

# **Report of the United Nations Joint Staff Pension Board**

## **Report by the Director-General**

### **BACKGROUND**

1. Decisions of the United Nations Joint Staff Pension Board concerning changes to the Regulations and Rules of the United Nations Joint Staff Pension Fund are subject to the approval of the United Nations General Assembly. This document summarizes the main issues discussed by the Pension Board at its sixty-fifth session (26 July–3 August 2018) and the actions taken by the General Assembly.<sup>1</sup>

### **Actuarial matters**

2. The General Assembly took note of the outcome of the latest actuarial valuation of the Fund, which reported a deficit of 0.12% of pensionable remuneration as at 31 December 2017, as compared with the surplus of 0.41% shown by the 2015 actuarial valuation. The General Assembly stressed the importance of continuing to achieve the necessary 3.5% annual real rate of return on a long-term basis for the future solvency of the Fund.

### **Investments**

3. The Representative of the Secretary-General for the investments of the Fund reported that the Fund's value as at 31 December 2017 was US\$ 64.1 billion, representing an increase of US\$ 9.7 billion from the year-end value of US\$ 54.4 billion as at 31 December 2016. For the calendar year 2017, the Fund achieved a real return of 16.2%, 12.7% above the long-term real rate of return objective of 3.5% in United States dollar terms.

4. The General Assembly reaffirmed that the Secretary-General serves as fiduciary for the investment of the assets of the Fund, 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. It also requested the Secretary-General to ensure that decisions concerning investments of the Fund in any market are implemented prudently, taking fully into consideration the four main criteria for investment, namely, safety, profitability, liquidity and convertibility.

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<sup>1</sup> United Nations General Assembly resolution 73/274 (2018).

## **Financial matters**

5. The General Assembly noted that the Board of Auditors issued an unqualified audit opinion on the financial statements of the Fund for the year ended 31 December 2017 and reiterated the importance of the implementation of all the recommendations of the Board of Auditors by the secretariat of the Fund, the Pension Board and the Representative of the Secretary-General, in full and in a timely manner, and of reporting thereon in the next report to the General Assembly.

6. The General Assembly urged the Pension Board to address all pending issues with clear targets and milestones, and requested the Fund to conduct an independent assessment of the Integrated Pension Administration System, within existing resources, and to report thereon in the context of its next report.

7. The Pension Board considered changes to the Fund's budget process and requested the Fund to propose an annual budget on a trial basis, beginning with the budget 2020. The Board considered that such a change in the format and cycle of the Fund's proposed budget will enhance the flexibility of budgeting and will result in more concise and more meaningful budget documentation. In this respect, the General Assembly approved the exception to article 15(b) of the Regulations of the Fund, to effect a change from a biennial to an annual budget, on a trial basis, subject to the follow-up review to be conducted by the Secretary-General for consideration by the General Assembly at its seventy-seventh session.

## **Audit matters**

8. The Pension Board expressed its appreciation for the Audit Committee's report and endorsed a number of its recommendations.

9. The Pension Board took note of the report of the Board of Auditors and appreciated that the final audit report was considered for the first time at the Pension Board session. It also appreciated and took note of the report of the Office of Internal Oversight Services for the year ended 30 June 2018.

10. The Pension Board considered the draft audit report of the Office of Internal Oversight Services of the governance structure of the Fund. The Pension Board offered responses to the recommendations and requested that they be incorporated into the final report of the Office of Internal Oversight Services to the General Assembly. It also established a working group to consider a number of governance issues.

## **Governance matters**

11. The Pension Board proceeded with the evaluation of the candidates for the post of Deputy Secretary/Deputy Chief Executive Officer that had been identified by the Search Panel. The candidate recommended for the position has since withdrawn his candidacy.

12. The Pension Board further decided to establish a Succession Planning Committee to assist the Board in selecting senior staff, particularly the Chief Executive Officer and 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 levels of the Fund. The Secretary-General has since appointed Ms Janice Dunn Lee as Acting Chief Executive Officer as of 1 January 2019.

13. The General Assembly urged the Pension Board to ensure timely proper succession planning for the posts of Chief Executive Officer and Deputy Chief Executive Officer in order to allow adequate time

for a competitive selection process, based on pre-established procedures, that ensures integrity and fairness.

14. The General Assembly noted the recommendations of the Office of Internal Oversight Services and the corresponding comments of the Pension Board with regard to the audit of the governance structure of the Pension Board. It also noted the current dual role of the Chief Executive Officer and Secretary of the Pension Board, and decided to replace the existing post by two distinct and independent posts, namely, "Pension Benefit Administrator" and "Secretary of the Pension Board", by no later than January 2020.

15. The General Assembly further noted that the Pension Board established a working group to consider the issues of participation, rotation and equitable representation on the Pension Board and to review a number of elements related to these issues. It requested the Pension Board to submit the key findings of the review to the General Assembly at the main part of its seventy-fourth session.

16. The General Assembly emphasized that the Office of Internal Oversight Services shall remain the sole internal oversight body of the secretariat of the Fund and its investments and stressed that any change to the mandate in this regard remains the sole prerogative of the General Assembly. It encouraged the Pension Board to update rule H.1 of the financial rules of the Fund accordingly.

17. The General Assembly also encouraged the Pension Board to review the provisions contained in the declaration on confidentiality and conflict of interest in order to develop a standard operating procedure regarding the circumstances under which the declaration should be used, and to report on progress made thereon in the next report to the Pension Board.

18. The General Assembly requested the secretariat of the Fund to continue to work towards meeting the target of 15 business days for benefit processing for actionable cases, and, in this regard, looked forward to an update in the context of the next report of the Pension Board.

19. The General Assembly recalled the high proportion of resources dedicated to support functions, highlighted the importance of strong monitoring of the use and distribution of resources, including temporary resources, across the secretariat of the Fund, and requested the Pension Board to strengthen monitoring to ensure that the secretariat of the Fund utilizes resources in accordance with the decisions of the General Assembly.

### **Benefit provisions of the United Nations Joint Staff Pension Fund**

20. The Pension Board took note of the report on the monitoring of the impact of currency fluctuations on pensions and accepted the proposal that the report be presented every two years unless any material change in functioning required a reduced reporting cycle.

21. The Pension Board took note of the International Civil Service Commission's recommendations to the General Assembly with regard to the changes to pensionable remuneration for both Professional and General Service staff as well as their limited effects on the long-term funding and administration of the Fund.

22. The Pension Board considered the request for review of the restoration provisions under article 24 of the Regulations. Taking into account a prior decision by the General Assembly that it would not consider any further proposals to enhance or improve pension benefits until action was taken on the issues contained in its 2002 resolution to reverse certain benefit changes taken as cost saving measures,

the Board decided that the Secretary/Chief Executive Officer should undertake a study of possible options for allowing restoration of deferred benefits that would be cost-neutral for the Fund. The study will be presented at its next session in 2019.

23. The General Assembly decided to amend article 4 of the Regulations of the Fund and approved the proposed amendments to articles 30, 32 and 46 of the Regulations of the Fund. The General Assembly requested the Pension Board to provide further analysis on the impact of the proposed amendments to articles 6 and 48 of the Regulations of the Fund and to report thereon in the context of the next report.

### **Administrative matters**

24. The Pension Board was presented with the lessons learned from the end-to-end review of the separation to benefit process which was carried out in 2017 in cooperation with five Member Organizations/reporting entities. The Pension Board also noted with appreciation the report on the status of the information and technology (ICT) system of the Fund's secretariat.

25. The Pension Board decided not to amend the current Provisional Payment Mechanism and requested the Fund to report to member organizations on outstanding cases.

### **Other matters**

26. The Pension Board took note of the decisions of the United Nations Appeals Tribunal since its sixty-fourth session and approved the minutes of the 200th meeting of the Standing Committee, held in July 2017 during its sixty-fourth session.

27. The Pension Board decided, subject to final confirmation, to hold its 2019 session at the United Nations Office in Nairobi from 22 to 26 July. In addition, there will be a Standing Committee meeting scheduled for 18 July and a training session scheduled for 19 July. The Pension Board also took note and thanked the World Meteorological Organization for its invitation to hold its sixty-seventh session in 2020 in Geneva, with the dates of the session to be decided in 2019.

28. The General Assembly approved the Pension Board's recommendation to admit the Preparatory Commission for Comprehensive Nuclear-Test-Ban Treaty Organization to membership in the Fund, with effect from 1 January 2019 and concurred with the new agreement with the African Development Bank on the transfer of pension rights, with effect from 1 January 2019.

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

### **ACTION BY THE HEALTH ASSEMBLY**

30. The Health Assembly is invited to take note of the report.

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