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United Nations Joint Staff Pension Fund

Report of the Advisory Committee on Administrative and Budgetary Questions

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered an advance version of the report of the United Nations Joint Staff Pension Board (A/71/9), the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/71/2), the report of the Board of Auditors on the financial report and audited financial statements of the Fund for 2015 (A/71/5/Add.16) and the report of the Secretary of the Pension Board on the implementation of recommendations of the Board of Auditors (A/71/397). In addition, the Committee had before it a note by the Secretary-General on the membership of the Investments Committee.

2. During its consideration of those reports and the note, the Advisory Committee met with the Chairman of the Pension Board, the Chief Executive Officer of the Fund[1] and the Representative of the Secretary-General for the investment of the assets of the Fund, who provided additional information and clarification, concluding with written responses received on 18 November 2016.

3. The summary of the operations of the Fund for the biennium 2014-2015, contained in the report of the Pension Board, indicates that the number of participants in the Fund increased from 120,294 to 126,892, or by 5.5 per cent, that the number of periodic benefits in award increased from 69,980 to 71,474, or by 2.1 per cent, and that those benefits were provided to retirees and other beneficiaries of the 23 member organizations of the Fund in 190 countries and in 15 different currencies (A/71/9, paras. 15, 17 and 18, and annex VII).

[1] The Secretary of the Pension Board is also the Chief Executive Officer of the Fund.

II. Governance and administration

Delays in benefit payments

4. In its report, the Board of Auditors identified problems resulting in delays affecting the two main phases of the benefit payment process. In the first phase, the member organization, with inputs from the staff member, collects and completes the relevant documents and sends them to the Fund.[2] In the second phase, the Fund processes the entitlement claim on the basis of the documentation submitted by the member organization and ensures payment of the benefit to the beneficiary (see A/71/5/Add.16, paras. 106-123). During its audit, the Board of Auditors identified a sample of 4,511 cases that had been processed through these two phases in 2015 or earlier (98 deaths in service, 1,450 retirements and 2,963 withdrawals) and found that:

(a) Only 2 per cent of death-in-service cases, 26 per cent of retirement cases and 5 per cent of withdrawal cases were submitted by the member organizations within a period of one month following the date of separation;

(b) Only 14 per cent of death-in-service cases; 8 per cent of retirement cases and 8 per cent of withdrawal cases were processed by the Fund within the benchmark of 15 days following the receipt of the mandatory documents by the Fund.

5. The Advisory Committee notes that in its previous report the Board of Auditors had already identified delays in processing claims and had recommended that the Fund ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and the use of information technology (A/70/325, annex VI, para. 53). The cumulative delays in both phases affect the beneficiaries, whether they are families of deceased staff members or former staff members and their families. The Board of Auditors underlined, in its previous report, that the primary function of the Fund is to ensure that benefits are paid to participants on time (ibid.).

6. **The Advisory Committee recalls that the General Assembly, in its resolution 70/248, noted with concern the delays in the receipt of payments by some new beneficiaries and retirees of the Fund and stressed the need for the Pension Board to take appropriate steps to ensure that the Fund addresses the causes of such delays, which put former staff members and retirees as well as their families in stressful and vulnerable situations. The Committee urges the member organizations and the Fund to coordinate their efforts to resolve this situation.**

7. To reduce the delays in the first phase of the process (the submission of complete and accurate documents by member organizations), the Fund is proposing to conduct, with the support of an external consultant and in coordination with the member organizations, an end-to-end review (from separation to entitlement and

[2] The member organizations are required to submit three mandatory documents to the Fund: payment instructions/election of benefit from the participant; separation notice; and separation personnel action (the latter document is only for United Nations reporting entities (A/71/5/Add.16, para. 116)).

payment) to identify streamlining opportunities in order to achieve greater efficiency and effectiveness. The Fund is also proposing to create a quality assurance team that would closely cooperate with the member organizations to improve the quality of data and separation documents submitted to the Fund (see A/71/9, paras. 306 and 307). In addition, the Advisory Committee was informed, upon enquiry, that the Fund will request member organizations to create “pension focal points” in order to expedite the processing of claims.

8. The Advisory Committee considers that the proposed remedial measures are in line with the recommendations of the Board of Auditors to convey to the member organizations the need to submit the relevant documentation to the Fund in a timely manner, and to check the status of documentation and jointly devise a mechanism to resolve the issues relating to incomplete or missing documentation from member organizations (A/71/5/Add.16, para. 123). **In the view of the Advisory Committee, both the end-to-end review and the establishment of a focal points network should have been undertaken earlier. The Committee concurs with the recommendations of the Board of Auditors and looks forward to receiving information on the implementation of the measures proposed by the Fund to reduce the delays in the submission of the documentation needed to process benefit entitlements, and on the result of the end-to-end review. The Committee expects that the proposed measures will lead to measurable results and trusts that solutions will be found and implemented rapidly.**

9. With regard to the delay in the second phase (the processing of entitlement claims by the Fund), the Pension Board indicates that during the last months of 2015 and the first months of 2016, the Fund has been experiencing a higher than normal rate of separations resulting from: (a) the downsizing in peacekeeping operations; and (b) the efforts by member organizations to send separation documentation to the Fund more expeditiously. The Pension Board further indicates that this surge in the number of separations exceeded the additional processing capacity achieved by the new Integrated Pension Administration System (IPAS) (A/71/9, paras. 264, 265 and 303). The Advisory Committee was informed, upon enquiry, that the increase in staff separations is projected to continue and is estimated at 2,000 cases in 2016 and 1,000 in 2017. The Committee was also provided with a table regarding the number of separation cases over the period 2014-2016 (see table below). This table shows that a comparison between the number of separation cases received by the Fund in 2014 and those estimated for all of 2016 reveals an increase of 42 per cent, with a more marked increase, of 57.5 per cent, in the case of entities other than the specialized agencies (a list of the reporting entities included in the Fund is presented in the annex to the present report).

Table
Number of separation cases received by the Fund: 2014-2016

			Comparison 2015/2014				*Comparison 2016/2014*	
			Increase/ (decrease)	*Increase/ (decrease)*	*2016*		*Increase/ (decrease)*	*Increase/ (decrease)*
	2014	*2015*	*Number*	*Percentage*	*Separated: year to date*	*Estimate*	*Number*	*Percentage*
United Nations	6 581	8 155	1 574	23.9	7 773	10 364	3 783	57.5
Specialized agencies	3 380	3 029	(351)	(10.4)	2 834	3 779	399	11.8
Total	**9 961**	**11 184**	**1 223**	**12.3**	**10 607**	**14 143**	**4 182**	**42.0**

10. Concerning the predictability of separations, the Advisory Committee was informed, upon enquiry, that for purposes of workforce resource planning the Fund requests its member organizations to provide information on staffing levels. With regard to the Secretariat, a joint working group made up of representatives of the Fund and the Field Personnel Division of the Department of Field Support was established in January 2016 specifically to address the delays in the processing of pension benefits. The joint working group has been meeting twice a month since that time. Through this channel, the Fund receives information on planned reductions, redeployment or hiring of new staff in peacekeeping missions. The Fund is also coordinating with the Department of Field Support to arrange seminars at downsizing missions on pre-retirement matters. **In the view of the Advisory Committee, given that a review of the downsizing and closing of previous missions would have provided an indication of the time required to complete the processes, the increase in the number of separations and associated claims could have been anticipated, and the Secretariat and the Fund could have taken measures to prepare for and process the claims in a more timely manner.**

11. As regards measures to deal with the surge, the Fund also is proposing to pay partial benefits, as a provisional measure, in cases where the Fund has received all required documentation but has not processed benefits within a three-month period following their receipt. The payment would be limited to 80 per cent of the estimated monthly benefit and considered as an advance. The Pension Board noted in its report that this measure would entail additional work for the Fund and might require additional resources (A/71/9, paras. 314-317). The Advisory Committee notes that the provisional payment would require reconciling the provisional payment with the actual amount of the payable benefit. **While recognizing that the delays in the payment of benefits may put the beneficiaries and their families in a financially vulnerable situation, the Advisory Committee considers that further information on the implications of implementing provisional payment of benefits should be provided to the General Assembly as soon as possible, thus enabling it to make an informed decision on this matter.**

12. The Fund also proposes to create a task force to focus on the less complex initial entitlement cases. The Pension Board indicates that this task force would be led by a manager, to be redeployed from existing resources, and would operate in New York and Geneva for 17 months, over which time the Fund would evaluate the need for more permanent requirements in the next budget cycle. The task force

would also allow for the creation of the proposed quality assurance team (see para. 7 above). The Fund considers the proposed task force as part of a new approach to manage the surge in separations by creating additional temporary capacity to process cases, prevent delays related to incomplete and inaccurate documentation and implement a communications strategy to inform and engage stakeholders (A/71/9, paras. 304-306; see also para. 14 below).

13. With regard to the communication strategy, the Advisory Committee was informed, upon enquiry, that the Pension Board has recognized the importance of improving and broadening the Fund's communications efforts, especially considering the current size of the Fund, the geographical dispersion of its population and the complexity of its operations. According to the Fund, an effective communications outreach with customers would lead to an improved understanding of the Fund's mandate and services and help the Fund anticipate and plan for future requirements. In addition, a comprehensive communications policy with all constituents would ensure full transparency and allow the participants and beneficiaries to make fully informed decisions. The Committee was further informed, upon enquiry, that a temporary position of Senior Public Information Officer at the P-5 level had been advertised in March 2016 and filled in June 2016. The role of the Information Officer is to implement a communications strategy, build stakeholder relations and ensure a strategic focus on the customer experience. The incumbent has already been instrumental in establishing regular information-sharing with the Fund's constituents through newsletters and fact sheets, as well as in setting up the new member self-service modules and taking the lead in the revamping of the Fund's website (see para. 14 (a) below).

Staffing requirements

14. The Pension Board proposes to create the following 20 temporary positions for the above-mentioned task force:

(a) A Senior Communication Officer (P-5) in the Office of the Chief Executive Officer would implement a communications strategy, build stakeholder relations and ensure a strategic focus on customer experience (A/71/9, para. 307). Upon enquiry, the Advisory Committee was informed that the incumbent would conceptualize, design and execute an overall public information and communication strategy, as well as the programme and activities of the Fund; serve as lead spokesperson; and develop strategic partnerships with key constituencies. The incumbent would also prepare or oversee the preparation of information communications products, including revamping and modernizing the Fund's website. The Committee recalls that the Pension Board had proposed, in its previous report, the establishment of a post of Chief, Client Communication and Liaison (P-5) in Geneva, as part of an effort to strengthen the operations of the Geneva Office (A/70/325, table 6). This post was subsequently approved by the General Assembly in its resolution 70/248. **In the view of the Advisory Committee, the Chief, Client Communication and Liaison, should be able to set up a communication strategy with the clients of the Fund. In addition, the Committee notes that the newly proposed position of Senior Communication Officer was initially requested as a regular post, but the Pension Board approved its creation on a temporary basis and requested the Fund to present a**

complete justification for this post/position accompanied with corresponding organizational chart at its sixty-fourth session (A/71/9, para. 313). The Committee considers that insufficient justification was presented for the creation of a Senior Communication Officer (P-5) position and therefore recommends against the approval of this temporary position; any related non-post resources should be adjusted accordingly.

(b) A Senior Management Analyst (P-5) in the office of the Chief Executive Officer would chair the change advisory board, which was created in connection with the implementation of the IPAS project to consider, inter alia, system performance and further enhancements as well as to discuss and prioritize any requests for changes in the system in a comprehensive manner. The Senior Management Analyst would also facilitate a coordinated approach both internally and with the pension focal points in the different member organizations and ensure continuous improvement in operations in the most efficient and coordinated manner. The incumbent would participate in the proposed end-to-end review and establish and monitor performance indicators for the different stages of the separation-to-benefit process (A/71/9, para. 307). Upon enquiry, the Advisory Committee was informed that the Senior Management Analyst would also analyse and propose additional process enhancements, streamline transactional processes, seek efficiencies and develop coordinated policy and procedural guidance. **The Advisory Committee notes that the newly proposed position of Senior Management Analyst was initially requested as a regular post, but the Pension Board only approved its creation on a temporary basis and requested the Fund to present a complete justification for this post/position accompanied with corresponding organizational chart at its sixty-fourth session (A/71/9, para. 313). The Committee considers that insufficient justification was presented for the creation of the Senior Management Analyst (P-5) temporary position and therefore recommends against this temporary position; any related non-post resources should be adjusted accordingly.**

(c) In addition, 18 temporary positions are proposed, including 4 temporary positions for Benefits Officers (P-3) (2 in New York and 2 in Geneva) and 14 General Service positions for Benefits Assistants (12 in New York and 2 in Geneva). The priority task of the proposed positions would be to deal with the increased number of separations. They would also staff the quality assurance team and a survivor's benefit/disability team in New York and strengthen the existing benefit/disability team in Geneva. The incumbents would also help to organize an increased number of pre-retirement seminars held by the Fund, implement a pilot client services call centre and provide support to field missions (A/71/9, para. 310). The Advisory Committee recalls that the General Assembly, in its resolution 70/248, approved the establishment of a total of 7 posts of Benefits Officers and Benefits Assistants to complement the pre-existing workforce of the Fund. The Committee was informed, upon enquiry, that 24 of the 185 posts of the Fund were vacant as of 7 October 2016, representing a vacancy rate of almost 13 per cent. Of the 24 vacant posts, 6 posts are directly dedicated to benefit processing, including the Chief (P-5), and the Deputy Chiefs (P-4, in both Geneva and New York) of the Pension Entitlements Section, as well as 3 posts of Benefits Assistant (General Service) in New York. **In the view of the Advisory Committee, the Fund should focus on expeditiously filling the vacant posts and thus be in a better position to address**

the additional workload caused by surges. The Committee considers that the estimated increase in the number of separation cases could be managed with a smaller number of positions than requested. The Committee recommends approval of the following 9 temporary positions: 1 Benefits Officer (P-3) and 6 Benefits Assistants (General Service), in New York, as well as 1 Benefits Officer, (P-3), and 1 Benefits Assistant (General Service) in Geneva. The Committee recommends against the remaining 9 positions; any related non-post resources should be adjusted accordingly.

15. The Pension Board recommends approval of total additional resources relating to the biennium 2016-2017, in the amount of $3,228,700. **The recommendations of the Advisory Committee in paragraph 14 above would entail a reduction of $1,845,000 in the proposal.**

Medical matters

16. The Pension Board recommends approval of amendments to article 41 of the Fund's Regulations proposing that the title of article 41 be changed from "Medical examination" to "Medical evaluation" (see A/71/9, paras. 222-231, and annex XIII). Moreover, in accordance with the practice of the Fund, under the proposed article 41 (a), every staff member who is determined to be medically fit for employment by a member organization would be accepted as medically fit for participation in the Fund. However, under the amended article 41 (b), "a participant who knowingly fails to disclose relevant medical information or who falsifies information, shall not be entitled to receive a disability benefit under article 33 (a) unless the condition giving rise to the disability is determined medically to be unrelated to the information that was not disclosed or was falsified". The Advisory Committee questioned whether the proposed amendments might create an obligation to disclose medical conditions at the time of recruitment, which might have long-term consequences on relations between the Fund and some of its participants. **The Advisory Committee considers that a thorough analysis of the practical aspects of the implementation of the amendments and their long-term consequences is needed. Consequently, the Committee considers that additional information should be provided to the General Assembly on this matter. It should indicate, in particular, if the proposed amendments reflect the best practice of similar pension funds, how the amendments will be implemented and what will be the impact of the amendments on the operations of the Fund.**

Actuarial matters

17. In accordance with article 21 of the Regulations of the Fund, the Committee of Actuaries presented to the Pension Board its conclusions on the actuarial valuation of the Fund as at 31 December 2015. The conclusions revealed a surplus after three consecutive bienniums of contribution rate deficiency, the surplus being linked to the decision to change the normal retirement age from age 62 to age 65 for new staff as of 1 January 2014. The projected assets of the Fund exceeded the projected liabilities by $562.1 million (or 0.16 per cent of pensionable remuneration) as at 31 December 2015 (A/71/9, paras. 35 and 36). The Committee of Actuaries warned, however, that if investments do not report long-term results at or above the actuarial assumption of 3.5 per cent annual real rate of return over time, the deficit trend

would return (A/71/9, para. 40). The Board took note of the favourable valuation results reporting a surplus of 0.16 per cent and reiterated the importance of continuing to earn the necessary 3.5 per cent annual real rate of return both on a long-term basis for the future solvency of the Fund, as well as on a short-term basis so as to not reverse the upward trend in valuation results. **The Advisory Committee welcomes the surplus and trusts that all efforts will be made to ensure that the Fund meets its long-term target of an annualized real rate of return of 3.5 per cent.**

Integrated Pension Administration System

18. The Pension Board took note of the successful implementation of IPAS, which became operational on 3 August 2015. The Board of Auditors noted in its report that IPAS is a complex and large-scale operational and technological initiative. The estimated cost of the project was $26.2 million as at 2015, representing an increase of approximately $3.5 million over the approved amount of $22.7 million. The auditors identified five main issues and recommended that the Fund focus on two of them: (a) resolving the issues of data migration; and (b) framing key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of IPAS outcomes (A/71/5/Add.16, para. 99). **The Advisory Committee concurs with the recommendations of the Board of Auditors relating to data migration and key performance indicators and trusts that the corrective measures will be implemented rapidly.**

Evaluation of the Chief Executive Officer

19. The appointment of the Chief Executive Officer is governed by article 7 (a) of the Regulations of the Fund, which specifies that the Chief Executive Officer and the Deputy Chief Executive Officer shall be appointed by the Secretary-General on the recommendation of the Pension Board. Section F of the Fund's rules of procedure further clarifies that they shall be appointed for an initial term of up to five years and that they may be reappointed once. In the report on its sixty-third session, the Pension Board took note of the evaluation of the Chief Executive Officer of the Fund and approved the conclusions and recommendations of the Evaluation Panel, including that his overall performance has been effective and successful, and that reappointing the current Chief Executive Officer would provide for the critical continuity of programmes already under way and the required associated institutional memory. The term of the current Chief Executive Officer expires at the end of 2017, which means that at its next session, in July 2017, the Pension Board is expected to make a recommendation to the Secretary-General on this matter.

III. Investments of the Fund

Investments Committee

20. Article 20 of the Regulations of the Fund stipulates that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. Accordingly, the Secretary-General

conveyed to the Board and to the Committee the names of eight regular members for reappointment for a three-year term and one regular member for appointment for a three-year term.[3] The Committee was informed, upon enquiry, that significant efforts have been made, and will continue to be made, to identify a potential member from Eastern Europe.

Performance of the Fund

21. The Fund's long-term performance objective is to achieve a 3.5 per cent annualized real rate of return, as adjusted by the United States consumer price index. In its report on the financial statements of the Fund for 2014, the Board of Auditors observed that the Fund, with a real rate of return of 2.4 per cent, had underperformed its 3.5 per cent real rate of return objective in 2014 and had shown underperformance in the five-year period ended in December 2014 (see A/70/325 and related report of the Advisory Committee A/70/7/Add.6). In its current report, the Board of Auditors points out that the Fund had an inflation-adjusted negative real return of 1.7 per cent in 2015 (A/71/5/Add.16).

22. The Board of Auditors further indicates that investment income fell by $5.26 billion (76 per cent) in 2014 compared with 2013 and by a further $2.12 billion (127.6 per cent) in 2015 compared with 2014, thus adversely affecting the performance of the Fund over the short-term period and potentially having a negative impact on the long-term objective of being fully funded.

23. The financial statements of the Fund for 2015 show that, owing to depreciation in fair value of investment ($18 million) and foreign currency losses ($1.5 billion), the net assets available for benefits amounted to $52.2 billion compared with $52.8 billion at the end of 2014, representing a decrease of $616 million, or approximately 1.2 per cent (see A/71/9, annex VII).

24. However, the Secretary-General, in his report on the investments of the Fund, indicates that, over the biennium 2014-2015, the market value of assets has risen from $51.3 billion to $52.1 billion, representing an increase of $748 million, or approximately 1.5 per cent (A/C.5/71/2, para. 5). The Advisory Committee was informed that in the latest period, as of 23 September 2016, the market value of assets had increased to $55 billion. It should be noted that investment performance for the Fund is reported both in real and nominal terms and that the real rate of return is equal to the nominal rate of return minus inflation (ibid.).

25. The Secretary-General's report indicates that the main drivers of underperformance in the biennium 2014-2015 were a relatively short duration position in fixed income and the strengthening of the United States dollar over the two-year period along with negative stock selection in global equities in 2014 (A/C.5/71/2, para. 8).

Foreign exchange losses

26. During the biennium 2014-2015, foreign exchange losses amounted to $3.4 billion ($1.9 billion in 2014 and almost $1.5 billion in 2015). The Advisory

[3] The Advisory Committee was informed that a member of the Investments Committee resigned in November 2016. Efforts are under way to identify a suitable replacement.

Committee was informed, upon enquiry, that these losses were due to the strengthening of the United States dollar and the global nature of the Fund's investments: investment performance is reported in United States dollars while investments are made in local currency.

27. The Pension Board noted in its report that not all the foreign exchange losses are realized (A/71/9, para. 76). In this regard, the Advisory Committee was informed, upon enquiry, that out of a total of $1.489 billion in foreign currency losses recorded in the financial statements for 2015, only $748 million, or 50 per cent, were actually realized, while $741 million of losses remained unrealized. Losses are realized only when assets invested in foreign currencies are liquidated. The Committee was further informed that, in 2015, certain European stocks were sold at a net profit, but the currency component of the transaction was booked at a loss on the financial statements.

28. In its report on the financial statements of the Fund for 2014, the Board of Auditors recommended that the Pension Fund explore alternatives in order to mitigate the foreign exchange losses, including a detailed cost benefit study for a suitable hedging strategy (A/70/325, annex VI, para. 35). Upon enquiry, the Advisory Committee was informed that, in 2015, an external firm conducted a study that included a cost benefit analysis and the Investment Management Division consulted with the Investments Committee on this matter in 2015 as well. As mentioned in the report of the Pension Board, the Representative of the Secretary-General recommended not utilizing a hedging strategy, noting that such action would lock in the unrealized losses and would prevent the Fund from benefitting when the fluctuation cycle of currencies no longer favour the United States dollar. In her view, currency loss/gain is a zero-sum game over longer periods of time (A/71/9, paras. 76 and 77). The Committee was further informed, upon enquiry, that hedging can be costly and requires the use of derivatives. However, in response to the recommendation of the Board of Auditors, the Representative of the Secretary-General indicated that the Investment Management Division is making arrangements to conduct a formal analysis of this issue.

29. **The Advisory Committee recalls that the General Assembly, in its resolution 70/248, requested the Secretary-General to make all efforts to improve the Fund's investments performance. While acknowledging the negative impact of currency fluctuations in 2015, the Committee notes that during that year the Fund did not meet its long-term target of an annualized real rate of return of 3.5 per cent and trusts that efforts will be made to meet this objective.**

Vacancies

30. The Board of Auditors noted in its report that the key posts of Director of the Investment Management Division, Deputy Director for Investments, Deputy Director for Risk and Compliance and Chief Operating Officer were vacant in 2015 and that the general vacancy rate of professional posts was higher than 25 per cent. The Auditors recommended filling the vacancies at the senior levels at the earliest opportunity and the drawing-up of a succession plan (A/71/5/Add.16, paras. 20-24). The Advisory Committee was informed, upon enquiry, that the post of Director (D-2), which had been vacant since March 2015, was filled in June 2016, and that

recruitment for the other senior posts was ongoing: the post of Chief Operating Officer (D-1), which has been vacant since December 2013, was advertised in July 2016 and filled on a temporary basis; the post of Deputy Director, Risk and Compliance (D-1), which has been vacant since October 2015, was sent for classification in February 2016; and the post of Deputy Director (investment private markets) (D-1), which has been vacant since December 2013, was advertised in July 2016 as Deputy Director (fixed income) (see para. 32 below).

31. In its current report, the Board of Auditors observed that long pending vacancies at the senior level have an adverse impact on the Fund's performance and its investment strategy, leading to the centralization of responsibility and an overburdening of the existing professionals that may compromise the segregation of duties and result in inefficiencies (A/71/5/Add.16, para. 26). The Advisory Committee was informed by the Representative of the Secretary-General, upon enquiry as to a possible link between senior vacancies and performance, that it is not possible to quantify the correlation between vacant posts and performance.

32. On a related matter, the Advisory Committee was informed, upon enquiry, that the post of Deputy Director (fixed income) (see para. 30 above), had been approved by the General Assembly in 2013 as Deputy Director (investment private markets) (D-1), but subsequently reassigned to fixed income. The rationale for the change was that private markets, where the post was initially assigned, covers only 10 per cent of the Fund's assets, or $5.2 billion, while fixed income represents approximately 25 per cent of the Fund's assets, or $13 billion. **The Advisory Committee notes with concern that this reassignment was not proposed to the Pension Board.**

33. **The Advisory Committee reiterates its concern regarding the high number of vacant posts in the Investment Management Division of the Fund, urges the Fund to fill all vacant posts expeditiously and reiterates that, in its view, posts that have been vacant for two years or longer should be rejustified or proposed for abolishment (see A/70/7/Add.6, para. 10).**

Investment diversification

34. In terms of diversification by asset class, the Secretary-General indicates, in his report on the investments of the Fund, that the strategic asset allocation is the following: 58 per cent for equities, 26.5 per cent for fixed income, 9 per cent for real assets, 5 per cent for alternative strategies and 1.5 per cent for cash and short-terms. The Secretary-General also indicates that the Fund is in the process of gradually building its exposure to alternative investments and real assets to further enhance its risk-return profile. Most of this growth will be in private equity and real estate (A/C.5/71/2, para. 44).

35. In terms of geographical diversification, the Secretary-General indicates that the Fund has investments in over 100 countries. The proportion of the total Fund investments in North America increased to 53.9 per cent in December 2015 from 50.1 per cent in January 2014; investments in Europe decreased to 22.7 per cent from 24.4 per cent, while the portion of investments in Asia and the Pacific decreased slightly to 14.8 per cent from 14.9 per cent. The Secretary-General also indicates that, as at 31 December 2015, direct and indirect investments in

developing countries amounted to $6.14 billion, an increase of approximately 10 per cent from $5.58 billion on 1 January 2014 (A/C.5/71/2, paras. 46 and 48 and table 3). **The Advisory Committee welcomes the efforts to enhance the Fund's investment profile and recalls that the General Assembly, in its resolution 70/248, requested the Secretary-General to continue diversifying its investments between 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 country are implemented prudently, taking fully into account the four main criteria for investments, namely safety, profitability, liquidity and convertibility, under volatile market conditions.**

36. The Secretary-General further indicates that the Fund made environmental, social and governance investments (see A/C.5/71/2, sect. VII). Upon enquiry regarding environmental, social and governance investments, the Advisory Committee was informed that environmental investments were initiated in 2008 with the purchase of green bonds. As at 31 December 2015, the Fund's investments in green bonds and green equity amounted to $105 million and $184.2 million, respectively. According to the Secretary-General, a green bond is an investment vehicle whose proceeds are used to fund environmentally friendly projects, while green equities are traditional investment vehicles (such as stocks and exchange-traded funds) with an environmental focus. With regard to the social and governance investments, the Committee was only informed that the Fund has restrictions on investments in tobacco and armament securities. **The Advisory Committee trusts that the Secretary-General will provide the General Assembly with information on the environmental, social and governance investments of the Fund and that they will be reported on regularly.**

Anti-fraud and anti-corruption policy

37. In accordance with the recommendation of the General Assembly in its resolution 70/248, the Investment Management Division of the Fund has developed an anti-fraud and anti-corruption policy. The draft policy was presented to the Pension Board for information after being reviewed by the Office of Legal Affairs and the Department of Management of the Secretariat (A/71/9, para. 208). Upon enquiry, the Advisory Committee was informed that the draft policy had also been commented on by the Ethics Office, the Office of Internal Oversight Services (OIOS) and the Audit Committee of the Pension Fund. The new policy, which was issued on 1 November 2016, applies to all staff of the Investment Management Division and supplements the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat (ST/IC/2016/25).[4] The policy stipulates that any fraud,

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[4] The Anti-Fraud and Anti-Corruption Policy applies to any irregularity, or suspected irregularity, involving staff of the Investment Management Division as well as consultants, advisers, vendors, contractors, outside agencies doing business with the Division, staff of such agencies and/or any other parties with a business relationship with the Division.
The Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat applies to staff members of the United Nations Secretariat and other personnel of the United Nations Secretariat, including officials other than Secretariat officials and experts on mission, individual contractors, consultants, interns, gratis personnel, participants in advisory meetings, "when actually employed" personnel and United Nations Volunteers.

corruption or irregularity that is detected or suspected must be reported immediately to the Chief Compliance Officer of the Investment Management Division, who should inform the Representative of the Secretary-General and conduct a fact-finding assessment to determine whether or not the matter merits referral to the OIOS Investigative Division. Staff of the Investment Management Division also have the discretion to report matters directly to OIOS. **The Advisory Committee welcomes the new anti-fraud and anti-corruption policy of the Fund, which supplements the Anti-Fraud and Anti-Corruption Framework of the Secretariat, the General Assembly resolutions against fraud and corruption and the United Nations Convention against Corruption.**

Performance of the Representative of the Secretary-General

38. The General Assembly, in its resolution 68/247 B, requested the Secretary-General, in the context of future reports on the investments of the Fund, to provide information on the performance of his representative in discharging his or her responsibilities. **The Advisory Committee notes that the present report of the Secretary-General on the investments of the Fund does not contain information on this matter. The Committee looks forward to receiving this information in future reports on the investments of the Fund (see A/69/528, para. 18).**

IV. Audit

Submission of the report of the Board of Auditors

39. The Advisory Committee recalls that, in the context of its previous report, it had considered a note from the Board of Auditors explaining its position regarding the procedure for the submission of its annual report on the financial statements of the Fund to the General Assembly. In the note, the Board of Auditors indicated that unlike its other reports, which are presented directly and separately to the Assembly through the Advisory Committee, its report on the financial statements of the Fund is annexed to the report of the Pension Board to the Assembly. The Board of Auditors also indicated that during its review of the practice conducted during its annual audit of the Fund's financial statements it had concluded that the practice was neither in consonance with the founding resolution of the Board of Auditors nor with the resolutions relating to the Pension Fund or its regulations and rules. Therefore, the position of the Board of Auditors was that its report on the Pension Fund should be presented directly and separately to the Assembly through the Advisory Committee, as is the case with its reports on other United Nations entities under its audit jurisdiction. The Advisory Committee saw merit in the position taken by the Board of Auditors (A/70/7/Add.6, paras. 44 and 46).

40. The General Assembly, in its resolution 70/248, stressed that the report of the Board of Auditors on the Fund should be submitted separately to the Assembly, as is the case with other United Nations entities, and decided that a copy should continue to be annexed to the report of the Pension Board. The Assembly also invited the Pension Board, in consultation with the Board of Auditors, to make arrangements that would enable the Pension Board to consider, at its annual meeting, the final financial report and audited financial statements of the Board of Auditors on the Fund and decided to continue to consider the report of the Board of Auditors on the Fund in the context of the report of the Pension Board.

41. However, at its sixty-third session, in July 2016, the Pension Board could not consider the report of the Board of Auditors on the financial statements of the Fund for 2015 (A/71/5/Add.16), which was only finalized in September 2016. The Advisory Committee was informed, upon enquiry, that the Pension Board had approved a new modality at its sixty-third session, which will enable the consideration of the report of the Board of Auditors for 2016 at the next Pension Board's session, as requested by the Assembly. **The Advisory Committee welcomes the modality allowing the Pension Board to consider, at its next and subsequent sessions, the report of the Board of Auditors on the financial statements of the Fund. In addition, this report will be presented separately to the General Assembly, in the context of its consideration of the report of the Pension Board.**

Implementation of the recommendations of the Board of Auditors

42. The report on the implementation of the recommendations of the Board of Auditors shows that five recommendations to the secretariat of the Fund, contained in past reports of the Board of Auditors, have been accepted but have not been fully implemented. Those recommendations include, in particular, the need for closer collaboration of member organizations and the actuarial agency (see A/71/397, paras. 41, 43, 45, 53, 55). The report also shows that the six recommendations to the secretariat of the Fund contained in the present report of the Board of Auditors (A/71/5/Add.16) have been accepted and their implementation is in progress (see A/71/397, paras. 25, 27, 29, 31, 33 and 35).

43. With regard to the recommendations to be implemented by the Investment Management Division, the report on the implementation of the recommendations of the Board of Auditors shows that four recommendations contained in the report of the Board of Auditors for 2014 still remain to be implemented, in particular the recommendation that the Fund explore alternatives to mitigate the foreign exchanges losses, including a detailed cost benefit study for a suitable hedging strategy. In addition, 11 recommendations contained in the report of the Board for 2015 are considered to be "in progress" in terms of implementation.

44. **The Advisory Committee stresses the importance for the Fund to implement all recommendations of the Board of Auditors expeditiously.**

V. Conclusion

45. A summary of the matters requiring the attention of and decisions by the General Assembly is provided in a draft resolution proposed for adoption by the Assembly annexed to the report of the Pension Board (A/71/9, annex XVII). According to the notation in the report of the Pension Board, the draft resolution covers those matters discussed in the report of the Pension Board that require action by the Assembly, as well as other matters in the report that the Assembly may wish to note.

46. **Subject to its comments and recommendations above, the Advisory Committee recommends that the General Assembly take note of the report of the United Nations Joint Staff Pension Board and approve the proposals contained therein.**

Annex

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 organizations:

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 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

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

* United Nations includes United Nations Headquarters, regional offices and all funds and programmes.