulations are unclear as to the status of Pension Board members as fiduciaries and the accompanying standards to which they will be held. Board members, alternates and representatives lack clarity on applicable fiduciary status, standards and responsibilities. That was underscored by the fact that the majority of Board members, alternates and representatives presented to us through the interview process with a representation-focused mindset versus a fiduciary mindset.

---

[11] The Committee on Fund Governance of the Stanford Institutional Investors' Forum, *Clapman Report 2.0: Model Governance Provisions to Support Pension Fund Best Practices Principles* (Stanford Law School Fiduciary College, 2013), available at https://law.stanford.edu/index.php?webauth-document=event/392911/media/slspublic/ClapmanReport_6-6-13.pdf.

Recommendation 6

The Board should: (a) seek changes to the Regulations to clarify its role as a fiduciary to the Fund, and expressly state the duties and standards to which fiduciaries will be held accountable; and (b) provide appropriate fiduciary training to Board members, alternates and representatives, upon initial induction to Board service and periodically thereafter.

(b) Pension Fund span of governance responsibilities

64. Other than some provisions contained in the Regulations and Rules, there are no terms of reference for the Pension Board. Differences in interpretation of the Board's purpose and role have caused a corresponding lack of clarity about the Board's governance responsibilities. Some Board members, alternates and representatives view their most important governance responsibilities as those related to the Fund's benefits. Others have a more holistic view of their responsibilities as they relate to oversight of the business and affairs of the Pension Fund, including benefits. There is a perception among some Board members that recent governance issues have, at times, taken the Board's focus away from meaningfully fulfilling its responsibilities. Since, in practice, the Board only meets once per year, many responsibilities are addressed through committees that consist of a much smaller subset of Board members, including others who are not sitting Board members or, in the case of the Actuarial Committee, no Board members. Committee minutes are not available to Board members. Instead, summary reports of proceedings are provided once per year in connection with the annual Board meeting. Some Board members reported having difficulty staying abreast of Committee work throughout the year. Furthermore, the time spent by the Board revisiting completed committee business has created a perception among some Board members that committee effectiveness is being negatively affected.

Span of governance responsibilities: best practices

65. Members of leading pension fund boards are clear about the breadth of their responsibilities. As depicted in figure VII, responsibilities encompass the governance of the pension plan and its participant programmes and services, the organization as an employer of staff and the board itself. The responsibilities are codified in terms of reference for the board, its members, the chair and its committees, which are made accessible on the website to all stakeholders, in addition to being used in electing and appointing members to the board.

Figure VII
Best practice span of governance decisions for pension fund boards

66. Leading pension boards strike an appropriate balance between the work that is conducted at the committee level and by the full board. Committees are typically non-delegated, meaning that they make recommendations to the full board but do not make decisions on their own. The exception to that approach is for administrative appeals committees or committees of the whole.

67. Committee minutes and materials are available to all board members so that those not serving can fulfil their fiduciary responsibility of staying abreast of topics addressed by the committee.

68. Leading pension boards use a smaller subset of the board, such as an executive committee comprised of the board chair, vice-chair and a small number of other board members, such as committee chairs, to serve as decision makers between board meetings and as the chief executive officer's primary point of contact. The executive committee has a charter that clearly delineates its purpose and responsibilities along with any appropriate delegations of authority.

69. The following, among others, are typical activities in which full board engagement is expected, as they are board-led practices in which buy-in, commitment or full board visibility is needed:

(a) Chief executive officer evaluation;

(b) Long-range succession planning for the chief executive officer position;

(c) Strategic planning;

(d) Oversight of enterprise risk management;

(e) Oversight of information security;

(f) Oversight of technology, including modernization projects;

(g) Board and committee workplans;

(h) Review and adoption of actuarial assumptions and reports, such as valuations, asset-liability modelling studies, actuarial experience studies and actuarial audits.

Span of governance responsibilities: pension board terms of reference – best practices

70. Common responsibilities of leading pension fund boards, as provided through the boards' terms of reference, include:

(a) Appointment of the chief executive officer and succession planning;

(b) Evaluation of performance;

(c) Compensation matters;

(d) Investments;

(e) Long-range strategic planning;

(f) Financial oversight and stewardship;

(g) Organizational culture oversight;

(h) Plan valuation, experience and administration oversight;

(i) Identification and management of business risks, including cybersecurity risk and reputational risk;

(j) Growth, asset or liability transfers, and new products or services;

(k) Strategic initiatives, including technology modernization projects;

(l) Compliance with regulatory matters and policies;

(m) Strategic communications plan;

(n) Conduct and integrity;

(o) Board skills and effectiveness;

(p) Board policymaking.

Span of governance responsibilities: variances from best practices – significant

71. The variance between Pension Fund practices and best practices in the span of governance responsibilities is significant. There are no terms of reference for the Board itself as a collective governing body, or its Standing Committee, outside of the Regulations and Rules, which fall short of the full span of expected board-led activities. There is a lack of clarity among Board members, alternates and constituent groups about what the responsibilities of the Board are and the process for how and in which venue (i.e. committee, Bureau or working group) they are executed. Mixed sentiment about the authority and responsibilities of the Bureau is hampering its ability to be effective. Therefore, there is no consistent, formalized, small subset of the Board, such as an executive committee of the Board, to be responsive to matters that arise in between Board meetings and to serve as the primary point of contact for the Chief Executive of Pension Administration.

72. There is an imbalance between the work of the Board and its committees. Committee reports are submitted to the Board annually, requiring, at times, significant discussion during the annual Board meeting.

73. The Board, either on its own or through its committees, is performing many of the expected oversight responsibilities within its span of governance. However, it does not appear that the following Board responsibilities are being performed:

(a) Oversight of organizational culture;

(b) Setting a long-range (10-year) vision and accompanying performance measures;

(c) Policymaking in areas of responsibility related to the Board's oversight, such as executive evaluation, succession planning, board self-evaluation, funding policy and standards of professional conduct and ethical behaviour;[12]

(d) Oversight of compliance with the Board's policy framework and standards of ethics;

(e) Discussion of workforce strategy and technology strategy;

(f) Oversight of Pension Fund participant satisfaction surveys and levels of participants' retirement readiness.

[12] It was reported to us that a funding policy is currently under development, and that the Board adopted a code of conduct at its sixty-seventh session. The Board's draft code of conduct was not provided to Mosaic for review.

Recommendation 7

The Board should: (a) create terms of reference for the Board as a collective body; (b) create terms of reference or a comparable document for the Standing Committee, Bureau, Succession Planning Committee and working groups; (c) seek change to the Regulations to limit the mandate of the Standing Committee to appeals, and allow appeals to be presented before the Standing Committee more frequently; (d) create a smaller mechanism of the Board that can operate as a consistent decision-making body throughout the year and serve as the Chief Executive of Pension Administration's point of contact; (e) provide the terms of reference to those individuals considering candidacy or appointment to the Board or its committees; (f) rebalance the responsibilities among the Board and its committees and determine if new committees are needed; and (g) ensure that all responsibilities are appropriately fulfilled.

3. Terms of reference for the Chair of the Pension Board

Terms of reference for the Chair of the Pension Board

74. The terms of reference for the Chair of the Board are publicly available to stakeholders on the Fund website. Per Board rules of procedure (sect. A.7 (a)), the Board elects a Chair annually to preside over meetings of the Board. The Board Chair term is for one year, rotating among the tripartite constituent groups. In practice, the constituent group whose turn it is to put forth a board chair brings forth a nomination, which is formally approved by the Board. Interviewees reported that the Board Chair role has evolved significantly in recent years, requiring more time and attention between sessions to address Board matters.

75. Differences in opinion among the Board exist as to the level of authority afforded to the Board Chair role. The terms of reference for the Chair of the Board focus primarily on responsibilities of the Chair during the Board's session; limited responsibility and authority is granted between sessions. In the rules of procedure (sect. A.7 (b)) and in practice, leadership of the Board is exercised through a Bureau comprising the Chair, two Vice-Chairs and the Rapporteur, to act during the Board's session and between sessions. The Regulations and rules of procedure also provide for a standing committee to act for the Board between sessions, which has a different composition than the Bureau. Confusion among interviewees existed regarding the role and authority of the Board Chair, the Bureau and the Standing Committee. Although the Bureau is a common concept within the broader United Nations system, some do not recognize it as a legitimate entity within the Pension Fund governance construct. Inconsistent and conflicting support for the Bureau among the Board's constituency groups and a lack of trust are hampering the ability of the Board to act between sessions.

Board chair role: best practices

76. Best practices for pension fund boards are to elect a board chair from among its members, based upon the candidate's ability to fulfil the terms of reference, possession of the required competencies and ability to dedicate the necessary time to the role.

77. The board chair terms of the peer pension fund group ranged from one to six years; only one peer fund subjected the position to a rotation cycle. Board chair terms of one year exist, but commonly allow for re-election over consecutive terms and have term limits to support the principle of succession planning. Best practice is to align the term of the board chair with the cycle of strategic planning (e.g. three years) to provide continuity for the implementation of board priorities. The role of the board

chair has transitioned from one of facilitating effective board proceedings to one of facilitating effective board performance. The practice of rotating the board chair role is falling out of favour in recognition of the need for the board to have competent and consistent leadership. In leading pension fund organizations, the board chair and vice-chair work as a team to support proper succession planning among board leadership roles. The expectations of the board chair and vice-chair roles, including their terms, responsibilities, authorities and competencies, are set forth in terms of reference that are made available to all stakeholders through the pension fund website.

Terms of reference for the Chair of the Board: variance from best practices – significant

78. The variance between Pension Fund practices and best practices in the area of terms of reference for the chair of the board is significant. Having the Board elect a Chair from among its members is consistent with best practice; however, the annual practice of rotation among constituent groups effectively limits the slate of candidates to a subset of Board members. The terms of reference for the Chair of the Board are silent on critical information contained in best practice documentation, such as the term, term limits, how the cycle of rotation works, accountability mechanisms and desired competencies.[13] The Board Chair's role is reflective of that of an oversight board model, and not a visionary/institutional board model. The Board Chair's role lacks the broader responsibility, authority and accountability typically found in a best practice setting.

Recommendation 8

The Board should: (a) eliminate the cycle of Chair rotation and elect a Chair from its entire membership based on the candidate's ability to satisfy the duties, competencies and time availability; (b) increase the term length to align with the strategic planning cycle, and specify limits for the number of overall and consecutive terms; (c) increase the level of expected responsibility, authority and accountability so that the Board Chair is responsible for Board performance; (d) enhance the terms of reference for the Chair of the Board; and (e) create terms of reference for all other Board leadership roles.

4. Terms of reference for all Pension Board members

Pension Fund terms of reference for Pension Board members

79. The terms of reference for Pension Board members are publicly available on the Fund website. Although their primary focus is related to conduct, several high-level duties are addressed, including to contribute to the work of the Board and the administration of the Fund, and to become acquainted with Regulations and Rules, and financial principles. There are no required competencies for the role. It is unclear when the terms of reference were adopted or amended. Further, no review cycle is specified.

Terms of reference for Pension Board members: best practices

80. Leading pension fund boards have terms of reference for individual board members that set expectations for board members (responsibilities and conduct) and what they need to know (competencies), including the following:

(a) Fiduciary responsibility;

[13] An excerpt of terms of reference for the Chair of the Board was provided to the Pension Board.

(b) Desired conduct;

(c) Avoidance of conflicts of interest;

(d) Expectations for demonstrating leadership;

(e) Decision-making standards;

(f) Commitment;

(g) Specific duties;

(h) Desired attributes and competencies.

81. The terms of reference support the entire life cycle of board membership, from candidacy, induction and onboarding, ongoing education and development, and regular self-evaluation. The terms of reference are made available on the pension fund's website to facilitate transparency among stakeholders.

Pension Board member terms of reference: variance from best practices – significant

82. The variance between Pension Fund practices and best practices in the area of pension board member terms of reference is significant. The Pension Board's terms of reference do not specifically address many of the elements of best practice terms of reference; the responsibilities that are referenced are not sufficiently specific. It is unclear whether or how the terms of reference support the Board member election or appointment, induction or self-evaluation processes.

Recommendation 9

The Board should: (a) enhance its terms of reference for individual Board members to align with best practices; and (b) ensure the terms of reference are used to support the entirety of the board member life cycle, from candidacy/ appointment to induction/onboarding, to self-evaluation.

B. Board and Standing Committee restrictions and limitations

Pension Fund Board and Standing Committee restrictions and limitations

83. The Pension Board recommends but does not have final approval over key staff, including the Chief Executive of Pension Administration, or external advisors, including the consulting actuary.[14] The Pension Board recommends but does not have final approval over the Pension Fund's operating budget.[15] Administrative expenses incurred by the Board in the administration of the Pension Fund are paid by the assets of the Pension Fund.[16] The Standing Committee has the power to act on behalf of the Board when it is not in session and further delegate certain powers.[17] As mentioned previously, interviewees reported that confusion exists between the Standing Committee and the Bureau. While the powers of the Standing Committee may be appropriate, there is a perception among the Board that they are not being used as intended.

[14] Regulations of the United Nations Joint Staff Pension Fund, articles 7 (a), 9 (a) and 10.
[15] Regulations of the Pension Fund, article 15 (b).
[16] Regulations of the Pension Fund, article 15 (a).
[17] Regulations of the Pension Fund, article 4 (d).

Board and standing committee restrictions and limitations: best practices

84. Best practice pension fund boards have the final approval authority to select or dismiss key staff and independent, appropriately qualified advisers and adopt the fund's annual operating budget. While other pension fund peers may also share similar constraints that limit the board's authority, their boards acknowledge that the constraints do not excuse them from exercising their duty to ensure that necessary expertise is available to administer the fund.

85. Best practice pension fund boards are also aware of their applicable constraints and have policy language specific to their own unique circumstances that sets forth their approach to providing the necessary expertise to enable the pension board to fulfil its fiduciary responsibilities in the administration of the fund. To the extent that the constraints cannot be properly navigated within the broader environment, fiduciaries weigh the benefits and risks of seeking change to the applicable law or regulation.

86. As previously mentioned, pension fund board committees are typically non-delegated committees, except for appeals committees or committees of the whole. Best practices are to have clear lines of authority and documented delegations of authority, irrespective of whether the delegation is to a committee or pension fund executive staff. Delegations of authority are periodically reviewed to ensure their continued prudence and appropriateness.

Board and Standing Committee restrictions and limitations: variance from best practices – significant

87. The variance between Pension Fund practices and best practices in the area of board and standing committee restrictions and limitations is significant. Structural constraints apply to the Board's authority through the Regulations that are not shared by many other pension fund boards. Lack of clarity exists within the Board about its own level of authority and the authority that it has granted to committees or staff.

Recommendation 10

The Board should: (a) identify and evaluate the risks it faces in fulfilling its fiduciary responsibilities in the light of constraints; and (b) revisit and resolve the intended scope of the Standing Committee versus the scope of the Bureau.

C. Self-Evaluation Methodology

Pension Fund self-evaluation process

88. The Pension Board has a process for evaluating its own performance that relies predominantly upon Board member responses to a self-evaluation questionnaire. Past practice has been to administer the survey every other year at the time of the annual Board meeting; all Board members and alternates were asked to participate. The scope of the self-evaluation has evolved over the years to be responsive to the Board's changing set of issues and dynamics. Procedure calls for the results of the survey to be collated, with recommendations for improvement, action and timelines presented to the Board for discussion. It was reported and confirmed through Mosaic's review of the Board's minutes that there was no meaningful discussion among the Board regarding governance improvements. That is consistent with Mosaic's findings that conflict of interest and other governance issues have received significant attention

and discussion during Board sessions, taking time away from that reserved for other agenda items.

89. Participation in the self-evaluation process was reported as declining in the recent past owing to a perception that the questionnaire was too lengthy. Only half (53 per cent) of Board members and alternates responded in connection with the 2018 self-evaluation cycle. It was reported to us that the Audit Committee conducts its own self-evaluation. Discussions were reported as being more meaningful than those that occur at the Board level.

Board self-evaluation: best practices

90. Leading pension fund organizations conduct a self-evaluation discussion annually. A questionnaire may be used as a starting point to gather individual anonymous sentiment from board members, but it does not serve as a substitute for a meaningful and interactive board discussion about the findings. During the discussion, the board collectively discusses priority issues, identifies solutions and achieves consensus on implementation actions and timelines. That serves the principle of building trust and gaining collective commitment to embrace and abide by governance improvements.

91. A common self-evaluation scope is to address the overall effectiveness of the board as a whole and individual board members, including whether any education and training is needed to be properly equipped to fulfil their roles. The performance of board committees and board leadership is also evaluated. Terms of reference, including any board values or governance principles,[18] as well as competencies and codes of conduct, serve as a reference point for the evaluation. The process of self-evaluation should be generally consistent, but with working methods that are sufficiently nimble to meaningfully address specific board needs from year to year. The board chair typically has the responsibility and flexibility to identify specific working methods and create a plan for implementing those methods.

92. Leading pension boards do not hesitate to convene an off-cycle self-evaluation discussion to address and resolve specific issues related to board dynamics in a timely manner. It is common practice for boards to use an outside expert to facilitate the process to ensure independence and infusion of contemporary governance practices or to mediate controversial matters. The conclusions from the self-evaluation discussion yield a board development plan that clearly identifies the consensus improvements to be made and individual board member development plans, as necessary. The self-evaluation process is codified in a policy that is made available to stakeholders to demonstrate the board's commitment to the principle of accountability and transparency.

Board self-evaluation: variance from best practices – significant

93. The variance between Pension Fund practices and best practices in the area of board self-evaluation is significant. The Pension Board self-evaluation is not conducted annually. There is limited ability to customize working methods in a matter that is responsive to evolving issues. The process is predominantly a survey-based exercise, without meaningful discussion or interaction by all Board members.

94. Participation in the process has declined, signalling a perceived loss of value in or commitment to the process. Giving governance issues significant attention and discussion during Board sessions seems to indicate that the Board self-evaluation

[18] An excerpt of a sample board values or principles document was provided to the Pension Board.

process is not serving as an effective "early warning indicator" of issues for the Board as it is in best practice organizations.

Recommendation 11

The Board should: (a) conduct a self-evaluation annually; (b) ensure full Board discussion of the self-evaluation to support the principle of building trust and commitment to continuous governance improvement; (c) codify the Board's principles in a policy that is accessible to all stakeholders; and (d) provide the Board Chair with the authority, responsibility and accountability to customize the self-evaluation working methods within the contours of the Board's principles.

D. Standards of professional and ethical conduct, including conflicts of interest

Pension Board current situation

95. Through the interviews, Mosaic observed differing opinions on the definition of conflicts of interest and how they might present themselves within the governance of the Pension Fund. Observing the highest ethical standards, not seeking to personally benefit from the Fund and acting to prevent any potential, perceived or actual conflict of interest are incorporated into the current Board member terms of reference. However, no Board-approved policy exists to delineate the standards of professional and ethical conduct expected of Board members. The Board's self-evaluation addresses the disclosure of conflicts of interest and the perceived effectiveness of the mechanism in place to address conflicts of interest or conduct issues. In the 2018 self-evaluation, only 15 per cent of responding Board members and alternates agreed that it was effective. The Governance Working Group has revised the terms of reference for members of the Pension Board to include ethical standards and was scheduled to present a code of conduct at the sixty-seventh session of the Pension Board.[19]

Standards of professional and ethical conduct, including conflicts of interest: best practices

96. The primary sources of ethics standards and requirements for pension funds are applicable laws, governing regulations, by-laws and board-adopted policies or codes of conduct. Many pension funds have developed effective ethics and conflict of interest policies. Best practice policies address all facets of the ethics and conflicts landscape and are made available online to all stakeholders.[20] A strong culture of ethics supported by sound policy serves both to deter harmful conduct and to act as an early warning system before harm occurs.

97. An ethics and compliance programme that supports a culture of integrity and ethical values includes the following elements: a comprehensive board-approved policy, regular training, routine required reporting and disclosure, board monitoring and prompt enforcement of infractions. Individuals covered by the programme periodically affirm and verify compliance with conflict rules, regulatory reporting requirements, as applicable, and other policies intended to protect the pension fund against actual, potential or perceived self-interested transactions and conflicts. They are also required to disclose any attempts of undue influence to a proper compliance

[19] It was reported to Mosaic that the Board approved a code of conduct at its sixty-seventh session and that the code would be brought to the attention of the General Assembly at its session in autumn 2020.

[20] Three samples of conduct and ethics policies were provided to the Pension Board.

authority, as determined by the pension fund board. After a determination through due process, as established by the board, board members who act contrary to the board-approved standards of professional conduct and ethical behaviour face suspension, sanction or removal. Boards annually, or more frequently, if necessary, receive a summary of activity of the ethics hotline hosted by an independent third party for pension fund staff. Consistent with staff practices, board members are required to submit to periodic financial disclosure.

Standards of professional and ethical conduct, including conflicts of interest: variance from best practices – significant

98. The variance between Pension Fund practices and best practices in the area of standards of professional and ethical conduct, including conflicts of interest, is significant. The Fund currently lacks a comprehensive Board-approved policy that clearly articulates the standards for professional and ethical conduct expected of Board members and other fiduciaries participating in Board decision-making. While 100 per cent of Board members and alternates that responded to the 2018 Board self-evaluation agreed that they were disclosing potential or actual conflicts of interest, the current mechanism to implement ethical and code of conduct disclosures and monitor and enforce compliance is limited in scope and not viewed by the Board as effective.

Recommendation 12

The Board should: (a) ensure timely completion of the code of conduct as developed by the Governance Working Group; (b) develop a comprehensive policy in accordance with best practice elements; (c) ensure proper resourcing of the ethics and compliance programme to effectively support the policy; and (d) subject Board members to the same financial disclosure process as Pension Fund staff.

E. Oversight of culture

Pension Fund oversight of culture

99. The Pension Fund adopted the Committee of Sponsoring Organizations of the Treadway Commission Internal Control Integrated Framework to structure its internal control system. The Commission’s framework provides certain principles and points of focus relative to the Fund’s governance. The principles and points of focus include demonstrating commitment to integrity and ethical values and setting the tone at the top. The Fund is annually assessed against the principles.

100. In 2018, the Office of Internal Oversight Services reported in its comprehensive audit of the governance structure and related processes of the Pension Fund Board that audit committees typically focus on culture and ethics. The terms of reference for the Audit Committee remain silent on culture. The report of the Pension Board on its sixty-sixth session is silent on Board or organizational culture. The Governance Working Group has revised the responsibilities of Board members to include ethical standards and was scheduled to present a code of conduct at the sixty-seventh session of the Pension Board. The Board has experienced recent cultural issues through conflicts of interest and other governance-related matters that have arisen.

Oversight of culture: best practices

101. Leading pension fund boards acknowledge organizational culture as an asset that contributes to superior, long-term organization-wide performance. Boards acknowledge their responsibility to set, shape and monitor the tone at the top; culture is inextricably linked to reputational risk and the pension fund's brand among stakeholders, the marketplace and the general public. Cultural values are explicitly stated in the strategic plan within the 10-year future vision for the organization.[21] Boards embrace their leadership role, in partnership with management, to establish and monitor culture.

102. Oversight of organizational culture and modelling of appropriate behaviour as part of the tone at the top is an ongoing concern and not just a one-time or once-per-year activity. The boards and senior management of leading pension fund boards adopt clear standards and live by them. The responsibility is embraced by the full board; the audit committee may assist the board in monitoring, as appropriate. Boards set an example by dedicating time and commitment to developing and nurturing their own board culture. Boards hold themselves accountable for their role in organizational culture through their annual self-evaluation process. Attention to organizational culture is threaded through other governance practices, including the evaluation of the chief executive officer and others who report directly to the Board, long-range succession planning and investment beliefs, along with ensuring that the chief executive officer has appropriately incorporated cultural accountability within performance evaluations for all staff.

Oversight of organizational culture: variance from best practices – significant

103. The variance between Pension Fund practices and best practices in the area of organizational culture oversight is significant. It is unclear on the Pension Fund's website if the organization has core values; best practice pension fund organizations publish their strategic plan, including core values, on their websites. The Board's self-evaluation questionnaire does not specifically address culture. The Board does not have a long-term (10-year) future vision for success, which sets out expectations on cultural values. The Board has not routinely received reports from management on organizational culture, such as employee engagement or leadership style assessment studies.

Recommendation 13

The Board should: (a) set out cultural expectations for the organization in connection with the long-term future vision of success; (b) modify the self-evaluation process to incorporate the assessment of Board culture; and (c) enhance monitoring of organizational culture.

F. Executive evaluation

Pension Fund executive evaluation

104. There is no documented process by which the Board conducts performance evaluations of the Chief Executive of Pension Administration or Deputy Chief Executive of Pension Administration. Interviewees reported to us that the Succession Planning Committee had been tasked with developing an executive evaluation process. The Succession Planning Committee reported a primary focus of assisting the Board

[21] Mosaic provided two excerpts of cultural values and future vision documents to the Pension Board.

in the search for executive-level candidates. The work of the Committee has been viewed favourably and the hiring of the Chief Executive of Pension Administration is considered by many Board members to be a key accomplishment of the Board. Owing to the need to promptly fill vacancies, the Succession Planning Committee has not had time to devote to developing an evaluation methodology for the Chief Executive of Pension Administration but indicated to us its intent to do so. Interviewees reported that, in addition to evaluating the Chief Executive of Pension Administration and the Board Secretary (once the post is permanently filled), the Board had indicated its intention to evaluate the Deputy Chief Executive of Pension Administration. Currently, the Succession Planning Committee does not have terms of reference that are consistent with the documentation of other Board committees; therefore, there was no formal documentation available to review to support interviewees' perspectives.

Executive evaluation: best practices

105. Best practice peer boards approve and periodically refresh executive performance evaluation standards and communicate expectations to those being reviewed. Performance evaluations for all executives that report to the board are conducted annually by the full board, with the support of the appropriate committee. Other positions that report to the chief executive officer but have visibility to the board are evaluated by the chief executive officer, with the board having awareness of the general outcomes. Midyear "check-ins" are conducted by the board leadership to provide alignment with the board's consensus direction in between annual evaluations. The evaluation process is codified in a policy that is available to stakeholders to support the principle of providing accountability and transparency.

Executive evaluation: variance from best practices – significant

106. The variance between Pension Fund practices and best practices in the area of executive evaluation is significant. There are no formalized executive evaluation processes or standards. The Board currently plans to evaluate the performance of the Deputy Chief Executive of Pension Administration, who will, once hired, report to the Chief Executive of Pension Administration.

Recommendation 14

The Board should: (a) delegate the responsibility of evaluating the Deputy Chief Executive of Pension Administration to the Chief Executive of Pension Administration; (b) develop a Chief Executive of Pension Administration evaluation process to align with best practice working methods outlined herein; (c) establish a process, consistent with best practice working methods, to annually evaluate the Board Secretary; and (d) codify the evaluation processes in a policy that is made available to stakeholders to underscore the principles of transparency and accountability.

G. Succession planning

Pension Fund succession planning

107. The Chief Executive of Pension Administration and Deputy Chief Executive of Pension Administration are appointed by the Secretary-General on the recommendation of the Board.[22] Short-term succession planning for the Chief Executive of Pension Administration has been addressed through organizational design.[23]

108. The Board created a Succession Planning Committee in 2018. As previously referenced, there are no terms of reference for the Succession Planning Committee. It was reported to us that the purpose of the Succession Planning Committee was to assist the Board in selecting a Chief Executive of Pension Administration, Deputy Chief Executive of Pension Administration and Board Secretary; to develop evaluation methodologies for those roles; and to take a long-term strategic approach to succession planning at the senior levels of the Fund.

Succession planning: best practices

109. Two types of succession planning exist within the public pension fund environment as it relates to top pension fund officials: for management positions and for board member positions. Succession planning practices address both unexpected and longer-term or planned transitions in the executive management positions that report to the board. Succession planning is conducted at the full board level and in alignment with the strategic planning cycle.[24] Committees are used to support a search or recruitment process.

110. Succession planning at the board level ensures that boards can acquire the talent needed, both in recruiting board members and developing board leadership. Even public pension fund boards that cannot select their own board members provide mechanisms to better set expectations for those considering candidacy to the board, whether elected or appointed, and provide for individual board development and board leadership once on the board.

111. Viewed as a group, a board should comprise individuals with a portfolio of skills that allows it to make responsible, informed decisions and to discharge its fiduciary obligations to fund beneficiaries. In a best practice setting, such practices are typically conducted at the full board level and not through a committee.[25]

Succession planning: variance from best practices – significant

112. The variance between Pension Fund practices and best practices in succession planning is significant. Some elements of succession planning are addressed in a way that align with best practices, including the following:

(a) Short-term succession planning for the Chief Executive of Pension Administration is addressed through organizational design;

(b) The Succession Planning Committee focuses on the search and recruitment process;

(c) Short-term succession planning is provided for Board leadership within the annual Board cycle through the use of Vice-Chairs.

[22] Regulations of the Pension Fund, article 7 (a).
[23] Regulations of the Pension Fund, article 7 (c).
[24] A sample of management succession best practice working methods was provided to the Pension Board.
[25] A sample of board succession best practice working methods was provided to the Pension Board.

113. Other important elements of succession planning have not been addressed. For example, there is no short-term succession plan for the new Board Secretary role. The Board also does not have a process by which to engage in long-range succession planning for the Chief Executive of Pension Administration, Deputy Chief Executive of Pension Administration or Board Secretary. Furthermore, the Board does not have a process to gain visibility into the succession risk for the overall organization or to engage in succession planning activities for its own Board members.

Recommendation 15

The Board should: (a) mitigate short-term succession risk at the Board Secretary level through a Deputy Board Secretary position; (b) establish a practice of long-range succession planning for executive positions and the Board Secretary position, consistent with best practice working methods; (c) establish a practice of long-range succession planning for Board member positions, consistent with best practice working methods; and (d) conduct long-range succession planning discussions at the full Board level with the support of the Succession Planning Committee.

IV. Transition strategy

Transition considerations

114. It is an acknowledged fact that changes that are adequately planned, organized and transparent have a higher potential for success. Transitioning the current 33-member Board of the Pension Fund to a smaller board will require significant communications to the members, the leadership of the Fund, the General Assembly and stakeholders.

115. A transition of that nature is the equivalent of and deserves the same level of time, attention and executive and Board sponsorship as one would see with a significant strategic planning project.

Transition board recommendation

116. Mosaic's recommendation is to establish a new 15-member transition board for the Pension Fund, utilizing candidates from the current pool of 93 Board members, alternates and representatives. The recommended approach is to hold an internal election to establish the 15-member transition board. Successful board candidates would be those who receive the greatest number of votes elected from their respective groups until the appropriate number of seats are filled. Candidates interested in and able not only to make the time commitment but also possessing the enthusiasm and professional capacity to address the workplan of the transition board would be able to provide a resume or curriculum vitae and candidate statement document to be distributed before the vote would be held. All 93 current Board members, alternates and representatives would be expected to evaluate the professional credentials of the candidates and ultimately vote for the new transition board members.

117. That approach supports the principles of maintaining the tripartite structure while utilizing the existing institutional knowledge of the Board and establishes a level of continuity as the Board progresses through the recommendations presented in the present report.

118. The transition board would be composed as follows:

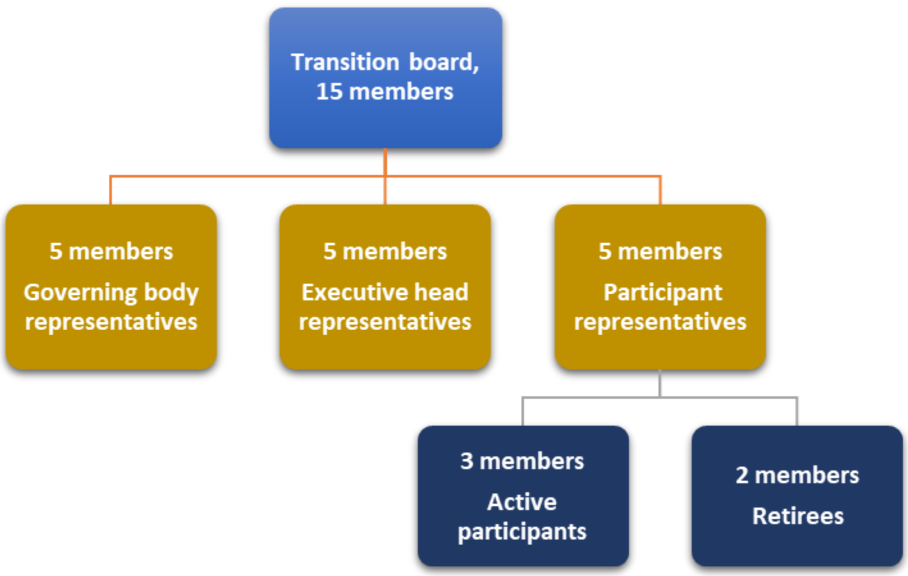
(a) Five members elected from the governing body representatives;

(b) Five members elected from the executive head representatives;

(c) Five members elected from the participant representatives (three active participants and two retirees).

Figure VIII provides a graphical depiction of the proposed structure.

Figure VIII
Proposed structure of the transition board



119. The newly elected transition board members would then establish their own board leadership (chair, one vice-chair and rapporteur) from among themselves through a subsequent election process. There would be no alternates or non-voting board members on the transition board. In order to provide adequate time for the transition board to prioritize and address the recommendations included in the present report, the transition board's mandate would be for a two-year term.

120. Successful governing body and executive head members will initially serve terms as follows:

(a) Four-year term: two candidates with the first and second highest number of votes;

(b) Three-year term: two candidates with the third and fourth highest number of votes;

(c) Two-year term: one candidate with the fifth highest number of votes.

121. Successful participant and retiree group members will initially serve terms as follows:

(a) Four-year term: one participant with the highest number of votes and one retiree with the highest number of votes;

(b) Three-year term: one participant with the second highest number of votes and one retiree with the second highest number of votes;

(c) Two-year term: one participant with the third highest number of votes.

122. Any tie would be resolved by an approach agreeable to the full group.

123. The primary and immediate purpose of the transition board is to take the steps necessary to implement the recommendations in the present report. The steps include operating under delegated authority from the Board to draft and recommend changes to the General Assembly pertaining to the Fund's Regulations. In addition, the transition board should evaluate and establish new and necessary board committees or renew appropriate board committees. Since the transition board is to be elected from the current 93 Board members, alternates and representatives, it will be in the best position to know what committees and advice it needs to fulfil its purpose, role and responsibilities. It is recommended that the transition board's committees be comprised of board members and outside experts appointed by the board, as needed. When the first term of each elected board member expires, all board member terms would transition to a four-year term.

Transition board: additional considerations

124. The responsibilities required in implementing the recommendations in the present report include the following:

(a) Operating under the delegated authority of the Board, draft and recommend Fund Regulation changes to the General Assembly, consistent with the recommendations in the present report, to do the following:

(i) Support the authority and operations of the transition board;

(ii) Create the Fund Regulation framework to support the authority and operations of the permanent Board:

a. Develop and undertake a review of the compensation philosophy for recommendation to the General Assembly;

b. Study and recommend to the General Assembly a method by which new permanent Board seats are appointed or elected;

(b) Draft and adopt relevant rules of procedure, terms of reference and policies in support of the recommendations and Fund Regulation changes;

(c) Establish or enhance governance practices in support of the recommendations in the present report;

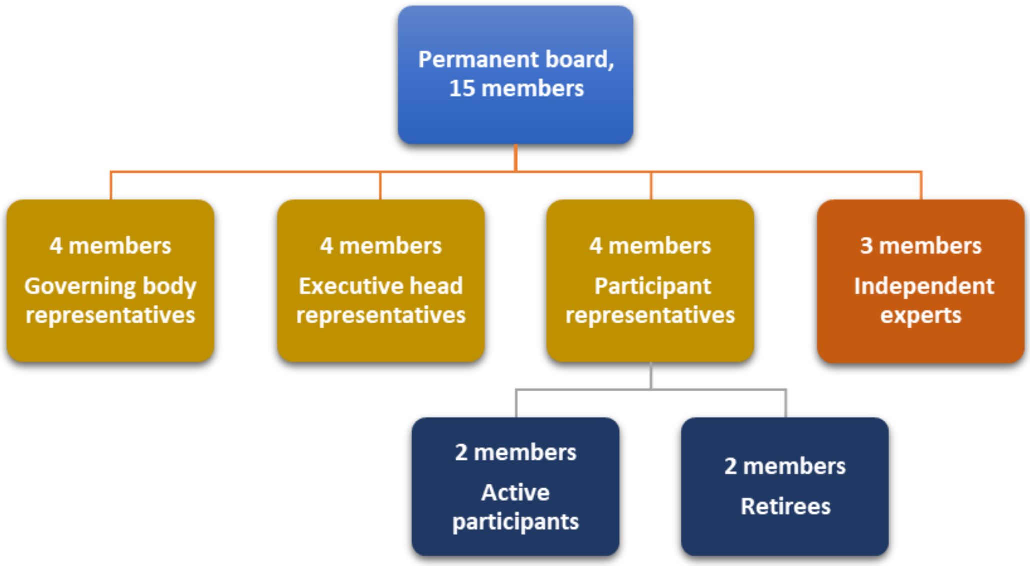
(d) Determine and establish committees that would best support the Board during its transition period and continuing through to the new permanent Board;

(e) Define the ongoing relationship between the new Board and the General Assembly.

Permanent Board structure

125. When the initial two-year transition board members' terms expire, it is recommended that independent experts from the outside with specific qualifications identified by the transition board should be selected by each of the three constituent groups to fill those seats. In total, that reflects three seats. Those three Board seats will be permanently filled by independent external experts. Figure IX graphically depicts the proposed permanent structure of the Pension Board.

Figure IX
Proposed permanent structure of the Pension Board



126. When the three-year and four-year Board member terms expire, the pool of candidates would be expanded to include all individuals from the tripartite constituent groups, with the exception of Pension Fund staff.

127. In order to establish a process that supports continuity and focus, all Board members elected or appointed to the new permanent Board would serve a term of four years.

128. After completion of the two-year transition board term, Board leadership positions (Chair, Vice-Chair and Rapporteur) will be elected from within the Board to serve a three-year term to coincide with the Board's strategic planning cycle.

V. Appendices

Appendix 1
Peers

Appendix 1.1
Peer list

1. The following peers[1] were selected for purposes of analysis and comparison within the present report:

(a) Brunel Pension Partnership Limited;

(b) California State Teachers' Retirement System;

(c) Central Provident Fund;

(d) Government Employees Pension Fund;

(e) Government Pension Fund Global;

(f) Health Employees Superannuation Trust Australia;

(g) Mandatory Provident Fund Schemes Authority;

(h) New Zealand Superannuation Fund;

(i) Ontario Municipal Employees Retirement System;

(j) Ontario Teachers' Pension Plan;

(k) Pensioenfonds Zorg en Welzijn (PFZW) (formerly PGGM);

(l) State Teachers Retirement System of Ohio;

(m) Swiss Federal Pension Fund Publica;

(n) Wisconsin Retirement System;

(o) World Bank Pension Fund.

[1] The peer list development took into consideration several factors, including reputation, market leadership, progressive governance practices, defined benefit offerings, number of employers, asset size, number of members and beneficiaries, and geographical diversity.

Appendix 1.2
Peer geographical representation

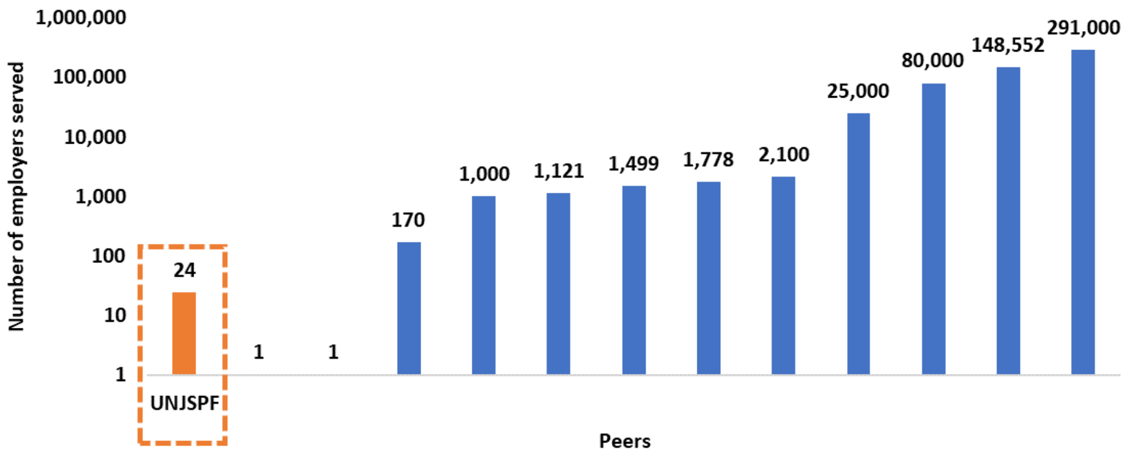
2. The geographical representation of peers is depicted in Figure X.

Figure X
Peer geographical representation

Appendix 1.3
Peers: employers served

3. Figure XI depicts the number of employers served by peer entity.[2]

Figure XI
Peers: employers served



[2] Number of employers served was not available for three peers.

Appendix 2
Stages in the public pension board life cycle

1. Pension fund boards are dynamic. To be effective, they must change and evolve as their organizations change and grow. The following briefly describes four predominant board maturity models that are associated with contemporary large public pension funds. The descriptions offer a snapshot of board behaviour in alignment with each stage of maturity and are not intended to be all-encompassing. Many variations of the four models exist, based on the unique characteristics of each pension fund. A board's progression through the models is not necessarily uniform and linear across all aspects of its governance. Pension funds develop and grow differently and, given their long-term horizon, may spend years at one stage or straddle two or more stages at the same time.

2. **Stage 1: founding board.** The board's focus is on ensuring that all the parameters of the applicable governing law, by-laws or regulations are implemented for contributions to begin to be collected and assets invested. There are minimal benefits to pay out in the founding years. The board takes a largely task-oriented approach to hire initial pension fund staff to establish functions as well as essential policies and practices to guide the organization's future growth. Routine required actions are identified and addressed to support the proper operations of the pension fund, such as approval of pension and disability benefits, and selection of investment managers to implement the asset allocation strategy.

3. **Stage 2: transactional board.** The pension fund experiences growth in all areas, including the assets and liabilities, participants, retirees, beneficiaries and number of employers. The external environment is also ever-changing, with increased complexity in investing, actuarial matters, and benefits and services operations requiring the addition of dedicated pension fund staff. Even as the number of professional staff grows, the board may still hold onto decision-making routines and rhythms of the founding board, including the selection of investment managers and approval of some or all pension or disability benefits and staff human resources-related matters.

4. **Stage 3: oversight board.** As pension fund growth and maturity progresses, and the number of professional staff grows under the chief executive officer's direction, the board more clearly defines the line between governance and management. Its focus gradually shifts to making prudent, clear delegations of authority, monitoring routine matters pertaining to actuarial, investment, financial and operational matters, and monitoring organizational performance objectives. Although the board makes long-range strategic decisions on actuarial and investment matters, organization-wide strategy and future direction are predominantly performed by the chief executive officer, with minimal board input. The board sees its role as that of a monitor or overseer of organizational objectives and outcomes, and policymaker. In turn, the balance of power between the board and the chief executive officer is more heavily weighted toward the chief executive officer as the "leader" of the organization.

5. **Stage 4: institutional/visionary board.** The board's view of itself transforms to not only that of a monitor and overseer, but a body that creates value for the organization by exercising leadership in partnership with the chief executive officer and management. The board develops its own leadership competency and source of power to champion board priorities through the role of the chair. It embraces a broad responsibility set for strategy, performance, risk and people, embraces its role in setting the tone at the top in partnership with management and adopts a mindset for itself and the organization of continuous self-improvement. The balance of power between the board and the chief executive officer is appropriately redistributed. It is weighted towards the board in areas in which the board leads, in particular with respect

to long-range succession planning. It is shared between the chief executive officer and the board when they act as partners, such as when providing essential input to the long-term organizational vision and strategic plan. It is weighted towards the chief executive officer when the board monitors to support the principle of independence.

Annex XV

Membership of the Fund Solvency and Assets and Liabilities Monitoring Committee (as of July 2020)

Member	
O. Briones (UNESCO)	Governing bodies
P. R. O. 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 XVI

Membership of the Succession Planning Committee (as of July 2020)

Member	
T. Repasch (UN))	Governing bodies
A. Prempeh (IMO)	Governing bodies
M. H. Lopez (UN)	Executive heads
T. Dayer (WIPO)	Executive heads
M. Abu Rakabeh (UN)	Participants
M-A. Pegorier (ITU) (Chair)	Participants
W. Sach	FAFICS
M. Breschi	FAFICS

Annex XVII

Recommendations to the General Assembly for amendments to the Regulations of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Article 4 ADMINISTRATION OF THE FUND	Article 4 ADMINISTRATION OF THE FUND	
(a) The Fund shall be administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.	(a) The Fund shall be administered by the United Nations Joint Staff Pension Board, the **Chief Executive of Pension Administration**, a staff pension committee for each member organization, and a secretariat ~~to the Board~~ to each such committee.	Amendment to reflect the separation of the roles of Chief Executive of Pension Administration with delegated responsibility for the administration of the Fund, including the certification of benefit payments under the Fund's Regulations, and the Secretary of the Board, who is independent from the Chief Executive.
(b) The administration of the Fund shall be in accordance with these Regulations and with Administrative Rules, including Financial Rules for the operation of the Fund, consistent therewith which shall be made by the Board and reported to the General Assembly and the member organizations.	(b) The administration of the Fund shall be in accordance with these Regulations and with Administrative Rules, including Financial Rules for the operation of the Fund, consistent therewith which shall be made by the Board and reported to the General Assembly and the member organizations.	No change.
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	(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	No change.

Existing text	*Proposed text*	*Comments*
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.	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.	
(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 appointment of the members and alternate members of its staff pension committee.	(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 appointment of the members and alternate members of its staff pension committee.	No change.
	(d) Staff members of the Board secretariat, Pension Administration and 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 section C.1 of the Rules of Procedure, adopted by the Board and reported to the General Assembly in 2017, 2018 and 2019.
Article 7 PENSION ADMINISTRATION AND SECRETARIAT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD	Article 7 PENSION ADMINISTRATION AND SECRETARIAT OF THE UNITED NATIONS JOINT STAFF PENSION BOARD	
(a) The Chief Executive of Pension Administration and a Deputy Chief Executive of Pension Administration shall be appointed by the Secretary-General on the recommendation of the Board.	(a) The Chief Executive of Pension Administration and a Deputy Chief Executive of Pension Administration shall be appointed by the Secretary-General on the recommendation of the Board.	No change.

Existing text	Proposed text	Comments
(b) The Chief Executive of Pension Administration shall perform that function under the authority of the Board and shall certify for payment all benefits properly payable under these Regulations. In the absence of the Chief Executive of Pension Administration, the Deputy Chief Executive of Pension Administration shall perform these functions.	(b) The Chief Executive of Pension Administration shall perform that function under the authority of the Board and shall certify for payment all benefits properly payable under these Regulations. In the absence of the Chief Executive of Pension Administration, the Deputy Chief Executive of Pension Administration shall perform these functions.	No change.
(c) A Secretary of the Board shall be appointed with the concurrence of the Board.	(c) A Secretary of the Board shall be appointed **by the Secretary-General** ~~with~~ on the ~~concurrence~~ recommendation of the Board.	Amendment to reflect the appointment of the Secretary of the Board by the Secretary-General.
(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.	(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.	No change.
Article 8 SECRETARIATS OF STAFF PENSION COMMITTEES	Article 8 SECRETARIATS OF STAFF PENSION COMMITTEES	
(a) The secretariat of the Board shall serve as the secretariat of the United Nations Staff Pension Committee.	(a) The ~~secretariat of the Board~~ **Pension Administration** shall serve as the secretariat of the United Nations Staff Pension Committee.	Amendment reflects the separation of the roles of Chief of Executive of Pension Administration with responsibility for the administration of the Fund, and the independence of the Secretary of the Board from the Chief Executive, as mandated by the General Assembly.
(b) A secretary to the staff pension committee shall be appointed by the chief administrative officer of each member organization on the recommendation of the committee.	(b) A secretary to the staff pension committee shall be appointed by the chief administrative officer of each member organization on the recommendation of the committee.	No change.
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 **with regard 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** Board **under section K of the**	Amendment to clarify the scope of the jurisdiction of the United Nations Appeals Tribunal in the context of article 21 of the Regulations referenced in the 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

Existing text	*Proposed text*	*Comments*
	Administrative Rules, may be submitted directly to the United Nations Appeals Tribunal by:	the Appeals Tribunal Statute, which addresses the jurisdiction of the Tribunal in cases alleging non-observance of the Regulations of the Fund.
(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.
(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 Board.**	Amendment reflects the language in article 2.9 of the Statute of the United Nations Appeals Tribunal 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** Board.	Amendment reflects terminology that is consistent with article 48 (a) of the Regulations of the Fund.

[a] Proposed additions appear in boldface text and proposed deletions are indicated by strikethrough text.

Annex XVIII

Amendments to the Pension Adjustment System of the United Nations Joint Staff Pension Fund

Existing text	*Proposed text*	*Comments*
H. SUBSEQUENT ADJUSTMENTS OF THE BENEFIT	H. SUBSEQUENT ADJUSTMENTS OF THE BENEFIT	
19. If the applicable CPI has moved by 10 per cent or more since the date of the last adjustment, the adjustment of the dollar amount or the local currency amount, as the case may be, is made on a semi-annual basis on 1 April as stated in paragraph 17 above and also on 1 October.	19. If the applicable CPI has moved by 10 per cent or more ~~since~~ **from** the **CPI used for the** ~~date of the last~~ adjustment **made on 1 April as stated in paragraph 17 above**, ~~the~~ **an additional** adjustment of the dollar amount or the local currency amount, as the case may be, ~~is~~ **shall be** made on ~~a semi-annual basis on 1 April as stated in paragraph 17 above and also on~~ 1 October **of the same calendar year**.	Amendment clarifies the conditions for the application of a second cost-of-living adjustment in the same calendar year.

Annex XIX

Amendment to the rules of procedure of the United Nations Joint Staff Pension Fund

Proposed text	*Comments*
SECTION G. CODE OF CONDUCT FOR THE UNITED NATIONS JOINT STAFF PENSION BOARD	
G.1 The conduct of members and alternate members of the Board, representatives, members of the Investments Committee, Committee of Actuaries and subcommittees of the Board, and observers at Board sessions in undertaking their duties and responsibilities in respect of the Fund, shall be governed by the Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials and Experts on Mission (ST/SGB/2002/9), which shall be recognized, mutatis mutandis, as the Board's Code of Conduct without prejudice to the legal status, privileges and immunities of those attending sessions of the Board or any of its committees or working groups. Members of the Board and its subcommittees, alternate members, representatives and observers who are still employed by a member organization of the Fund shall also be subject to their respective member organization's staff rules and regulations governing conduct.	New text adopting a code of conduct for the Board.
G.2 The Board shall adopt any other measures, including enforcement measures, as it deems necessary for regulating the conduct of Board members and alternate members, representatives and observers attending its sessions.	
G.3 The Board shall adopt and review from time to time a declaration to be signed by all members and alternate members of the Board and its subcommittees. The signed document shall be deposited with the Secretary of the Board or the staff pension committee secretary of the member organization that the individual represents. All those attending sessions of the Board under A.9 (a)–(e) above shall sign the declaration at each Board session. Access to Board documents and attendance at a Board session shall be subject to signing the declaration.	

Annex XX

Joint statement by the Federation of International Civil Servants' Association, the Coordinating Committee for International Staff Unions and Associations of the United Nations System and the United Nations International Civil Servants Federation

1. Madam Chair, distinguished members of the Board, dear colleagues, on behalf of the three staff federations FICSA, CCISUA and UNISERV, I thank you for granting me this opportunity to address you today. My name is Tanya Quinn-Maguire and I am the President of FICSA.

2. I am sure that we have no need to reiterate to you the importance of the Pension Fund for our members who see this as their primary source of social security. As such, on behalf of our members, we appreciate the opportunity to participate in the meeting of the Board as observers. We hope that our role serves to improve staff members trust and belief in the stability of the Fund, and we look forward to continuing to play this role for many years to come.

3. Madam Chair, allow me to begin by congratulating Rosemarie McClean on her appointment as Chief Executive of Pension Administration in January this year. Despite a difficult start to her tenure, we are pleased to report that Ms McClean has initiated a frank and, so far, constructive dialogue with the staff federations. We look forward to continuing to build on this positive new relationship with a view to increasing transparency and accountability in the Fund.

4. With regard to the vision presented by the Chief Executive of Pension Administration in her opening statement and reflected in the document JSPB/67/R.16, as well as in the budget proposal document JSPB/67/R.15, we note with interest the focus on investment in the three core pillars of communication, strategic direction and client focus, which will include much needed investments in IT. We welcome this vision of a modern, fit for purpose Fund with one eye firmly on the future. We will rely on the members of the Board, in particular the participants representatives, to monitor the implementation of this strategy, as will we, in the form of timely, constructive criticism and feedback as well as positive support as necessary. During the difficult and uncertain times of COVID-19, investment in technology and communication has already shown a positive impact for staff, particularly for those in field duty stations. We strongly encourage this approach and hope that pilots similar to the one for the electronic certificate of entitlement will continue to be used so that staff can be confident that any technology deployed is accessible to all participants, and will include the participation of staff and retirees to attain that goal.

5. The staff federations commend the Pension Administration for its report that 90 per cent of cases have been dealt with within 15 days, despite the recent circumstances related to COVID-19. We hope that this can be further improved upon and hope that the intended investments in communications and client service presented in budget document JSPB/67/R.15 will assist the Fund to maintain these results and improve services in other areas such as multilingual support for participants in all regions. More specifically, in this regard the federations would also like to advocate strengthening customer service operations of the UNJSPF, particularly in the African region, potentially using existing capacities and resources. We understand that there may be some reluctance to increasing financial resources in the current climate. However, we see this investment as necessary to support the sadly almost inevitable surge in staff separations and resultant benefit payments by the Fund in the coming years, not least due to the impact of COVID-19. Those staff members

affected will have suffered enough; they will not need the added indignities of possible delays in accessing pension benefits due to lack of communication, lost documentation and lack of relevant accessible technology.

6. The staff federations read with concern the comments of the OIOS. In this regard, we applaud the honest response by the acting Representative of the Secretary-General (RSG) in accepting the observations and recommendations of the OIOS and in initiating a 120-day plan, which we see as a good first step in addressing some of the concerns highlighted. We look forward to those initial actions being built upon by the incoming RSG and offer our support to that person in the form of open dialogue. We hope that steps taken to stabilize and strengthen the team will be continued by the incoming RSG, as well as steps to improve reporting and disclosure. We encourage this approach and hope for its success.

7. Regarding the study conducted by the external entity, the staff federations strongly suggest that further analysis is needed to enable sufficient time for the Board and its Governance Working Group to review and provide valuable input for consideration. We noted with interest the references to professionalization of the Board that follows a fiduciary framework and will follow closely any future recommendations in this regard.

8. Considering the large number of staff in field duty stations, the Staff Federations urge the UNSPC participants' representatives to ensure an electoral system which would allocate designated seats on the UNSPC in order to guarantee those field-based participants sufficient opportunities to voice any concerns that they may have to the Board and its subsidiary bodies.

9. In closing, I would like to express the staff federations' appreciation to both the staff and management of the Pension Fund for their efforts and dedication in serving both participants and beneficiaries.

Part two

Summary

Part two of the present report contains budget estimates for the year 2021, which amount to $108,076,300 (before recosting) and provide for a total of 312 established posts and 1 extrabudgetary post.

Resource requirements for 2021

(Thousands of United States dollars)

	Resources		*Posts*	
Category	*2020 approved*	*2021 estimate (before recosting)*	*2020 approved*	*2021 proposed*
Secretariat of the Pension Board	1 750.5	1 261.9	3	3
Pension Administration	53 426.4	59 474.1	194	201
Office of Investment Management	43 896.4	45 309.7	110	108
Audit	1 608.0	1 945.3	–	–
Extrabudgetary[a]	85.3	85.3	1	1
Total	**100 766.6**	**108 076.3**	**308**	**313**

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

I. Overview

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949. The Pension Fund is responsible for providing retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership.

2. The Fund secretariat, or Pension Administration, reports, through the Chief Executive of Pension Administration, to the Pension Board. The Office of Investment Management reports to the Secretary-General through his Representative regarding the investment of the assets of the Fund.

3. In 2018, the General Assembly decided to create an independent secretariat of the Pension Board, effective from January 2020.

Funding source

4. The Pension Fund is funded primarily through investment income as well as contributions from its member organizations and participating staff members, whereby the contributions of member organizations are resourced from member States and other resources. The Fund is not directly funded from the assessed contributions of member States.

5. In addition to the administration of the Fund, the Pension Administration 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, which are funded from the United Nations regular budget reflected under section 1 of the proposed programme budget of the United Nations. As the Fund's host organization, the United Nations also provides a number of administrative services to the Fund and charges the Fund accordingly. Hence, the budget for the year 2021 reflects the estimates in line with the methodology of the valuation of the services exchanged between the Fund and the United Nations as endorsed by the General Assembly in its resolution 74/263.

A. Proposed programme plan for 2021

6. The current budget proposal continues to follow the results-based framework used by the United Nations Secretariat in its proposed programme budget for 2021. The Fund consists of the secretariat of the Pension Board, the Pension Administration and the Office of Investment Management.

7. The objectives of the Pension Administration's programme of work is 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.

8. The Office of Investment Management invests the assets to ensure that the 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.

9. In 2018, the General Assembly decided to create an independent secretariat of the Pension Board, effective from January 2020. The secretariat provides conference management and technical support to the Pension Board and its subsidiary bodies.

10. Table 1 lists, by category and subcategory, the deliverables at the overall fund level for the period 2019–2021 that contributed and are expected to contribute to the attainment of the Fund's objective.

Table 1
Deliverables for the period 2019–2021, by category and subcategory

	2019			
Category	*Planned*	*Actual*	*2020 planned*	*2021 planned*
Quantified deliverables				
A. Facilitation of the intergovernmental process and expert bodies				
Parliamentary documentation (number of documents)	**3**	**3**	**3**	**3**
1. Report to the General Assembly on administrative expenses of the United Nations Joint Staff Pension Fund	1	1	1	1
2. Pension Board sessional report	1	1	1	1
3. Implementation of recommendations of the Board of Auditors	1	1	1	1
Substantive services for meetings (number of three-hour meetings)	**74**	**68**	**62**	**62**
4. Meetings of the Audit Committee	16	14	14	14
5. Meetings of the Fund Solvency and Assets and Liabilities Monitoring Committee	12	12	10	10
6. Meetings of the Committee of Actuaries	10	10	6	6
7. Meetings of the United Nations Staff Pension Committee	3	3	3	3
8. Meetings of the Staff Pension Committee secretariat	2	2	2	2
9. Meetings of the Advisory Committee on Administrative and Budgetary Questions	2	1	1	1
10. Meetings of the Fifth Committee	3	3	3	3
11. Meetings of the Pension Board	10	7	7	7
12. Meetings of the Investment Committee	15	15	15	15
13. Meetings of the Standing Committee	1	1	1	1
B. Generation and transfer of knowledge				
Seminars, workshops, fellowships and training events (number of days)	**1**	**1**	**1**	**1**
14. Briefing about the Pension Board and its working methods	1	1	1	1
C. Substantive deliverables				
Pension Administration				
15. Number of active participants being served	129 880	131 583	133 289	135 017
16. Number of retirees and other beneficiaries being served	81 077	79 975	81 698	83 458
17. Entitlements processed within 15 business days against the 75 per cent benchmark (percentage)	75	88.3	75	75
Office of Investment Management				
18. 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	4.32	3.5	3.5
19. Meet or exceed the policy benchmark return over the short-term, i.e., three years (yes/no)	Yes	Yes	Yes	Yes

B. Proposed post and non-post resource requirements for 2021

11. The total resource requirements for 2021, including the breakdown of resource changes, as applicable, are reflected in table 2. The proposed resource level provides for the full, efficient and effective implementation of mandates.

12. The following factors have been used in the calculation of resources: (a) delayed recruitment factors for both New York and Geneva for 2021 have been applied to continuing Professional posts (incumbency rate of 96.7 per cent), new Professional posts (50.0 per cent), continuing General Service posts (92.1 per cent) and new General Service posts (50.0 per cent) based on the standard salary costs for 2021; (b) an average annual inflation rate of 1.9 per cent for New York and 0.7 per cent for Geneva; and (c) an exchange rate of SwF 0.974 to 1 United States dollar for Geneva.

Table 2
Evolution of financial resources by office
(Thousands of United States dollars)

			Changes						
	2019 expenditure	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*	*Recosting*	*2021 estimate (after recosting)*
Secretariat of the Pension Board	676.1	1 750.5	(254.0)	(234.6)	(488.6)	(27.9)	1 261.9	63.1	1 325.0
Pension Administration	46 398.6	53 426.4	336.8	5 710.9	6 047.7	11.3	59 474.1	2 038.9	61 513.0
Secretariat of the Pension Fund	36 547.7	45 644.2	336.8	5 720.4	6 057.2	13.3	51 701.4	1 816.5	53 517.9
United Nations Staff Pension Committee services, payment from the United Nations Secretariat[a]	9 850.9	7 782.2	–	(9.5)	(9.5)	(0.1)	7 772.7	222.4	7 995.1
Office of Investment Management	32 909.4	43 896.4	890.4	522.9	1 413.3	3.2	45 309.7	2 161.8	47 471.5
Audit	1 630.2	1 608.0	–	337.3	337.3	21.0	1 945.3	134.0	2 079.3
Subtotal	**81 614.3**	**100 681.3**	**973.2**	**6 336.5**	**7 309.7**	**7.3**	**107 991.0**	**4 397.8**	**112 388.8**
Extrabudgetary resources	105.4	85.3	–	–	–	–	85.3	3.5	88.8
Total	**81 719.7**	**100 766.6**	**973.2**	**6 336.5**	**7 309.7**	**7.3**	**108 076.3**	**4 401.3**	**112 477.6**

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

C. Emergency Fund

13. The General Assembly, in section VIII of its resolution 74/263, authorized the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund for 2020 by an amount not to exceed $112,500. The Fund is requesting the same level of funding for year 2021, by an amount not exceeding $112,500.

D. Action to be taken by the General Assembly

14. The Pension Board recommends that the General Assembly approve the estimates for the year 2021 amounting to $112,388,800, comprising:

(a) Secretariat of the Pension Board ($1,325,000);

(b) Pension Administration ($61,513,000);

(c) Office of Investment Management ($47,471,500);

(d) Audit ($2,079,300).

15. Of this amount, $7,995,100 would be directly chargeable to the United Nations for the services related to the United Nations Staff Pension Committee.

16. The Board also recommends that the General Assembly approve an estimate for extrabudgetary resources amounting to $88,800 for the year 2021.

II. Secretariat of the Pension Board

Proposed post and non-post resource requirements for 2021

Overview of resources

17. The Pension Board is a subsidiary organ of the General Assembly and reports annually to the Assembly. 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.

18. In response to General Assembly resolution 73/274, the position of Chief Executive Officer was replaced by two distinct and independent positions, namely the Pension Benefits Administrator, subsequently renamed the Chief Executive of Pension Administration by the Assembly in its resolution 74/263, and the Secretary of the United Nations Joint Staff Pension Board, as from January 2020. Also in its resolution 74/263, the Assembly stressed that the Secretary of the Pension Board was to be fully independent from the Chief Executive of Pension Administration and the Representative of the Secretary-General, and decided that the Secretary should report directly to the Board while being provided with administrative support from the Pension Administration and the Office of Investment Management as necessary. To this end, the Assembly requested the Board to provide further information on measures taken to ensure the independence of the Secretary of the Board from the Chief Executive of Pension Administration and to report thereon in the context of its next report.

19. The information on the delineation of roles and responsibilities was presented to the Pension Board at its sixty-seventh session. The Pension Board was requested to approve an arrangement whereby the Secretary of the Board and his or her office would be responsible for servicing the meetings of the Pension Board, the Audit Committee and the Fund Solvency and Assets and Liabilities Monitoring Committee, as well as the Standing Committee, when it is acting as a governing body and not an appellate body. In addition, the Secretary services ad hoc working groups and committees created under the umbrella of the Pension Board, such as the Governance Working Group. As there have been calls for more active engagement of the governance mechanisms during the year between sessions of the Board, the related workload is expected to increase in the next one to two years, especially given requests for fuller, more complete and more timely records of working group and committee meetings.

20. This proposed arrangement is based on the approved job description of the Secretary of the Board, the Regulations, Rules and Pension Adjustment System of the Fund, earlier General Assembly resolutions and the purpose and terms of reference of various Board committees and working groups, as well as considerations of efficiency and proficiency. It is a joint proposal by the management of the Fund and the Secretary of the Board that takes into consideration whether the work of the committee or working group concerned is related to oversight/governance or is

technical in nature, and also seeks to fully respect the decision of the Assembly that the Secretary of the Board be independent from the Pension Administration and the investment management of the Fund.

21. As part of the establishment of the independent secretariat of the Board, a post of Programme Management Officer (P-4) was redeployed from the Office of the Chief Executive Officer to the new Office of the Secretary of the Board. At the time, the post (the incumbent was then receiving special post allowance at the P-5 level) was supporting the Board secretariat role of the erstwhile Chief Executive Officer function. A reclassification of the post from P-4 to P-5 was proposed last year and supported by the Pension Board, its Budget Working Group and the Advisory Committee on Administrative and Budgetary Questions.

22. The incumbent of the redeployed post in the Office of the Secretary of the Board provides critical direct support to the Secretary of the Board (D-1). There is full engagement in the overall planning, coordination and delivery of the range of secretariat conference management and support services to the Board and its subsidiary bodies. The incumbent acts as a de facto Deputy Secretary.

23. The focus of the job is to undertake and direct the implementation, monitoring and evaluation of all activities related to the functioning of the Board and its relevant committees. The incumbent also undertakes the review of relevant committee documents and reports, identifying priorities, problems and issues to be addressed and proposing corrective actions in collaboration with the Pension Administration. The incumbent helps manage and coordinate contact with members of the Pension Board, the Fund secretariat, the Office of Investment Management, the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee. The incumbent works with all other relevant parties and identifies and initiates all required follow-up actions. The post is responsible for the preparation, or coordinating the preparation, of various written outputs of the Board and its subsidiary bodies, including background papers, analyses and final consensus decisions of the Board as reflected in its reports to the General Assembly. This will ultimately have a significant potential impact on some 211,000 participants, retirees and beneficiaries of the Fund. The incumbent also closely follows up on the implementation of the audit recommendations addressed to the Pension Board, including the OIOS governance audit.

24. Given that the Fund's work is highly technical in nature, any analysis thereon requires a deep understanding of the many and various facets that have an impact on the long-term sustainability of the Fund, beyond operational implications. In addition, further to the OIOS report to the General Assembly on the governance structure and related processes of the United Nations Joint Staff Pension Board (A/73/341), the Office of the Secretary of the Board is now expected to remain abreast of all activities and decisions taken, many of which are part of the new paradigm for the workings of the Board and the altered dynamic between the Secretary to the Board and the Chief Executive of Pension Administration. The incumbent of the post will therefore be responsible for an increasing workload and will be subject to demands to provide the highest quality in terms of output. Furthermore, interlocutors should be able to expect a very high level of authority and autonomy from the incumbent of this post.

25. In this context, the Secretary of the Board and his staff direct all the related activities, review policies and practices and ensure the effective and efficient delivery of secretariat services to the Board and the relevant committees. This includes the provision of advice to the chairs and other members of these bodies on their work and on the application of procedures and practices. The first experience of having a separate secretariat of the Board has highlighted the need to review some of the working methods of the Board and its committees to further improve coordination

and communication. As far as the working groups and committees currently under the purview of the secretariat are concerned, there is much scope for the standardization and harmonization of working practices and mechanisms used for reporting to the Board. In order to fully ensure independent and high-quality service to the Board and its subsidiary bodies, the reclassification of the post within the secretariat from P-4 to P-5 is proposed for 2021. The proposed reclassification level provides for moving further towards a fuller, more efficient and effective implementation of the mandate promulgated for the secretariat of the Board.

26. Thus far, a pragmatic approach has been adopted in deciding how the work of the secretariat should coordinate with the administration of the Fund. This approach is based on what existed at the time and what could realistically be undertaken by the three staff redeployed to the secretariat of the Board. If the objective of a fully independent Board secretariat is to be realized, it is important that the staff of the secretariat be at the appropriate level. The purpose would not be for the secretariat to replace the substantive functions, but rather that it be capable of facilitating the work of the Board and the selected committees with regard to their consideration of items and ensuring that their terms of reference are met.

27. To this end a robust secretariat of the Board should help the Board fulfil its governance role regarding the activities of the Fund. An enhanced secretariat of the Board can help the Board fulfil its supervisory responsibilities. Clearly independent secretarial support provided to the Board or its committees and working groups should be of help in demonstrating the implementation of the revised structure. To be effective it must be resourced appropriately. The secretariat of the Board is therefore resubmitting the request for reclassification of one post of Programme Management Officer from P-4 to P-5. It is noted that this reclassification can be implemented even though the overall proposed budget for the secretariat of the Board for 2021 is significantly lower than the resources approved for 2020.

28. The proposed resources for 2021 amount to $1,261,900 and reflect a net decrease of $488,600 compared with the appropriation for 2020. Additional details are reflected in table 3.

Table 3
Secretariat of the Pension Board: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

			Changes				
	2019 expenditure	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	–	530.0	–	31.3	31.3	5.9	561.3
Non-post	676.1	1 220.5	(254.0)	(265.9)	(519.9)	(42.6)	700.6
Total	**676.1**	**1 750.5**	**(254.0)**	**(234.6)**	**(488.6)**	**(27.9)**	**1 261.9**
Post resources by category							
Professional and higher	–	2	–	–	–	–	2
General Service and related	–	1	–	–	–	–	1
Total	**–**	**3**	**–**	**–**	**–**	**–**	**3**

Technical adjustments

29. The net decrease of $254,000 under non-post resources reflects the removal of a one-time requirement under contractual services for the advertisement of the post of Deputy Chief Executive of Pension Administration and the recruitment of the selected candidate planned in 2020.

Other changes

30. Resource changes reflect a net decrease of $234,600 as follows:

(a) The increase of $31,300 under post resources relates to the reclassification of one post of Programme Management Officer (P-4 to P-5) in line with the increasing demands from the Fund's governing bodies and to fully implement the mandate promulgated by the General Assembly that the secretariat of the Board 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 Board and its subsidiary bodies, as detailed in paragraphs 21 to 27 above;

(b) The non-post resources comprise administrative expenses related to the Pension Board, including the travel of the Chair to attend the meetings of the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee, and the travel of representatives of the Board's advisory committees and of the Federation of Associations of Former International Civil Servants to Pension Board meetings. The net decrease of $265,900 under non-post resources reflects the decrease under travel of representatives related to a reduction in the number of meetings and participants in the advisory committees and Pension Board ($423,900). The decrease is offset in part by the increased requirements under general operating expenses mainly relating to the secretariat of the Board's share of the cost of rental and maintenance of premises ($105,700); other staff costs for general temporary assistance at the General Service (Principal level) for the duration of three months to provide support for meetings of the Pension Board ($26,100); the travel of staff, mainly reflecting participation in meetings of the committees ($19,900); and contractual services related to changing service needs, including writing services ($6,300).

III. Pension Administration

Foreword

On 1 January 2020, I assumed the role of Chief Executive of Pension Administration of the United Nations Joint Staff Pension Fund, bringing to the position more than 32 years of progressively responsible experience in pension administration and management. Now, as we find ourselves in an environment where both the "future of work" is changing and the projected number of Pension Fund retirees and beneficiaries is steadily increasing worldwide, I am excited to apply my knowledge and expertise to the United Nations and lead the Pension Fund's operations into a new era.

My systematic, organization-wide vision of change puts the Fund in a position to more effectively respond to these trends and manage operations accordingly. The strategy we have developed for 2021–2023, as summarized in the present budget document, will not only stabilize our resource needs in the future, but also transform the way the Fund operates, increasing efficiency and establishing a more dexterous workplace. Through data-driven leadership, critical process improvement, analytics and modern technology solutions, I am confident we can meet our three strategic goals of (a) simplifying the service experience for clients, (b) modernizing pension services and (c) developing a stronger global partnership network.

Simplifying the client experience through improved communications and an increased use of technology will allow us to better respond to the needs of the Fund's participants, retirees and beneficiaries, creating a more client-oriented approach to the pension experience with an objective of becoming a paperless organization. Through our targeted communications strategy, which focuses on both clear messaging and relationship-building, we will be able to advance transparency, trust and accountability among all stakeholders, both internal and external. Furthermore, with the assistance of new technologies such as automated systems, online tools and an updated website, we will be able to streamline processes and workflows to further improve the client experience.

Key resources are needed in 2021 in order to successfully execute our modernization plans. Through the creation of a new, dedicated Business Transformation and Accountability Unit, which requires only one additional post and one conversion, we will be able to build capacity in the areas of business transformation and change management. This Unit will also facilitate our automation and streamlining efforts, preventing client delays and removing unnecessary steps, further shifting the Fund's focus from transactional processing to client orientation. If we invest in this Unit now, we will be better poised to leverage our existing resources in the future, rather than needing to further increase our staff. By adopting transformation as a part of our culture, and focusing on staff development and change management, the Fund commits to continuous improvement and operational excellence.

Finally, developing a strong global partnership network starts with establishing the Fund as a data-driven organization. Through the formation of a dedicated Data Analysis Unit, comprised of one general temporary assistance position of Information Management Officer (data analyst) and existing in-house expertise, we will be better able to identify mission-critical trends and potential performance issues to inform our decision-making. In addition, making information on these risks, trends and best practices more readily available will not only enhance the Fund's value within the United Nations, but also contribute to our goal of continuous improvement. The Fund has already demonstrated this new agility and learning culture in response to the structural and operational changes that have taken place in the past few months. Functional reporting, which has been implemented across the Fund's offices in New York and Geneva, has already positively changed the way we work. While the coronavirus disease (COVID-19) has brought some challenges to the full implementation of functional reporting, it has also brought teams together and the Fund's performance has steadily kept up – recognizably above the benchmark – even through the months of telecommuting. Moreover, the Fund's payroll continues to run smoothly. In some ways, the pandemic has also kick-started the Fund's modernization process, and we've begun accepting electronic separation documents and moved forward with our member self-service module to expedite benefit processing. I am extremely proud of the staff for rising to the occasion: they are ready with business continuity plans, show flexibility and swiftness and respond to the needs of employing organizations and clients.

I am cognizant of prudent financial resource management in the Fund's operations, especially during these globally trying economic times. Based on my experience in the pension industry, the present proposed programme budget includes the key resources needed to build missing capabilities in the Pension Fund, corresponding to an increase of $3.5 million in post and non-post resources, compared with appropriation for 2020.

As we move forward, we must make a commitment not only to operational excellence but to a growth mindset. With the embrace of communications, technology and data analysis, we move towards a more responsive workplace, better equipped to fulfil our commitment to our 211,000 current and future beneficiaries.

(*Signed*) Rosemarie **McClean**
Chief Executive of Pension Administration
United Nations Joint Staff Pension Fund

Overall orientation

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

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

(b) Entitlement processing (defining eligibility for various benefits as well as communicating with staff/participants about their options);

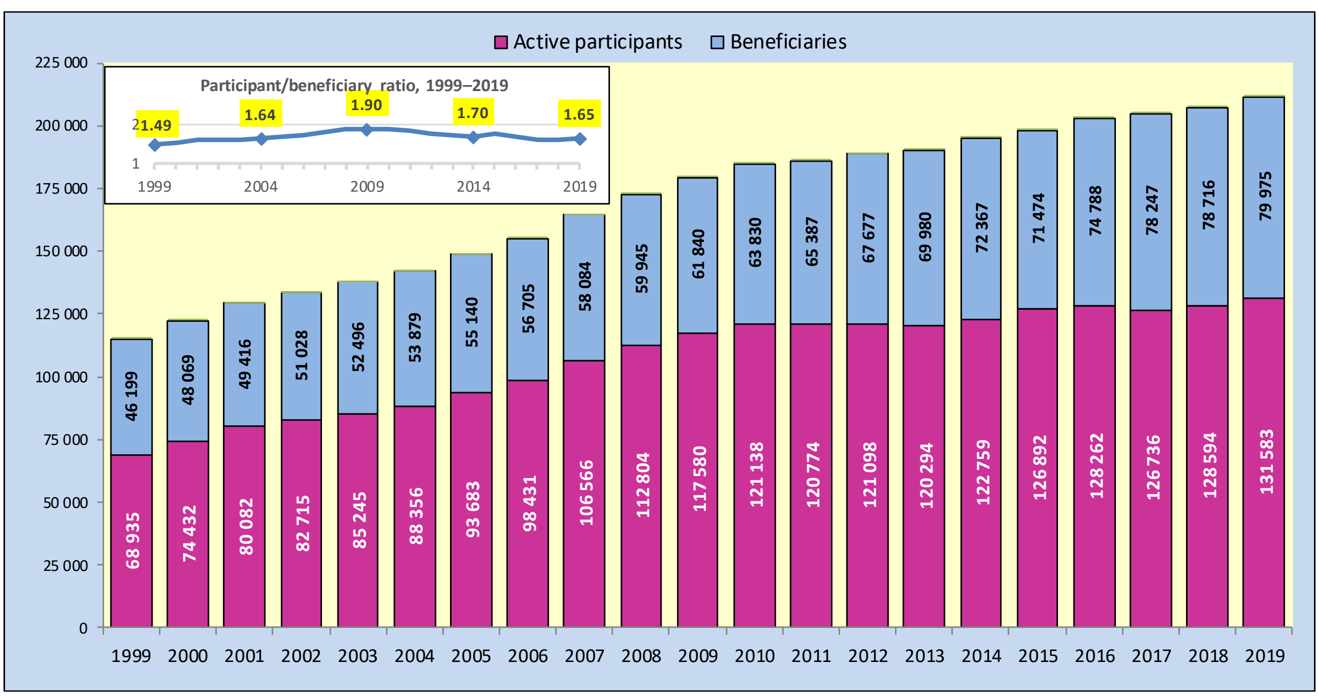
(c) Benefits management (paying retirement and disability benefits, cost-of-living adjustments and processing survivors' benefits);

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

32. The Pension Administration 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 responsibility of the administration of the Fund, including human resources and facilities management for the entire Fund.

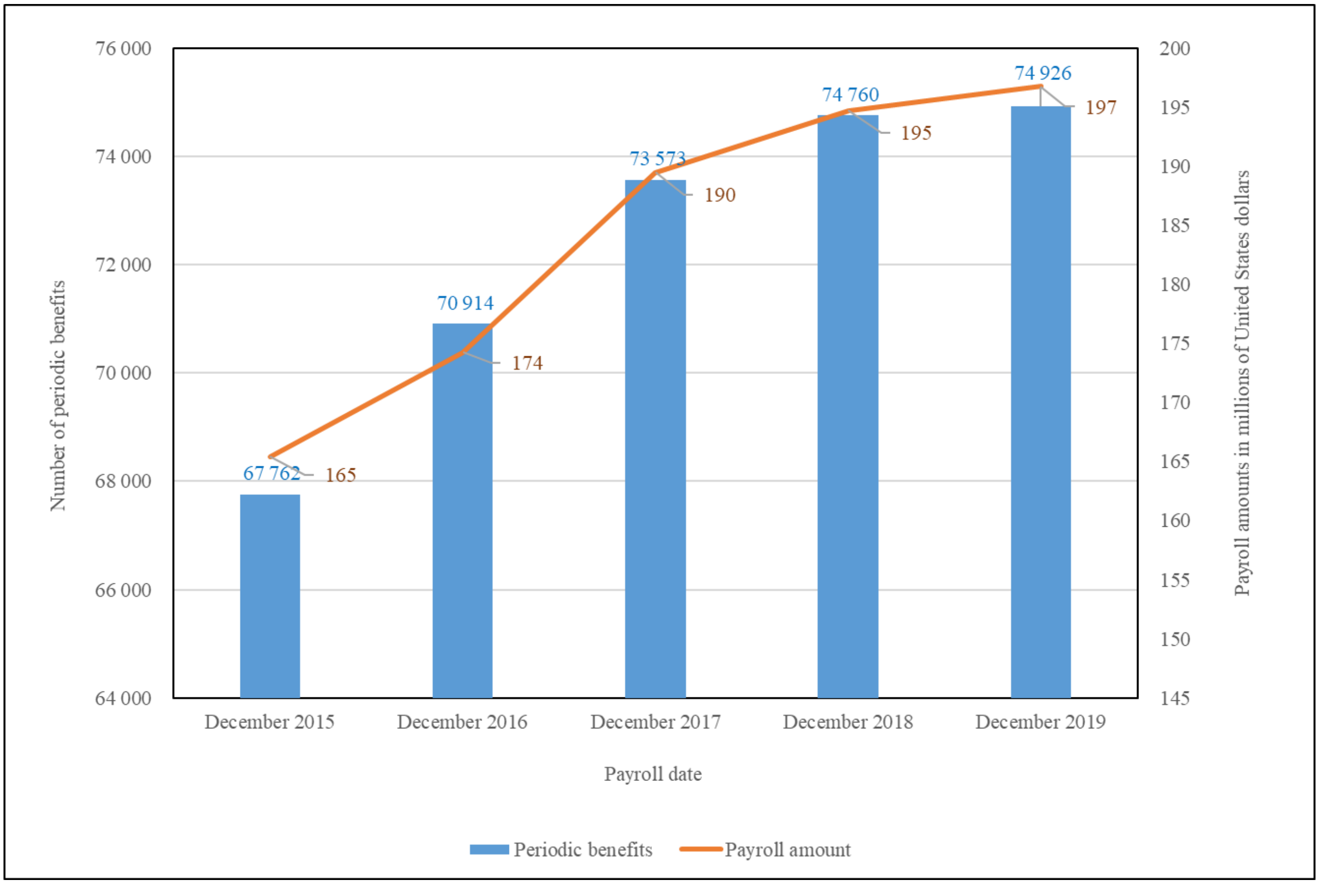
33. The Fund has observed a high rate of growth in the number of participants, retirees and other beneficiaries over the past decades. Figures from 2019 confirm this trend, with an increase of 2.3 per cent in the number of participants and 1.6 per cent in the number of retirees. Figure I reflects the overall growth of the Fund in terms of the number of participants, retirees and other beneficiaries at the end of each year since year 1999. It also presents the ratio of participants to retirees and other beneficiaries, reflecting a maturing Fund. As retirees and other beneficiaries are the key clients of the Fund and require more administrative resources than participants, the Fund's overall workload is increasing disproportionately.

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



34. The Fund's monthly payroll has continuously increased in terms of both the 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 2015–2019, the number of periodic benefits has risen from 67,762 to 74,926 and the payroll amount has gone up from $165 million to $197 million.

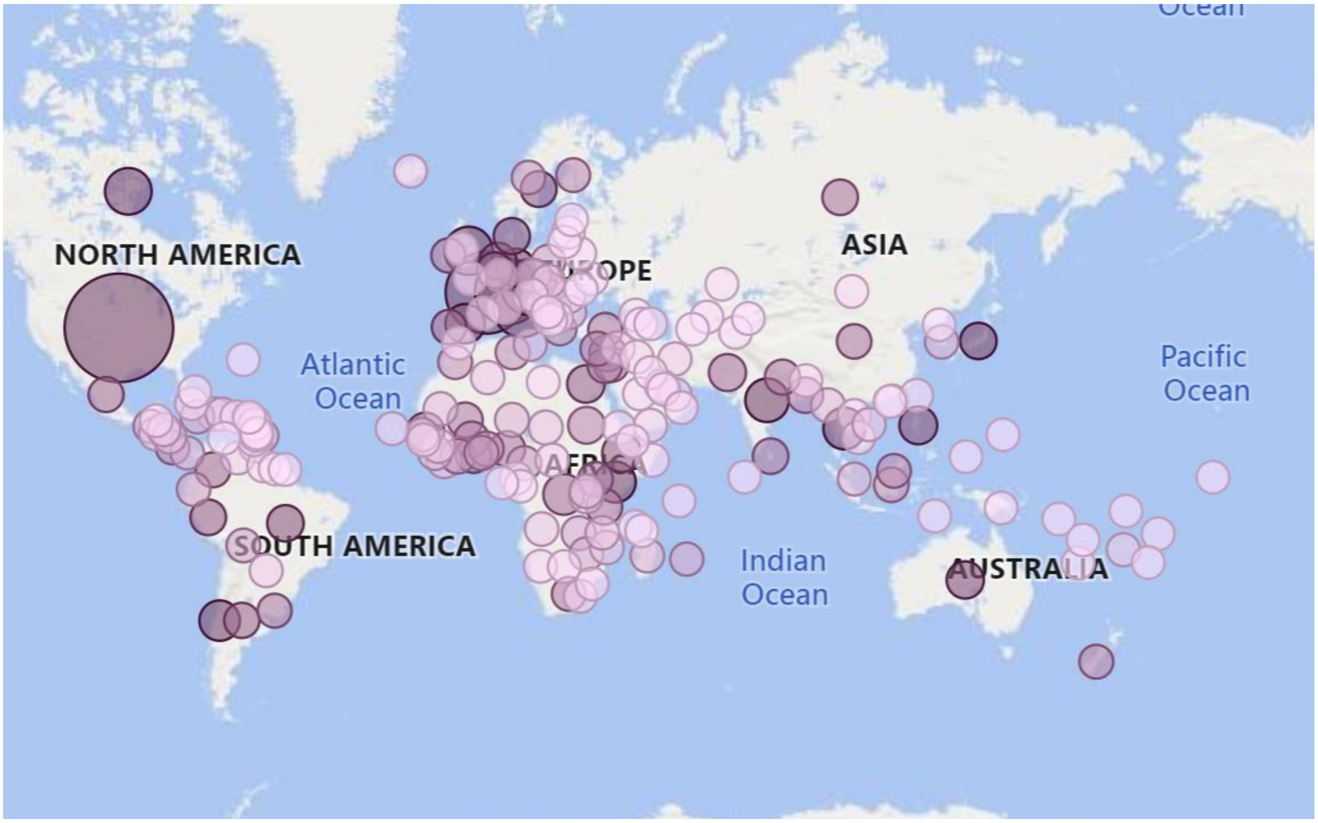
Figure II
Monthly payroll trend



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.

35. The Fund's distribution of retirees and other beneficiaries across the world is unique among defined benefit plans. Furthermore, the geographical dispersion of participants adds to the complexity of the Fund's operations and its demands for more global reach. Periodic benefits are paid in 15 currencies throughout the world in more than 190 countries and territories, including countries with limited banking structures. The map below displays the Fund's service coverage.

Periodic benefits by country



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

Strategy for 2021–2023

36. For the past several years, the Fund has focused its efforts on achieving annual performance objectives, particularly in pension benefit processing, but has lacked a forward-looking, organization-wide, strategic plan and direction. To keep pace in a constantly evolving operational environment and to respond to increasing demands from its growing clientele and stakeholders, the Fund needs to modernize its interaction and exchange of information with its clients, partners and decision makers, as well as with its own staff. Requests for change are constant, affecting processes, systems and people. A systematic and strategic approach – cross-functionally – is required to create an agile workplace culture that can identify, effectively respond to and successfully manage change.

37. The vision for 2021–2023 set by the new Chief Executive of Pension Administration calls for a Pension Fund that provides outstanding service globally. Supporting this vision, the Pension Administration has determined three critical pillars:

(a) **Simplify client experience**. The Fund will focus on key moments of the pension experience and make them, for participants and retirees alike, as simple and straightforward as possible;

(b) **Modernize pension services**. Innovation, streamlined paperless processes, new technologies and the upscaling of staff skills, based on value stream mapping, will be the backbone of the Fund's modernization;

(c) **Develop a strong global partnership network**. The Fund will become a data-driven organization and develop internal and external partnerships to increase trust and confidence between the Fund and its staff, clients, stakeholders and decision makers.

38. The Fund needs to have more collaborative and efficient working practices across the organization. This collaboration will be required among daily operators, technology innovators and data providers, and be supported by analytical functions and communication/presentation skills. The Fund's strategic plan is based on the premise that the Fund's staff will jointly upgrade processes with colleagues across all functions; with partners, hereafter referred to as employing organizations; and with stakeholders. Technology will be the agent of change but the human factor, and continuous feedback, will remain central to the modernization. This approach allows the Fund to largely use already existing resources in the execution of the strategic plan for the next three years; only a few new posts are being requested to create missing functions that are critical for the modernization and business transformation.

Simplify client experience

39. The objective of this first pillar is to make client service and client satisfaction the priority. Excellent client service means identifying and anticipating clients' needs and providing simple, timely and accurate information and advice. This will be done by implementing focused changes, becoming a paperless organization and empowering our partners externally and staff internally, as well as thinking cross-functionally across our shared value streams. Improved communication, as planned in pillar three, will also contribute to this goal.

40. Participants, retirees and beneficiaries served by the Fund are identified as clients of the Fund. Employing organizations, including the secretaries of staff pension committees and finance/payroll offices, as well as human resources offices and pension focal points, are strategic partners that support the clients of the Fund. The strategy aims to further strengthen collaboration with employing organizations in order to simplify the client experience.

41. This pillar will cover the four main areas of interactions between the Fund and its clients over their lifetime:

- Enrolment
- Status changes
- Separation
- Post-retirement events.

42. For the above-mentioned target areas, the approach will include:

(a) An inventory of the current ("as is") scenarios, processes and workflows supporting the client-service function;

(b) A tactical plan for the modernization of these client-service-related processes and corresponding technology, in the short and medium term;

(c) The development of activities aimed at reaching an outstanding level of service to the Fund's clients, including:

(i) Enhanced understanding of pension benefit options and related processes through strengthening the Fund's online, automated and in-person response capacity. Response to the most frequent questions will be automated, using modern systems such as chatbots. Online tools will include redesigning the website and creating a new set of animations/videos and e-learning modules;

(ii) Ensuring the consistency of the quality of services provided to all clients, regardless of location;

(iii) Becoming a paperless organization, including by adding functionalities to member self-services, such as smart forms aimed at simplifying the completion of payment instructions and other forms;

(iv) Tools to receive feedback so as to improve services on a continuous basis. This will be done through the introduction of client relationship management software and satisfaction surveys that will shed light on the nature of the issues raised by the Fund's clients, allowing for quick corrections;

(v) Implementing a document quality assurance function for receiving, reviewing, validating and recording all incoming documentation upon receipt by the Fund;

(d) Reinforcement of collaboration with the employing organizations through the creation of tools to enable them to:

(i) Fully understand and implement their reporting requirements with regard to participants and related pension processes through the creation and monitoring of an online knowledge-sharing platform and e-learning modules;

(ii) Have easy access to key information on participants' cases with a shared business intelligence dashboard.

Modernize pension services

43. The Fund recognizes that the "future of work" is changing. The second pillar of the strategy focuses on operational excellence and revitalizing people and processes as well as preparing for the future of work – enabling automation to free human resources for work that adds value. Transformation will become part of the Fund's work culture, with the ambition to be the driving force for change and continuous improvement.

44. A dedicated capacity in business transformation will be built through a new unit, the Business Transformation and Accountability Unit. A central project management capacity will support its implementation, establish milestones and track progress. The approach follows the model introduced by the United Nations Secretariat and some other member organizations to modify their responses to client needs globally, in an efficient and streamlined way. The focus will be on change management through developing, facilitating and empowering staff to be actively involved in improving and preventing client delays and rooting out non-value-added steps in legacy processes, thereby enabling efficiencies and focusing on operational excellence.

45. Automation efforts will start with the mapping of the Fund's processes (the value stream), showing the flow of documents and information, in order to help identify redundant steps in the processing of cases, thereby increasing the efficiency of the joint work between the employing organizations and the Fund. This will be established in full coordination with and connection to the client service's plan mentioned in pillar one above.

46. This value stream mapping will help re-engineer processes with the goal of improving output, quality and/or reducing costs. This approach will include:

(a) Identifying and defining the scope and boundaries of the review, and the steps involved in each scenario/process;

(b) Obtaining feedback from all staff involved in the processes;

(c) Conducting walkthroughs of the processes, from input to output and vice versa;

(d) Identifying opportunities for simplifying subprocesses, to the extent possible;

(e) Testing processes and developing relevant metrics (e.g., to measure time, volume, rates/costs, equipment and any added value);

(f) Identifying/proposing ownership and clear accountabilities;

(g) Redesigning client-centric processes;

(h) Identifying the most suitable technological tools to support and improve processes;

(i) Decreasing inefficiencies in hand-offs.

47. The expected end result is the streamlining and automation of all interfaces between the Fund and its member/reporting organizations, including fully automated reconciliation processes between the Integrated Pension Administration System and employing organizations' enterprise resource planning systems.

48. One key expected benefit of the modernization is that it will free up resources from manual, repetitive tasks. This will stem from the above-mentioned process streamlining, which will be further complemented and supported by the introduction of robotic process automation, starting with two pilot projects. As robotic process automation builds capacity for faster and qualitatively consistent execution of procedures, staff will be freed up to interact with clients and partners to provide value-oriented services. The focus of work will change from transactional processing to client orientation.

49. Ultimately, the quality of the pension services will be enhanced and their efficiency will be strengthened through the streamlining and automation of processes. This will be accomplished through more interaction between teams and functions within the Fund, as well as with employing organizations. Hence, the Fund will build capacity for the current and projected increase in the number of retirees while enhancing the services provided to employing organizations and participants/ beneficiaries.

Develop a strong global partnership network

50. The Fund will strengthen and further professionalize stakeholder relations and become a data-driven organization. The wealth of data and information that the Fund owns will become a source for decision-making and communications, not just for the Fund management but also its stakeholders, thereby enhancing the Fund's value within the United Nations system. More broadly, data and information will be made available to enhance the conversations regarding pensions, demographics and trends on employment and ageing. In order to respond to the risks identified by the auditors and requests made by the General Assembly, benchmark studies will be conducted, best practices and trends will be identified and the Fund's performance indicators will be further developed, in line with the best practices of other pension funds.

51. The Fund will be able to identify issues and achieve meaningful improvements in its processes only through the systematic collection and analysis of data. To that end, a Data Analysis Unit – a new, dedicated and focused capacity – will be established by reorganizing already existing in-house expertise on data, with a view to ensuring data accuracy and consistency as well as facilitating the collection, analysis and communication of data. Through data analytics, the Fund will be able to identify important (and often mission-critical) trends and potential performance

problems, and support a well-informed decision-making process, while increasing awareness of the habits of its clients. In 2020, the Risk Management and Technical Analysis Unit is to be replaced with a new Data Analysis Unit, which will continue to manage the relationship with the Fund's Consulting Actuary and the Committee of Actuaries.

52. In addition, a more systematic coordination of internal and external communications activities with participants, beneficiaries and retirees, as well as other stakeholders, will be created and a communications plan elaborated. Capacity to produce modern communications materials to explain benefit options to the Fund's clients will be enhanced, which will also contribute to pillar one. Communications efforts will include revamping the Fund's website jointly with the Office of Investment Management as well as developing multilingual content.

External factors

53. The overall plan for 2021 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

54. The following evaluations completed in 2019 have guided the programme plan for 2021: the audit of data interfaces and monthly contributions; the audit of services provided by a United Nations agency; the audit of financial reporting processes and related systems; and the audit of travel management, conducted by OIOS. They all contained a number of recommendations, which were considered for the budget formulation and presentation.

A. Proposed programme plan for 2021 and programme performance for 2019

Programme of work

Objective

55. 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.

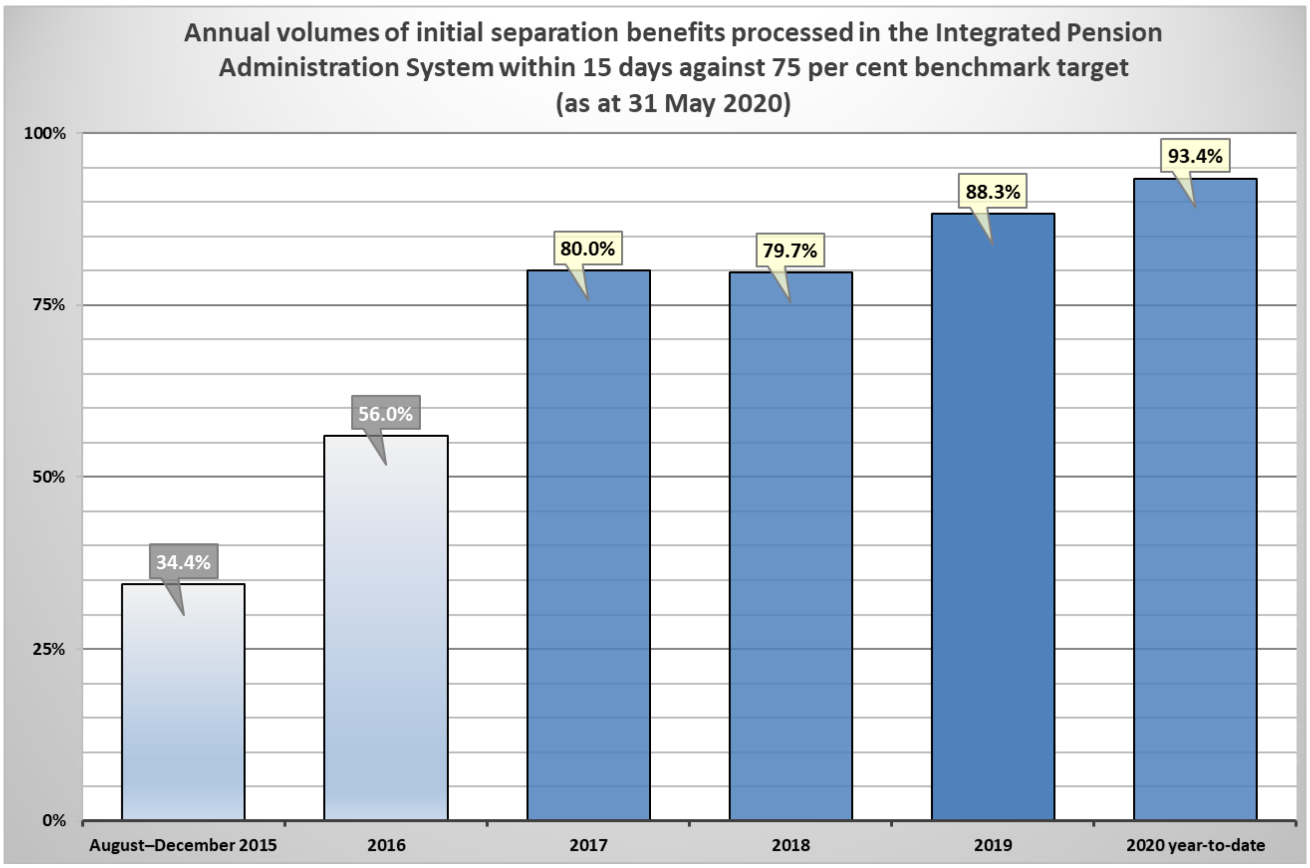
Programme performance in 2019 against planned result

Meeting the benefit processing benchmark

56. In 2019, the Fund met and exceeded the target for benefit processing for every month of the year.

57. The Fund’s strategic planning documents for the previous biennium specified the indicator of achievement and target for benefits processing. The benchmark was 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 III, in 2019 the Fund met and exceeded the benefit processing benchmark by processing 88.3 per cent of initial separations within 15 business days. 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.

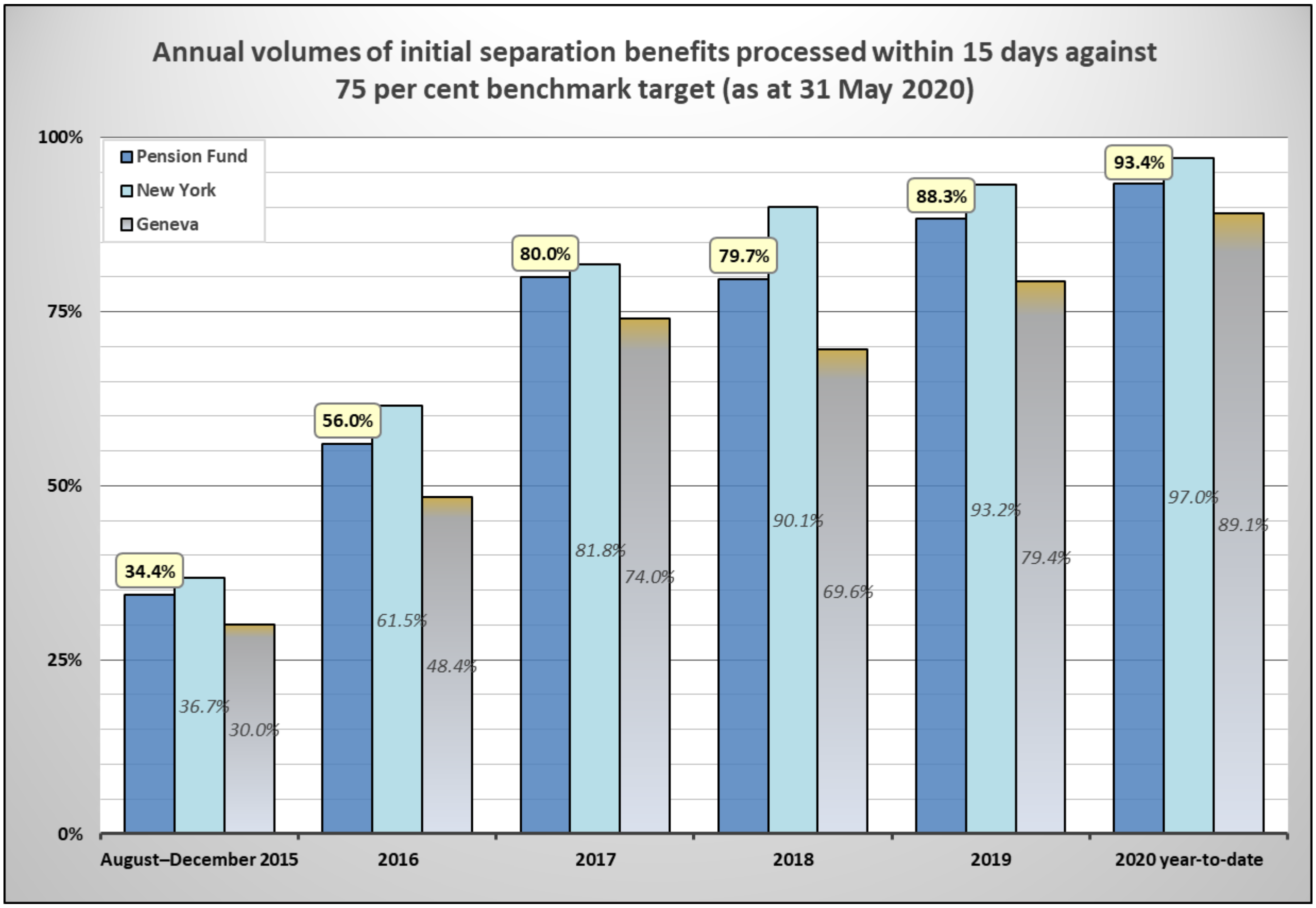
Figure III
Performance benefits benchmark



58. The Fund has been exceeding the benchmark for more than three years, demonstrating that the transition to the Integrated Pension Administration System, the Fund’s enterprise resource planning system, has been completed. The processes are stable and trained staff perform at a high level. The Fund continues nevertheless to introduce enhancements and fixes to the Integrated Pension Administration System and further develop business intelligence reports to better monitor and control its case inventory.

59. As reflected in figure IV, the implementation of functional reporting across the Fund’s offices has resulted in narrowing the performance gap between the New York and Geneva offices, in spite of the challenging time brought by the COVID-19 situation.

Figure IV
Performance benefits benchmark, by office



Planned results for 2021

Providing pension services to participants, retirees and beneficiaries

60. The Pension Administration will continue 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.

61. Meeting the benchmark of processing 75 per cent of initial separation cases within 15 days will continue to be the performance measure of this activity.

Implementing the strategy for 2021–2023

62. The Pension Administration will begin the implementation of the strategy (a detailed description of which can be found in the "Strategy for 2021–2023" section above), with changes in the Fund's organization, key projects and undertakings.

63. With regard to pillar one (simplified client experience), 2021 projects will include: (a) an inventory of the current ("as is") scenarios, processes and workflows supporting the client service function; (b) a tactical plan for the modernization of the processes and corresponding technology, in the short and medium term; (c) the development of activities aimed at reaching an excellent level of service to the Fund's clients, including moving to become a paperless organization and revamping the website; and (d) reinforcing collaboration with the employing organizations. The

main performance measurement will be client satisfaction, which will be measured through a survey on the website.

64. To support the implementation of pillar two (modernize pension services), a dedicated capacity in business transformation through a new unit will be created, focusing on operational excellence and revitalizing people and processes as well as on preparing for future automation to free up human resources to perform more value-added work. A central project management capacity will be established to support the implementation of the strategy, establish milestones and track progress.

65. Mapping the Fund's value stream will be a key undertaking under this pillar of the strategy, aimed at identifying redundant steps in the processing of cases. The Fund will continue to further develop interfaces between the Fund and its member/reporting organizations, including fully automated reconciliation processes between the Integrated Pension Administration System and employing organizations' enterprise resource planning systems. Select pilot projects will be implemented to introduce robotic process automation. Performance will be measured by the completion of the value stream mapping and the reaching of milestones in the pilot projects.

66. The implementation of pillar three (develop a strong global partnership network) will include the creation of a Data Analysis Unit that will reorganize already existing in-house expertise on data with a view to ensuring data accuracy and consistency, as well as facilitating the collection, analysis and communication of data. Pillar three will also strengthen the communications and outreach activities of the Fund. Performance will be measured by new data reporting and a stakeholder's satisfaction survey.

B. Proposed post and non-post resource requirements for 2021

Overview of resources

67. The total resource requirements for 2021, including the breakdown of resource changes, as applicable, are reflected in tables 4 to 9 and figure V.

68. The overall resources proposed for 2021 amount to $59,474,100 before recosting, reflecting a net increase of $6,047,700 (or 11.3 per cent) compared with the appropriation for 2020:

(a) The increase of $2.5 million (or 4.7 per cent) relates to technical adjustments relating to the annual provision for new posts established in 2020 and estimated increases in the rental and maintenance of premises for both the New York and Geneva offices, and the estimated charges from the United Nations for the administrative services provided to the secretariat of the Fund. There are cost increases for current contractual obligations;

(b) The increase of $3.5 million (or 6.6 per cent) relates to requirements in line with the Fund's strategic plan for the period. These costs relate mainly to post resources as detailed in annex III, and ICT-related projects and maintenance as reflected in paragraph 71 (b) (ii) b.

69. The details on the variance and proposed adjustments between the budget classes are reflected in the paragraphs below. The proposed level of resources provides for the full, efficient and effective implementation of mandates and are in line with the strategy for 2021–2023 and the programme plan envisioned for the year 2021.

Table 4
Financial resources
(Thousands of United States dollars)

Category	2019 expenditure	2020 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2021 estimate (before recosting)	Recosting	2021 estimate (after recosting)
Posts	25 536.1	25 076.3	336.8	972.4	1 309.2	5.2	26 385.5	1 505.6	27 891.1
Other staff costs	4 934.6	7 583.1	–	515.0	515.0	6.8	8 098.1	202.9	8 301.0
Hospitality	0.3	3.0	–	–	–	–	3.0	0.1	3.1
Consultants and experts	142.5	172.2	–	31.4	31.4	18.2	203.6	3.6	207.2
Travel of representatives	–	–	–	–	–	–	–	–	–
Travel of staff	432.5	564.3	–	(169.9)	(169.9)	(30.1)	394.4	8.9	403.3
Contractual services	11 223.3	10 073.1	–	2 481.9	2 481.9	24.6	12 555.0	237.6	12 792.6
General operating expenses	2 929.4	8 965.9	–	2 082.9	2 082.9	23.2	11 048.8	66.5	11 115.3
Supplies and materials	58.6	105.5	–	(14.4)	(14.4)	(13.6)	91.1	1.2	92.3
Furniture and equipment	1 141.3	883.0	–	(188.4)	(188.4)	(21.3)	694.6	12.5	707.1
Total	**46 398.6**	**53 426.4**	**336.8**	**5 710.9**	**6 047.7**	**11.3**	**59 474.1**	**2 038.9**	**61 513.0**

Table 5
Post changes

	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)
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)

Note: Details on justifications for post changes and the breakdown of post changes by component, subprogramme and post level are provided in annex III.

Table 6
Post resources

	2020 approved	Changes	2021 proposed
Professional and higher			
ASG	1	–	1
D-2	1	–	1
D-1	4	–	4
P-5	11	2	13
P-4	23	1	24
P-3	33	1	34
P-2/1	1	–	1
Subtotal	**74**	**4**	**78**

	2020 approved	Changes	2021 proposed
General Service			
Principal level	10	1	11
Other level	108	2	110
Local level	2	–	2
Subtotal	**120**	**3**	**123**
Total	**194**	**7**	**201**

Note: Excludes one extrabudgetary General Service (Other level) post funded by the member organizations.

Table 7
Evolution of financial resources, by component
(Thousands of United States dollars)

	2019 expenditure	2020 appropriation	Changes				2021 estimate (before recosting)	Recosting	2021 estimate (after recosting)
			Technical adjustments	Other	Total	Percentage			
A. Executive direction and management	2 530.1	2 210.0	112.2	438.3	550.5	24.9	2 760.5	167.0	2 927.5
B. Programme of work	41 163.8	42 930.0	224.6	2 995.9	3 220.5	7.5	46 150.5	1 777.6	47 928.1
C. Programme support	2 704.7	8 286.4	–	2 276.7	2 276.7	27.5	10 563.1	94.3	10 657.4
Total	**46 398.6**	**53 426.4**	**336.8**	**5 710.9**	**6 047.7**	**11.3**	**59 474.1**	**2 038.9**	**61 513.0**

Table 8
Evolution of post resources, by component

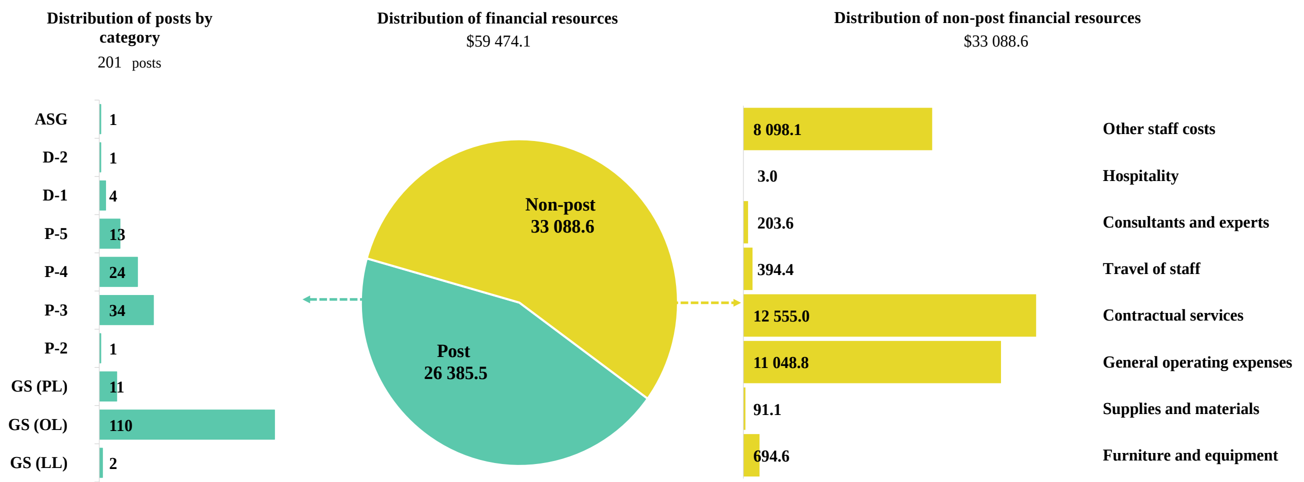
	2020 approved	Changes	2021 proposed
A. Executive direction and management	5	4	9
B. Programme of work	184	3	187
C. Programme support	5	–	5
Total	**194**	**7**	**201**

Table 9
Evolution of financial and post resources, by main category

	2019 expenditure	2020 appropriation	Changes				2021 estimate (before recosting)
			Technical adjustments	Other	Total	Percentage	
Financial resources by main category of expenditure							
Post	25 536.1	25 076.3	336.8	972.4	1 309.2	5.2	26 385.5
Non-post	20 862.5	28 350.1	–	4 738.5	4 738.5	16.7	33 088.6
Total	**46 398.6**	**53 426.4**	**336.8**	**5 710.9**	**6 047.7**	**11.3**	**59 474.1**

	2019 expenditure	2020 appropriation	Changes				2021 estimate (before recosting)
			Technical adjustments	Other	Total	Percentage	
Post resources by category							
Professional and higher	–	74	–	4	4	5.4	78
General Service and related	–	120	–	3	3	2.5	123
Total		**194**		**7**	**7**	**3.6**	**201**

Figure V
Distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



Overall resource changes

Technical adjustments

70. Resource changes reflect a net increase of $336,800 as follows:

(a) **Executive direction and management**. The increase of $112,200 reflects the annual provision for two new posts (1 P-3 and 1 General Service (Other level)) that were established in 2020;

(b) **Programme of work**. The increase of $224,600 reflects the annual provision for five new posts (1 P-4, 2 General Service (Other level) and 2 General Service (Local level)) that were established in 2020.

Other changes

71. Resource changes reflect a net increase of $5,710,900 as follows:

(a) **Executive direction and management**. The increase of $438,300 reflects:

(i) The net increased requirements of $697,400 under post resources:

a. The conversion of one general temporary assistance position of Special Assistant to the Chief Executive (P-5) to an established post is proposed in line with pillar three (develop a strong global partnership network) as reflected in the strategy for 2021–2023 and the programme plan for 2021. The proposed conversion would 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. The incumbent would also provide support to the Chief Executive of Pension Administration with regard to her speaking engagements and the preparation of her meetings and conferences. The incumbent would ensure the coordination and management of delegated cross-cutting issues and projects within the Pension Administration and with outside stakeholders;

b. The establishment of a post of Chief of the Business Transformation and Accountability Unit (P-5) is proposed in line with pillar two (modernize pension services). The incumbent would be responsible for monitoring and advising on the implementation of the strategic plan and organizational change of the Pension Administration, mapping the value stream and ensuring that a systematic business transformation and a structured change management approach is embedded across the functions in the Pension Administration. In response to the request by the Audit Committee and the Pension Board, as well feedback received from the Fund staff, and in line with the recommendation of the Joint Inspection Unit that greater prominence be given to the role that the strategic human resources management functions play in organizational change management, the Chief of the Business Transformation and Accountability Unit would incorporate tools, techniques and strategies to support people in implementing a change in the workplace and prepare and train staff in successfully adopting – and driving – that change. The duties would include establishing mechanisms that reinforce changes in attitudes and behaviours, create channels to communicate feedback, analyse the impact of change, reinforce training and staff development and introduce knowledge transfer initiatives to ensure continuous learning and improvement;

c. In view of the Business Transformation and Accountability Unit's overarching role in the implementation of the strategic plan and organizational change, and to be consistent with the accepted approach at the Office of Investment Management, the reporting lines of the risk and compliance functions in the Unit are proposed to be directly under the supervision of the Chief Executive of Pension Administration. Accordingly, the inward redeployments of one Risk Management Officer (P-4) and one Legal Officer (compliance) (P-3) from the newly renamed Data Analysis and Legal Services Section, formerly known as the Risk Management and Legal Services Section, under the programme of work, are proposed;

d. The conversion of a general temporary assistance position of Programme Management Officer (risk management) (P-3) to an established post in the Business Transformation and Accountability Unit is proposed to strengthen the Fund's ability to assess and manage risks and its internal control framework. Over the past few years, the Fund has experienced a significant increase in the number and scope of risk assessments, audits and open audit recommendations without a corresponding increase in the resources required to manage and monitor the implementation of resulting actions, which have an impact on all offices in the Fund. The Programme Management Officer would assist the Unit in planning and facilitating risk assessments; monitoring and gathering evidence on the implementation of open audit recommendations and risk mitigation actions; maintaining documentation on and monitoring the operation of the business continuity management system and business continuity strategy; supporting the annual process for the testing of internal controls; interacting with internal functions, auditors and external consultants;

and maintaining information depositories on risk management, audit and internal control matters;

e. The outward redeployment of one Programme Management Officer (performance reporting) (P-3) to the programme of work in the Data Analysis Unit is proposed. The Data Analysis Unit is proposed to be established under the Data Analysis and Legal Services Section in the programme of work to support pillar three;

(ii) The net decrease in requirements of $259,100 under non-post resources relate primarily to the decreased requirements under other staff costs, reflecting mainly the conversion of one general temporary assistance position (P-5) to an established post as mentioned above and expenditure trends in after-service health insurance premiums ($306,200); and travel of staff attributable to the continued efforts to reduce travel costs through the use of videoconferencing and teleconferencing as well as the consolidation of travel whenever possible ($21,700). The decrease is offset in part by increased requirements mainly under consultants for the additional provision of benchmarking studies ($16,800) and the inward redeployments of contractual services related to risk management ($50,000) and hospitality resources ($2,000) from the programme of work;

(b) **Programme of work**. The increase of $2,995,900 reflects:

(i) The net increased requirements of $275,000 under post resources:

a. The conversions of three Benefits Assistants (General Service (Other level)) and the reclassification of one post of Chief of Unit (P-3 to P-4) are proposed in line with pillar one (simplify client experience):

i. The conversion of two general temporary assistance positions of Benefits Assistant (General Service (Other Level)) to established posts is proposed under the Operations Coordination and Liaison Unit of the Operations Support Section, which was established in 2020, to support the liaison and reconciliation tasks with the employing organizations;

ii. The conversion of a general temporary assistance position of Benefits Assistant (General Service (Other Level)) to an established post is proposed to strengthen the Client Services and Outreach Section and respond adequately to the large volume of often complex incoming inquiries;

iii. The reclassification of a post of Chief of Records Management Unit (P-3 to P-4) is proposed to manage the new upfront quality assurance processes;

b. The conversion of one general temporary assistance position of Accountant (P-3) to an established post is proposed. The Accounts Payable Group, which manages the Fund's accounts payable, 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 OIOS and reconcile accounting journal entries for monthly and yearly accounting closing. Currently, the general temporary assistance position is in charge of this Group, which is essential to the Fund's financial operations. The functions of the Accountant (P-3) are permanent and routine in nature;

c. The reclassification of one Accounting Assistant to Senior Accounting Assistant (General Service (Other Level) to General Service (Principal level)) is proposed. The functions and responsibilities of the position have significantly increased in order to support the growing complexity of payroll operations, owing to the steady annual increase of the number of periodic benefits as well as the ongoing efforts to enhance the ICT functionalities of payroll processing;

d. The inward redeployment of one Programme Management Officer (performance reporting) (P-3) from executive direction and management, as well as the internal redeployment of one Management and Programme Analyst (business) (P-4) within the programme of work in the Data Analysis Unit of the Data Analysis and Legal Services Section, are proposed. The new Unit is to integrate all existing functions dealing with data analysis and reporting;

e. The outward redeployments of one Risk Management Officer (P-4) and one Legal Officer (compliance) (P-3) to executive direction and management are proposed to reflect the reporting line of the risk and compliance functions in the Business Transformation and Accountability Unit under the Chief Executive of Pension Administration;

(ii) The net increase in requirements of $2,720,900 under non-post resources reflects mainly:

a. The increase under other staff costs related to the additional requirements for general temporary assistance, mainly under the Information Management Systems Service, in line with the Fund's strategy to provide organization-wide support for project management services, process re-engineering and technological innovation; under Financial Services to support the robotic process automation for accounting processes, including participant reconciliation exceptions; under the Data Analysis and Legal Services Section to centralize the functions associated with data collection, analysis and reporting and become the Fund's centre of excellence for anything data-related, including reviewing, understanding, interpreting and communicating actuarial valuation and asset-liability management study results in line with pillar three; and to strengthen the communications capacity in the Fund's Client Services and Outreach Section, directed at clients and member organizations, in line with pillars three and one of the strategy ($828,700);

b. The net increase under contractual services reflects mainly the increase under ICT-related projects and maintenance in line with the Fund's strategic vision for the period: ICT infrastructure support and operations related to the development and implementation of robotic process automation; cloud solutions; business intelligence infrastructure; the expansion of a Microsoft SharePoint platform supporting the internal activities of the Fund, as well as those of its governing bodies and committees to support collaboration within the Fund; the acquisition and implementation of a new customer relationship management system; the strengthening of information security services and incident management response; and application support, including the maintenance of a "digital certificate of entitlement" system and of the interface with the Integrated Pension Administration System. The increase also reflects requirements related to business transformation for process improvement and the mapping of the value stream, and translation services, offset in part by the outward redeployment of resources related to risk management to executive direction and management ($2,338,700);

c. The net increase under consultants and experts mainly reflects the consultancy requirements for business end users related to the upgrade of the Oracle E-Business Server application for Fund's financial services, as well as the inward redeployment of training resources from the contractual services for a facilitator ($14,600);

d. The increases are offset in part by decreased requirements under furniture and equipment ($188,400), general operating expenses ($108,100), supplies and materials ($14,400) and the outward redeployment of hospitality ($2,000) to executive direction and management based on the estimated requirements and expenditure experience. The decrease also reflects reductions under travel of staff attributable to the continued effort to reduce travel costs through the use of videoconferencing and teleconferencing as well as a reduction in the number of staff who travel ($148,200);

(c) **Programme support**. The increase of $2,276,700 primarily reflects:

(i) The increased requirements under general operating expenses relating mainly to the estimated increase in the rental and maintenance of premises in New York. The increased requirements derive from the extension of the current lease in New York, which was established more than 15 years ago, as well as estimated requirements for office rental in the Palais des Nations at the United Nations Office at Geneva, and an estimated increase in charges from the United Nations for administrative services provided to the Pension Administration for both the New York and Geneva offices ($2,191,000);

(ii) The increased requirements under contractual services relate mainly to the printing of annual letters ($93,200), offset in part by decreased requirements under overtime ($7,500), based on expenditure experience.

Executive direction and management

72. The Chief Executive of Pension Administration is responsible for managing the Pension Fund, under the authority of the Pension Board, in order to provide pension services to the member organizations and to more than 211,000 participants, retirees and other beneficiaries around the world.

73. In addition, the Chief Executive of Pension Administration will supervise the implementation of the strategy for 2021–2023 and have a leading role in the execution of pillar two (modernize pension services) especially in terms of business transformation, and pillar three (develop a strong global partnership network) with the professionalization of the outreach functions and the coordination of communications activities. The Office of the Chief Executive will be augmented by business transformation and change management functions led by the Business Transformation and Accountability Unit. The Unit will support all functions within the Pension Administration by applying change management practices across the organization and leading the process improvement review, including mapping the value stream.

74. Information on compliance with regard to the timely submission of documentation and advance booking for air travel is reflected in table 10. Efforts have been made to further enhance the rate of travel compliance by reminding travellers of the requirements and reinforcing that submitting a justification for non-compliance is mandatory. Non-compliance reported in 2019 was due mainly to the late nomination of travellers and the exigencies of operational requirements.

Table 10
Compliance rate
(Percentage)

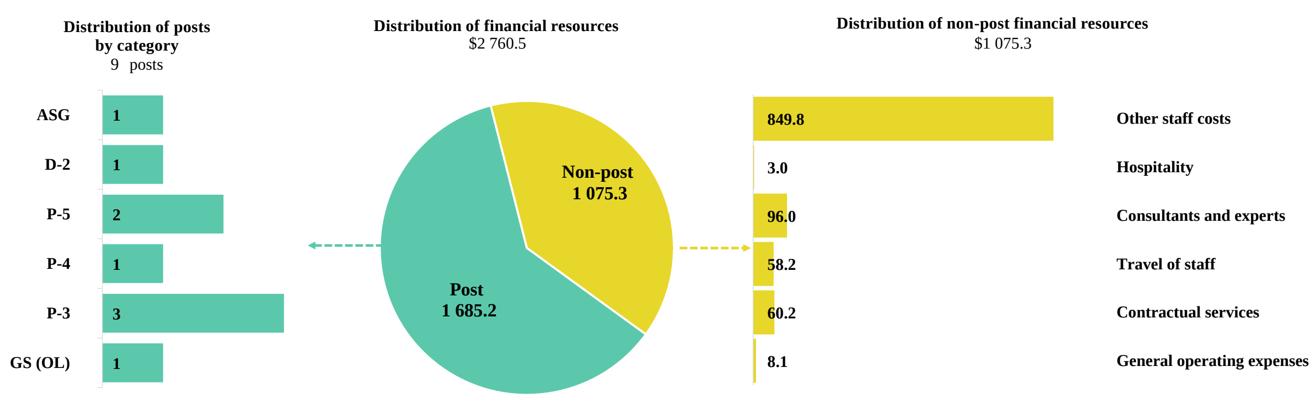
	Planned 2019	*Actual 2019*	*Planned 2020*	*Planned 2021*
Timely submission of documentation	100	100	100	100
Air tickets purchased at least two weeks before the commencement of travel	77	68	77	80

75. The proposed resources for 2021 amount to $2,760,500 and reflect an increase of $550,500 compared with the appropriation for 2020. Additional details are reflected in table 11 and figure VI. The proposed increase is explained in paragraphs 70 (a) and 71 (a).

Table 11
Executive direction and management: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

			Changes				
	2019 expenditure	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	1 130.4	875.6	112.2	697.4	809.6	92.5	1 685.2
Non-post	1 399.7	1 334.4	–	(259.1)	(259.1)	(19.4)	1 075.3
Total	**2 530.1**	**2 210.0**	**112.2**	**438.3**	**550.5**	**24.9**	**2 760.5**
Post resources by category							
Professional and higher	–	4	–	4	4	100.0	8
General Service and related	–	1	–	–	–	–	1
Total	**–**	**5**	**–**	**4**	**4**	**80**	**9**

Figure VI
Executive direction and management: distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



Programme of work

76. The programme of work includes the Operations Service, Financial Services, the Data Analysis and Legal Services Section and the Information Management Systems Service.

77. The proposed resources are in line with the Fund's strategy envisioned for the period 2021–2023, as set out above. The proposed resources will continue to provide managers with greater flexibility and adaptability, and more efficiency.

Operations Service

78. The Operations Service is entrusted with administering and managing the participation and separation process, as well as post-retirement matters, which necessitates strong collaboration with the 24 member organizations at the operational level. The Service is also responsible for providing client services to a population of some 211,000 participants, retirees and beneficiaries. Finally, it serves as the point of entry and exit for all incoming and outgoing correspondence and ensures that these documents are recorded in the Integrated Pension Administration System and that appropriate workflows are opened for action by the responsible sections of the Fund.

79. The Operations Service will be at the centre of the strategy for 2021–2023, mainly under pillar one (simplify client experience) with regard to processes and workflows, the improvement of client services and the provision of support to employing organizations, and under pillar two (modernize pension services) with regard to value stream mapping and the pilot projects for the introduction of robotic process automation.

Financial Services

80. Financial Services includes all financial reporting activities, the collection and reconciliation of contributions and the payment of benefits. 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. This branch is also responsible each year for producing accurate and timely financial statements for the Fund as a whole, including all investment activity reported by the Office of Investment Management.

81. Financial Services will contribute to pillar one of the strategy for 2021–2023 by modernizing the processes and workflows, and to pillar two with regard to value stream mapping and the pilot projects for the introduction of robotic process automation.

Data Analysis and Legal Services Section

82. The role of the Section is technical and advisory in nature. The Section will continue to monitor and report on the Fund's long-term funding, solvency and sustainability. The Section supports the Fund's management and operations by providing unified legal services and assistance to all sections and offices of the Pension Administration. It will continue to be responsible for facilitating the consistent and uniform interpretation and application of the Regulations and Rules of the Fund and the provisions of the pension adjustment system.

83. The Data Analysis Unit, as a cornerstone of pillar three (develop a strong global partnership network), will centralize the functions associated with data collection, analysis and reporting and become the Fund's centre of excellence for anything data-

related, including reviewing, understanding, interpreting and communicating actuarial valuation and asset-liability management study results.

Information Management Systems Service

84. The Information Management Systems Service is responsible for the Fund's information systems and ICT, and for expanding its ICT support to clients and partners, including: the provision of support for computing and office automation; the acquisition and maintenance of software/hardware; the design of computer applications systems; the development and implementation of technology-driven solutions; the strengthening of cybersecurity; the maintenance of telecommunications infrastructure; and the provision of support for conference services.

85. The Service will be a key driver of the strategy for 2021–2023, including on pillar one with regard to the new client relationship management system, the enhanced member self-service features and interfacing with member organizations. To support pillar two, the Service will have two additional functions: (a) project management, to ensure the consistent adoption of project management methodologies, metrics and reporting; and (b) innovation, to identify, evaluate and test new solutions for improving the efficiency and quality of the Fund's processes and services, including robotic process automation.

Resources

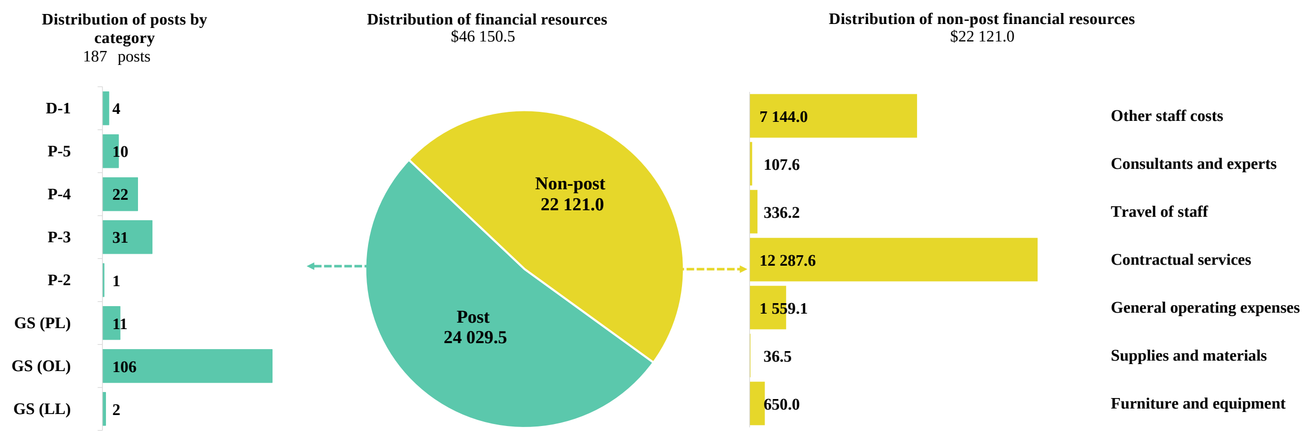
86. The proposed resources for 2021 amount to $46,150,500 and reflect an increase of $3,220,500 compared with the appropriation for 2020. Additional details are reflected in table 12 and figure VII. The proposed increase is explained in paragraphs 70 (b) and 71 (b).

87. The programme of work is supported by extrabudgetary resources estimated at $85,300, which would provide for one General Service (Other level) post. 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.

Table 12
Programme of work: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

			Changes				
	2019 expenditure	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	23 725.4	23 529.9	224.6	275.0	499.6	2.1	24 029.5
Non-post	17 438.4	19 400.1	–	2 720.9	2 720.9	14.0	22 121.0
Total	**41 163.8**	**42 930.0**	**224.6**	**2 995.9**	**3 220.5**	**7.5**	**46 150.5**
Post resources by category							
Professional and higher	–	68	–	–	–	–	68
General Service and related	–	116	–	3	3	2.6	119
Total	**–**	**184**	**–**	**3**	**3**	**1.6**	**187**

Figure VII
Programme of work: distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



Programme support

88. Programme support comprises the Fund's Executive Office.

89. The Fund is following the Staff Regulations and Rules of the United Nations as well as the Financial Regulations and Rules of the United Nation with regard to administrative services such as human resources management, procurement and payments. 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.

90. 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 consistency and continuity of services provided. The change is planned to take effect once such an agreement with the United Nations is established.

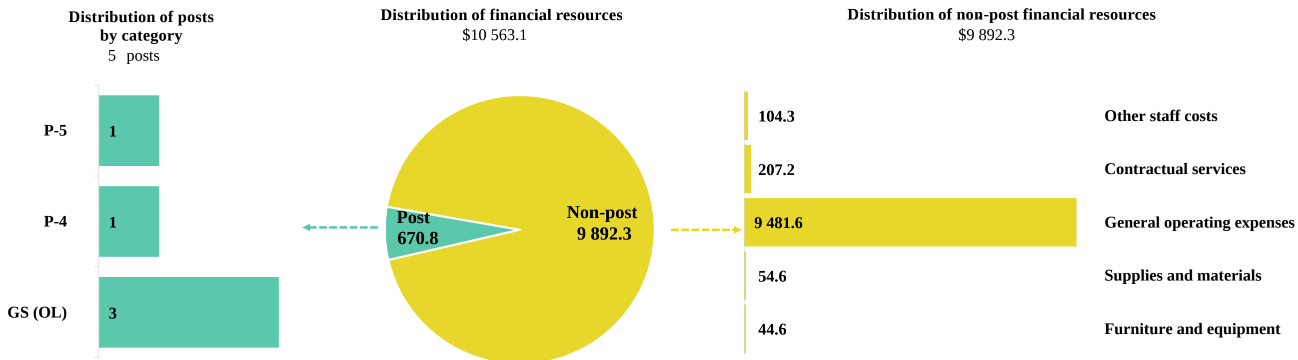
91. The proposed resources for 2021 amount to $10,563,100 and reflect an increase of $2,276,700 compared with the appropriation for 2020. Additional details are reflected in table 13 and figure VIII. The proposed increase is explained in paragraph 71 (c).

Table 13
Programme support: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

			Changes				
	2019 expenditure	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	680.3	670.8	–	–	–	–	670.8
Non-post	2 024.4	7 615.6	–	2 276.7	2 276.7	29.9	9 892.3
Total	**2 704.7**	**8 286.4**	**–**	**2 276.7**	**2 276.7**	**27.5**	**10 563.1**

	2019 expenditure	2020 appropriation	Changes				2021 estimate (before recosting)
			Technical adjustments	Other	Total	Percentage	
Post resources by category							
Professional and higher	–	2	–	–	–	–	2
General Service and related	–	3	–	–	–	–	3
Total	**–**	**5**	**–**	**–**	**–**	**–**	**5**

Figure VIII
Programme support: distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



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 global mission of the United Nations 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.

The Fund's long-term return objective is to earn the highest possible investment return consistent with the Fund's risk tolerance, 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 annualized 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 management of the investment of the assets of the Pension Fund is the fiduciary responsibility of the Secretary-General of the United Nations, in consultation with the Investments Committee, and in the light of the observations and suggestions made from time to time by the Pension Board with regard to investment policy.

The Representative of the Secretary-General has been delegated the responsibility and authority to act on behalf of the Secretary-General in all matters involving the fiduciary duties of the Secretary-General relating to the investment of the assets of the Fund, including representing the Secretary-General at meetings of the Investments Committee, the Pension Board and other meetings where investment matters pertaining to the Fund are being discussed. The Representative is assisted by the Office of Investment Management. Investments must meet the criteria of safety, profitability, liquidity and convertibility.

The Office of Investment Management works to ensure that the United Nations Joint Staff Pension Fund can fully discharge its obligation to provide retirement, death, disability and related benefits to the more than 211,000 active and retired staff of the United Nations and the 24 other member organizations of the Fund.

The Office strives to ensure that the assets of the Fund are managed prudently and optimally, and achieve its long-term investment return objective, in order to ensure the financial sustainability of the Fund. Its investments are spread over more than 100 countries, and 85 per cent of the assets are managed internally.

The proposed increase of $45,309,700 for 2021 represents an increase of 3.2 per cent. The request reflects an increase in mainly technical adjustments and resources, as the Office of Investment Management maintained its efforts to rationalize its expenditures. In the light of the unprecedented global economic situation and evolving market conditions and uncertainty, the Office plans to proceed prudently with its requests.

(*Signed*) Pedro **Guazo**
Acting Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

Overall orientation

Mandate and background

92. The Office of Investment Management is responsible for the day-to-day management of the United Nation Joint Staff Pension Fund's assets, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation policy. 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 tolerance, 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 annualized 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.

93. The Office of Investment Management 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 2021

94. In response to rapidly changing market conditions, the Office of Investment Management has undertaken a number of initiatives to effectively and efficiently implement:

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

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

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

External factors

95. The overall plan for 2021 is based on the following planning assumptions: (a) all stakeholders will be supportive of the efforts of the Office of Investment Management and will extend their full cooperation to the Office; (b) there are no significant shortfalls in funding for the implementation of the mandate established by the General Assembly; and (c) the financial markets, such as public equities, private markets, global fixed income and foreign exchange markets, will move in the direction of the long-term assumptions.

96. Other external factors include:

(a) The impact of the COVID-19 crisis on the economy and financial markets;

(b) More volatile global markets and currencies markets;

(c) More credit risk from sovereign countries;

(d) Sovereign countries defaulting on their loans;

(e) Having to operate in inflationary and/or deflationary environments simultaneously in various geographies;

(f) More international trade barriers;

(g) Procurement and legal processes for requested services/products are completed within the expected time frame.

Evaluation activities

97. The following evaluation activities completed in 2019 continue to guide the programme plan for 2021:

(a) In 2019, a specialized consultant was selected by the Office to assist in developing a five-year strategic plan and the implementation of a road map to help the Office fulfil its vision. A study by McKinsey & Company helped the Office with a benchmarking gap analysis by reviewing and benchmarking its current state; analysing strengths and areas of opportunity and identifying gaps as compared with a peer group of similar global investment institutions and the Office's vison; and assessing the Office's resource needs;

(b) As of December 2019, the Office had 110 approved regular posts, while the study indicated a benchmark by 2023 of a total of 130 to 145 staff. The Office is continuing to gradually implement the road map to achieve the 2023 target. It is proposing that the general temporary assistance positions being created in 2020 be continued in order to get closer to the proposed lower limit of 130 staff members suggested by the study. The Office expects in the coming years to propose the conversion of general temporary assistance positions to established posts in order to provide stability to the structure of the Office.

A. Proposed programme plan for 2021 and programme performance for 2019

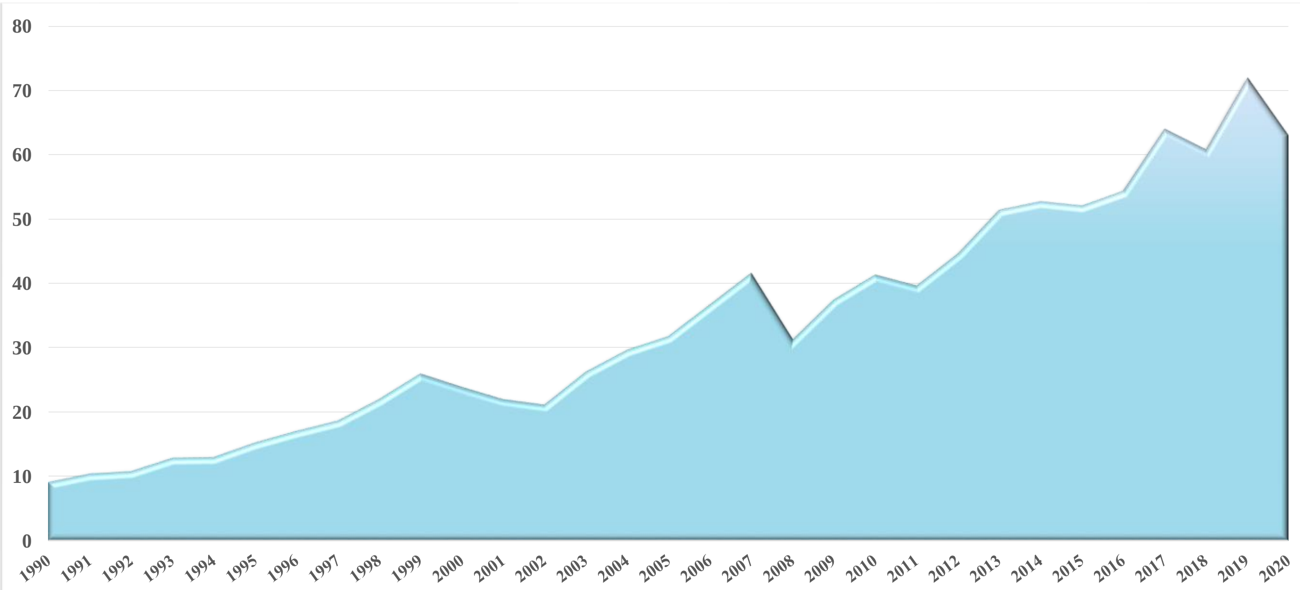
Programme of work

Objective

98. The Office of Investment Management 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 Office's investments are spread over more than 100 countries and regions and 85 per cent of its assets are managed internally. Investments must meet the criteria of safety, profitability, liquidity and convertibility.

Programme performance in 2019 against planned result

Figure IX
Market value of assets as at 31 March 2020
(Billions of United States dollars)



99. The Fund is financially sound as at 31 December 2019, especially after a very strong Fund performance of 18.7 per cent. The Office has achieved its long-term objective to meet or exceed the required annualized 3.5 per cent real rate of return on a 1-, 2-, 3-, 5-, 10-, 15-, 25- and 50-year basis in line with its long-term financial objective. The Office also met the short-term financial objective to meet or exceed the policy benchmark over a three-year horizon and showed a performance of 10.3 per cent compared with a policy benchmark performance of 10.3 per cent, although it trailed the policy benchmark during 2019 (the Fund performed at 18.7 per cent compared with a policy benchmark of 19.6 per cent).

100. The Office successfully completed the asset-liability management study jointly with the Pension Administration in consultation and collaboration with stakeholders. The Pension Board endorsed the asset-liability management study and the new strategic asset allocation after positive recommendations from all committees, which jointly presented the results of the asset-liability management study during the meeting of the Pension Board in Nairobi in July 2019.

101. The Office completed the updated investment policy statement based on best-in-class peer comparison and after consulting with the Investments Committee and the Fund Solvency and Assets and Liabilities Monitoring Committee. The investment policy statement also includes the outcome of the asset-liability management study, including the new strategic asset allocation and the policy benchmark. The statement was discussed at the meeting of the Pension Board in the course of consultations on investment policy between the Office and the Pension Board. The former Representative of the Secretary-General approved and signed the statement in August 2019. As a result, the Office started the transition of publicly traded assets towards the policy benchmark and completed the process in March 2020. The increased allocation to private market investments such as private equity, real estate and infrastructure will take multiple years to reach the strategic asset allocation targets.

102. The Office took further steps to implement its approach to sustainable investing, including by codifying the approach in the new investment policy statement and the terms of reference of the Internal Investment Committee and the Private Markets Committee. The Office's second sustainable investing report will be published in September 2020.

103. On 1 October 2019, the Office implemented a new benchmark for the fixed income portfolio.

104. The Office announced the Fund's divestment from the coal energy sector at the 2019 Climate Action Summit in September. Coal, as a source of energy, is becoming less economically viable, posing a financial risk to the Fund's portfolio, with the costs of renewable sources of energy predicted to undercut commissioned coal almost everywhere by 2030.

105. During 2019, the Office closed 16 recommendations from OIOS and 9 recommendations from the Board of Auditors.

106. The Office implemented significant ICT security and access improvements during 2019, and is finalizing its ISO 27001 certification. In addition, the Office implemented significant business continuity/disaster recovery improvements during 2019 and is finalizing its ISO 22301 certification. This was of great benefit when managing the Fund remotely as a result of the COVID-19 crisis in 2020.

107. With the support of an external consulting firm, the Office completed a clean-up project on historical real estate data during 2019.

108. The Office made significant improvements in investment and risk reporting during 2019.

109. With the support of an external consulting firm, the Office completed the first part of its strategy study during 2019.

Planned results for 2021

110. In 2021, the Office of Investment Management will focus on improving stakeholder communications and an engagement-building plan initiated by the Acting Representative of the Secretary-General in April 2020, in close collaboration with the Pension Administration and the new Secretary of the Pension Board.

111. The Office's lease will expire in December 2020 and the cost of renewal and the fallout from the pandemic will increase lease costs significantly. The Office will continue to explore, with United Nations departments such as the Department of Management Strategy, Policy and Compliance and the Department of Operational Support, ways to implement new, effective flexible working spaces and flexible working arrangements to contain costs.

112. The Office will continue to address the gaps in resources and capabilities, as outlined in the benchmarking study, in order to be able to function successfully in a more challenging investment landscape, which includes the maturing of the Fund and increased complexity. Addressing its resources and capabilities is critical to the success of the Office with regard to meeting or exceeding both its long-term and short-term investment objectives.

113. The Office will take further steps towards realizing its vision of continuing to be an institution whose mission is to contribute to the global mission of the United Nations by ensuring the long-term financial sustainability of the Pension Fund, as outlined in the investment strategy.

B. Proposed post and non-post resource requirements for 2021

Overview of resources

114. The Secretary-General has delegated to the Representative of the Secretary-General responsibility for the investment of the assets of the Pension Fund. The Representative of the Secretary-General is, in turn, assisted in these functions 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 tolerance, so as to deliver an investment return that, over the long term (periods of 15 years and longer), at least meets the Fund's annualized 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.

115. In response to rapidly changing market conditions resulting from the COVID-19 pandemic, 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 and instruments that would enhance the probability of meeting its long-term 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.

116. The proposed budget resources for 2021, including the breakdown of resource changes, as applicable, are reflected in tables 14 to19 and figure X. The overall resources proposed for 2021 amount to $45,309,700 before recosting, reflecting a net increase of $1,413,300, or 3.2 per cent, compared with the appropriation for 2020. Resource changes result from: (a) technical adjustments relating to the annual provision for new posts established in 2020; and (b) other resource changes. The proposed level of resources provides for the full, efficient and effective implementation of the Office's mandate.

Table 14
Financial resources
(Thousands of United States dollars)

			Changes						
Category	*2019 expenditure*	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*	*Recosting*	*2021 estimate (after recosting)*
Posts	13 729.6	16 547.9	890.4	(107.6)	782.8	4.7	17 330.7	1 441.9	18 772.6
Other staff costs	2 261.8	1 806.9	–	1 691.5	1 691.5	93.6	3 498.4	291.6	3 790.0
Hospitality	3.0	13.7	–	(10.7)	(10.7)	(78.1)	3.0	0.1	3.1
Consultants and experts	170.5	179.2	–	–	–	–	179.2	3.4	182.6
Travel of representatives	49.5	272.3	–	(87.3)	(87.3)	(32.1)	185.0	3.5	188.5
Travel of staff	610.8	657.2	–	(197.2)	(197.2)	(30.0)	460.0	8.6	468.6
Contractual services	15 208.7	20 439.5	–	(1 416.5)	(1 416.5)	(6.9)	19 023.0	324.7	19 347.7
General operating expenses	502.4	3 643.2	–	798.9	798.9	21.9	4 442.1	84.4	4 526.5

Category	2019 expenditure	2020 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2021 estimate (before recosting)	Recosting	2021 estimate (after recosting)
Supplies and materials	11.3	31.8	–	(1.8)	(1.8)	(5.7)	30.0	0.6	30.6
Furniture and equipment	361.8	304.7	–	(146.4)	(146.4)	(48.0)	158.3	3.0	161.3
Total	**32 909.4**	**43 896.4**	**890.4**	**522.9**	**1 413.3**	**3.2**	**45 309.7**	**2 161.8**	**47 471.5**

Table 15
Post changes

	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)

Note: Details on justifications for post changes and the breakdown of post changes by component, subprogramme and post level are provided in annex III.

Table 16
Post resources

	2020 approved	Changes	2021 estimate
Professional and higher			
ASG	1	–	1
D-2	1	–	1
D-1	4	–	4
P-5	12	–	12
P-4	27	1	28
P-3	27	–	27
P-2/1	3	(1)	2
Subtotal	**75**	**–**	**75**
General Service			
Principal level	15	–	15
Other level	20	(2)	18
Local level	–	–	–
Subtotal	**35**	**(2)**	**33**
Total	**110**	**(2)**	**108**

Table 17
Evolution of financial resources, by component
(Thousands of United States dollars)

	2019 expenditure	2020 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2021 estimate (before recosting)	Recosting	2021 estimate (after recosting)
A. Executive direction and management	5 366.0	4 838.3	140.6	(16.4)	124.2	2.6	4 962.5	240.5	5 203.0
B. Programme of work	27 083.9	35 645.4	749.8	(230.9)	518.9	1.5	36 164.3	1 841.9	38 006.2
C. Programme support	459.5	3 412.7	–	770.2	770.2	22.6	4 182.9	79.4	4 262.3
Total	**32 909.4**	**43 896.4**	**890.4**	**522.9**	**1 413.3**	**3.2**	**45 309.7**	**2 161.8**	**47 471.5**

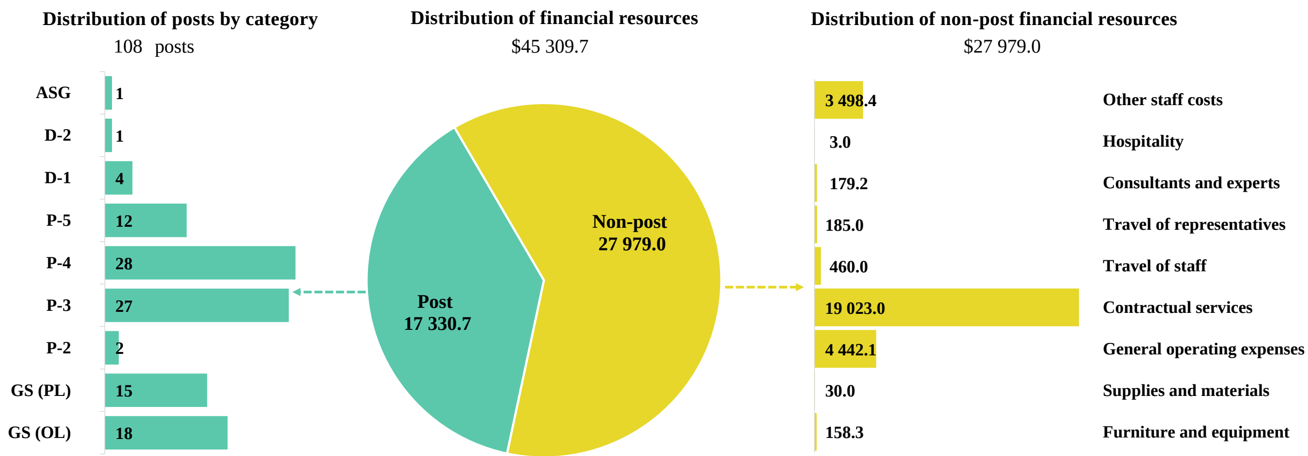
Table 18
Evolution of post resources, by component

	2020 approved	Changes	2021 estimate
A. Executive direction and management	15	(5)	10
B. Programme of work	95	3	98
C. Programme support	–	–	–
Total	**110**	**(2)**	**108**

Table 19
Evolution of financial and post resources, by main category

	2019 expenditure	2020 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2021 estimate (before recosting)
Financial resources by main category of expenditure							
Post	13 729.6	16 547.9	890.4	(107.6)	782.8	4.7	17 330.7
Non-post	19 179.8	27 348.5	–	630.5	630.5	2.3	27 979.0
Total	**32 909.4**	**43 896.4**	**890.4**	**522.9**	**1 413.3**	**3.2**	**45 309.7**
Post resources by category							
Professional and higher	–	75	–	–	–	–	75
General Service and related	–	35	–	(2)	(2)	(5.7)	33
Total	**–**	**110**	**–**	**(2)**	**(2)**	**(1.8)**	**108**

Figure X
Distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



Technical adjustments

117. Resource changes reflect a net increase of $890,400 as follows:

(a) **Executive direction and management**. The increase of $140,600 reflects the annual provision for two new posts (1 P-5, 1 General Service (Other level)) established in 2020;

(b) **Programme of work**. The increase of $749,800 reflects the annual provision for 10 new posts (1 P-5, 2 P-4, 6 P-3, 1 General Service (Other level)) established in 2020.

Other changes

118. Resource changes reflect a net increase of $522,900 as follows:

(a) **Executive direction and management**. The net decrease of $16,400 relates to:

(i) A net decrease of $583,400 under post resources:

a. The inward redeployment of one post of Risk Officer (P-4) from the programme of work under the Risk and Compliance Section to executive direction and management is proposed to enhance the focus on portfolio construction, which is an investment function. This move will ensure better alignment of the function and the reporting lines, especially given the fact that the Risk and Compliance Section will report to the Representative of the Secretary-General as a result of the proposed changes to the organizational structure;

b. The outward redeployment of six posts (1 P-5, 1 P-4, 1 General Service (Principal level) and 3 General Service (Other level)) to the programme of work under programme administration is proposed, as a result of the proposed changes to the organizational structure;

(ii) The net increase of $567,000 under non-post resources reflects mainly:

a. The increased requirements under contractual services for the implementation of recommendations related to environmental, social and governance issues and sustainable investing tools, and costs for external legal counsel ($543,200); under travel of staff, as the Office anticipates an increase in requirements for travel on official business for conferences, company visits and market research ($14,900); and under other staff costs relating mainly to general temporary assistance. The increase is offset in part by decreases in Office contributions to after-service health insurance premiums, in accordance with expenditure trends ($106,900);

b. The decreased requirements under hospitality owing to a reduction in the hosting of a number of official events ($10,700); and decreased requirements for the travel of members of the Investments Committee to attend meetings, as the Office anticipates making more efficient use of online communication by having more videoconference meetings going forward ($87,300);

(b) **Programme of work**. The net decrease of $230,900 relates to:

(i) A net increase of $475,800 under post resources:

a. The reclassification of one post of Investment Officer (P-3 to P-4) is proposed. The 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;

b. The reclassification of one post of Accountant (P-2 to P-3) in the operations team is proposed. The incumbent would: (a) implement and strengthen internal controls in fee templates for private market funds; (b) identify and analyse complex fee structure calculations (waterfall calculations, incentive fees, etc.); (c) continually examine new and changes to wire instructions to avert possible risks of monetary loss for the Fund prior to making payments thereof; and (d) participate in operational due diligence prior to approving investment deals and provide expertise in the area of operations, which will strengthen the desired end-to-end preventive internal control process. The roles and functions of this post require a higher professional level of expertise than the current approved staffing structure. The analysis of management fees and complex fee calculations as described requires an understanding of fund accounting and the ability to properly comprehend legal documents, such as limited partnership agreements and side letter agreements. As a result, the incumbent of the proposed post would need the skill sets required to accomplish the above goals;

c. The abolishment of one General Service (Other level) post is proposed. The fixed income team would like to optimize the use of its resources and use the savings from the proposed abolishment to propose a general temporary assistance position of Investment Officer (P-3);

d. The abolishment of one General Service (Other level) post is proposed. The Risk and Compliance Section would like to optimize the use of its resources and use the savings from the proposed abolishment to propose a general temporary assistance position of Risk Officer (P-3);

e. The inward redeployment of six posts (1 P-5, 1 P-4, 1 General Service (Principal level) and 3 (General Service (Other level)) from executive direction and management to the programme of work under programme administration is proposed, as a result of the proposed changes to the organizational structure. The posts would report to the Chief of Operations;

f. The outward redeployment of one post of Risk Officer (portfolio construction) (P-4) to executive direction and management is proposed to enhance the focus on portfolio construction, which is an investment function. The move will ensure better alignment of the function and the reporting lines.

Given the redefinition of the structure of the Risk and Compliance Section and the Investment Section, this post would be more compatible with the Investment Section. The Risk and Compliance Section would independently oversee the portfolio construction process established in the Investment Section;

(ii) A net decrease of $706,700 under non-post resources relates to:

a. The decreased requirements under contractual services, related to the continued optimal reduction in the utilization of non-discretionary advisers and the maximizing of the utilization of the increased number of staff to reduce dependence on contractual services. Overall cuts were made on most non-post categories to keep the Office's costs to a minimum ($1,989,800);

b. The decreased requirements under travel of staff, made possible by the use of other cost-effective means, such as videoconferencing, and by efficiently combining trips whenever possible ($212,100);

c. The decreased requirements under furniture and equipment, mainly reflecting savings in information technology equipment and software ($137,000);

d. The increased requirements under other staff costs, mainly relating to the increased requirements under general temporary assistance ($1,579,900) and overtime ($4,700); and under general operating expenses, related to increased costs for disaster recovery sites and communications ($47,600);

(c) **Programme support**. The net increase of $770,200 under non-post resources relates to:

(i) The increased requirements under general operating expenses, reflecting mainly the estimated increase in the rental and maintenance of premises and the estimated increase in the charges from the United Nations for the administrative services provided to the Office ($751,300); and under contractual services related to the external membership (research providers, certified financial analysts, certified public accountants) and subscriptions ($30,100);

(ii) The increase is offset in part by the decreased requirements under supplies and materials ($1,800) and furniture and equipment ($9,400) as a result of the optimization of office space.

Executive direction and management

119. The Representative of the Secretary-General leads the investment operations in terms of strategy and policy analysis, asset allocation, portfolio management and investment decision-making; risk management and compliance and monitoring; and back-office accounting, trade settlement, cash management and systems and information technology requirements. The Representative is responsible for investment policy, strategic and tactical asset allocation and appropriate investment strategy in consultation with the Investments Committee and in the light of observations and suggestions made from time to time by the Pension Board on investment policy. He oversees the implementation of investment decisions and ensures that the approved investment policy and asset allocation are followed. He is responsible for carrying out the responsibilities of the Secretary-General under article 19 (b) of the Regulations of the Fund, including by ensuring that detailed accounts of all investments and other transactions relating to the Fund are maintained and reporting to the Pension Board, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly on the Fund's investments. The Representative works closely with the Chief Executive of Pension Administration of the Fund.

120. Under the proposed revised organizational structure, the Director of the Office of Investment Management would also act as the Chief Investment Officer. This role would assist the Representative of the Secretary-General in ensuring that all the investment functions of the Office are coherent and properly coordinated, and are aligned in order to safeguard fiduciary responsibilities, support the goals of the Office and enhance the long-term sustainability of the Fund. The Representative would be further assisted by the Chief Operating Officer and the Chief Risk Officer to ensure that operations and information systems, programme administration and risk, compliance and monitoring functions are also adequately coordinated.

121. As a responsible fiduciary, the Office strives to avoid risks that may compromise the long-term objective of the Fund. 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.

122. Information on compliance with regard to the timely submission of documentation and advance booking for air travel is reflected in table 20. The Office continues to make efforts to further enhance the travel compliance rate, taking into consideration the patterns and nature of official travel and the reasons for non-compliance, such as the late nomination of travellers and exigencies of service. Staff members are being reminded to abide by travel rules.

Table 20
Compliance rate
(Percentage)

	Planned 2019	*Actual 2019*	*Planned 200*	*Planned 2021*
Timely submission of documentation	100	100	100	100
Air tickets purchased at least two weeks before the commencement of travel	80	73	80	85

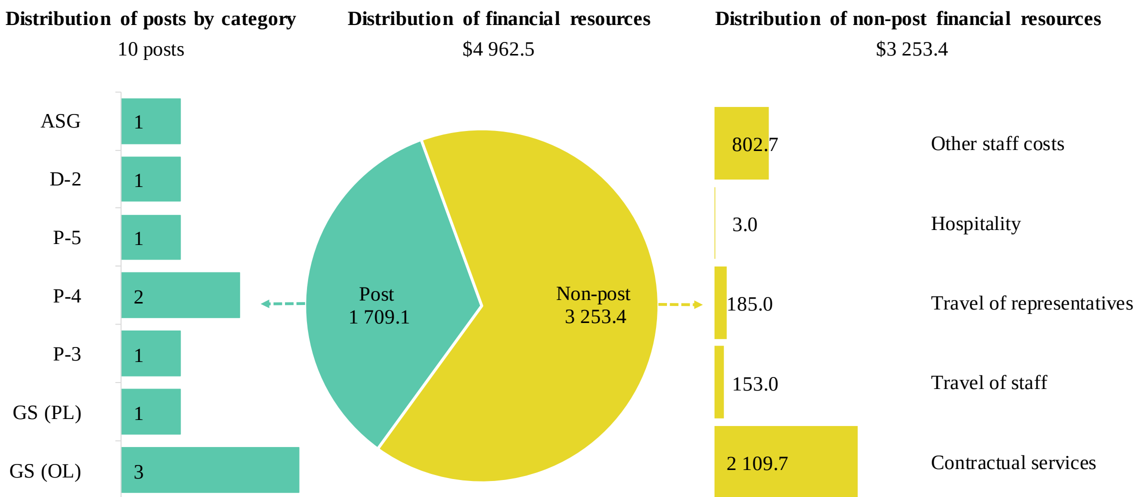
123. The proposed resources for 2021 amount to $4,962,500 and reflect an increase of $124,200 compared with the appropriation for 2020. Additional details are reflected in table 21 and figure XI. The proposed increase is explained in paragraphs 117 (a) and 118 (a).

Table 21
Executive direction and management: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

			Changes				
	2019 expenditure	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*
Financial resources by main category of expenditure							
Post	1 813.7	2 151.9	140.6	(583.4)	(442.8)	(20.6)	1 709.1
Non-post	3 552.3	2 686.4	–	567.0	567.0	21.1	3 253.4
Total	**5 366.0**	**4 838.3**	**140.6**	**(16.4)**	**124.2**	**2.6**	**4 962.5**

	2019 expenditure	2020 appropriation	Changes				2021 estimate (before recosting)
			Technical adjustments	Other	Total	Percentage	
Post resources by category							
Professional and higher	–	7	–	(1)	(1)	(14.3)	6
General Service and related	–	8	–	(4)	(4)	(50.0)	4
Total	**–**	**15**	**–**	**(5)**	**(5)**	**(33.3)**	**10**

Figure XI
Executive direction and management: distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



Programme of work

124. The Investment Section, the Risk and Compliance Section and the Operations and Information Systems Section, which includes the programme administration team, are tasked with implementing the Office's programme of work. In the Office's proposed budget for 2021, the four components are considered to be one programme of work rather than four 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

125. The Investment Section 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. 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 public markets, which consist of several teams overseeing portfolios comprising North American equities, European equities, Asia-Pacific equities, global emerging markets equities, private equities, fixed income, real estate and real assets, as well as trade execution and the management of external specialty funds. The number of teams is expected to grow in the future as the size and complexity of the Fund's investment portfolio grows, and as new asset classes and investment instruments are added to the Office's toolkit. The primary functions involve investment management, through the

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 governing bodies and various committees.

Risk and Compliance Section

126. The Risk and Compliance Section reports to the Representative of the Secretary-General and comprises the performance team, the risk team and the compliance team. The Risk and Compliance Section is responsible for independently: (a) monitoring and assessing risk to the assets of the Fund; and (b) overseeing risk, compliance, performance measurement and reporting (as calculated by the independent master record keeper and custodian bank (Northern Trust)) of the Fund.

Operations and Information Systems Section

127. The Chief of Operations reports to the Representative of the Secretary-General and supervises the operations team, the information systems team and the programme administration team.

128. The operations team 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 currencies utilized by the Office for investment purposes. The operations team is also responsible for managing all aspects related to the custody of the assets of the Office and for all the Office's tax-related matters, including managing the relationship with the Office's global tax and accounting advisers.

129. The information systems team is responsible for the Office's ITC operations, which 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.

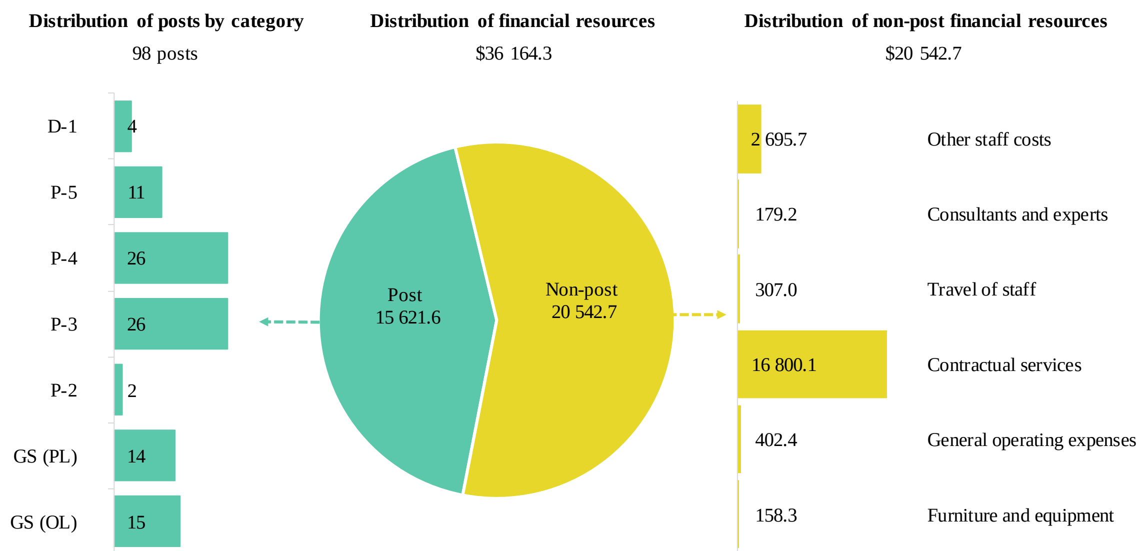
130. The programme administration team coordinates actions related to the effective administration of the growing number of the Office staff and resources. The team provides the requisite support and coordination for budget preparation, workforce planning, provides strategic advice to the Representative of the Secretary-General, provides recruitment-related support to hiring managers and coordinates the complex procurement of services for the Office. Because of the specialized and unique nature of the work of the Office staff, they are often unfamiliar with the intricacies of the regulations and rules of the United Nations. The programme administration team provides support and guidance to ensure that administrative actions are carried out in accordance with those regulations and rules.

131. The proposed resources for 2021 amount to $36,164,300 and reflect an increase of $518,900 compared with the appropriation for 2020. Additional details are reflected in table 22 and figure XII. The proposed increase is explained in paragraphs 117 (b) and 118 (b).

Table 22
Programme of work: evolution of financial and post resources
(Thousands of United States dollars/number of posts)

	2019 expenditure	2020 appropriation	Changes: Technical adjustments	Changes: Other	Changes: Total	Changes: Percentage	2021 estimate (before recosting)
Financial resources by main category of expenditure							
Post	11 915.9	14 396.0	749.8	475.8	1 225.6	8.5	15 621.6
Non-post	15 168.0	21 249.4	–	(706.7)	(706.7)	(3.3)	20 542.7
Total	**27 083.9**	**35 645.4**	**749.8**	**(230.9)**	**518.9**	**1.5**	**36 164.3**
Post resources by category							
Professional and higher	–	68	–	1	1	1.5	69
General Service and related	–	27	–	2	2	7.4	29
Total	**–**	**95**	**–**	**3**	**3**	**3.2**	**98**

Figure XII
Programme of work: distribution of proposed resources for 2021 (before recosting)
(Number of posts/thousands of United States dollars)



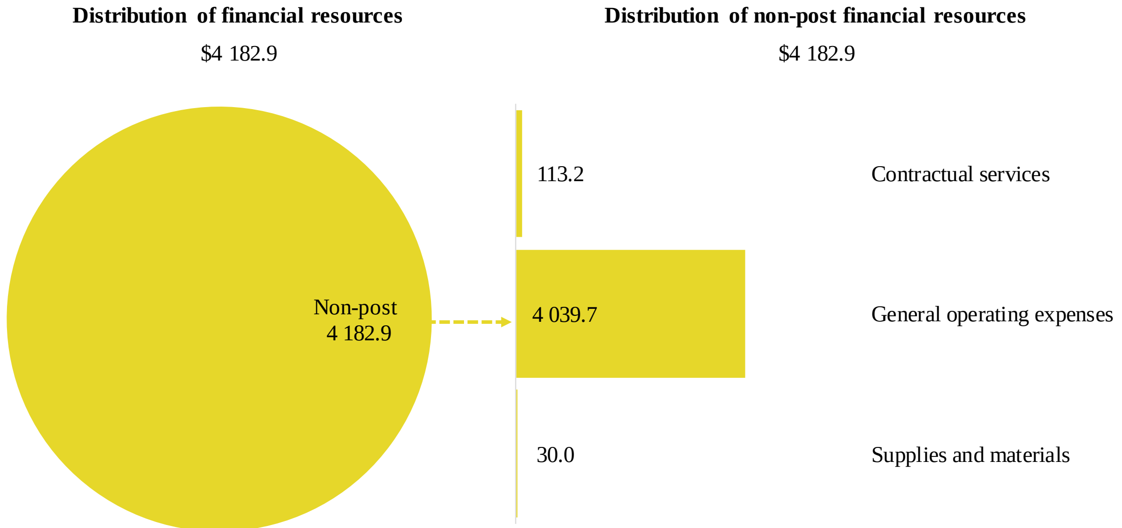
Programme support

132. The proposed resources for 2021 amount to $4,182,900 and reflect an increase of $770,200 compared with the appropriation for 2020. Additional details are reflected in table 23 and figure XIII. The proposed increase is explained in paragraph 118 (c).

Table 23
Programme support: evolution of financial resources
(Thousands of United States dollars)

	2019 expenditure	2020 appropriation	Changes				2021 estimate (before recosting)
			Technical adjustments	Other	Total	Percentage	
Financial resources by main category of expenditure							
Non-post	459.5	3 412.7	–	770.2	770.2	22.6	4 182.9
Total	**459.5**	**3 412.7**	**–**	**770.2**	**770.2**	**22.6**	**4 182.9**

Figure XIII
Programme support: distribution of proposed resources for 2021 (before recosting)
(Thousands of United States dollars)



V. Audit

Proposed post and non-post resource requirements for 2021

133. The proposed resources for 2021 amount to $1,945,300 and reflect a net increase of $337,300 compared with the appropriation for 2020. The breakdown is reflected in table 24.

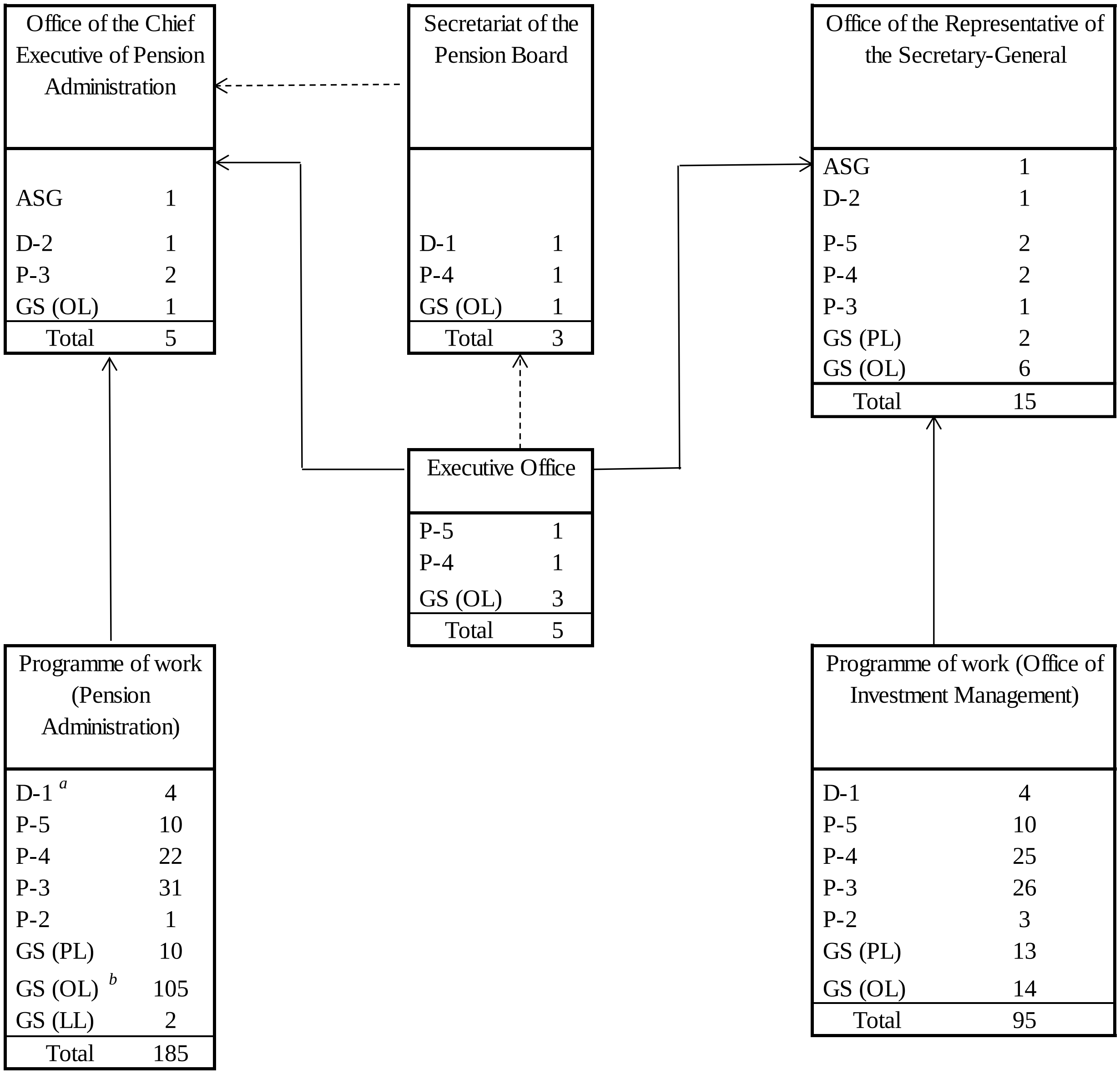
134. The increase of $337,300 under internal audit relates primarily to requirements for two additional general temporary assistance positions: a Senior Auditor (P-5) to spearhead the internal audits of the Fund's investment operations, as the internal functions and operations of the Office of Investment Management have become more complex and are accompanied by significant growth in the assets under management and in the number of approved posts; and an Investigator (P-4) to provide the degree of resilience needed to effectively and efficiently deal with reports of misconduct and the associated investigations arising from the Pension Fund. The increase is offset in part by the reduced requirements under contractual services in accordance with the planned audit assignments for 2021, which do not require the use of contractors or subject matter experts.

Table 24
Audit: evolution of financial resources by component
(Thousands of United States dollars)

			Changes				
Component	*2019 expenditure*	*2020 appropriation*	*Technical adjustments*	*Other*	*Total*	*Percentage*	*2021 estimate (before recosting)*
External audit	393.2	393.2	–	–	–	–	393.2
Internal audit	1 237.0	1 214.8	–	337.3	337.3	27.8	1 552.1
Total	**1 630.2**	**1 608.0**	**–**	**337.3**	**337.3**	**21.0**	**1 945.3**

Annex I

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

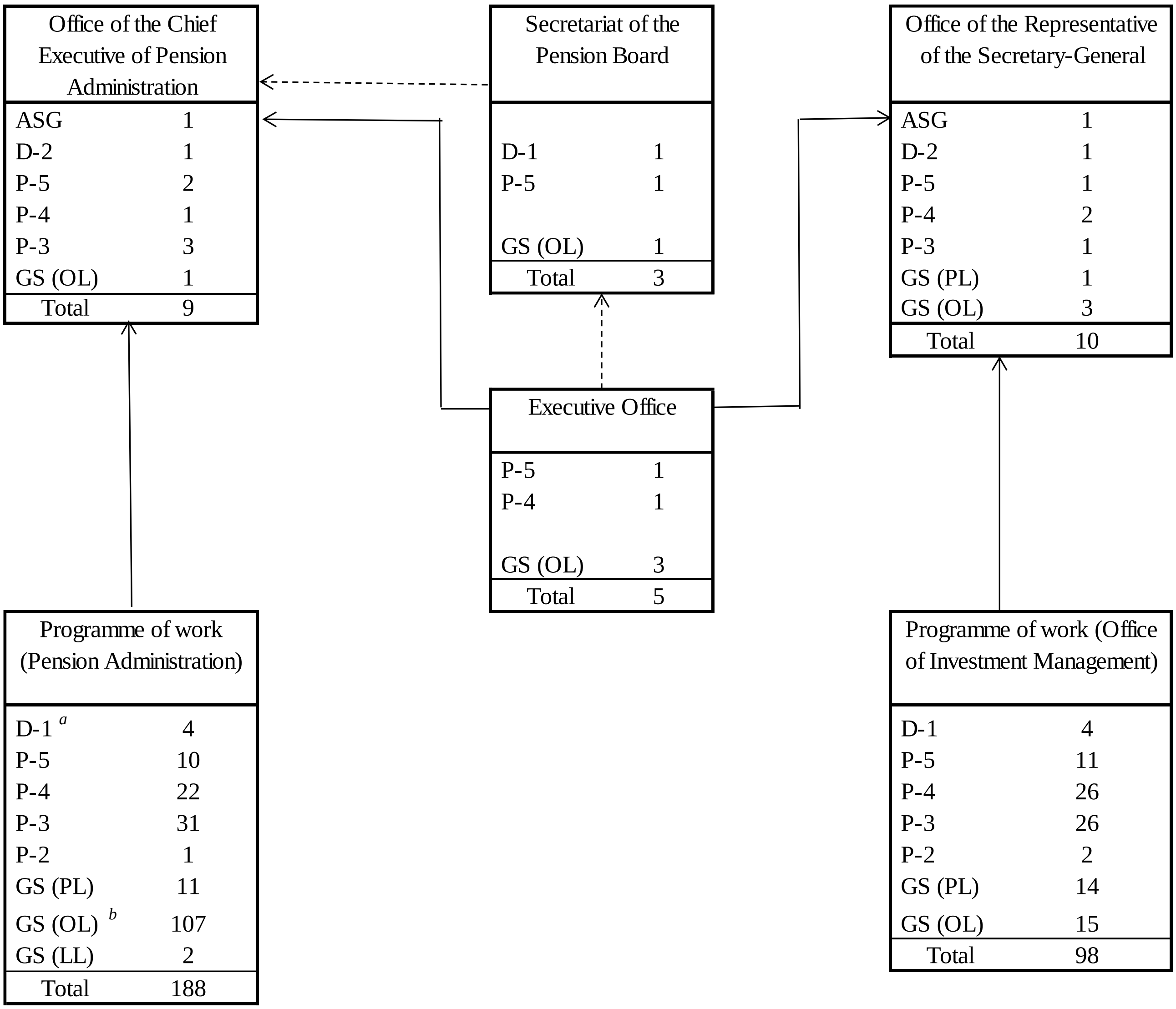


[a] The post of Chief Financial Officer in the programme of work for Pension Administration reports to the Chief Executive of Pension Administration and the Representative of the Secretary-General. The Chief Financial Officer also supervises the accounting team of the Office of Investment Management.

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

Annex II

Proposed organization chart for the United Nations Joint Staff Pension Fund for 2021



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

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

Annex III

Summary of proposed changes in established posts by office and component

A. Secretariat of the United Nations Joint Staff Pension Board

Action	*Post*	*Category*	*Number*	*Reason for change*
Reclassification	Senior Programme Management Officer	P-4 to P-5	1	To provide effective support to the Secretary of the United Nations Joint Staff Pension 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, in line with the increasing demands of the United Nations Joint Staff Pension Fund's governing bodies and to fully implement the mandate promulgated by the General Assembly for the secretariat of the Board.

B. Pension Administration

Component	*Action*	*Post*	*Category*	*Number*	*Reason for change*
Executive direction and management					
	Conversion[a]	Special Assistant to the Chief Executive	P-5	1	To provide support to the Chief Executive of Pension Administration with regard to the following: organization of public engagements and preparation of related materials (presentations, speeches); drafting/reviewing of the Pension Administration's official documents and correspondence; assistance in the overall coordination of Pension Administration management and supervision of the strategy for 2021–2023; coordination and supervision of the dissemination of information with internal and external stakeholders; and coordination and supervision of the production of communications materials and the planning of outreach events for the Fund's clients, partners and stakeholders. The incumbent will play a key role in the execution of pillar three (develop a strong global partnership network) of the strategy for 2021–2023.
	New post	Chief of the Business Transformation and Accountability Unit	P-5	1	To monitor and advise on the implementation of the strategic plan and organizational change of the Pension Administration; map the value stream; and ensure that a systematic business transformation and a structured change management approach is embedded across the functions. The Chief of the Business Transformation and Accountability Unit will incorporate tools, techniques and strategies to support people in implementing a change in the workplace in order to prepare and train staff in successfully adopting – and driving – change. The duties will include establishing mechanisms that reinforce changes in attitudes and behaviours, create channels to communicate feedback, analyse the impact of change, reinforce training and staff development and introduce knowledge transfer initiatives to ensure continuous learning and improvement. The incumbent will play a key role in the execution of pillar two (modernize pension services) of the strategy for 2021–2023.

Component	Action	Post	Category	Number	Reason for change
	Conversion	Programme Management Officer (risk management)	P-3	1	To strengthen the Fund's ability to assess and manage risks and its internal control framework. Over the past few years, the Fund has experienced a significant increase in the number and scope of risk assessments, audits and open audit recommendations without a corresponding increase in the resources required to manage and monitor the implementation of resulting actions, which have an impact on all offices in the Fund. The Programme Management Officer will assist the Business Transformation and Accountability Unit in planning and facilitating risk assessments; monitoring and gathering evidence on the implementation of open audit recommendations and risk mitigation actions; maintaining documentation and monitoring the operation of the business continuity management system and business continuity strategy; supporting the annual process for the testing of internal controls; interacting with internal functions, auditors and external consultants; and maintaining information depositories on risk management, audit and internal control matters. The Business Transformation and Accountability Unit will incorporate risk management process into strategic plans and reinforce the proactive management of risks.
	Redeployment (inward)	Risk Management Officer	P-4	1	To put the reporting line of the risk and compliance functions under the Chief Executive of Pension Administration, in view of the vital and overarching role of the Business Transformation and Accountability Unit in the implementation of the strategic plan and organizational change and to be consistent with the accepted approach in the Office of Investment Management.
		Legal Officer (compliance)	P-3	1	
	Redeployment (outward)	Programme Management Officer (performance reporting)	P-3	(1)	To support the newly created Data Analysis Unit under the Data Analysis and Legal Services Section. The Unit will integrate all existing functions dealing with data analysis and reporting in the Pension Administration, in line with pillar three of the strategy for 2021–2023.
Programme of work					
	Conversion	Accountant	P-3	1	To supervise the Accounts Payable Group, which manages the Fund's accounts payable and was established in 2020 in the context of the budget for 2020 approved by the General Assembly. The Group monitors and follows up on outstanding open accounts payable on a regular basis, sets up and maintains required internal controls recommended by OIOS and reconciles accounting journal entries for monthly and yearly accounting closing. The Group is essential to the Fund's financial operations and the functions of the Accountant (P-3) are permanent and routine in nature.
	Conversion	Benefits Assistant	GS (OL)	2	To strengthen the Operations Coordination and Liaison Unit of the Operations Support Section, which was established in 2020 to support liaison and reconciliation tasks with employing organizations. The proposed posts would support the functions of the Unit and ensure the systematic analysis and transmission of lists of missing documents to pension focal points and member organizations, with regular outreach and metered results; maintain a tally of missing documentation within a three-year ageing cycle; and follow up with member organizations with a view to clearing all workflows older than three years.

Component	Action	Post	Category	Number	Reason for change
	Conversion	Benefits Assistant	GS (OL)	1	To strengthen the Client Services and Outreach Section and to respond adequately to the large volume of often complex incoming inquiries. The Section deals with a large volume of inquiries and increasingly complex issues and is also responsible for and involved in large-scale projects, including in the context of the Fund's annual certificate of entitlement exercise, the processing of estimates and other participation- or benefit-related cases which involve audit responsibilities and managing the Emergency Fund, among other things. In addition, the Section is regularly involved in the upgrade or design and implementation of new functionalities or systems (iNeed, Integrated Pension Administration System, future customer relationship management systems) which require expert experience and knowledge and participation in design and test activities. In particular, and among other things, the incumbent will provide more complex responses and information to individual participants, retirees and other beneficiaries.
	Reclassification	Benefits Officer	P-3 to P-4	1	To support the functions arising from the implementation of functional reporting and the evolution and technological changes that stemmed from the launch of the new Integrated Pension Administration System, as well as the structural changes within the Fund that led to the creation of the Operational Support Section. While these changes have brought greater efficiencies to the processes, the P-3 function is now more complex and broader, with a wider range of areas to manage than in the past. The main reasons for this request for reclassification are: (a) the addition of quality control to the Records Management Unit to become the Records Management and Quality Control Unit; (b) the management of additional staff from the Records Management and Quality Control Unit in Geneva in line with the functional reporting element that has been implemented Fund-wide (with this additional element, the Chief of the Unit would effectively streamline all the processes for both offices and serve as first reporting officer for 14 staff members); (c) growth in the number and scope of activities; and (d) to keep the structure of the Operational Support Section harmonized, as all Unit Chiefs in the Section are at the P-4 level (the Records Management and Quality Control Unit is the largest unit in terms of staff, therefore, it is logical for its Chief to be established at the P-4 level).
	Reclassification	Accounting Assistant	GS (OL) to GS (PL)	1	To support the growing complexity of payroll operations due to the steady annual increase in the number of periodic benefits, as well as ongoing efforts to enhance the ICT functionalities of payroll processing. As a result, the functions and responsibilities of the position have significantly increased.
	Redeployment (outward)	Risk Management Officer	P-4	(1)	To put the reporting line of the risk and compliance functions under the Chief Executive of Pension Administration, in view of the vital and overarching role of the Business Transformation and Accountability Unit in the implementation of the strategic plan and organizational change and to be consistent with the accepted approach in the Office of Investment Management.
		Legal Officer (compliance)	P-3	(1)	
	Redeployment (inward)	Programme Management Officer (performance reporting)	P-3	1	To support the establishment of an integrated Data Analysis Unit under the Data Analysis and Legal Services Section. The Unit will integrate all existing functions dealing with data analysis and reporting by adding to the staff of the current Technical Analysis Unit one new general temporary assistance position of Information Management Officer (data analyst) (P-4) and redeploying a Management and Programme Analyst (business) (P-4) and a Programme Management Officer (performance reporting) (P-3) from the Operations Service (programme of work) and from the Office of the Chief Executive of Pension Administration (executive direction and management),

Component	Action	Post	Category	Number	Reason for change
					respectively. The Unit will play a central role in data analysis and reporting for the Pension Administration. On an ongoing and systematic basis, it will collect data needed at all levels of the Fund; produce consistent, clear and simple reports and communications, based on data that is correctly interpreted; expand the business intelligence platform and the underlying data warehouse in order to produce data sets and dashboards that will generate reports and statistics for use by Fund staff and managers and by external users; and review and monitor data trends and advise on the effects of potential changes in such data. The redeployment will substantively contribute to the execution of pillar three of the strategy for 2021–2023 and increase transparency and accountability, as well as enable management and decision-makers to make informed and data-driven strategic decisions.

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

C. Office of Investment Management

Component	Action	Post	Category	Number	Reason for change
Executive direction and management					
	Redeployment (inward)	Risk Officer (portfolio construction)	P-4	1	To support the investment process. The role has been identified as an investment function and would be moved to the Office of the Representative of the Secretary-General, where the incumbent would report to the Director. The Risk and Compliance Section would independently review and monitor the portfolio construction process established in the Investment Section. With the redefinition of the structure of the Risk and Compliance Section and the Investment Section, this post is more compatible with the Investment Section. The Risk and Compliance Section function would independently oversee the structure and construction process of the portfolio.
	Redeployment (outward)	Senior Programme Officer	P-5	(1)	To facilitate the proposed change in the organizational structure. Six posts (1 P-5, 1 P-4, 1 General Service (Principal level) and 3 General Service (Other level)) would be redeployed to the programme of work under programme administration.
		Administrative Officer	P-4	(1)	
		Senior Administrative Assistant	GS (PL)	(1)	
		Administrative Assistant	GS (OL)	(3)	

Component	Action	Post	Category	Number	Reason for change
Programme of work					
Investment Section	Reclassification	Investment Officer (North America)	P-3 to P-4	1	To oversee earnings models related to North America. The post would cover roughly 118 equities accounting for assets under management of approximately $3 billion.
	Abolishment	Investment Assistant (fixed income)	GS (OL)	(1)	To optimize the use of the fixed income team's resources and to use the savings from the proposed abolishment to request the establishment of a post of Investment Officer (P-3) to perform analytics and trade execution.
Operations team	Reclassification	Accountant – Middle Office	P-2 to P-3	1	To: (a) implement and strengthen internal controls in fee templates for private market funds; (b) identify and analyse complex fee structure calculations (waterfall calculations, incentive fees, etc.); (c) continually examine new and changes to wire instructions to avert possible risks of monetary loss for the Fund prior to making payments thereof; and (d) participate in operational due diligence prior to approving investments deals and provide expertise in the area of operations, which will strengthen the desired end-to-end preventive internal control process. The roles and functions of this post requires a higher professional level of expertise than the current approved staffing structure. The analysis of management fees and complex fee calculations as described requires an understanding of fund accounting and the ability to properly comprehend legal documents, such as limited partnership agreements and side letter agreements. The incumbent of the proposed post would need the skill sets required to accomplish the above goals.
Programme administration	Redeployment (inward)	Senior Programme Officer	P-5	1	To facilitate the proposed change in the organizational structure. Six posts (1 P-5, 1 P-4, 1 General Service (Principal level) and 3 General Service (Other level)) would be redeployed to the programme of work under programme administration.
		Administrative Officer	P-4	1	
		Senior Administrative Assistant	GS (PL)	1	
		Administrative Assistant	GS (OL)	3	
Risk and Compliance Section	Redeployment (outward)	Risk Officer (portfolio construction)	P-4	(1)	To support the investment process. The role has been identified as an investment function and would be moved to the Office of the Representative of the Secretary-General, where the incumbent would report to the Director. The Risk and Compliance Section would independently review and monitor the portfolio construction process established in the Investment Section. With the redefinition of the structure of the Risk and Compliance Section and the Investment Section, this post is more compatible with the Investment Section. The Risk and Compliance Section function would independently oversee the structure and construction process of the portfolio.
	Abolishment	Risk Assistant	GS (OL)	(1)	To optimize the use of the Risk and Compliance Section's resources and to use the savings from the proposed abolishment to request the establishment of a post of Risk Officer (P-3) to conduct quantitative analyses, implement risk budget methodologies and monitor the various portfolios.

Annex IV

Number of participants in the United Nations Joint Staff Pension Fund by member organization, as at 31 December

Member organization	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
United Nations[a]	56 287	57 541	59 542	64 092	68 853	74 575	79 933	82 576	85 617	85 289	86 190	85 721	84 476	86 880	87 111	85 009	84 854	85 363
International Labour Organization	2 863	3 044	3 221	3 330	3 261	3 366	3 572	3 642	3 741	3 697	3 644	3 599	3 692	3 760	3 706	3 629	3 819	3 939
Food and Agriculture Organization of the United Nations	5 447	5 648	5 822	5 918	5 774	5 735	5 722	6 011	6 145	6 243	6 081	6 032	9 558	10 062	10 318	10 533	11 163	11 760
United Nations Educational, Scientific and Cultural Organization	2 437	2 517	2 528	2 508	2 469	2 526	2 553	2 602	2 632	2 651	2 520	2 442	2 376	2 445	2 412	2 434	2 479	2 539
World Health Organization	8 181	8 966	9 498	9 932	10 072	10 157	10 435	11 029	10 986	10 774	10 391	10 153	10 091	10 536	10 724	10 732	10 819	11 056
International Civil Aviation Organization	883	863	863	826	806	795	775	784	791	777	778	745	769	787	798	799	789	761
World Meteorological Organization	310	303	287	302	334	332	319	315	309	307	308	315	327	350	351	350	360	374
General Agreement on Tariffs and Trade	1	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
International Atomic Energy Agency	2 168	2 207	2 217	2 261	2 278	2 273	2 229	2 245	2 307	2 363	2 447	2 464	2 517	2 666	2 681	2 679	2 734	2 802
International Maritime Organization	340	344	351	343	338	337	320	323	313	312	308	291	290	284	284	280	277	365
International Telecommunication Union	1 006	971	875	871	854	843	823	831	830	822	834	814	781	779	768	721	726	748
World Intellectual Property Organization	1 189	1 240	1 206	1 166	1 130	1 134	1 139	1 154	1 156	1 161	1 173	1 242	1 246	1 233	1 225	1 209	1 222	1 216
International Fund for Agricultural Development	435	462	488	506	502	519	526	534	540	549	556	540	560	578	595	580	586	612

Member organization	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*	*2013*	*2014*	*2015*	*2016*	*2017*	*2018*	*2019*
International Centre for the Study of the Preservation and Restoration of Cultural Property	36	34	39	39	40	38	37	36	34	32	34	33	32	33	37	39	43	45
European and Mediterranean Plant Protection Organization	11	11	11	11	12	12	13	13	13	14	13	13	15	17	18	18	19	20
United Nations Industrial Development Organization	821	786	791	783	753	759	779	825	826	775	769	735	713	697	669	673	698	712
International Centre for Genetic Engineering and Biotechnology	150	152	162	171	173	177	191	194	190	189	183	184	177	171	168	175	174	175
World Tourism Organization	83	88	95	90	99	100	95	95	95	98	97	97	98	97	91	83	88	89
International Tribunal for the Law of the Sea	33	34	34	36	36	36	38	34	34	37	36	38	36	38	39	41	40	41
International Seabed Authority	34	34	28	30	29	29	32	31	32	31	32	35	30	33	35	38	42	43
International Criminal Court	–	–	298	431	578	719	809	865	908	974	936	914	958	1 004	1 099	1 167	1 225	1 230
Inter-Parliamentary Union	–	–	–	37	40	45	45	48	49	45	46	47	45	46	47	45	48	47
International Organization for Migration	–	–	–	–	–	2 059	2 419	3 134	3 261	3 263	3 326	3 428	3 536	3 924	4 624	5 052	5 951	6 897
Special Tribunal for Lebanon	–	–	–	–	–	–	–	259	329	371	396	412	436	472	462	450	438	449
Comprehensive Nuclear-Test-Ban Treaty Organization	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	300
Total, number of participants	**82 715**	**85 245**	**88 356**	**93 683**	**98 431**	**106 566**	**112 804**	**117 580**	**121 138**	**120 774**	**121 098**	**120 294**	**122 759**	**126 892**	**128 262**	**126 736**	**128 594**	**131 583**
Total, number of member organizations	**20**	**19**	**20**	**21**	**21**	**22**	**22**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**23**	**24**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Annex V

Summary of follow-up action taken to implement relevant recommendations of the oversight bodies

Brief description of the recommendation	*Action taken to implement the recommendation*
Advisory Committee on Administrative and Budgetary Questions (A/74/7/Add.14)	
(a) The Committee reiterates that all efforts should be made, including through enhanced cooperation between the Fund and the member organizations, to eliminate the backlog by addressing the causes of delays in the payment of benefits (see A/73/489, para. 6) (para. 10).	There is no backlog in the United Nations Joint Staff Pension Fund; therefore, it is presumed that the Advisory Committee is focused on the missing separation documents that have not been provided by employing organizations. The causes of delays have been well documented, including in studies by external consultants. They have been continuously addressed through reports and requests. For instance, the Fund increased the frequency of sending the report on missing documents to the organizations serviced by the New York office from every two months to monthly, and has been working with each payroll centre and peacekeeping mission to resolve the older outstanding cases. The Fund also set up a pilot project to receive separation notifications electronically, which has now been extended to all organizations during the coronavirus disease (COVID-19) crisis. In 2020, the Fund set up a new Operational Support Section that is directly tasked with cooperating with employing organizations to systematically identify and resolve the issues delaying the submission of separation documents.
(b) 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. The Committee encourages the Fund to continue its effort to minimize the risks related to the foreign currency exposure (see A/73/489, paras. 18 and 21) (para. 14).	The Office of Investment Management completed the asset-liability management study in 2019 after extensive consultation with the Investments Committee, the Fund Solvency and Assets and Liabilities Monitoring Committee and the Committee of Actuaries, jointly with the Pension Administration and supported by a duly procured asset-liability management consultant. The Pension Board endorsed the study and the resulting strategic asset allocation to secure the long-term annualized 3.5 per cent real rate of return in United States dollars. Part of the asset-liability management study resulted in a change to a new fixed income benchmark to further reduce uncompensated currency risk, after implementing a new United States dollar cash benchmark in 2018. These changes resulted in 30 per cent exposure in non-United States dollars at the end of 2019 versus 44 per cent end at the end of 2017.
(c) The Committee reiterates its recommendation that the Secretary-General should provide the General Assembly with information on the environmental, social and governance investments of the Fund	The Office of Investment Management made further progress in integrating environmental, social and governance issues across asset classes without compromising the Fund’s fiduciary duty. The Office’s approach to sustainable investing is codified in the new approved investment policy statement and internal governance

Brief description of the recommendation	Action taken to implement the recommendation
and that they should be reported on regularly in its reports (see A/71/621, para. 36) (para. 17).	structures. The Office will publish the second sustainable investing report in September 2020.
(d) The Advisory Committee recalls 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 requested the Secretary-General to continue to diversify its investments among developed, developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, 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 resolution 72/262 A, sect. XV, para. 19, and resolution 73/274, paras. 33 and 35) (para. 18).	The new strategic asset allocation (adopted in 2019) resulting from the asset-liability management study increased the exposure to emerging markets to 16 per cent, up from 11 per cent compared with 2015, for the following reasons: (a) an expected increase in emerging markets of approximately 3 per cent in both global equity and bond benchmarks is anticipated over the next few years; (b) the higher allocation to emerging markets increases global diversification and reduces the overall Fund risk according to the asset-liability management study; and (c) from a long-term investment perspective, emerging market equities have delivered 2.3 times the cumulative return of developed market equities over the past 30 years (1988–2018). In addition, the 2019 asset-liability management study 10-year return assumptions for emerging market equities estimated higher expected returns on average compared with developed market equities. Finally, both the Fifth Committee and the General Assembly requested an increase in investments in developing countries, in accordance with the four main criteria for investments (Fifth Committee: from 1975 to 1981 and annually since 2000; General Assembly: from 1975 to 1982 and almost annually since 2001).
(e) 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 Pension Benefits Administrator, as well as the related reporting lines, to the General Assembly and recommends that the General Assembly request the Pension Board to include information thereon in its next report (para. 22).	The terms of reference of the Chief Executive of Pension Administration and the Secretary of the Board have been generally defined by the Board's Succession Planning Committee as seen in the respective job openings of the positions. The post of the Secretary of the Board will be appointed in September 2020. A more detailed delineation of functions, reporting lines, roles and responsibilities of the two positions has been discussed between the Fund secretariat and the secretariat of the Board, and the Board was expected to approve the proposed arrangements at its sixty-seventh session. This information will be included in the next report of the Pension Board.
(f) The Advisory Committee trusts that the proposed redeployment of one D-1 post from the Geneva Office will not affect the services provided by that Office (para. 28).	The redeployment of the post of Head of the Geneva office (D-1) will not affect the services provided by the Geneva office, as evidenced by the performance results of the Office and also because the post of Head of Office was not directly involved in service provision, with the notable exception of outreach missions to member organizations. These representational functions will now be covered by client services and operations staff, either in person or through videoconferences.
(g) The Advisory Committee notes the effort of the Fund to improve its client services and looks forward to receiving information on the assessment of the client	Assessments of client services and how they fit within the structure of Fund were developed in 2017 and 2019 by external consultant firms, and information on these assessments was included in the budget submissions in those years. The key point

Brief description of the recommendation	*Action taken to implement the recommendation*
services. The Committee recommends that further information and justification including the workload of the proposed staffing in the liaison offices be provided to the General Assembly at the time of its consideration of the present report (para. 29).	of each was the creation of a separate Client Services and Outreach Section under a new D-1 position, but resources were not approved. Under the new functional reporting structure, implemented effective 2020, activities in Geneva and New York, as well as those of the liaison offices in Nairobi and Bangkok, are being further aligned under Client Services and Outreach Section leadership to ensure consistency of service to the Fund's clients worldwide. With respect to the proposed staffing and workload of the Nairobi and Bangkok offices, the General Assembly approval for P-3 and General Service posts in each was obtained at the end of December 2019 and recruitment for the P-3 posts began in January 2020; the incumbents of the P-3 posts will then select their General Service staff. Full staffing should be realized by the summer of 2020. With regard to workload, the Pension Fund reiterates its response to the Advisory Committee in October 2019 that the question of sufficiency does not arise, because once operational, the offices generate their own additional work, as staff at the duty stations are able to have face-to-face consultations as an alternative to using the website, submitting written queries or relying on outreach missions. Once the two offices are fully staffed, the workload will be assessed.
(h) The Advisory Committee notes the efforts made by the Fund to reduce the time taken to transition field staff from the status of participant to beneficiary during the downsizing of peacekeeping operations and trusts that such efforts will continue in the future (para. 30).	The Fund intends to continue its efforts to expedite the benefit provisions for staff of downsizing peacekeeping missions. This will be done through close coordination with the designated pension focal points within each mission. While on-site visits may be hampered due to the current pandemic situation, pension briefings to the separating staff as well as training sessions on the preparation and submissions of separation documents for the human resources/finance focal points will continue to be carried out by videoconference. Priority mailboxes for the exclusive use of the pension focal points remain in place, ensuring ease of communication between the Fund and the respective mission and allowing for focused and expedited attention with regard to their cases. This has resulted in a closer working relationship between the Fund and the various focal points in each peacekeeping mission and the flow and quality of documents sent to the Fund for separation cases has improved.
(i) The Advisory Committee welcomes the proposal to link the professional staff performance appraisal to individual portfolio returns as part of an effort towards greater transparency and accountability. The Committee recommends that the General Assembly request the Secretary-General to	The Office of Investment Management will seek further improvements in transparency and accountability to link the performance appraisal of professional staff to individual portfolio returns.

Brief description of the recommendation	Action taken to implement the recommendation
include information on this proposal in the next report of the Pension Board (para. 35).	
(j) The Advisory Committee stresses again the importance of the expeditious implementation of all recommendations made by the Board of Auditors in its current and previous reports (see A/71/621, para. 44, A/72/7/Add.23, para. 52, and A/73/489, para. 31) (para. 40).	The Fund has prioritized the implementation of the recommendations made by the Board of Auditors, as they contribute to enhancing the efficiency and effectiveness of the Fund's processes. The Fund continues to implement the Board's recommendations according to timelines agreed with the Board. Several of the open recommendations concern multi-year projects.
(k) The Advisory Committee concurred with the proposal [on the membership of the Investments Committee] and welcomed the progress made by the Investments Committee in terms of geographical representation and gender balance. The Committee encourages the Investments Committee to make further progress in this regard (para. 41).	The Office of Investment Management continues to strive to enhance geographical representation from all regional groups and to achieve a more equitable gender balance.
Board of Auditors (A/74/5/Add.16)	
(a) 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 (para. 33).	Implemented as part of the 2019 financial statement closing process. The United Nations Joint Staff Pension Fund acknowledges the Board of Auditor's recommendation that the Fund should consider providing more information about credit risk disclosure in addition to the IPSAS 30 requirements. Considering that there are multiple methods of disclosing credit risk, the Fund, after consultation and collaboration with the Board of Auditors, compiled additional disclosures related to credit risk for the 2019 financial statements.
(b) 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 (para. 45).	Implemented as part of the 2019 financial statement closing process. The Fund expanded the Office of Investment Management operations manual for withholding tax. The Fund believes this will enhance the existing documentation of procedures related to the monitoring of withholding tax.
(c) The Board recommends that the Fund continue to reduce the number of open workflows. To do so, the Pension Fund	Implemented. The Fund regularly exchanges information and cooperates with its member organizations to expedite the submission of separation documents. There are regular interactions

Brief description of the recommendation	*Action taken to implement the recommendation*
could establish indicators that make it possible to measure progress in closing them (para. 64).	with focal points in the member organizations. In addition, the Fund implemented several system enhancements to automate the follow-up of cases with missing documents. As a result, the number of cases with missing documents has been significantly reduced.
(d) 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 (para. 65).	The Pension Entitlements Section regularly monitors the ageing of all open workflows and requests missing documents from member organizations or participants. During this process, workflows open for more than three years are periodically reviewed and closed. This is an ongoing task and significant progress has been achieved.
(e) 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 (para. 66).	The Fund reviewed these workflows and continues to liaise with the member organizations regarding the submission of required documents. The Fund has achieved important progress in this area, and few cases are still open. Owing to the broad definition of "open workflows", death notifications contributed to the number of workflows included in this category.
(f) 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 (para. 67).	Implemented. The Fund introduced changes in the interface logic to deal with these cases. The changes allowed for the closing of most cases that did not have a date of separation. A few cases remain, as it was not possible to implement an automated solution for cases received in hard copy. The Fund will continue to address these cases as they emerge.
(g) 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 (para. 79).	The pilot project with ICAO was completed in October 2019. The programme direction team for the monthly contribution interface project first met in November 2019. The business case and programme definition documents were updated. The programme direction team approved the extension of the pilot project to UNIDO and two other member organizations. Schedules for pending interface projects and the roll-out of monthly contribution projects to other member organizations will be completed in the medium-term.
(h) 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.	The pilot project with ICAO was completed in October 2019. The programme direction team for the monthly contribution interface project first met in November 2019. The business case and programme definition documents were updated. The programme direction team approved the extension of the pilot project to UNIDO and two other member organizations. Schedules for pending interface projects and the roll-out of monthly contribution

Brief description of the recommendation	Action taken to implement the recommendation
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 (para. 80).	projects to other member organizations will be completed in the medium-term.
(i) 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 (para. 95).	Implemented. The revised user access management procedure, the password policy and the active directory policy were updated for devices using the latest operating systems. The Fund also completed the implementation of the new password policy, which started in early 2019.
(j) 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 (para. 96).	Implemented. To address the recommendation, a revised version of the user access management procedure was approved on 12 February 2019. To ensure compliance with user accounts controls, the Fund conducts an annual user account recertification process based on the revised procedure.
(k) 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 (para. 97).	Implemented. The user account monitoring process is well defined in the revised user access management procedure. Since January 2017, the Fund has conducted periodic reviews of user accounts. In addition, a user account recertification process is completed annually.
(l) 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 (para. 111).	Implemented. The Fund enhanced the controls applied in the preparation of the census data. Accordingly, the census data for the actuarial valuation of the Fund as at 31 December 2019 was prepared and submitted to the Consulting Actuary in a timely manner with the required validations and signatures.
(m) 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 (para. 120).	Implemented. The Fund uses the iNeed system for the handling and tracking of all client queries. Queries sent by email received by the Fund prior to the implementation of iNeed were handled in July 2019.
(n) 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 (para. 121).	Implemented. Emails are sent to clients providing a service request number, which can be referenced by clients when communicating with the Fund. An immediate response is sent to the client immediately after a query is received. Status updates are provided if required by the client. When a query is resolved, iNeed sends an update to clients.

Brief description of the recommendation	*Action taken to implement the recommendation*
(o) 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 (para. 126).	Implemented. As recommended by the Board, the Fund assessed the probability of outflows of resources arising from pending legal cases. Based on the results of this assessment, the Fund did not require a provision for contingent liabilities for the year ended 31 December 2019.
(p) 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 (para. 135).	Implemented. Under the supervision of the Director, and in cooperation with respective investment teams and investment support sections (information technology, risk and compliance and administration), the Office of Investment Management's sustainable investment team took the following actions to incorporate environmental, social and governance metrics into the Office's investment decision-making process: (a) updated the Office's investment policy statement to state that all of its activities integrate the ideals of sustainable investing, including taking into account environmental, social and governance metrics, while remaining entirely consistent with its fiduciary responsibility to meet its long-term investment objective; (b) created environmental, social and governance implementation guidelines that clearly explain the integration of such metrics and are to be used in the investment decision-making process for each respective asset class; (c) formally trained investment officers across all asset classes on the methodology and functionality of all internal and external environmental, social and governance platforms to further enhance their understanding of the tools and facilitate the integration of environmental, social and governance issues into their investment decision-making processes; (d) ensured that environmental, social and governance analysis and metrics are streamlined and built into the documentation process of the investment recommendation process and are overseen by the Internal Investment Committee with regard to internal public equity and fixed income, and the Private Markets Committee with regard to private equity, real estate and real assets; (e) published a yearly sustainable investing report and updated the Office's website to include information on its approach to sustainable investing; (f) logs attendance for all training sessions (with the requirement that at least one team member from each portfolio team attend each session and share information with other absent team members), requires that a confirmation from the sustainable investment team on its attendance and completion of training sessions be sent to each Senior Investment Officer, and that each Senior Investment Officer sign off on integration guidelines upon their receipt; and (g) encourages each Senior Investment Officer to integrate environmental, social and governance considerations into their investment decision-making process. In the senior manager's compact of the Representative of the Secretary-General with the

Brief description of the recommendation	*Action taken to implement the recommendation*
	Secretary-General, the environmental, social and governance objective is to improve the Fund's environmental, social and governance profile and position it as a leader in sustainable investing without compromising the Fund's return objectives. This is an organization-wide goal and as such is communicated in all staff meetings and included in the workplans of the Director of the Office of Investment Management (D-2), the Deputy Director for Investments (D-1) and the Senior Investment Officers (P-5).
(q) 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 (para. 136).	Implemented. Please refer to the response to recommendation (p) above.
(r) 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 (para. 137).	Implemented. The Office's sustainable investment team has developed in-house automated environmental, social and governance assessment tools that allow investment officers to analyse and evaluate those metrics for their respective portfolio holdings. The environmental, social and governance analysis tool is embedded within the broader investment model that allows all investment teams to perform both fundamental and environmental, social and governance analysis simultaneously to improve efficiency in their investment decision-making processes. These investment support tools were rolled out to the public equity teams in 2019 by the sustainable investment team, which continues to support the tools. The sustainable investment team has also automated the Office's investment rationale template to populate relevant data for portfolio managers that include both environmental, social and governance and fundamental metrics for any equity security being considered for investment. This document is used to present an investment recommendation. Having a dedicated environmental, social and governance section in the investment rationale serves as formal documentation that these metrics were considered during the investment process before approval.
(s) 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	The Office's sustainable investment team has developed due diligence guidelines for external managers of private market teams that outline material environmental, social and governance factors to consider, how each factor is used in the context of private markets, best practices for the incorporation of these factors by an external fund and how these factors can impact the risk-adjusted return of the

Brief description of the recommendation	*Action taken to implement the recommendation*
governance metrics are considered in the aforementioned process (para. 138).	Fund's private markets portfolio. The guidelines explain the communication and dialogue tools for investment managers between the Office and its general partners, which ensure that environmental, social and governance issues are monitored and opportunities are capitalized on. Furthermore, the sustainable investment team has finalized and streamlined a formal environmental, social and governance process that is now embedded into the private market investment decision-making process for each private market team and must be followed prior to submitting investment recommendations. This includes requesting and verifying the environmental, social and governance policies of fund managers. The Private Markets Committee provides oversight to ensure that environmental, social and governance metrics and guidelines have been applied to and considered for each private market investment recommendation related to private equity, real estate and real assets. The sustainable investment team is currently developing a dashboard system for private markets similar to that of public equities to provide material fundamental and environmental, social and governance data.
(t) 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 (para. 148).	The Office of Investment Management acknowledges and has already noted that the automation of the entire alternative investments process is important; therefore the Office accepts the recommendation to enhance its alternative assets reporting platform. In anticipation of the potential growth of the alternative investments portfolio and the limited scalability of existing manual controls/resources, the Office recognizes the need for a sophisticated system to manage the alternative investments portfolio. The Office finalized the process of seeking services related to the processing and administration of alternative investments (real assets and private equity) and their related information management in October 2019. The vendor selection was approved by the Headquarters Committee on Contracts in February 2020 and the process will move forward. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process, as it has many steps and requires processes in other areas such as procurement and the Office of Legal Affairs to be finalized, and also requires a technical implementation phase.
(u) 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 (para. 149).	As explained in the response to recommendation (t) above, the Office of Investment Management has finalized the first part of the process of seeking services related to the processing and administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process, as it has many steps

Brief description of the recommendation	*Action taken to implement the recommendation*
	and requires processes in other areas such as procurement and the Office of Legal Affairs to be finalized, and also requires a technical implementation phase.
(v) 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 (para. 150).	As explained in the response to recommendation (t) above, the Office of Investment Management has finalized the first part of the process of seeking services related to the processing and administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process, as it has many steps and requires processes in other areas such as procurement and the Office of Legal Affairs to be finalized, and also requires a technical implementation phase.

20-11135 (E) 081020