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Agenda item 140

United Nations pension system

Report of the Fifth Committee

Rapporteur: Mr. Matthias **Dettling** (Switzerland)

I. Introduction

1. At its 2nd plenary meeting, on 19 September 2014, the General Assembly, on the recommendation of the General Committee, decided to include in the agenda of its sixty-ninth session the item entitled “United Nations pension system” and to allocate it to the Fifth Committee.
2. The Fifth Committee considered the item at its 8th and 18th meetings, on 27 October and 4 December 2014. Comments and observations made in the course of the Committee’s consideration of the item are reflected in the relevant summary records ([A/C.5/69/SR.8](#) and 18).
3. For its consideration of the item, the Committee had before it the following documents:
 - (a) Report of the United Nations Joint Staff Pension Board on its sixty-first session ([A/69/9](#));
 - (b) Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures taken to increase the diversification of the Fund ([A/C.5/69/2](#));
 - (c) Report of the Advisory Committee on Administrative and Budgetary Questions ([A/69/528](#)).
4. At the 8th meeting, on 27 October, the Vice-Chair of the United Nations Joint Staff Pension Board introduced the report of the Board (see [A/C.5/69/SR.8](#)).



II. Consideration of draft resolution A/C.5/69/L.6

5. At its 18th meeting, on 4 December, the Committee had before it a draft resolution entitled “United Nations pension system” ([A/C.5/69/L.6](#)), submitted by the Vice-Chair of the Committee on the basis of informal consultations coordinated by the representative of Sri Lanka.

6. At the same meeting, the Committee adopted draft resolution [A/C.5/69/L.6](#) without a vote (see para. 7).

III. Recommendation of the Fifth Committee

7. The Fifth Committee recommends to the General Assembly the adoption of the following draft resolution:

United Nations pension system

The General Assembly,

Recalling its resolution 67/240 of 24 December 2012, section VII of its resolution 68/247 A of 27 December 2013 and section VIII of its resolution 68/247 B of 9 April 2014,

Having considered the report of the United Nations Joint Staff Pension Board for 2014,¹ including the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2013, the audit opinion and report of the Board of Auditors thereon, the information provided on the internal audits of the Fund and the observations of the Pension Board and of the Audit Committee, the report of the Secretary-General on the investments of the Fund and measures taken to increase the diversification of the Fund² and the related report of the Advisory Committee on Administrative and Budgetary Questions,³

1. *Takes note* of the report of the United Nations Joint Staff Pension Board for 2014,¹ in particular the actions taken by the Board as set out in chapter II.B of the report;

2. *Endorses* the recommendations of the Advisory Committee on Administrative and Budgetary Questions,³ subject to the provisions of the present resolution;

Actuarial matters

3. *Emphasizes* the importance of the United Nations Joint Staff Pension Fund meeting its target annual real rate of return of 3.5 per cent over the long term;

4. *Takes note* of the results of the actuarial valuation of the Fund, which revealed a deficit of 0.72 per cent of pensionable remuneration as at 31 December 2013, which was a significant improvement over the deficit of 1.87 per cent of pensionable remuneration revealed by the prior actuarial valuation as at 31 December 2011;

5. *Welcomes* the improvement in the actuarial position of the Fund, which represents a reversal of the downward trend observed since 1999, and in this regard emphasizes the need to ensure the sustainability of these gains;

Financial statements of the United Nations Joint Staff Pension Fund and report of the Board of Auditors

6. *Notes* that the Board of Auditors issued an unqualified audit opinion on the financial statements of the Fund for the year ended 31 December 2013;

¹ *Official Records of the General Assembly, Sixty-ninth Session, Supplement No. 9 (A/69/9).*

² [A/C.5/69/2](#).

³ [A/69/528](#).

7. *Also notes* the observation of the Board of Auditors that the adoption of the International Public Sector Accounting Standards in 2012 had enhanced the quality of the financial statements of the Fund;

8. *Stresses* the need for the Fund to address all the weaknesses identified by the Board of Auditors in relation to financial management and financial statement disclosure, investment management, information system management and other administrative processes;

Amendments to the Regulations and Administrative Rules of the United Nations Joint Staff Pension Fund

9. *Approves* the amendment to article 4 of the Regulations of the United Nations Joint Staff Pension Fund, as set out in annex XI to the report of the Pension Board, in order to establish clear authority and reference to the financial rules of the Fund;

10. *Emphasizes* the importance of the Board promulgating financial rules that will govern the financial management of the Fund, and in this regard looks forward to receiving further information in the next report of the Board;

11. *Takes note* of paragraph 36 of the report of the Advisory Committee,³ and decides not to approve the proposed amendment to article 14 as set out in annex XI to the report of the Board;

12. *Encourages* the Audit Committee of the Fund to continue to work closely with the Board of Auditors in order to address issues of mutual interest;

13. *Approves* the technical changes in the Regulations of the Fund in accordance with past decisions and amendments adopted by the Board and the General Assembly, as set out in annex XI to the report of the Board;

14. *Takes note* of the amendments to the Administrative Rules of the United Nations Joint Staff Pension Fund, as set out in annex XII to the report of the Board, to refine the administrative rules and align them with the Regulations of the Fund;

Pension adjustment system

15. *Approves* the amendment regarding the special adjustment for small pensions, as set out in annex XIII to the report of the Board, to reflect the 10 per cent adjustment to small pension threshold amounts for separations on or after 1 April 2016;

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

Other matters

17. *Concurs*, in accordance with article 13 of the Regulations of the United Nations Joint Staff Pension Fund and with a view to securing the continuity of pension rights, with the new transfer agreements of the Fund with the European Organization for the Exploitation of Meteorological Satellites, the European Union Satellite Centre and the European Union Institute for Security Studies, as approved by the Board and set out in annex XIV to its report, which will become effective 1 January 2015;

18. *Notes* that the transfer agreement of the Fund with the African Development Bank has been withdrawn, because the Bank has not signed the approved agreement;

19. *Recalls* paragraph 10 of the report of the Advisory Committee, and welcomes the initiative taken by the High-level Committee on Management to establish a working group on after-service health insurance and looks forward to receiving information on its findings at its seventieth session, pursuant to resolution 68/244 of 27 December 2013;

20. *Also recalls* paragraph 13 of section VII of resolution 68/247 A and paragraph 26 of the report of the Advisory Committee, and requests the Board to inform the General Assembly of the outcome of the revision of the memorandum of understanding between the Office of Human Resources Management and the United Nations Joint Staff Pension Fund in the context of its next report to the Assembly;

21. *Notes with concern* the observation of the Board of Auditors regarding performance evaluations not having been completed for Fund staff for the cycle ended 31 March 2013, and in this regard requests the Secretary-General to continue his effort to ensure that the performance of all staff members of the Fund is properly evaluated in a timely manner;

Investments of the United Nations Joint Staff Pension Fund

22. *Takes note* of the report of the Secretary-General on the investments of the Fund and measures taken to increase the diversification of the Fund² and the observations of the Board as set out in its report;

23. *Reaffirms* its resolution 33/121 B of 19 December 1978;

24. *Notes* the Fund's overall improved investment performance for the year ended 31 December 2013 as compared with the Fund's performance benchmarks for the same period in 2012, and commends the Fund's success in meeting its investment objectives;

25. *Recalls* paragraph 14 of the report of the Advisory Committee, and in this regard commends the Fund for its success in meeting its long-term investment objectives over the past 10, 15, 20, 25 and 50 years;

26. *Emphasizes* the importance of the Fund's policy of broad diversification of its investments by currency, type of asset classes and geographical area as a reliable method of improving the risk-return profile of the Fund's portfolio over long periods of time;

27. *Requests* the Secretary-General, as fiduciary for the investment of the assets of the Fund, to continue to diversify its investments between developed,

developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, and also requests the Secretary-General to ensure that decisions concerning the investments of the Fund in any country are implemented prudently, taking fully into account the four main criteria for investment, namely, safety, profitability, liquidity and convertibility, under volatile market conditions;

28. *Encourages* the Secretary-General, as fiduciary for the investment of the assets of the Fund, to continue to explore prospects in all markets, taking into account risk-return profiles and always applying sound risk management techniques, and taking fully into account the four main criteria for investments of the Fund;

29. *Recognizes* the importance of the use of in-house expertise, and in this regard requests the Secretary-General to continue to take all measures to ensure that the costs for non-discretionary advisory fees are reduced and to report thereon in the context of future reports.
