A/74/5/Add.16

United Nations

United Nations Joint Staff Pension Fund

Financial report and audited financial statements

for the year ended 31 December 2018

and

Report of the Board of Auditors

General Assembly
Official Records
Seventy-fourth Session
Supplement No. 5P

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United Nations • New York, 2019

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.

[24 July 2019]

Contents

Letters of transmittal

Letter dated 31 May 2019 from the Acting Chief Executive Officer of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund addressed to the Chair of 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 United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which we hereby approve. The Chief Executive Officer of the Fund and the 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*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund

Letter dated 24 July 2019 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which were submitted by the Acting Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund. The statements have been examined by the Board of Auditors.

In addition, I have the honour to transmit the report of the Board of Auditors with respect to the above-mentioned accounts, including the audit opinion thereon.

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: 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 2018 and the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III) 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 2018 (statement IV), 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 2018, the changes in net assets available for benefits, the cash flow statement and the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year then ended and the notes to the financial statements.

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 Officer and the Representative of the Secretary-General are jointly 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 Officer and the Representative of the Secretary-General are jointly 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

24 July 2019

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Joint Staff Pension Fund was established in 1948 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 2018 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 through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Office of Investment Management and the secretariat of the Fund.

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 financial position of the Fund as at 31 December 2018 and its financial performance and cash flows for the year then ended, in accordance with International Accounting Standard (IAS) 26 and the International Public Sector Accounting Standards (IPSAS). The audit included a general review of 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 Fund's statement of net assets available for benefits as at 31 December 2018 and its statement of changes in net assets, cash flows and statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year then ended.

Overall conclusion

The Fund has prepared financial statements in accordance with IAS 26 and following the provisions of IPSAS since 2012. The Fund has incorporated the guidance from IAS 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. The Board has noted a continued trend of improvement related to benefit processing, specifically concerning the closing of open entitlement workflows and the implementation of the new client grievance redressal mechanism through the iNeed system.

The Board of Auditors acknowledges ongoing efforts and identified opportunities for the Fund to improve on the investment management side of its operations. The Fund could enhance the analysis and evaluation of environmental, social and governance concerns and the integration of those concerns into investment decision-making within all asset classes. It could also improve the Office of Investment Management alternative assets reporting platform, in order to improve the automation of the alternative investment process.

There is also a need to assess some deficiencies with the Integrated Pension Administration System related to compliance in security and user account management.

The Board identified scope for improvement in the annual reconciliation of contributions. The Fund should perform the reconciliation more than once per year and should take proactive steps, in collaboration with the member organizations, to expedite the receipt of the document required for the calculation and awarding of pension benefits. The Fund should avoid exceptions and allow participants to have up-to-date information on their total contributions as at a specific date.

Key findings

Our main observations and recommendations of the Board's audit are set out below.

Benefits payment management

Reconciliation of contributions

In accordance with the Regulations of the Fund, all member organizations and employees contribute on the basis of pensionable remuneration, at a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers. The information on contributions is kept in the Integrated Pension Administration System for each participant, and it is annually reconciled with the human resources and pensionable remuneration information provided by every member organization at the end of the year.

That reconciliation is carried out by the Fund during the first quarter of the following year, using the detailed schedules provided by the member organizations. Any differences between the reported contributions and the contributions actually received are recorded as an account receivable from or payable to the member organization, depending on the difference. On the basis of the information provided by the member organizations, the Fund secretariat records the contribution amounts in each participant's account.

In addition, the discrepancies identified by the Fund in the reconciliation process are distributed to each member organization. The majority of the discrepancies are resolved by updating the human resources records or adjusting the contributions on the year-end schedules in the following year.

Through its online platform, the Fund allows participants and member organizations to consult their total contributions. However, the information available corresponds to the balance of the previous reconciliation process, namely, the total contributions as at 31 December of the previous year.

The Board considers that having a single annual reconciliation process means that the exceptions identified cannot be resolved during the conciliation period of the current year and that unresolved exceptions may delay the processing of benefits for separating members. Likewise, it does not allow participants to have updated information on their total contributions as at a specific date. Not all member organizations, however, are willing to commit to a more frequent (e.g., monthly) reconciliation process, as that would require significant resources and responsiveness.

Workflows remain open in the Integrated Pension Administration System owing to missing documents

The Integrated Pension Administration System is the main tool used by the Fund secretariat to process retirement benefits. To start the separation process, three core documents are needed: a separation personnel action, a separation notification and a payment instruction. The personnel action and notification are issued by the member organization, while the payment instruction is submitted by the participant. Each time the Fund receives one of the three documents, a workflow is opened in the system to start the separation process. Regardless of whether or not the action is a request for retirement, the system will open a workflow.

According to the Strategic Framework of the Fund, the Fund is expected to carry out the effective processing of participants' benefit entitlements. In that respect, the Board observed a notable decrease (74 per cent) in the number of workflows still open owing to the non-receipt of core separation documents, from 16,427 as at December 2017 to 4,300 as at 21 May 2019 (the audit cut-off date).

Considering the way the Integrated Pension Administration System works and the fact that workflows are opened when the Fund receives one of the three core documents, the Board considers that a state of high priority and attention could be granted to cases with open workflows where no documents have been received or where the payment instructions have already been received.

Office of Investment Management

Sustainable investment

The Fund acknowledges its responsibility to society as part of an international organization committed to social progress by being a founding signatory of the Principles for Responsible Investment and through its association with the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

In addition, on 27 September 2018 at the climate week briefing held by Moody's in New York, the Director of the Office of Investment Management gave a presentation on sustainable investing for institutional investors. He pointed out that the Pension Fund's sustainable investment strategy was aligned with its duty and fiduciary responsibility, which included environmental, social and governance metrics. Considerations for the sustainable investment strategy are integrated throughout the investment decision-making process, in order to provide portfolio managers with more tools to further enhance risk and return considerations regarding investment decisions.

The Board noted that the Office did not have complete information as to whether the assets in its portfolio fulfil the criteria to be considered sustainable investments. In addition, the Board noted that the Office also did not yet have evidence regarding the environmental, social and governance analysis considerations that help it to make investment decisions about the purchase of a sustainable portfolio.

In addition, the Board did not obtain evidence of how investment officers incorporate environmental, social and governance concerns into their decision-making process for each asset class.

Although the Office indicates, through various reports, systems, prototypes and the implementation of a customized equity benchmark to reflect restrictions in tobacco and armament securities, documents and presentations, that it is currently incorporating environmental, social and governance indicators into the investment decision-making process, the Board observed that, in practice, the Office did not have established criteria for sustainable investment decisions that support what was stated in the presentation on sustainable investing for institutional investors and on its website.

Main recommendations

The Board recommends that the United Nations Joint Staff Pension Fund:

Benefits payment management

Reconciliation of contributions

(a) **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;**

(b) **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. 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;**

Workflows remain open in the Integrated Pension Administration System owing to missing documents

(c) **Continue to reduce the number of open workflows by establishing indicators that make it possible to measure progress in closing them;**

(d) **For open workflows with missing documentation, 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;**

(e) **Consider closing the open workflows where no documentation has been received inherited from the legacy system, the United Nations Joint Staff Pension Fund Administration System;**

(f) **Regularize, in the Integrated Pension Administration System, the open workflows that have no date of separation, to obtain a better analysis of such cases;**

Office of Investment Management

Sustainable investment

(g) **Have 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;**

(h) **Have 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 based on the basis thereof;

(i) **Have 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;**

(j) **In the case of private markets, while finalizing the implementation of the system for this type of investments, have the Office 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.**

Key facts

23	Number of member organizations
128,594	Participants in the Fund
78,716	Periodic benefits
$61.14 billion	Total assets (2017: $64.78 billion)
$60.77 billion	Net assets available for benefits (2017: $64.37 billion)
($0.85 billion)	Income (loss) and contributions (2017: $12.65 billion)
$2.74 billion	Total expenses, including benefit payments (2017: $2.78 billion)
($3.31 billion)	Investment income (loss) (2017: $10.24 billion)
(6.5) per cent	Inflation-adjusted real return for 2018 (2017: 16.5 per cent); negative return in 2018

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1948 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 23 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 United Nations Joint Staff Pension Fund and has reviewed its operations for the year ended 31 December 2018 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 financial position of the United Nations Joint Staff Pension Fund as at 31 December 2018 and its financial performance for the year then ended, in accordance with International Accounting Standard (IAS) 26 and the International Public Sector Accounting Standards (IPSAS). This included an assessment as to 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 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 management, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up to previous recommendations

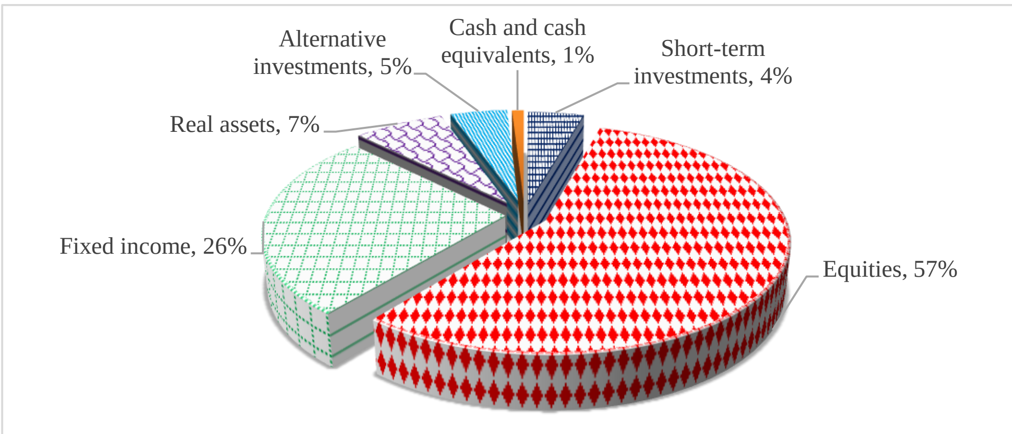
6. The Board followed up on the 38 outstanding recommendations as at 31 December 2017 and noted that 12 (32 per cent) had been fully implemented, 22 (58 per cent) were under implementation and 4 (10 per cent) had been overtaken by events. The details are provided in the annex to chapter II.

2. Financial overview

Income and losses

7. As at December 2018, the total assets of the Fund amounted to $61.14 billion, (2017: $64.78 billion), and the total liabilities as at December 2018 amounted to $0.36 billion (2017: $0.41 billion), making net assets available for benefits of $60.78 billion (2017: $64.37 billion). This represented a decrease of $3.59 billion (5.6 per cent) compared with the increase of $9.88 billion in 2017. The Fund assets consist mainly of investment, representing 98.6 per cent of the total assets, whose fair value by the Fund as at 31 December of 2018 was $60.31 billion. The asset allocation was 57 per cent in equities, 26 per cent in fixed income, 7 per cent in real assets, 4 per cent in short-term investments, 5 per cent in alternative investments and 1 per cent in cash and cash equivalents. The percentage share of each component of investment is shown in figure II.I.

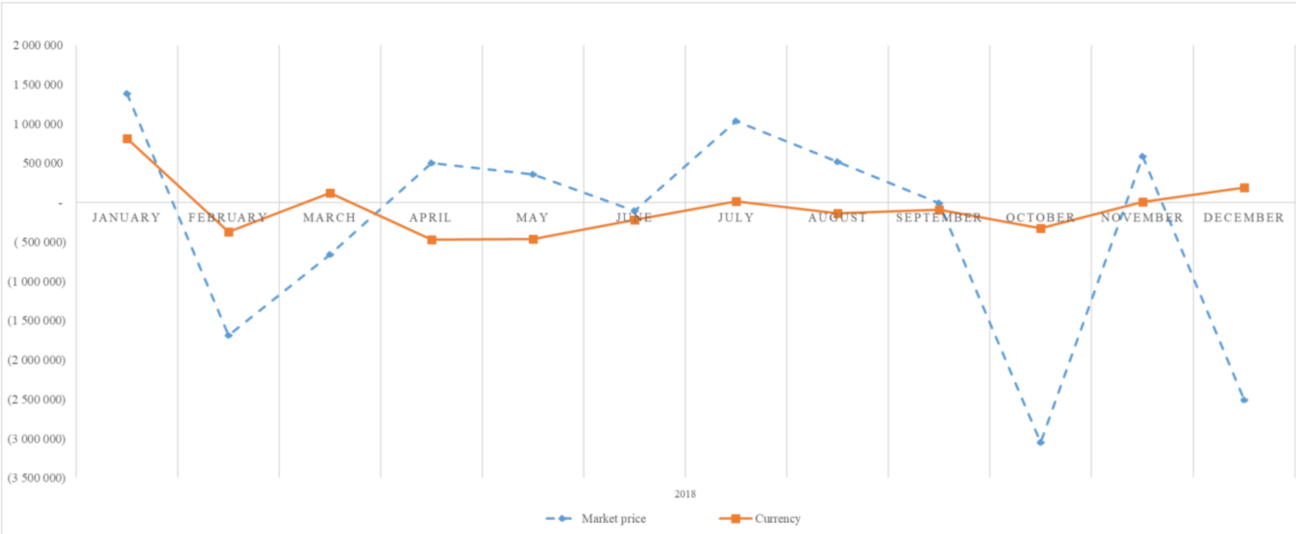
Figure II.I
Percentage share of components in the fair value of investment in 2018



Source: United Nations Joint Staff Pension Fund financial statements.

8. The total losses of the Fund in 2018 amounted to $849.36 million (2017: income of $12.65 billion), comprising investment losses of $3.31 billion (2017: income of $10.24 billion) and contributions of $2.46 billion (2017: $2.40 billion). The total expenses of the Fund (comprising benefit payments, administrative expenses and other expenses) amounted to $2.74 billion (2017: $2.78 billion). The monthly breakdown of investment income in 2018 is shown in figure II.II.

Figure II.II
Investment income (loss) in 2018
(Thousands of United States dollars)

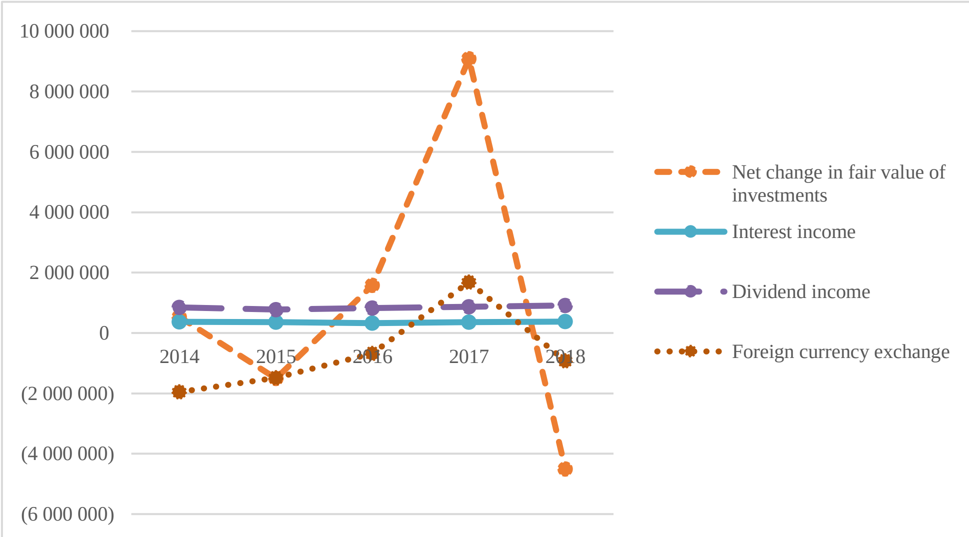


Source: Analysis by the Board of Auditors.

9. During 2018, the fair value of the investment depreciated by $3.58 billion (appreciation in 2017: $7.39 billion), with a foreign exchange loss of $0.92 billion (2017: gain of $1.68 billion). Historically, appreciation/depreciation in the fair value of investment has been the driving force for investment income. The other components have largely remained constant. As at December 2018, the Fund had 57 per cent of its investment portfolio in equities; the investment loss is therefore due primarily to that asset class, concentrated in the North American market. The different components of investment income are shown in figure II.III.

10. The depreciation in the fair value is due mainly to the decline in the stock market during 2018, specifically the slowdown in the global economy and the tightening of monetary policy. The increase in geopolitical tensions, from the escalation of the trade war between China and the United States of America (heavy new tariffs on goods) to the decision by the United Kingdom of Great Britain and Northern Ireland to leave the European Union, or “Brexit”, has weighed heavily on equities, affecting the Fund’s investment portfolio, most of which, as indicated above, is concentrated in the North American stock market.

Figure II.III
Components of investment income, 2014–2018
(Thousands of United States dollars)



Source: Analysis by the Board of Auditors.

11. The Fund's return (nominal) for 2018 was negative, at -4.7 per cent, compared with the policy benchmark of -4.9 per cent. The inflation-adjusted real return was -6.5 per cent against the required 3.5 per cent set as a long-term investment goal, owing to a high depreciation in the fair value of the investment.[1]

Participants

12. As at 31 December 2018, the Fund had 128,594 participants (2017: 126,736 participants). In 2018, the annual periodic benefit payments made by the Fund amounted to $2.66 billion and were issued in 15 currencies, in some 190 countries. The income contributions, however, amounted to $2.45 billion; the expenditure on benefits in 2018 therefore exceeded contributions by $212 million.

13. The number of periodic benefits as at 31 December 2018 was 78,716 compared with 78,247 in 2017, an increase of 0.6 per cent.

14. The funding ratio indicates the degree to which the Fund's assets cover the value of the accrued benefits (liabilities) on the given valuation date. It is calculated by dividing the net assets as at the date of the financial statements by the value of the liabilities as at the same date. A funding ratio of 1 means that the Fund is in a position to meet all of its obligations, whereas funding ratios above 1 and below 1 indicate overfunding and underfunding scenarios, respectively.

[1] In accordance with the long-term investment goal as set out in the Investment Policy Statement of 2016 of the Investment Management Division of the United Nations Joint Staff Pension Fund and the returns as presented at the 240th meeting of the Investments Committee of the Fund.

Table II.1
Ratio analysis

Ratio	*31 December 2018*	*31 December 2017*
Funding ratio		
Total assets: pension obligation (actuarial value)	1.04	1.15

3. Disclosure of the financial statements

Certification of financial statements

15. In the certification of its financial statements for the year ended 31 December 2018, the Fund states that its financial statements were prepared in accordance with IPSAS and IAS 26. It presented the following financial statements: (a) statement of net assets available for benefits (IAS 26); (b) statement of changes in net assets available for benefits (IAS 26); (c) cash flow statement (IPSAS 2); and (d) statement of comparison of budgeted and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (IPSAS 24). It also presented notes to the financial statements.

16. Although the Fund declares in its certification that it prepared its financial statements in accordance with IPSAS, in paragraph 45 of the notes to the financial statements, the Fund specifies that it adopted IPSAS as of 1 January 2012, including specifically the adoption of IAS 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards; that, while IAS 26 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; and that, as the Fund has incorporated the guidance in IAS 26 into its financial policies, the presentation of its financial statements is based on that guidance.

17. The Fund presents the information relating to the actuarial valuation in compliance with paragraph 17 (b) of IAS 26, under which the financial statements are to explain the relationship between the actuarial present value of promised retirement benefits and the net assets available for benefits and the policy for the funding of promised benefits.

18. With regard to the certification made by the Fund in 2018, it should be noted that, according to paragraph 28 of IPSAS 1: Presentation of financial statements, an entity whose financial statements comply with IPSAS is to make an explicit and unreserved statement of such compliance in the notes.

19. The Board understands that, given its nature, the Fund also prepares its financial statements to comply with the specific information needs of a pension fund, for which the Fund prepares a statement of net assets available for benefits (statement I) and a statement of changes in net assets available for benefits (statement II) in accordance with IAS 26, which is specifically applicable to pension funds.

20. The Board notes that the presentation of the financial statements of the Fund can be further enhanced with specific disclosures regarding the IPSAS Board standards that were applied for the recording of financial transactions and in the preparation of the financial statements.

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.**

22. The Fund does not accept this recommendation.

Details of the classification of the risk with respect to the fixed-term portfolio

23. In accordance with the Regulations, Rules and Pension Adjustment System of the Fund and its mandate, the main purpose of the investments of the Fund's assets is to secure the pension entitlements of Fund participants and their beneficiaries. How those assets are managed is one of the main focuses of the entity. Proper management of the Fund's assets ensures that it is able to fulfil its long-term responsibility with regard to the payment of retirement benefits for United Nations staff.

24. In its Investment Policy Statement of 2016, the Investment Management Division established how the Fund should manage and monitor the risks associated with financial instruments without endangering the Fund's capital. In addition, the Fund states in its investment philosophy that it has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments and that its goal is to strengthen its four investment objectives, namely security, profitability, convertibility and liquidity. Those objectives were established in the light of the Fund's mandate to provide retirement, death, disability and related benefits for United Nations personnel.

25. Under IPSAS 30: Financial instruments: disclosures, the Fund is required to disclose information on the relevance of financial instruments to the financial situation and the performance of the entity, the nature and extent of the risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period and the form of managing those risks.

26. In note 20 to its financial statements for the year ended 31 December 2018, the Fund disclosed the risk assessment and separated the risks to which it is exposed into credit risk, market risk and liquidity risk. With respect to credit risk, in the 2014 investment procedures and their amendments to the investment guidelines for the global fixed income portfolio, it is established that securities must have been awarded a minimum credit rating of "investment grade",[2] by at least one of the following rating agencies: Moody's, S&P Global Ratings and Fitch.

27. The credit rating is one of the measures used by the entity to manage its exposure to investment risk. For that reason, the Fund needs to disclose the credit risk for its debt securities. The Fund decided to use mainly the credit quality (rating scale) provided by the Moody's rating agency.

28. Each rating agency creates different categories to differentiate the risk exposure associated with each individual security. For example, Moody's uses Aaa, Aa1 to Aa3, A1 to A3, Baa1 to Baa3 and Ba1 to Ba3 for long-term investments or P-1 to P-3 for short-term investments.

29. In that regard, as at 31 December 2018, the total investment in fixed income amounted to $16,113.8 million (2017: $15,329.9 million) and the short-term investment amounted to $2,711.0 million (2017: $1,834.3 million), of which 64 per cent of the securities were classified in a single category spanning a wide range of credit risk ratings (between Aaa and A3), without specifying which amounts were associated with each risk scale. The same situation occurred for the 7 per cent of securities that were classified in a credit rating range of Baa1 to Baa3 and for the 29 per cent of securities that were declared as unrated.

30. Concerning the securities classified as not rated in note 20, the rating used was the credit rating of the issuer, instead of a security rating such as Moody's.

[2] Refers to the quality of the investment's credit.

31. In the paragraphs below the tables in note 20, the Fund indicates that those instruments presented a “very low credit risk”, on the basis of other credit rating agencies and/or the issuer’s credit rating. In order to improve the disclosure and unify the criteria to clearly present the credit risk classification, the Fund should disclose the specific credit risk rating given by a credit rating agency, if this is available.

32. The Board holds that, as the Fund belongs to the United Nations system, it could provide more information and more appropriate disclosure about the risk arising from the securities it holds and thereby enhance the completeness and transparency of the information provided.

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.**

34. The Fund acknowledges the observation that the Fund should consider providing more information about credit risk disclosure in addition to the IPSAS 30 requirements.

35. Considering that there are multiple methods of disclosing credit risk, the Fund, following consultations, will compile additional disclosures related to credit risk for the 2019 financial statements.

Withholding tax

36. In order to achieve its objective of providing retirement, death, disability and related benefits to the staff of the United Nations and other organizations admitted to membership in the Pension Fund, the Fund invests the contributions received in different types of instruments, including equities, short-term investments, fixed income, real assets and alternative investments.

37. As a subsidiary entity of the United Nations, it is exempt from national taxation by Member States under Article 105 of the Charter of the United Nations and article II, section 7 (a) of the Convention on the Privileges and Immunities of the United Nations. Nevertheless, there are countries that deduct withholding taxes from investment income and reimburse it to the Fund when it files a claim. The Fund therefore recognizes withholding taxes as an account receivable in the statement of net assets available for benefits as at the end of each financial year, in accordance with IPSAS 29: Financial instruments: recognition and measurement.

38. For that purpose, on 28 March 2019, the Fund issued a memorandum on the recoverability of withholding tax as at 31 December 2018, in which it established that the recoverability analysis of the withheld tax was based on the following factors:

(a) Whether or not there is a formally established reclamation mechanism in place in the jurisdiction in which the withholding tax was originally withheld;

(b) When there is a reclamation process in place, the probability of success in the collection of older tax claims, having regard to tax legislation in the local jurisdiction on the application of the statute-barring;

(c) Any other relevant matter, including an analysis of interactions and correspondence with the local tax authority.

39. The Fund does not have a procedure manual that explains the provision mechanisms, reduction of the book value, tax expense or tax deemed not recoverable or that describes how to and who should calculate and approve the provisioned amount.

40. In addition, the Fund defers the recoverable taxes from countries that, in accordance with the provisions of the financial statements as at 31 December 2018,

do not have a formal tax recovery mechanism. The withholding tax receivables deemed not recoverable from those countries amount to a total of $13.95 million. In its memorandum, however, the Fund does not clearly explain the procedure to be used to maintain the amounts provisioned.

41. On the basis of the ageing analysis of the withholding tax receivables deemed not recoverable, it was observed that the Fund keeps in its records amounts provisioned for more than 5 years (since 2006), for a total of $6.39 million (corresponding to 46 per cent of the total amount provisioned to date).

42. The detail of the analysis is presented in table II.2.

Table II.2
Ageing analysis of the withheld tax deemed not recoverable

Ageing	*Amount in United States dollars*	*Percentage*
More than 5 years	6 387 362	45.8
2014	1 294 225	9.3
2015	1 033 651	7.4
2016	988 437	7.1
2017	1 984 420	14.2
2018	2 260 315	16.2
Total	**13 948 410**	**100.0**

Source: Analysis by the Board of Auditors.

43. A tax procedure could also include other costs incurred in the value of a transaction, such as a stamp duty, security transaction tax or financial transaction tax.

44. It was noted that the tax memorandum issued by the management in March 2019 does not contain sufficient and detailed information on the mechanism for the provision and recognition of tax expenses. In addition, it applied only to a single period.

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.**

46. The Fund accepts the recommendation and proposes to expand the Office of Investment Management operations manual for withholding tax. The Fund believes this will enhance the existing documentation on procedures related to the monitoring of the withholding tax.

4. Benefits payment management

Workflows remain open in the Integrated Pension Administration System owing to missing documents

47. The Integrated Pension Administration System is the main tool used by the Fund to process the retirement of the participant.

48. To start the separation process, three core documents are needed: the separation personnel action, the separation notification and the payment instruction. The

personnel action and the notification are issued by the member organization, and the payment instruction is submitted by the participant.

49. Each time the Fund receives one of these three main documents, a workflow is opened in the system to initiate the separation process. That action generates open workflows, which does not necessarily lead to a retirement benefit, as is the case for participants who change employers among the member organizations.

50. According to the Strategic Framework of the Fund, the Fund is expected to carry out the effective processing of participants' benefit entitlements.

51. The Board requested the number of cases that, as at 31 December 2018 and 21 May 2019, the audit cut-off date, still had a workflow open in the system owing to the non-receipt of one or more of the aforementioned documents.

52. The breakdown of entitlement workflows that were still open as at 31 December 2017, 31 December 2018 and 21 May 2019 owing to missing documents, by documents received, is presented in table II.3.

Table II.3
Cases with open workflows by documents received

	Cases with missing documents		
Category	*As at 31 December 2017*	*As at 31 December 2018*	*As at 21 May 2019*
No documents received	627	233	165
Only separation personnel action received	7 049	2 901	1 496
Only separation notification received	1 541	1 598	574
Only payment instruction received	428	354	56
Both separation personnel action and payment instruction received	1 083	559	229
Both separation personnel action and separation notification received	5 699	3 591	1 780
Total	**16 427**	**9 236**	**4 300**

Source: Data provided by the United Nations Joint Staff Pension Fund.

53. Furthermore, pursuant to the analysis carried out by the Board, it was noted that the decrease in open entitlement workflows was mostly in the category of cases that did not involve a separation date, where the number of open workflows dropped from 9,486 as at 31 December 2018 to 4,019 as at 21 May 2019, for a decrease of 58 per cent. A decrease was also noted in workflows with an ageing of less than one year, from a total of 2,885 to 1,503 cases, or 48 per cent. Regarding the workflows still open after more than 5 years, the decrease observed was 26 per cent, from 1,509 cases in 2017 to 1,122 in 2018.

54. The entitlement workflows open for more than three years represent 37 per cent of the total number of cases (1,935), not taking into account those without separation date. Table II.4 below presents the cases by category and the ageing analysis.

55. The Board observed a notable advance in terms of the reduction in the number of workflows open owing to missing documents: from 9,236 as at 31 December 2018 (2017: 16,247 open workflows with missing documents) to 4,300 as at 21 May 2019, representing a decrease of 53 per cent.

56. Moreover, the Board analysed the open workflows and established an ageing analysis of the cases still open owing to missing documentation with respect to the date of separation. Details as at 31 December 2018 are presented in table II.4.

Table II.4
Ageing analysis (from date of separation) of cases with open workflows owing to non-receipt of documents, as at 31 December 2018

Category	*Both SEPPA and PI received*	*Both SEPPA and SEP received*	*No documents received*	*Only PI received*	*Only SEP received*	*Only SEPPA received*	*Total*
Less than 1 year	180	468	2	3	17	833	1 503
1–2 years	65	528	3	6	61	409	1 072
2–3 years	51	376	8	3	30	239	707
3–4 years	43	240	6	6	14	185	494
4–5 years	32	182	2	8	22	73	319
More than 5 years	93	530	56	46	155	242	1 122
Subtotal	**464**	**2 324**	**77**	**72**	**299**	**1 981**	**5 217**
Without date of separation	95	1 267	156	282	1 299	920	4 019
Total	**559**	**3 591**	**233**	**354**	**1 598**	**2 901**	**9 236**

Source: Data provided by the United Nations Joint Staff Pension Fund.
Abbreviations: PI, payment instruction; SEP, separation notification; SEPPA, separation personnel action.

57. In addition, using the same data on open workflows provided by the Fund, a comparison was made of cases still open as at 31 December 2017 and 31 December 2018, by category of missing documentation, and the progress made by the Fund to close the open workflows was then analysed. Details on each category are presented in table II.5.

Table II.5
Ageing analysis (from date of separation) of cases with open workflows owing to non-receipt of documents, as at 31 December 2017 and 31 December 2018

	Both SEPPA and PI received		*Both SEPPA and SEP received*		*No documents received*		*Only PI received*		*Only SEP received*		*Only SEPPA received*		*Total*	
Category	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*	*2017*	*2018*
Less than 1 year	225	180	886	468	8	2	3	3	16	17	1 747	833	2 885	1 503
1–2 years	92	65	431	528	7	3	5	6	27	61	374	409	936	1 072
2–3 years	63	51	316	376	9	8	3	3	20	30	238	239	649	707
3–4 years	37	43	342	240	4	6	1	6	28	14	107	185	519	494
4–5 years	22	32	292	182	4	2	6	8	56	22	63	73	443	319
More than 5 years	111	93	846	530	96	56	22	46	143	155	291	242	1 509	1 122
Subtotal	**550**	**464**	**3 113**	**2 324**	**128**	**77**	**40**	**72**	**290**	**299**	**2 820**	**1 981**	**6 941**	**5 217**
Without date of separation	533	95	2 586	1 267	499	156	388	282	1 251	1 299	4 229	920	9 486	4 019
Total	**1 083**	**559**	**5 699**	**3 591**	**627**	**233**	**428**	**354**	**1 541**	**1 598**	**7 049**	**2 901**	**16 427**	**9 236**

Source: Data provided by the United Nations Joint Staff Pension Fund.
Abbreviations: PI, payment instruction; SEP, separation notification; SEPPA, separation personnel action.

58. Concerning the remaining cases with missing documents as at the date of the audit, the Board considered that the Pension Fund could evaluate the following:

(a) For the 165 cases for no documents had been received as at 21 May, their ageing and nature should be evaluated to determine whether they can be closed, given that the Fund has already identified them as legacy cases inherited from the previous system, the United Nations Joint Staff Pension Fund Administration System;

(b) For the 285 cases in which the participant has already submitted payment instructions and for which it is therefore understood that the payment of a benefit other than a deferred payment or choice of benefit under article 32 of the Regulations and Rules of the Fund or a deferred retirement benefit under article 30 will correspond, the Board believes that the Fund could prioritize their follow-up;

(c) Given the high volume of cases (3,850 as at 21 May 2019) for which only a separation personnel action or a separation notification has been received or for which only those two documents have been received, the Board considers that some of those cases could involve future benefit payments. In our opinion, it is important that the Pension Fund analyse this situation and prioritize its follow-up, in order to identify the cases for which a future benefit payment could correspond and identify the cases for which a manual closure could be performed.

59. The Fund clarified that, in cases for which payment instructions had been received, it did not mean that someone was waiting for payment immediately. The form might have to be submitted by someone who had chosen a deferment of choice of benefit under article 32 or a deferred retirement benefit under article 30. The separation personnel action or separation notice would therefore still be missing after the review and follow-up process.

60. The Fund also noted that, since this is a tripartite process, it would be difficult to specify and commit to a percentage of cases being resolved each year.

61. To the extent possible, and where the separation documents are available, the separation dates are identified. The Fund is assessing the current logic of the human resources interface to find out why the separation date is not identified in some cases (4,019 as at 31 December 2018).

62. Although the Board understands that the process of separation for the payment of benefits is a tripartite procedure and that, in 2018, the Fund made progress in closing the open workflows that had missing documents, the Board considers that there is still room for the Fund to improve and to take action to close open cases.

63. While the Board understands that there are several situations in which the Fund cannot establish uniform criteria for closing cases in some categories, for example, when no documentation has been received from the interested parties, the Board considers that there is still room for improvement.

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.**

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.**

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.**

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.**

68. The Fund agreed with the recommendations and remains committed to continuing to pursue its efforts to clear as many of the open workflows as possible by further automating the follow-up and reporting processes. The Fund also intends to continue to work with its member organizations to further strengthen cooperation and the exchange of information, in order to expedite the submission of separation documents.

69. The Fund reviewed and analysed the 156 legacy workflow cases with no documentation received. The reasons vary for each case and do not meet any standard criteria allowing for systematic closure. A large proportion involve cases where no separation documents could be provided by the member organizations, for example owing to peacekeeping mission closures or loss of data following a switch by member organizations to new human resources systems. The Fund will work closely with the member organizations to address the situation.

70. The Fund confirms that it applies the ageing process when reviewing cases with missing documents. For example, for cases where only a separation notification has been received, the Fund prioritizes workflows that have been open for more than three years from the date of separation and takes action as appropriate. To the extent possible, and where separation documents are available, the separation dates are populated into the system. The Fund is assessing the current human resources interface logic to find out why the separation date is not being populated in some cases.

Reconciliation of contributions

71. In accordance with the Regulations of the Fund, all member organizations and employees contribute on the basis of pensionable remuneration, at a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers. The information on the contribution is kept in the Integrated Pension Administration System for each participant in their personal accounts, and it is annually reconciled with the human resources and pensionable remuneration information provided by every member organization at the end of the year.

72. Even though contribution remittances from participants and member organizations are received and accounted for on a monthly basis as a lump sum for all participants, the Fund also has to calculate the contributions for each participant on a year-end basis, according to pensionable remuneration rates and the reported human resources records provided by the member organizations.

73. That reconciliation is carried out by the Fund during the first quarter of the following year, using the detailed schedules provided by each member organization.

74. Upon receipt of the detailed schedules, a reconciliation exercise is carried out to reconcile any differences between the contributions reported by the member organizations and the contributions actually received. The difference between the reported contributions and the actual receipts is recorded as an account receivable from or payable to the member organization, depending on the difference. On the basis of the information provided by the member organizations, the Fund secretariat records the contribution amounts in each participant's account.

75. Each member organization is notified of any discrepancies identified in the reconciliation process. The discrepancies are reported as pensionable remuneration errors and are not recorded in the financial statements until the error is resolved. The majority of the discrepancies are resolved by updating the human resources records or manually adjusting the contributions on the year-end schedules in the following year.

76. Through its online platform, the Fund provides tools for participants and member organizations to consult their total contributions. However, the information available corresponds to the balance of the previous reconciliation process, namely, the total contributions as at 31 December of the previous year.

77. The Board considers that having a single annual reconciliation process means that exceptions cannot be resolved during the current year. Unresolved participant reconciliation exceptions may delay the processing of benefits for separating members. Likewise, it does not allow participants to have updated information on their total contributions as at a specific date.

78. Not all member organizations, however, are willing to commit to a more frequent (e.g., monthly) reconciliation process, as that would require significant resources and responsiveness on their part.

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.**

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 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.**

81. The Fund concurred with the recommendation and stated that, in order to carry out contribution reconciliations more than once per year, pension contributions would need to be reported and updated more frequently than annually, and preferably every month. The Fund initiated a pilot monthly contribution interface project with one member organization, the International Civil Aviation Organization (ICAO), in 2019. The interface will streamline the monthly contributions and pensionable remuneration rates submitted by the member organization to the participant accounts in the Integrated Pension Administration System, with minimal human intervention. Upon the successful implementation of the monthly financial interface with ICAO, the Fund will consider gradually expanding the project to other member organizations that express interest in the process and that are committed to resolving the identified issues in a timely manner.

82. Currently, the Fund collects contribution data on a monthly basis from nine member organizations in addition to ICAO (the Food and Agriculture Organization of the United Nations, the International Atomic Energy Agency, the International Fund for Agricultural Development, the International Labour Organization, the International Maritime Organization, the Pan American Health Organization, the United Nations Industrial Development Organization, the World Food Programme and the World Health Organization) and stores the data in staging tables. While those organizations should be suitable candidates for the next monthly contribution interface implementation, the project requires careful planning and commitment on both sides with regard to resources, budget and technology. Accordingly, the Fund will proceed with the monthly contribution interface project on a long-term basis, implementing it only when all the required conditions are met, one organization at a time.

Controls established in the information security procedures and administration of user accounts in the Integrated Pension Administration System

83. The Integrated Pension Administration System was implemented with the purpose of automating the entire the Fund benefits system. One of the improvements that has been made to the system is the integration of the self-service platform for members.

84. That module allows participants, beneficiaries and other members to obtain, through an Internet platform, annual pension statements, personal documents, payment histories and pending documents, among other sources of information.

85. In that regard, in evaluating the controls established in the Integrated Pension Administration System, the Board reviewed the Fund's information security policy and its user account management procedure.

86. With respect to the password-setting parameters in the Integrated Pension Administration System, the procedure establishes clear setting requirements for each password parameter. However, the active directory configuration maintains parameters that differ from the information security policy and the Fund's user account management procedure.

87. The purpose of the above-mentioned policy and procedure documents is to implement adequate security measures to protect the confidentiality, integrity and availability of the information systems by establishing a clear approach for the management of information security risks related to the Pension Fund systems.

88. An additional aim is to cover all stages of the life cycle of user access, from the initial registration of new users until the point when the user no longer has authorization to access the systems.

89. On the basis of the Board's understanding of the process, a test of the effectiveness of the controls identified was performed, and the following non-compliance situations were observed:

(a) With regard to the configuration of password parameters, the policy establishes clear requirements for each password parameter. However, the active directory configuration maintains parameters that differ from those outlined in the policy, as follows:

Table II.6
Password parameter comparison between the Fund's policy and the active directory

Parameter	*Fund policy*	*Active directory configuration*
Minimum password length	8 characters	7 characters
Password history	5 passwords	3 passwords
Password validity	60 days	90 days
Failed connection attempts	6 attempts	5 attempts
Duration of blocking as a result of failed connection attempts	Unlocked only by the administrator	15 minutes

Source: Analysis by the Board of Auditors.

(b) With regard to the creation of user accounts, when a user requires access to additional systems such as the Integrated Pension Administration System, the authorized applicant, in accordance with annex A to the Fund's user account management procedure, must request that access through the ticket system of the Fund's help desk.

90. To test the effectiveness of the controls described above, a random sample was selected, and the following situations were identified:

(a) In four of the five cases studied, the user who requested the creation of the account was not an authorized person according to annex A to the user account management procedure;

(b) In two of the five cases, the request did not detail the level of access to be granted to the new account.

91. With regard to the recertification of users in the Integrated Pension Administration System, in accordance with Fund procedures, a control was established to review the functions that users maintain. The control is to be run two weeks before each quarterly meeting of the Information Technology Executive Committee. The functions of all user accounts are analysed to verify whether they match the job descriptions associated with the user's position. This is done by sending an email to each head of section or authorized unit, to confirm that the authorizations are still valid or whether there is an error in the account settings.

92. The Board selected two sample cases to review and determined that, as at the date of our visit, the control had only been run once and not on a quarterly basis, as required.

93. According to the review carried out, the Board observed that the Fund defines and establishes, through formalized procedures, clear controls for its logical access and information security processes; however, those controls were not operating on a permanent basis over time, which did not comply with the control environment requirements for the Integrated Pension Administration System.

94. The omission of the above-mentioned controls increases the risk of unauthorized personnel accessing the system and maintaining user profiles that do not match the job descriptions associated with their positions within the Fund.

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.**

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 procedure, adjusting it to the current operation dynamics of the Fund and their related risks.**

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.**

98. The Fund accepted the recommendations on information security and noted that the Board's observations and recommendations were addressed by strengthening actions on information security controls.

Manual controls AV-05 and AV-06 of the control matrix pertaining to census data

99. In paragraph 41 of the tenth and final progress report on the adoption of International Public Sector Accounting Standards by the United Nations (A/72/213) the Secretary General noted that the integrated internal control framework of the Committee of Sponsoring Organizations of the Treadway Commission would continue to serve as the conceptual basis of internal control for the United Nations and that, in that context, it should be recalled that all activities related to internal control within an organization were driven by the objectives set by the organization in that regard. For the United Nations, the Controller had defined those objectives in financial regulation 5.8 (d), under the terms which, the Secretary-General was required to maintain a system of internal controls that provided reasonable assurance that the financial information was reliable and that the resources and assets of the Organization were safeguarded in accordance with the regulatory framework, in order to meet the aims and objectives of the Organization.

100. In that regard, the Board requested that the management provide the internal control matrix for the census data, the flow chart and the supporting documentation on the actuarial valuation data collection process carried out in 2017, so as to understand the process and, in turn, evaluate the manual controls that correspond to a biennial process and which, therefore, affected the fiscal year 2018. Its observations based on the information provided are set out below.

101. Manual control AV-05 was not performed by Financial Services and there is insufficient evidence of the results of its review. According to the internal control matrix provided by the Fund, this control is to operate as follows: the Risk Management and Legal Services Section and Financial Services are to annually review the queries run from information technology and compare them to the consulting actuary (third party) requests (i.e. reviewing the fields in the various columns, reviewing headcounts for reasonableness and accuracy on the basis of data from the prior year, among other matters). The Risk Management and Legal Services Section and Financial Services then sign off on the comparisons to provide evidence of their review.

102. It should be noted that the manual of procedures for auditing the census data includes a reconciliation process. The Board requested the supporting documentation for this procedure, and an Excel file was provided. However, on the basis of the information reviewed in the file, it was not possible to determine whether or not the reconciliation had been carried out, and the file explaining how the procedure was to be executed contained no explanations of the work actually performed.

103. Moreover, the Board was not able to reproduce the validation described with regard to the control of the review of the census data.

104. Regarding the review to be performed by both the Risk Management and Legal Services Section and Financial Services, it was not possible to identify the review performed by Financial Services, since the Excel file contained only a comment from the Risk Management and Legal Services Section, which indicated that the data in all columns matched the data in the Integrated Pension Administration System.

105. Lastly, according to control AV-05, both units are to sign off on the comparisons to provide evidence of their review; however, the Board was not provided with supporting documentation or evidence with regard to compliance with that procedure on the basis of the information provided by the Fund.

106. For control AV-06, insufficient evidence of the review, including supporting documentation, was provided. According to the internal control matrix provided by the Fund, this control is to operate as follows: Financial Services is to annually

compare the final actuarial report received from the consulting actuary (third party) with the financial statements, for reasonableness (i.e. headcount match).

107. Among the evidence collected regarding the procedure performed, the Board was provided with a comparison chart prepared by Financial Services and noted that the document was not signed off on as evidence of the review or of approval of the work performed, alluding instead to approval having been given by email, nor was any reference made to the reasonableness of the numbers. Likewise, it was noted that the chart provided corresponded to annex D to the report on the thirty-fourth actuarial valuation of the Fund, prepared as at 31 December 2017 at the request of the Pension Board (page 32 of the final actuarial report prepared by the actuaries), so there was no evidence of the execution of the control.

108. In addition, the email supporting the execution of the control does not allude to the comparison of the actuarial valuation related to the control concerning the reasonableness of the numbers calculated by the actuaries, but rather refers to the approval of the financial statements.

109. The actuarial valuation control matrix provides details on several automatic and manual controls. The Board reviewed only the evidence referring to manual controls AV-05 and AV-06, for which it did not obtain sufficient evidence to support their proper execution.

110. Although this does not necessarily imply that errors were made in the calculations of the census data or of the current valuation, since that was not the objective of the review, the Board considers that the Pension Fund did not provide sufficient evidence of the efficient execution of the above-mentioned manual controls.

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.**

112. The Fund accepted the recommendations.

Pending queries in Outlook

113. The major organizational change for the biennium 2018–2019 was the separation of the client services area from the operations area, with the purpose of providing more focused client services and outreach activities, the ability to address a continuously growing, ageing and more geographically dispersed clientele and their often unique needs in the different regions of the world. The Fund aimed to centralize the management of its client services activities to ensure consistent servicing in its New York and Geneva offices.

114. In accordance with the verification conducted in April 2019, the Fund implemented the client grievance redressal mechanism, through the iNeed system, to track, handle and monitor individual client queries originating from that date onwards.

115. Starting from April 2019, all client queries reaching the Fund via telephone calls, email, website contact forms and walk-ins were tracked, categorized, routed, addressed and monitored, from receipt to final resolution. The Fund’s Client Services Section in New York and Geneva continues to function as a single point of contact for receiving, reviewing and categorizing all queries sent to the Fund.

116. In addition, all queries that were received and were outstanding as at the date of the iNeed deployment were being manually tracked and addressed using the previous email system (Outlook), since, owing to the implementation of the iNeed system, had those queries been transferred to iNeed they would have had to be registered under the date of the entry into the new system and not the original date of receipt, which would have resulted in a misrepresentation of the actual ageing of the queries.

117. In that regard, the Board requested the list of complaints and queries maintained in Outlook prior to the implementation of the iNeed system, including at least the date of entry, date of completion, processing time, type (complaint or query) and status. However, the Fund could not provide a detailed list of queries, since the Outlook email system did not have a reporting function and there was no external registration of such queries owing to the workload that it would have entailed.

118. It was therefore not possible to verify the total number of queries and complaints that had been outstanding prior to the implementation of the new client grievance redressal mechanism in iNeed. In this context, the status of the queries and complaints, and the time that they have remained pending since they were received, could not be identified.

119. In accordance with the information provided and analysed, the Board concludes that, although the Client Services Section implemented a new client grievance redressal mechanism with the purpose of establishing a centralized client management system to handle and monitor client queries, it is not possible to ensure that outstanding queries received through Outlook are being processed and resolved in a timely manner.

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.**

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.**

122. The Fund accepted the recommendation.

Impact of pending legal cases

123. The Fund enjoys the same privileges and immunities as other United Nations organizations, and it is not subject to the jurisdiction of national courts. Therefore, all cases involving appeals are governed solely by the Fund's appeals process as set out in section K of the Administrative Rules of the Fund and article 48 of the Regulations and Rules (current applications allege non-observance of the provisions set out in the Regulations).

124. The Board of Auditors was provided with information on the legal cases currently pending with United Nations Appeals Tribunal, in which the Pension Board is a respondent. That information concerns appeals before the Standing Committee of the Pension Board, the first appeals instance in pension matters, and the Appeals Tribunal, as those appeals are addressed by the Fund secretariat.

125. The Board did not identify any provision or disclosure related to the outflow of resources in accordance with IPSAS 19: Provisions, contingent liabilities and contingent assets. In that respect, according to the United Nations corporate guidance documents for IPSAS, which include coverage of the topic of IPSAS 19, such actions and events might require the Fund to recognize provisions or disclose a contingent liability in accordance with the criteria described in the standard. This means that, the Pension Fund may verify whether its cases correspond to a contingent liability, defined in paragraph 18 of IPSAS 19 as follows:

(a) A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not totally under the control of the entity;

(b) A present obligation that arises from past events but is not recognized because: (i) it is not likely that an outflow of resources that incorporates economic benefits or service potential will be required to settle the obligation; or (ii) the amount of the obligation cannot be measured with sufficient reliability.

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.**

127. In the future, the Fund will include in the information on pending legal cases provided to the Board an estimate of the financial impact as at the related year-end.

5. Office of Investment Management

Sustainable investment

128. In accordance with the Sustainable Development Goals, in particular Goal 17 on partnerships for the Goals and the need for the global community to incorporate global investors, since 2016, the Fund has addressed environmental, social and governance concerns by explicitly prohibiting investments in the tobacco and armaments sectors, although it does not mandate divestments in other areas. In that context, the Fund acknowledges its responsibility to society as part of an international organization committed to social progress by being a founding signatory of the Principles for Responsible Investment and through its association with the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

129. In addition, on 27 September 2018, at the climate week briefing held by Moody's in New York, the Director of the Office of Investment Management gave a presentation on sustainable investing for institutional investors, while, on the website of the Office, it is stated that the sustainable investment strategy of the Pension Fund is aligned with its duty and fiduciary responsibility, which includes environmental, social and governance metrics. Considerations for the sustainable investment strategy are integrated throughout the investment decision-making process, in order to provide portfolio managers with more tools to further enhance risk and return considerations regarding investment decisions.

130. With regard to equity and fixed income portfolios, which are internally managed, the Fund has introduced a four-step process, which was adopted pursuant to the recommendations of the Principles for Responsible Investment. In brief, the principles establish that institutional investors have the duty to act in the best long-term interests of their beneficiaries and that, as a basis for their fiduciary role, environmental, social and governance concerns can affect the performance of investment portfolios, to varying extents, across companies, sectors, regions, asset classes and time. In addition, the Office of Investment Management specifies that, in the case of private markets, a comprehensive analysis of environmental, social and governance concerns is carried out through a due diligence process.

131. Finally, the Office of Investment Management uses non-financial information and technology from different suppliers to identify material factors pertaining to environmental, social and governance metrics that support the investment process and recently signed a strategic partnership with a supplier that is also a leader in predictive climate analysis to support the Fund's sustainable investment strategy.

132. The Board observed that the Office did not have the information to determine whether or not each investment in its portfolio meets sustainable investment criteria. Likewise, it was not clear how environmental, social and governance metrics are analysed and considered in the decision-making process with regard to investment

trading. It was not possible to observe how investment officers incorporate environmental, social and governance concerns into their decision-making process for each asset class.

133. Although the Office indicates, through various reports, systems, prototypes, documents and presentations and through the implementation of customized equity benchmarks to reflect restrictions in tobacco and armament securities, that it is currently incorporating environmental, social and governance indicators into the investment decision-making process, the Board observed that, in practice, the Office did not have established criteria for sustainable investment decisions that support what was stated in the presentation on sustainable investing for institutional investors and on its website. It was noted that the Pension Fund has only made statements of principles on the subject, but has not been able to demonstrate the achievement of those practices.

134. Finally, it is important to point out that, even if the decision to invest does not depend only on its sustainable aspects, those aspects represent an additional criterion to consider in the assessment of whether or not to invest, according to the Fund's sustainable investment strategy.

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.**

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.**

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 documentation that such metrics were considered during the process before approval.**

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.**

139. The Office of Investment Management agrees with the recommendations to establish a project plan to map out the completion of the implementation of sustainable investment integration for all asset-classes, overseen by the Director.

140. In addition, the Office concurred with the recommendation to formalize the integration of environmental, social and governance considerations throughout the investment decision-making process, overseen by the Director.

141. The Office agrees with the recommendation that, wherever effective, environmental, social and governance considerations in the investment decision-making process for global equities and corporate bonds should be supported by tools and systems that are developed by the Sustainable Investment team and overseen by the Director.

142. The Office agrees with the recommendation to further enhance the environmental, social and governance due diligence process related to private market investments under the oversight of the Private Markets Committee.

Control for the registration and monitoring of investments in real assets and alternative investments

143. In accordance with the strategic asset allocation policy, the Fund's investments in real assets and alternative investments as at 31 December 2018 represented 11.7 per cent of its portfolio. The investment process for this asset class is carried out through a manual procedure under the responsibility of the Front Office of the Office Investment Management.

144. Although new investments are documented in a physical folder, once the Front Office has approved the investment, the Middle Office creates a record in a digital spreadsheet, called a cash log, to keep track of capital calls and distribution notices. The spreadsheet contains the details of the investments in real assets and alternative investments and the distributions thereof. The file is constantly updated with information sent by email from the Front Office and the Fund's investment managers. The same file is used by the Cash Desk to process and register the payments made (capital call or distribution).

145. The spreadsheet described above is the one of the main tools used to track these types of investments. Email communications from the Fund's investment managers are received simultaneously by the Front Office team, the Operations team, the custodian bank and independent master record keeper (Northern Trust) and the investment advisors.

146. The entire process relating to investments in real assets and alternative investments, from initiation to the time when the information is registered on the Northern Trust platform, must be replicated in the cash log file.

147. It was observed that the cash log file could be modified by any employee of the Middle Office or the Cash Desk, which increases the risk that the information could be intentionally or mistakenly modified. The file could therefore not be a reliable tool to ensure the accuracy and integrity of the information recorded by the master record keeper and could represent a potential risk in the operations of the internal participants involved in the process and, subsequently, the external related parties to those funds.

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.**

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.**

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.**

151. The Office of Investment Management acknowledges that the automation of the entire alternative investments process is important and therefore accepts the recommendation 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 sophisticated system to manage the alternative investments portfolio. This need was already identified in the target operating model study conducted in 2017 and included in the information and communications technology implementation plan.

152. To that end, the Office has initiated the process of seeking services related to processing and fund management for alternative investments (real assets and private equity) and related information management by issuing a request for expressions of interest on 23 July 2018, followed by a formal request for proposals, facilitated by the Procurement Division under the Department of Management Strategy, Policy and Compliance. The services procured, including the software platform, will effectively support the Office with a more automated process.

C. Disclosures by management

1. Write-off of cash, receivables and property

153. The Fund informed the Board that during the year 2018, there was a write-off of receivables of $1,002,949.8. There were no write-offs of cash or property.

2. Ex gratia payments

154. The Fund reported that there were no ex gratia payments by the Fund during the year 2018.

3. Cases of fraud and presumptive fraud

155. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

156. During the audit, the Board made enquiries regarding the oversight responsibility of management for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to its attention. In addition, the Board enquired whether the Fund had any knowledge of any actual, suspected or alleged fraud; it also made enquiries of the Office of Internal Oversight Services in that regard. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

157. The Fund reported that there were no cases of fraud or presumptive fraud that related to the staff of the Fund during the year ended 31 December 2018.

D. Acknowledgement

158. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Representative of the Secretary-General for the investment of the assets of the Fund, the Acting Chief Executive Officer of the Fund 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

24 July 2019

Annex

Status of implementation of recommendations up to the year ended 31 December 2017

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2013	A/69/9, annex X, para.47	The Fund secretariat agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exception process to ensure the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the contributions and receivables recorded in pension system and financial statements.	(a) A year-end contribution reconciliation is completed every year prior to the closing of the financial statements. The monthly reconciliation of contributions for the International Civil Aviation Organization (ICAO) will go live in production in July 2019, with data effective from January 2019. The project will allow contribution issues to be resolved more effectively and efficiently, with improved data quality. A business intelligence portal for processing and monitoring monthly financial information and a dashboard for participant reconciliation exceptions will be deployed. (b) Following the implementation of the pilot with ICAO, the Fund will reassess and extend the monthly reconciliation of contributions to those member organizations that commit to this project.	Although the process of reconciling the contributions is executed by the Fund annually at the end of each year, this does not prevent member organizations from submitting their affiliate reports during the year. However, while the organizations do not commit to a period of regular delivery, whether monthly, quarterly or half-yearly, as required by this measure on preparing contribution reconciliations every month, it is not possible to demand from the Fund an exact time interval in which to carry out that task. In turn, it must be considered that for the member organization to define its period for sending contributions, it must take into account several factors, including the number of people involved and their internal processes. Therefore, the ability to commit to a period, which may be entirely different from one organization to another, depends on the nature of the entity. On the other hand, the Fund is working on a pilot with ICAO in order to carry out a process of monthly reconciliation based on the agreement with that organization. In the light of the foregoing, the recommendation is treated as overtaken by events.				X

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*United Nations Joint Staff Pension Fund response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
2	2013	A/69/9, annex X, para. 51	The Fund secretariat agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of integrated pension administration system; and (b) consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.	(a) The certificate of entitlement form with the bar code is known as "member self-service certificate of entitlement" and is a valid certificate of entitlement form. To access or register for the member self-service portal, retirees and beneficiaries must follow the instructions provided on the member self-service website. Address updates for the certificate of entitlement tracking function are available on the Fund's official website under "member self-service (MSS)". This certificate of entitlement tracking system in the member self-service portal allows beneficiaries to find out if the Fund received the certificate of entitlement bar code and on which date it was scanned. All retirees and beneficiaries receive the receipt from the Fund of the certificate of entitlement form with an annual bar code in the "Test documents" tab within the member self-service portal. (b) To address the audit recommendation, the Fund developed and is currently implementing a plan/ project to automate the signature verification process during the annual certificate of entitlement exercise. The Fund is seeking to install a turnkey software solution that will automate the manual signature verification process during the annual certificate of entitlement process, when its beneficiaries are asked to sign and return a proof of life certificate to the Pension Fund. The automatic signature verification will be used not only to verify the approximately 74,000	(a) The Pension Fund created a self-service portal for members of the Fund to help members to gather the information they need when they need it. This is an extension of the new integral computer system, the Integrated Pension Administration System. This system is available on the Fund website, and the Fund has created guidelines for its use. Members can access annual statements (for participants in the Fund), there is an estimation tool whereby participants can calculate their potential future benefits, and participants effecting withdrawals can see that the Fund received and registered the certificate of entitlement. (b) Verification of the signature: Once the files are scanned into the Integrated Pension Administration System, a batch process is carried out, which generates the validation of the signatures for the beneficiaries. In the System, there are some parameters configured for certain cases of signature verification. In the case of people over 75 years of age, validation lots are also executed – these are selected for manual verification. A batch process is shown in the Integrated Pension Administration System, which takes the file scanned in Kofax and makes it available in the member self-service portal, so that the beneficiary may track the status of the request.	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				signatures of beneficiaries during the certificate of entitlement process, but throughout the year, as new benefits are processed and when beneficiaries request a change in instruction for payment and/or a change of address. The Fund expects approximately 100,000 verifications to be carried out during its normal business processing, not including the initial creation of the reference signature database.	The recommendation is therefore considered implemented.				
3	2014	A/70/325, annex VI, chap. II, para. 53	The Board recommends that the Fund ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.	The Fund secretariat reported that, following a trend of continuous improvement, the Fund achieved the performance target for the processing of benefits in 2018. The Fund has consistently exceeded the stipulated performance target for several months.	The Pension Fund has improved the benefit processing time and has thus achieved the established 15-day benchmark for 75 per cent of total cases. Between 1 January and 31 December 2018, the number of benefits processed were 8,834, of which 7,041 were processed within 15 working days, corresponding to 79.7 per cent of total cases fulfilled with the established 15-day benchmark. The recommendation is therefore considered implemented.	X			
4	2014	A/70/325, annex VI, chap. II, para. 65	The Board recommends that the Fund: (a) formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.	The Office of Investment Management initiated a procurement exercise in September 2018 to streamline the proper selection and acquisition of an integrated order management system. As a result, pre-qualifying expression of interest number EOIDA315795 was published by the Procurement Division on 28 November 2018. The evaluation process is currently ongoing.	(a) The Office of Investment Management provided the information and communications technology strategy policy of December 2017, which is a holistic policy for strategic planning, governance and management of technology projects and was updated in April 2018. From the review carried out, it is noted that the Office considers within the new policy version the planning horizons to comply with the short- and long-term information technology strategy. In addition, it contemplates for each business area the planning	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
					and implementation times for tools or systems that support the business of each area. This measure is therefore considered implemented. (b) The Office of Investment Management provided the procurement document related to the request for proposals for the replacement of the existing purchase order management system, issued on 10 April 2019, as evidence that the Fund properly planned and executed the acquisition of critical software and took proactive measures to accelerate the replacement of the existing system by not incurring expenses for provisional measures. The supplier is expected to be selected in June 2019. In this context, and because the Office of Investment Management advanced the acquisition process to 2019, it may have the replacement of the purchase order management system before the expiration date of 28 July 2022; the recommendation is considered implemented.				
5	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 implemented reports that are reviewed every week that assess the value added to the performance owing to active management. In addition to that, the recommendation from the independent consultant related to the performance report was also implemented.	As long as the gaps identified by Deloitte have not been resolved, it is not possible to verify compliance. The recommendation therefore remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
6	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 addition to regular monitoring of the fair value of the assets.	The Office of Investment Management reported that this recommendation had been implemented, explaining that, as a result of the audit observation and currency study, it had restructured the cash benchmarks from the dual currency benchmark, comprising 50 per cent euros and 50 per cent United States dollars, to a United States dollars-only benchmark. Non-United-States-dollar investments are no longer eligible for the investment cash portfolio. The Office of Investment Management takes note of (b) and states that the asset-liability management study will be presented to the Pension Board in July 2019. Analysis of the currency composition of the liabilities and currency hedging is part of the scope of the study. Also, in conjunction with the study, a new United States fixed income benchmark will be implemented as identified in the currency management study.	Part (a) of the recommendation has been implemented, as the Office of Investment Management examined the issue of exposure to exchange risk through the study of currencies requested from BNP Paribas. Regarding part (b), given that all the measures indicated in the study of currencies have not yet been implemented, the recommendation remains under implementation.		X		
7	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.	As long as the service-level agreements are not implemented, it is not possible to verify compliance. The recommendation is therefore treated as under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
8	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 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.	On 8 April 2019, the Fund implemented a client grievance redressal mechanism using the iNeed system. All client queries reaching the Fund via telephone calls, emails, contacts forms on the website and in-person visits are tracked, categorized, routed, addressed and monitored from the point of receipt through their final resolution. The Fund's client services in New York and Geneva continue to function as a single point of contact (i.e. they receive, review and categorize all queries reaching the Fund) and, depending on the content of the queries, responses continue to be issued by the various business units in the Fund. The iNeed system ensures end-to-end tracking of client queries resolution while providing enhanced monitoring and reporting.	As any complaints received before 8 April 2019 in the Outlook system were not migrated to the iNeed system, it is not possible to verify compliance with the measures above. Parts (d) and (e) are therefore under implementation. Part (f) has been implemented, as the Fund analysed complaints information to improve customer service and thus decided to implement the iNeed system to resolve existing deficiencies. The recommendation therefore remains under implementation.		X		
9	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 benefit processing. As the Integrated Pension Administration System is still in the process of being enhanced, and reliable historical data is being gathered, the Fund decided to maintain the benefits processing benchmark for all types of benefits. Any revision to this will be carried out on the context of the preparations for the Fund's next strategic framework. As noted above, cases of death in service are covered in the analysis conducted by the Fund.	As long as the Fund does not prescribe specific reporting benchmarks for different types of cases according to their complexity, the recommendation is treated as under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
10	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 all related activities from the date of mailing to the follow-up actions are completed within a calendar year. (b) Additional tools were deployed in the Integrated Pension Administration System member self-service portal 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 banks to distribute benefit payments to 190 countries. Moreover, the Fund's correspondent bank confirmed that local regulations limit banks' involvement.	While the Fund has taken measure to simplify the certificate of entitlement process, as long as the Fund has not implement the automatic signature verification system, it is not possible to determine that such measures have been effective. The recommendation is therefore treated as under implementation.		X		
11	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 Fund reported that risk limits for the global equity portfolio are in place, in addition to the fixed income limits already implemented. In addition, the Office of Investment Management is conducting research and analysis to evaluate the implementation of additional risk management measures for private markets asset categories. The Office's risk team is currently conducting research to choose a proper methodology for establishing risk limits for these asset classes.	As long as the Office of Investment Management does not have the results of the research and analysis to evaluate the implementation of additional risk measures for private markets asset categories, the recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
12	2016	A/72/5/Add.16, chap. II, para. 67	The Board recommends that the Fund incorporate provisions for the duration of the contract in the policy and formalize the evaluation method before awarding or renewing the contract of the fund managers.	The Office of Investment Management stated that the evaluation method had been formalized in the policy and that it had adhere to the policy in practice.	The Fund incorporated provisions for the duration of the contract in the policy. In addition, the method by which external managers are evaluated had been incorporated into the policy, and it was verified that within the policy issues associated with the monitoring and renewal of contracts, periodic performance reports are considered and the manner in which contracts are renewed is included. The recommendation is therefore implemented.	X			
13	2016	A/72/5/Add.16, chap. II, para. 75	The Board recommends that the Fund update the business continuity and disaster recovery plan in the Investment Management Division by including all the critical applications, determine recovery time objectives for all critical applications and carry out a business impact analysis study in view of the criticality of its operations.	The Office of Investment Management entered into a contract in April 2018 for the provision of information and communications technology security and risk management and a business continuity management study for the Office, and the recommendation was implemented.	The Office of Investment Management approved the updated plan, which considers the policy and procedures that detail the scope of the plan, the roles and responsibilities and the recovery time objectives, with different levels of priorities, depending on the type of crisis affecting the business and critical applications of all the units within the Office. In addition, the document on business impact analysis and business continuity risk treatment methodology contains an analysis of impacts on the basis of the critical importance of operations. The recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
14	2016	A/72/5/Add.16, chap. II, para. 79	The Board recommends that the Fund prepare a comprehensive security policy for the Investment Management Division that should be circulated widely among the management and the staff, and establish a mechanism to ensure compliance.	The Office of Investment Management prepared a comprehensive security policy.	The Office of Investment Management approved the information and communications security policy, which includes main objectives, tasks to be addressed, roles and responsibilities, risk assessment procedures and a mechanism to ensure compliance. In addition, the policy considers the role of the information and communications technology security committee to be to minimize such security risks and ensure that security matters are managed proactively. Finally, on 29 May 2019, the Office of Investment Management circulated the information and communications security policy among the management and staff by email. The recommendation is therefore treated as implemented.	X			
15	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.	(a) The Fund undertook a series of focused initiatives to enhance the Integrated Pension Administration System and ensure standard functionalities are working at full capacity. The System is now stable and allows for the prompt processing of benefits. A change advisory board sets priorities and monitors their implementation. To ensure that the System is producing optimal results, continuous monitoring and evaluation are performed to identify issues and make the necessary adjustments and enhancements to the System. (b) The human resources interfaces perform the validation of data, and transmission results, including any errors, are communicated back to the	Parts (a) and (b) are implemented. Part (d) is overtaken by events. With respect to part (c), as long as the Fund has not explored the possibility of receiving all of the separation data electronically, the recommendation remains under implementation.		X		

No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*United Nations Joint Staff Pension Fund response*	*Board's assessment*	*Status after verification*			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
				member organizations for remediation. The transmission of data related to the financial contribution interface involves both a review by the member organization and validation by the Accounts Section in the Fund, before data is automatically imported to the Integrated Pension Administration System. (c) A series of enhancements and improvements have been introduced to the Integrated Pension Administration System self-services since their deployment in August 2016. (d) The Fund has in place system and management reports that allow for the identification of data inconsistencies or data integrity issues. This information is used by the business side to introduce the required fixes.					
16	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.	(a) 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. (b) The Fund conducted an analysis of the nature and priority of each type of benefit to assess the current performance target for the processing of benefits. The analysis confirmed the applicability of the established performance target for most types of benefits. The Fund will periodically assess the performance target for benefit processing to confirm its continued applicability.	As long as the Fund secretariat has not evaluated and prescribed specific targets for the types of benefits or entitlements which were closed in more than 15 working days (2,521 cases until March 2019), the recommendation remains under implementation.		X		

						Status after verification			
No.	*Audit report year*	*Report reference*	*Recommendation of the Board*	*United Nations Joint Staff Pension Fund response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
17	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 regarding retiring staff (separation notifications). 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 expand this initiative to other member organizations and explore mechanisms for the electronic submission of separation documents.	The recommendation is considered under implementation.		X		
18	2016	A/72/5/Add.16, chap. II, para. 112	The Board recommended that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.	The Fund secretariat maintains a set of client services guidelines, manuals and instructions on the handling, segregation, prioritization and monitoring of incoming client queries and complaints. Standard processing guidelines are being updated to reflect the implementation of the client grievance redressal mechanism. Client services guidelines will continue to be updated to reflect system and process changes.	The Fund has guides, instructions by email, standard formats and procedural manuals issued on various dates regarding customer service, but does not have an integrated and official document that establishes the client grievance redressal mechanism for the complaints received in the Outlook system (before 8 April 2019) and in the iNeed system (after April 2019). As long as the complaints and queries registered in Outlook before iNeed implementation remain unprocessed, the recommendation remains under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
19	2016	A/72/5/Add.16, chap. II, para. 118	The Board recommends that the Fund review: (a) the process of obtaining the certificate of entitlement; and (b) the suspended cases that are on hold for a longer period.	(a) The certificate of entitlement process was reviewed to ensure all activities from the date of mailing to the follow-up actions are completed within a calendar year. Additional tools were deployed in the Integrated Pension Administration System self-services portal, to allow non-two-track beneficiaries to access and print their certificate of entitlement form. (b) To address the recommendation, the Fund conducted a detailed review of suspended benefits due to certificate of entitlement suspension that could be forfeited. Over 700 benefits were reviewed and forfeited in line with the applicable procedures. This exercise resulted in a reduction of the open payable amount in excess of $40 million and of over 50,000 payments.	Regarding part (a), the Fund reviewed the certificate of entitlement process in order to ensure that all actions related to the sending of emails requesting the certificate of entitlement and the follow-up to the certificates of entitlement that have not arrived after sending the emails were completed within the calendar year, according to the document on the certificate of entitlement annual timeline. In addition, the Fund is working on an advanced electronic signature verification system with the purpose of resolving the issues related to the non-matching signatures. Finally, in order to simplify the certificate of entitlement process, the client services unit enabled, through the Integrated Pension Administration System self-service portal, non-two-track beneficiaries to access and print their certificate of entitlement form and to attach evidence. Regarding part (b), the Fund analysed the suspended cases, evaluating each of them and determining that at least 700 met the conditions of article 46 of the Regulations and Rules of the Fund to be forfeited. They provided a document which was approved by the Chief of Operations and showed the reduction of suspended cases for long periods of time and a reduction of the debt payable in excess of $40 million. Those cases forfeited were identified through the filtering of	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					the ageing report by identifying payables for which benefits had been outstanding for more than 24 months, that is, for which 24 or more payments existed. The recommendation is therefore considered implemented.				
20	2016	A/72/5/Add.16, chap. II, para. 124	The Board recommends that the Fund establish a system for receiving the schedules of contributions on a monthly basis along with a list of participants from the member organizations to eliminate the generation of participant reconciliation exceptions.	The Fund secretariat states that several member organizations are sending monthly contribution data, and this information is used to produce year-end schedules. The monthly pilot reconciliation with ICAO is scheduled to go live in July 2019, with data effective from January 2019. The project will allow for contribution issues to be resolved more effectively and efficiently, with improved data quality. Following the implementation of the pilot with ICAO, the Fund will reassess and extend the monthly reconciliation of contributions to those member organizations that commit to this project.	Although the process of reconciling the contributions is executed by the Fund annually at the end of each year, this does not prevent member organizations from submitting their affiliate reports during the year. However, while the organizations do not commit to a period of regular delivery, whether monthly, quarterly or half-yearly, as required by this measure on preparing contribution reconciliations every month, it is not possible to demand from the Fund an exact time interval in which to carry out that task. In turn, it must be considered that for the member organization to define its period for sending contributions, it must take into account a number of factors, including the number of people involved and their internal processes. Therefore, the ability to commit to a period, which may be entirely different from one organization to another, depends on the nature of the entity. On the other hand, the Fund is working on a pilot with ICAO in order to carry out a process of monthly reconciliation based on the agreement with that organization.				X

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					In the light of the foregoing, the recommendation is treated as overtaken by events.				
21	2016	A/72/5/Add.16, chap. II, para. 128	The Board recommends that the Fund carry out the reconciliation of the contribution by the member organizations at regular intervals.	The Fund secretariat reported that the reconciliation of contributions is performed annually. Participant reconciliation exception reports are timely produced and submitted to all specialized agencies.	Although the process of reconciliation of the contributions by the affiliated organizations executed by the Fund is annual, this does not prevent member organizations from submitting their affiliate reports during the year. Until the organizations commit to a period of regular delivery, whether monthly, quarterly or half-yearly, it is not possible to demand an exact time interval from the Fund. In turn, it must be considered that for the member organization to define its period for sending contributions, it must take into account a series of factors, including the number of people involved and their internal processes. Therefore, the ability to commit to a period, which can be entirely different from one organization to another, depends on the nature of the entity. In this context, and given that the Fund carried out this process regularly, on a yearly basis, the recommendation is considered as implemented.	X			
22	2017	A/73/5/Add.16, chap. II, para. 29	The Board recommends that the Fund process the cases pending for a long time on a priority basis and in a time-bound manner.	The Fund has tools and mechanisms in place to avoid having cases pending for a long time. Dedicated email inboxes are available within the Fund's website to handle priority cases. Ageing reports for the benefit caseload are retrieved frequently and closely monitored by managers. These reports show workflows ready for processing, pending new	In accordance with the Regulations and Rules of the Fund, there are cases that cannot be processed due to their nature, for example, because they involve possible re-employment or deferment of choice. Therefore, it is understandable that such cases have been pending for longer than two years. This implies that there				X

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				documentation/information or information to be reviewed. Upon receipt of any missing documents, pending workflows are routed back to the same staff to ensure priority processing.	will always be a fixed inventory of this type of case in process. In this regard, and given that there is no generic solution for all pending cases, since it depends on the nature of each case, and given that the nature of some benefits obliges the existence of pending cases for a period exceeding one year, a situation that is addressed in the Regulations and Rules of the Fund, the recommendation is treated as overtaken by events.				
23	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.	The Fund implemented system and data fixes to allow the automatic closing of workflows for which the status is "completed" or "no further action required". Over 10,000 workflows were closed through subsequent system enhancements and data fixes. The significant reduction to date in the number of workflows open between 31 December 2017 and 31 December 2018 demonstrates that the Fund has addressed the audit recommendation.	As long as the Fund does not identify and report on problems with the cases that remain open in order to rule out that they remain so owing to issues with the Integrated Pension Administration System, the recommendation remains under implementation.		X		
24	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 states that to address the recommendation, in November 2018, the Fund issued an expression of interest for a comprehensive independent third-party audit of the Integrated Pension Administration System. A total of 12 vendors responded to the expression of interest. An invitation to bid was to be sent to all firms registered with the United Nations Global Marketplace by the end of April 2019. A service provider to conduct the audit is expected to be selected by mid-2019.	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 request, the recommendation is considered as under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
25	2017	A/73/5/Add.16, chap. II, para. 46	The Board recommends that the Fund engage with member organizations and resolve the issues in transmission to the Fund of the documents required for the processing of pension benefits.	The Fund has implemented processes and mechanisms to maintain close interaction and communication with the member organizations and to follow up on all cases with missing documents. The Fund disseminates monthly reports on all types of cases to focal points in member organizations. These reports are used to follow up on outstanding cases that require action by the member organizations. Member organizations are expected to continue to submit missing documentation to enable the Fund to process the cases. All of these actions have allowed for a significant reduction in the number of cases with missing documents.	The Fund submitted reports from March 2018 to March 2019 showing that it has taken measures to try to resolve the problems encountered in receiving documents. In turn, the Fund follows up to ensure that member organizations send the pending information and verify the response of the organization. It should be noted that the Fund has initiated actions to resolve the problem of the transmission of documents. However, given that the three documents required depend on the beneficiary and the member organization sending them, there is a significant number of workflows that cannot be processed until they have an agreement, which is beyond the control of the Fund, so the recommendation is overtaken by events. On the other hand, although the information depends on the beneficiary and the member organization, the Fund has also decided to strengthen the mechanisms to receive information and is working with the United Nations Secretariat to develop an interface with the affiliated organizations to resolve these problems. The recommendation is therefore considered overtaken by events.				X

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						Implemented	Under implementation	Not implemented	Overtaken by events
26	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 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 notification) concerning retiring staff. The new interface will provide timely updates on the status of the 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 expand this initiative to other member organizations and explore mechanisms for the electronic submission of separation documents.	The recommendation is considered under implementation.		X		
27	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 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.	On 8 April 2019, the Fund implemented the "client grievance redressal mechanism" using the iNeed system. All client queries reaching the Fund via telephone calls, emails, contacts forms on the website and in-person visits are tracked, categorized, routed, addressed and monitored from receipt through their final resolution. The Fund's client services in New York and Geneva continue to function as a single point of contact (i.e. they receive, review and categorize all queries reaching the Fund) and, depending on the content of the queries, responses continue to be issued by the various business units in the Fund. The iNeed system ensures end-to-end tracking of client queries resolution while providing enhanced monitoring and reporting.	While iNeed 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, it is important to mention that all the complaints received before 8 April 2019 were not migrated to the iNeed system. Therefore, it is not possible to verify compliance with the recommendation for all complaints and queries. It should be noted that the Board requested the list of complaints and queries received before 8 April 2019. However, as at 23 May 2019 the Fund had not provided the information. The Fund could not provide a detailed list of queries, since the previous system (the Outlook email system) did not have a reporting function and there was no external		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
					registration owing to the workload that this task entailed. With respect to the recommendation related to documenting the client grievance redressal mechanism, it was verified that the Fund has guides, instructions by email, standard formats and procedural manuals issued on various dates regarding customer service, but does not have an integrated and official document that establishes the client grievance redressal mechanism for the complaints received in the Outlook system (before 8 April 2019) and in the iNeed system (after April 2019). The recommendation is therefore considered under implementation.				
28	2017	A/73/5/Add.16, chap. II, para. 61	The Board recommends that the Fund review the process of obtaining the certificate of entitlement and the suspended cases that have been on hold for an extended period.	The Fund secretariat reported that this recommendation had been implemented, explaining that according to the recommendation the certificate of entitlement process was reviewed to ensure all activities from the date of mailing to the follow-up actions are completed within a calendar year. Additional tools were deployed in the Integrated Pension Administration System self-service portal to allow non-two-track beneficiaries to access and print their certificate of entitlement form. Moreover, the Fund conducted a detailed review of suspended benefits due to certificate of entitlement suspension that could be forfeited. Over 700 benefits were reviewed and forfeited in line with the applicable procedures. This exercise resulted in a reduction of the open payable amount	Regarding the recommendation to review the process of obtaining the certificate of entitlement, the Fund reviewed the process, establishing that, in order to ensure that all actions related to the sending of emails requesting certificates of entitlement and the follow-up to the certificates of entitlement that had not arrived after sending such emails were completed within a calendar year according to the document on the certificate of entitlement annual timeline. In addition, the Fund is working on an advanced electronic signature verification system with the purpose of resolving the issues related to non-matching signatures. Finally, with the purpose of simplifying the certificate of	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				in excess of $40 million and of over 50,000 payments.	entitlement process, the client services unit enabled, through the Integrated Pension Administration System self-service portal, non-two-track beneficiaries to access and print their certificate of entitlement form and to attach evidence. Concerning the recommendation to review the suspended cases that are on hold for a longer period, it should be noted that the Fund analysed the suspended cases, evaluating each of them and determining that at least 700 met the conditions of article 46 of the Regulations and Rules of the Fund to be forfeited. They provided a document which was approved by the Chief of Operations and showed the reduction of suspended cases for long periods of time and a reduction of the debt to pay in excess of $40 million. Those cases forfeited were identified through the filtering of the ageing report by identifying payables for which benefits were outstanding for more than 24 months. The recommendation is therefore considered implemented.				
29	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 implemented, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
30	2017	A/73/5/Add.16, chap. II, para. 67	The Board recommends that the Fund evolve guidelines for country, sector and currency-level suballocation of the risk budget for equities.	The Office of Investment Management states that risk limits for equities were implemented.	The Office of Investment Management elaborated guidelines for the subassignment of risk for equities by country, sector and currency, which were effective from December 2018. In the aforementioned document, it is possible to identify how the Office of Investment Management generated the risk limits for equities by market (such as North American, Asian or European) and by country and sector (such as the industrial, information technology or services sectors) and currency, which is being carried out through two lines of defence based on the tracking error (which reports the Fund's deviation from the benchmark and policy index). The recommendation is therefore considered implemented.	X			
31	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 takes note of the Board's opinion and states that the Office implemented the main recommendations from Deloitte. The Office presented the evidence for the recommendations having been implemented, that the asset-liability management study was ongoing and that the results had been presented to the Investment Committee and the Committee of Actuaries. Therefore, some recommendations related to the study will be completed in 2019. The study will be finalized in June 2019 and will be presented to the Pension Board in July 2019.	As long as the Office of Investment Management does not provide evidence of the compliance of the 25 recommendations made by the consultant, the recommendation is treated as under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
32	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.	The Office of Investment Management stated that, as a result of the audit observation and currency study, the Office restructured the cash benchmarks from a dual currency benchmark, comprising 50 per cent euros and 50 per cent United States dollars, to a United States dollars-only benchmark. Non-United-States-dollar investments are no longer eligible for the investment cash portfolio. Employing this strategy has reduced currency risk and mitigated the number of foreign exchange gains/losses within the Fund. This cash strategy is fully implemented, with an effective date of 1 October 2018. Also, as communicated to Office stakeholders, the Office is in the process of implementing a new fixed income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-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-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As the Office of Investment Management does not have the asset-liability management study, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
33	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.	The Office of Investment Management is in the process of implementing a new fixed-income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-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-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As long as the Office of Investment Management does not have the asset-liability management study, the recommendation is considered under implementation.		X		
34	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 Office of Investment Management is in the process of implementing a new fixed-income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-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-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As the Office of Investment Management does not have the asset-liability management study, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
35	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.	Office of Investment Management is in the process of implementing a new fixed-income benchmark to reduce uncompensated currency risk. This is part of the asset-liability management study. Secondly, as pointed out in the currency management study and included in the statement of work of the asset-liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset-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-liability management study will be to evaluate the pros and cons of currency hedging overlay strategies.	As long as the Office of Investment Management does not have the asset-liability management study, the recommendation is considered as under implementation.		X		
36	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 initiated a procurement exercise in September 2018 to streamline the proper selection and acquisition of an integrated order management system. As a result, pre-qualifying expression of interest number EOIDA315795 was published by the Procurement Division on 28 November 2018. Of the 10 vendors who responded to the expression of interest, 3 were found suitable for the next steps of the process. A request for proposals was to be issued during the first week of February 2019, and it was expected that by June 2019 a vendor would be selected.	The acquisition of the software has not been executed to date. Therefore, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
37	2017	A/73/5/Add.16, chap. II, para. 92	The Board recommends that the Fund conduct a fraud risk assessment in respect of the Investment Management Division to identify the vulnerable areas and develop a suitable mitigation strategy.	The Office of Investment Management reported that a fraud risk assessment was conducted and completed with the assistance of the Office of Internal Oversight Services.	The representative of the Secretary-General sent a letter to the Office of Internal Oversight Services with notification of planned Office engagement in carrying out the fraud risk assessment of the Office related to information and communications technology. The evaluation of fraud risk was carried out in accordance with report 2019/027, entitled "Audit of information and communications technology services provided by a United Nations agency to the Office of Investment Management of the United Nations Joint Staff Pension Fund", dated 26 April 2019. The audit covered the period from January 2015 to January 2019 and was suspended in January 2018 to give higher priority to the General Assembly's request for a comprehensive audit of the governance structure. It focused on risk areas related to the provision of information and communications technology services to the Office of Investment Management. The recommendation is therefore considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	United Nations Joint Staff Pension Fund response	Board's assessment	Status after verification			
						Implemented	*Under implementation*	*Not implemented*	*Overtaken by events*
38	2017	A/73/5/Add.16, chap. II, para. 97	The Board recommends that the Investment Management Division internally run the reconciliation prototype tool at regular intervals until the contract with Morgan Stanley Capital International is finalized, and thereafter put in place a new internal reconciliation process to have a check on the outsourced function.	The Office of Investment Management has implemented this recommendation and is running the reconciliation prototype tool at regular intervals. The Office expects to fully automate the reconciliation once the data management project is finalized.	The Office of Investment Management established a prototype of the internal tool while managing the contract with Morgan Stanley Capital International in order to obtain feeds directly from the service provider, Northern Trust. In turn, on 25 October 2018, a contract was signed between the Fund and RiskMetrics Solutions for the provision of a portfolio risk analysis and a performance attribution system. A series of emails were provided that showed that the Office of Investment Management is internally carrying out the reconciliation carried out between Northern Trust and Morgan Stanley Capital International regularly. A copy of the weekly Excel reports with the reconciliation detail performed internally was also provided. In this context, it is estimated that the execution of the weekly internal reconciliation reports between Northern Trust and Morgan Stanley Capital International regarding the allocation of variable income assets is already under way. The recommendation is therefore considered implemented.	X			
	Total				**38**	**12**	**22**	**–**	**4**
	Percentage				**100**	**32**	**58**	**–**	**10**

Chapter III
Certification of the financial statements

Letter dated 31 May 2019 from the Chief Financial Officer of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018 have been prepared in accordance with the 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

Statement of internal control for the year ended 31 December 2018

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1948 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 and is governed 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.

The Chief Executive Officer of the Fund, who is also the Secretary of the Board, discharges the Board's responsibility for the administrative supervision of the Fund secretariat. The Chief Executive Officer, under the authority of the Board, collects contributions, ensures record-keeping for the Fund secretariat, certifies benefit payments and deals with other issues related to the Fund's participants and beneficiaries. The Chief Executive Officer 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.

The investment of the assets of the Fund is the responsibility of the Secretary-General. 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 has delegated responsibility for the management and accounting of the investments of the Fund. The Representative exercises this 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 Officer 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 2018.

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 internal control framework;

(ii) The 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) *Enterprise-wide risk assessment*. 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, co-chaired by the Chief Executive Officer 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-wide 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 Office of Investment Management performs a fraud risk assessment 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. The Fund secretariat has various anti-fraud mechanisms in place, including periodic fraud assessments and a mix of preventive and detective anti-fraud controls.

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 2018 was supported by:

(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) Identification of key financial reporting risks;

(iii) Identification and documentation of: a. entity-level controls; b. key controls over financial reporting; and c. 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 performed by management;

(b) Assertion letters on the effectiveness of internal controls over financial reporting signed by key officers in the Fund secretariat 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, the master record keeper for the Fund's investments and a custodian bank for the investments. Additionally, the Fund received an independent service audit report from and by Citibank NA, a second custodian bank for the investments of the Fund, which fulfilled that role until 31 January 2018, on which date Northern Trust became the sole global custodian bank for the investments of the Fund. The audits were conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. Both audits 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) An independent provider was engaged to assess the effectiveness of managing information security risks of the new Integrated Pension Administration System, following the protocols defined by the International Organization for Standardization (ISO). In April 2016, the Fund secretariat obtained the ISO 27001 information security certification for the System, which is 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;

(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 2017 was a qualified opinion owing to deficiencies identified in relation to six controls. The Centre's management developed a plan to address the issues found.

In January 2019, the independent auditor concluded that four control deficiencies had been resolved to satisfaction and two others were in the process of resolution and would need further adjustments during 2019;

(f) The Audit Committee reviewed the results of 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 Officer, 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 discussed with the Audit Committee and following special requests by the General Assembly, OIOS conducted audit examinations to provide assurance on the effectiveness of internal controls and identify control deficiencies. The Chief Executive Officer 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 examined independently the 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 2018 draws attention to key areas with an impact on internal controls over financial reporting, as follows:

(a) Pursuant to General Assembly resolution 72/262 A, OIOS conducted a comprehensive audit of the governance structure and related processes of the Pension Board. At its seventy-third session, the Assembly considered the OIOS audit report and adopted resolution 73/274, which contains comments and decisions relating to the audit recommendations. The Pension Board created a governance working group to consider governance issues, including those identified by the Assembly. The governance working group will report to the Pension Board at its sixty-sixth session, in July 2019;

(b) The Fund's management has implemented process and system changes to address efficiency aspects in the processing of benefit entitlements. These actions translated into significant progress by the Fund in benefit processing during 2018, and allowed the downgrading of a critical audit recommendation related to benefit processing.

The Office of Investment Management performed a fraud risk assessment by evaluating applicable fraud risks and schemes. The Office considered existing compliance activities, operational controls and financial reporting as part of the fraud risk evaluation and noted areas in which additional controls and processes might be required. The Office is developing remedial actions to be deployed and tested during 2019.

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 2018.

(*Signed*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

22 April 2019
New York

Chapter IV
Financial overview

A. Introduction

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1948 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 2018, there were 23 member organizations participating in the Fund. An additional organization became a member on 1 January 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.

2. The Fund is governed by the United Nations Joint Staff Pension Board, made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, of whom 4 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, of whom 7 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.

3. The Fund is administered by the Pension Board, a staff pension committee for each member organization, and a secretariat to the Board and to each such committee. The Chief Executive Officer of the Fund also serves as Secretary of the Pension Board. The Secretary/Chief Executive Officer is appointed by the Secretary-General on the recommendation of the Pension Board.

4. The Chief Executive Officer is responsible for the administration of the Fund and for the observance, by all concerned, of the Regulations, Rules and Pension Adjustment System of the Fund. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; the responsibility for representing the Pension Board at 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; and serving as Secretary of the United Nations Staff Pension Committee. With regard to administrative services, the Fund utilizes the United Nations "machinery", including payroll, recruitment and other human resources functions; procurement; administration of justice; internal audit; and other administrative services. Within this framework, the Executive Office of the Fund provides administrative support to the Fund secretariat and the Office of Investment Management.

5. The investment of the assets of the Fund shall be 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 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 shall arrange for the maintenance of detailed accounts of all investments and other

transactions relating to the Fund, which shall be open to examination by the Pension Board.

B. Financial performance

Changes in net assets available for benefits

6. There was a decrease in the net assets available for benefits for the year ended 31 December 2018 of $3,589.9 million (2017: increase of $9,877.8 million). The decrease was attributable primarily to investment losses for the year.

7. The investment loss for 2018 was $3,306.5 million (2017: income of $10,248.1 million). Investment loss for 2018 primarily comprised net change in the fair value of investments of $4,502.1 million, offset in part by dividend income of $912.2 million and interest income of $376.7 million. The change of $13,554.6 million from the prior year was driven largely by the change in the fair value of financial assets designated at fair value.

8. Total contributions (from participants: $820.2 million; member organizations: $1,630.8 million; and other contributions: $6.1 million) for 2018 were $2,457.2 million (2017: $2,400.9 million), reflecting an increase of $56.3 million (or 2.3 per cent) compared with the total contributions for 2017.

9. Benefit expenses for 2018 of $2,669.6 million (2017: $2,673.3 million) reflected a decrease of $3.7 million (or 0.1 per cent) compared with the benefit expenses for 2017, owing mainly to the forfeiture of benefits for multiple prior reporting periods of $42.2 million, which are included in other benefits/adjustments.

10. Administrative expenses for 2018 of $70.1 million (2017: $97.4 million) reflected a decrease of $27.3 million (or 28.0 per cent). The decrease in administrative expense was due primarily to the impact of the changes in the post-employment benefits liabilities, including after-service health insurance, of $23.3 million and a decrease in contractual services of $9.2 million.

Statement of net assets available for benefits

11. Net assets available for benefits at 31 December 2018 were $60,776.0 million (2017: $64,365.9 million), reflecting a decrease of $3,589.9 million (or 5.6 per cent).

12. Cash and cash equivalents at 31 December 2018 were $564.9 million (2017: $971.8 million), reflecting a decrease of $406.9 million (or 41.9 per cent).

13. Fair value of investments at 31 December 2018 was $60,309.8 million (2017: $63,565.7 million), reflecting a decrease of $3,255.9 million (or 5.1 per cent). Details with regard to the investment classes at 31 December 2018 and 31 December 2017 are as follows:

(Millions of United States dollars)

	31 December 2018	*31 December 2017*	*Change*	*Percentage*
Short-term investments	2 711.0	1 834.3	876.7	47.8
Equities	34 401.2	39 784.2	(5 383.0)	(13.5)
Fixed income	16 113.8	15 329.9	783.9	5.1
Real assets	4 340.4	4 213.8	126.6	3.0
Alternatives and other investments	2 743.4	2 403.4	340.0	14.1
Total investments	**60 309.8**	**63 565.6**	**(3 255.8)**	**(5.1)**

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

(Millions of United States dollars)

	31 December 2018	31 December 2017	Change	Percentage
Investments	60 309.8	63 565.6	(3 255.8)	(5.1)
Cash and cash equivalents	564.9	971.8	(406.9)	(41.9)
Total investments and cash and cash equivalents	**60 874.7**	**64 537.4**	**(3 662.7)**	**(5.7)**

15. Total liabilities of the Fund as at 31 December 2018 were $362.9 million (2017: $411.3 million), reflecting a decrease of $48.4 million (or 11.8 per cent). The decrease in total liabilities was due primarily to the decreases in benefits payable of $45.7 million and in the after-service health insurance liability of $6.5 million.

Actuarial situation of the Fund

16. 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.

17. The actuarial present value of accumulated plan benefits as at 31 December 2018 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	26 732	36 054
Vested terminated participants	787	1 356
Active participants	14 430	19 880
Total vested benefits	**41 949**	**57 290**
Non-vested benefits	947	1 202
Total actuarial present value of accumulated plan benefits	**42 896**	**58 492**

Key statistics

18. The number of Fund participants as at 31 December 2018 was 128,594 (2017: 126,736), an increase of 1,858, or 1.4 per cent.

19. The number of periodic benefits paid by the Fund as at 31 December 2018 was 78,716 (2017: 78,247), an increase of 469, or 0.6 per cent.

Chapter V

Financial statements for the year ended 31 December 2018

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits

(Thousands of United States dollars)

	Note	*31 December 2018*	*31 December 2017*
Assets			
Cash and cash equivalents	4	564 891	971 807
Investments	5, 6		
Short-term investments		2 710 995	1 834 280
Equities		34 401 159	39 784 228
Fixed income		16 113 838	15 329 947
Real assets		4 340 466	4 213 829
Alternatives and other investments		2 743 377	2 403 366
		60 309 835	**63 565 650**
Contributions receivable		55 889	6 939
Accrued income from investments	7	158 251	154 655
Receivable from investments traded	5	7 869	28 401
Withholding tax receivable	8	20 133	26 554
Other assets	9	22 068	23 194
Total assets		**61 138 936**	**64 777 200**
Liabilities			
Benefits payable	10	102 488	148 186
Payable from investments traded	5	159 913	157 699
After-service health insurance and other employee benefits liabilities	11	87 891	94 363
Other accruals and liabilities	12	12 597	11 044
Total liabilities		**362 889**	**411 292**
Net assets available for benefits		**60 776 047**	**64 365 908**

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

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 2018*	*For the year 2017 (reclassified)*[a]
Investment income/(loss)	13		
Net change in fair value of investments		(4 502 075)	9 081 326
Interest income		376 716	361 742
Dividend income		912 237	865 788
Income from real assets		55 510	65 530
Less: transaction costs and management fees		(143 435)	(133 145)
Less: withholding tax		(5 972)	(2 518)
Other investment-related income, net		505	9 379
		(3 306 514)	**10 248 102**
Contributions	14		
From participants		820 209	792 593
From member organizations		1 630 838	1 577 151
Other contributions		6 104	31 168
		2 457 151	**2 400 912**
Benefit expenses	15		
From withdrawal settlements and full commutation benefits		181 671	194 803
From retirement benefits		2 530 498	2 479 573
Other benefits/adjustments		(42 609)	(1 119)
		2 669 560	**2 673 257**
Administrative expenses	16		
Fund secretariat		36 222	58 947
Office of Investment Management		32 212	36 650
Audit		1 235	1 394
Pension Board		450	409
		70 119	**97 400**
Other expenses	17	819	575
Increase/(decrease) in net assets available for benefits		**(3 589 861)**	**9 877 782**

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

[a] See note 24 for details of the reclassifications.

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	Note	*For the year 2018*	*For the year 2017*
Cash flows from investing activities			
Purchase of investments		(25 154 053)	(15 346 130)
Proceeds from sale/redemption of investments		23 932 026	13 933 105
Dividends received from equity investments, excluding withholding tax		876 424	839 462
Interest received from fixed income investments		377 678	345 952
Income received from unitized real asset funds, excluding withholding tax		55 483	65 506
Other income received/(losses incurred), net		510	11 611
Transaction costs, management fees and other expenses paid		(144 649)	(134 993)
Withholding taxes reimbursement		31 732	9 394
Net cash (used)/provided by investing activities		**(24 849)**	**(276 093)**
Cash flows from operating activities			
Contribution from member organizations and participants		2 405 906	2 401 970
Benefits payments		(2 710 412)	(2 656 307)
Net transfer to/from other plans		(475)	3 302
Administrative expenses paid		(77 953)	(72 501)
Other payments, net		(696)	(513)
Net cash used by operating activities		**(383 630)**	**(324 049)**
Net (decrease)/increase in cash and cash equivalents		(408 479)	(600 142)
Cash and cash equivalents at the beginning of year	4	971 807	1 562 522
Exchange gains on cash and cash equivalents		1 563	9 427
Cash and cash equivalents at the end of year	**4**	**564 891**	**971 807**

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

United Nations Joint Staff Pension Fund

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018

(Thousands of United States dollars)

	Initial appropriation 2018			*Actuals on a comparable basis 2018*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Fund secretariat										
Posts	15 988.5	7 217.4	23 205.9	16 020.7	7 177.1	23 197.8	32.2	(40.3)	(8.1)	(0)
Other staff costs	5 707.7	324.3	6 032.0	6 426.3	110.9	6 537.2	718.6	(213.4)	505.2	8
Hospitality	2.9	–	2.9	–	–	–	(2.9)	–	(2.9)	(100)
Consultants	89.1	–	89.1	78.0	–	78.0	(11.1)	–	(11.1)	(12)
Travel of staff	581.8	–	581.8	376.6	–	376.6	(205.2)	–	(205.2)	(35)
Contractual services	9 586.5	1 072.5	10 659.0	9 030.0	1 152.0	10 182.0	(556.5)	79.5	(477.0)	(4)
General operating expenses	6 566.4	1 838.0	8 404.4	9 908.4	3 336.9	13 245.3	3 342.0	1 498.9	4 840.9	58
Supplies and materials	67.8	33.9	101.7	26.3	13.2	39.5	(41.5)	(20.7)	(62.2)	(61)
Furniture and equipment	864.3	316.0	1 180.3	216.2	3.3	219.5	(648.1)	(312.7)	(960.8)	(81)
Subtotal	**39 455.0**	**10 802.1**	**50 257.1**	**42 082.5**	**11 793.4**	**53 875.9**	**2 627.5**	**991.3**	**3 618.8**	**7**
B. Office of Investment Management										
Posts	12 698.7	–	12 698.7	12 963.0	–	12 963.0	264.3	–	264.3	2
Other staff costs	1 735.4	–	1 735.4	1 068.6	–	1 068.6	(666.8)	–	(666.8)	(38)
Hospitality	14.6	–	14.6	6.9	–	6.9	(7.7)	–	(7.7)	(53)
Consultants	621.3	–	621.3	380.1	–	380.1	(241.2)	–	(241.2)	(39)
Travel of representatives[a]	355.6	–	355.6	218.7	–	218.7	(136.9)	–	(136.9)	(38)
Travel of staff	844.4	–	844.4	553.5	–	553.5	(290.9)	–	(290.9)	(34)
Contractual services	22 381.0	–	22 381.0	16 143.2	–	16 143.2	(6 237.8)	–	(6 237.8)	(28)
General operating expenses	4 032.4	–	4 032.4	4 333.0	–	4 333.0	300.6	–	300.6	7
Supplies and materials	31.3	–	31.3	33.2	–	33.2	1.9	–	1.9	6
Furniture and equipment	852.7	–	852.7	273.7	–	273.7	(579.0)	–	(579.0)	(68)
Subtotal	**43 567.4**	**–**	**43 567.4**	**35 973.9**	**–**	**35 973.9**	**(7 593.5)**	**–**	**(7 593.5)**	**(17)**

United Nations Joint Staff Pension Fund

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (continued)

(Thousands of United States dollars)

	Initial appropriation 2018			*Actuals on a comparable basis 2018*			*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	327.6	65.5	393.1	(0.1)	(0.1)	(0.2)	(0)
Internal audit	879.0	175.8	1 054.8	999.9	200.0	1 199.9	120.9	24.2	145.1	14
Subtotal	**1 206.7**	**241.4**	**1 448.1**	**1 327.5**	**265.5**	**1 593.0**	**120.8**	**24.1**	**144.9**	**10**
D. Pension Board	494.3	–	494.3	450.7	–	450.7	(43.6)	–	(43.6)	(9)
Total administrative expenses	**84 723.4**	**11 043.5**	**95 766.9**	**79 834.6**	**12 058.9**	**91 893.5**	**(4 888.8)**	**1 015.4**	**(3 873.4)**	**(4)**

The purpose of the statement of comparison of budget and actual amounts is to compare budget 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.

[a] Includes travel of Investments Committee members only.

United Nations Joint Staff Pension Fund

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (continued)

Explanation of significant differences (greater than +/-10 per cent) between budget and actual amounts on a comparable basis

A. Fund secretariat

Hospitality. The underexpenditure is the result of the minimization of hospitality costs.

Consultants. The underexpenditure is due to the lower-than-anticipated requirements for communication consultancy services.

Travel. The underexpenditure is due to the postponement of the client service outreach missions to the second year of the biennium.

General operating expenses. The overexpenditure reflects the full obligation of the rental of office space for the entirety of the biennium 2018–2019.

Supplies, furniture and equipment. The underexpenditure is due to the postponement of certain information technology equipment acquisitions to the second year of the biennium and lower-than-anticipated requirements for furniture.

B. Office of Investment Management

Other staff costs. The underexpenditure is attributable to the postponement of certain recruitment actions until late 2018 and early 2019 following the review of the staffing strategy by the new Representative of the Secretary-General.

Hospitality. The underexpenditure is attributable to the holding of several meetings away from headquarters, which reduced hospitality costs.

Consultants. The underexpenditure is attributable primarily to the cancellation of the benchmark study.

Travel. The underexpenditure is attributable mainly to lower-than-anticipated expenditure for the travel of staff, including travel related to training, as much of the training was done locally. When possible, the travel of staff was replaced by the use of teleconferencing, videoconferencing and web-based training. The underexpenditure also relates to the travel of members of the Investments Committee; travel for 12 members was budgeted initially, but the Committee had 9 regular members during the year. In addition, several members did not ask to be reimbursed for their travel expense, which also contributed to the underexpenditure.

Contractual services. The underexpenditure resulted primarily from the postponement of the implementation of the information and communications technology target operating model to the second year of the biennium and from the credit note received from the International Computing Centre. Furthermore, the cost of global custodial services was reduced, resulting from a new contract, and the requirement for external legal consultancy services was less than anticipated. The underexpenditure is also attributable to the cancellation of non-discretionary investment strategy advisory services and to some services and procurement cases that are expected to be completed in 2019.

Supplies, furniture and equipment. The underexpenditure is attributable primarily to the strategy to use cloud-based and virtualized solutions and to the postponement of the acquisition of some information technology-related equipment to the second year of the biennium.

C. Audit

Internal audit. The overexpenditure is due to higher actual general temporary assistance compared with the standard cost utilized for the budget.

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 1948 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 23 member organizations participating in the Fund as at 31 December 2018. The Comprehensive Nuclear-Test-Ban Treaty Organization entered the Fund as its twenty-fourth member organization on 1 January 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, of whom 4 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, of whom 7 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 Fund is 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.

5. The Chief Executive Officer of the Fund also serves as Secretary of the Pension Board. The Secretary/Chief Executive Officer is appointed by the Secretary-General on the recommendation of the Pension Board.

6. The Chief Executive Officer is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Regulations, Rules and Pension Adjustment System of the Fund. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; the responsibility for representing the Board at 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; and serving as Secretary of the United Nations Staff Pension Committee. In accordance with article 7 (c) of the Regulations of the Fund, in the absence of the Chief Executive Officer, the Deputy Chief Executive Officer shall perform the functions of the Chief Executive Officer.

7. The investment of the assets of the Fund shall be 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 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 shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.

8. 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 Officer. Since 2019, the Executive Office has been reporting to the Chief Executive Officer and the Representative of the Secretary-General.

9. The Chief Financial Officer reports to the Chief Executive Officer 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 Fund, reviewing the budgetary, financial and accounting operations of the Fund and ensuring that an adequate financial control environment of the Fund is in place to protect the Fund's resources, and guarantees the quality and reliability of financial reporting. Additionally, 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 and the accounting standards adopted by the Fund, as well as 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

10. Members of the staff of each of the 23 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 2018, the Fund had active contributors (participants) from member organizations including the 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

11. 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.

12. The Representative of the Secretary-General is assisted by the staff of 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

13. Article 12 of the Regulations of the Fund (see JSPB/G.4/Rev.23) provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. The Fund is performing actuarial valuations every two years and intends to continue doing 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 2018.

1.6 Retirement benefit

14. 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.

15. 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 final average remuneration multiplied by the first five years of contributory service;

(b) 1.75 per cent of final average remuneration multiplied by the next five years of contributory service;

(c) 2 per cent of final average remuneration multiplied by the next 25 years of contributory service;

(d) The years of contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

16. The standard annual rate of retirement benefit for a participant who entered the Fund prior to 1 January 1983 is 2 per cent of final average remuneration multiplied by contributory service not exceeding 30 years, plus 1 per cent of final average remuneration multiplied by such service in excess of 30 years, not exceeding 10 years.

17. 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).

18. 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 $1,095.81 (effective 1 April 2018, 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.

19. 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 $1,743.00

(effective 1 April 2018, 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.

20. "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.

21. 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

22. 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.

23. 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 per cent 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 participating on or after 1 January 2014 is detailed in article 29 of the Regulations and Administrative Rules of the Fund.

24. 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

25. 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.

26. 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 five years, to a maximum increase of 100 per cent.

1.7 Disability benefit

27. A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

28. 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, it 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.

29. 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 $2,902.32 (effective 1 April 2018, 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

30. 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

31. 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

32. 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

33. 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).

34. 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

35. 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 the article 11 (c) of the Regulations of the Fund. The participants' contributions for the years ended 31 December 2018 and 31 December 2017 were $820.6 million and $792.6 million, respectively. The contribution figures do not include interest on the contributions.

36. 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. The contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled $1,630.8 million and $1,577.2 million during calendar years 2018 and 2017, 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.

37. 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

38. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Pension Board, following application for termination by a member organization or continued default by an organization in its obligations under the Regulations.

39. 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.

40. 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.

41. 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.

42. 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.

43. 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

44. 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

45. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The Pension Fund adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. While IAS 26 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 by IPSAS standards. For instance, as required by 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 states 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.

46. 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

47. 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 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 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, with early adoption permitted. IPSAS 40 will be applicable for combinations

of entities and operations from 1 January 2019; accordingly, the Fund does not expect any impact on its financial statements upon adoption of this accounting standard.

48. 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 applications 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 2018 the Fund did not have any derivative contracts, the impact of change was not expected to be material. Since IPSAS 41 fundamentally changes the approach for the classification, recognition and measurement of financial instruments, the Fund is currently evaluating the requirements of IPSAS 41 in detail and the impact of change in the measurement and disclosure requirements on the Fund's financial statements.

49. 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 have immaterial impact on the Fund's financial statements.

2.3 Other general information

50. 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 and systems. 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. As from 1 February 2018, OIM has retained only one single global custodian. 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

51. 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

3.2.1 Classification of investments

52. 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.

53. 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.

54. The Fund classifies its investments into the following categories:

- Short-term investments (including fixed-income investments maturing more than three months but less than one year from the date of acquisition)
- Equities (including exchange-traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)
- Fixed income (including fixed-income investments maturing more than one year from the acquisition date)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternatives and other investments (including investments in private equity funds, and commodity funds)

3.2.2 Valuation of financial instruments

55. The Fund uses the established and documented process of its independent master record keeper for determining fair values, which 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.

56. 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.

3.2.3 Interest and dividend income

57. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents and short-term and fixed-income investments.

58. Dividend income is recognized on the ex-dividend date when the right to receive payment is established.

3.2.4 Income from real assets and alternative investments

59. Income distributed from unitized funds is treated as income in the period in which they are earned.

3.2.5 Receivable/payable from/to investments traded

60. 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.

61. 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

62. The Fund's portfolio comprises direct investments and indirect investments. Indirect investments are typically through an investment vehicle such as real estate investment trusts, exchange-traded funds, limited liability partnerships or depository receipts. The Fund is exempt from national taxation of 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.

63. 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.

64. 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 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.

65. The Fund also incurs cost 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

66. 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

67. The Fund may hold 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 primarily relies on these tests, which are performed by the investee company's independent auditors.

68. 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. 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.

69. 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 require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

70. 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.

Taxes

71. 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.

Impairment

72. 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

73. 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 of the respective year-end date of the financial statements.

Actuarial assumptions

74. The Fund uses actuarial methods for the disclosure of employee benefits liabilities. The related assumptions are disclosed in note 11 in respect of after-service health insurance and other employee benefits of the staff of the Fund. Note 18 contains information on assumptions used for the actuarial liability to the beneficiaries of the Fund.

3.5 Contributions

75. 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

76. 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

77. 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.

78. 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 the spot rates 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

79. 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

80. 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.

81. 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

82. 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

83. 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

84. 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

85. 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.

86. 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

87. Among certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

88. After-service health insurance and repatriation grants are classified as defined benefit schemes and accounted for as such.

89. 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

90. The Fund's budget is prepared on a modified cash basis and the financial statements on an accrual basis.

91. 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.

92. 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 2018 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 +/-10 per cent) between the actual and budget amounts.

93. 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

94. 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.

95. The following parties are considered related parties for the Pension Fund:

(a) Key management personnel: the Chief Executive Officer, 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 23 member organizations participating in the Fund;

(d) The International Computing Centre.

96. A summary of the relationship and transactions with the above-mentioned parties is given in note 23.

3.16 Subsequent events

97. 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 into the financial statements.

98. 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

99. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Cash at bank – Office of Investment Management	347 391	722 512
Cash at bank – Fund secretariat	171 557	207 181
Cash held by external managers – Office of Investment Management	45 943	42 114
Total cash and cash equivalents	**564 891**	**971 807**

Note 5
Financial instruments by category

100. The tables below provide an overview of all financial instruments held by category as at 31 December 2018 and 31 December 2017.[3]

[3] Non-financial assets and liabilities other than employee benefits are excluded from the table, as this analysis is required only for financial instruments.

(Thousands of United States dollars)

	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			
Short-term investments	2 710 995	–	–
Equities	34 401 159	–	–
Fixed income	16 113 838	–	–
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**	**–**
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 benefits liabilities	–	–	87 891
Other accruals and liabilities	–	–	12 597
Total financial liabilities	**–**	**–**	**362 889**

Investments exceeding 5 per cent of net assets

101. There were no investments representing 5 per cent or more of equities, fixed income or alternatives and other investments as at 31 December 2018.

102. 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 the real assets category.

(Thousands of United States dollars)

	As at 31 December 2017		
	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	971 807	–	–
Investments			
Short-term investments	1 834 280	–	–
Equities	39 784 228	–	–
Fixed income	15 329 947	–	–
Real assets	4 213 829	–	–
Alternatives and other investments	2 403 366	–	–
Contributions receivable	–	6 939	–
Accrued income from investments	–	154 655	–
Receivable from investments traded	–	28 401	–
Withholding tax receivables	–	26 554	–
Other assets	–	16 758	–
Total financial assets	**64 537 457**	**233 307**	**–**
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	148 186
Payable from investments traded	–	–	157 699
After-service health insurance and other employee benefits liabilities	–	–	94 363
Other accruals and liabilities	–	–	11 044
Total financial liabilities	**–**	**–**	**411 292**

Investments exceeding 5 per cent of net assets

103. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2017.

104. There were no investments representing 5 per cent or more of equities, fixed income, real assets and alternatives and other investments as at 31 December 2017.

Note 6
Fair value measurement

105. 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.

106. 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.

107. The tables below present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2018 and 31 December 2017.

(Thousands of United States dollars)

Fair value hierarchy as at 31 December 2018	*Level 1*	*Level 2*	*Level 3*	*Total*
Short-term investments				
Government and agencies securities	–	2 081 447	–	2 081 447
Corporate bonds	–	171 499	–	171 499
Notes, deposits and commercial paper	–	458 049	–	458 049
Total short-term investments	**–**	**2 710 995**	**–**	**2 710 995**
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**
Fixed income				
Government and agencies securities	–	11 663 395	–	11 663 395
Corporate bonds	–	3 573 634	40 046	3 613 680
Municipal/provincial bonds	–	779 077	–	779 077
Commercial mortgage-backed	–	9 040	–	9 040
Funds – corporate bond	–	–	48 646	48 646
Total fixed income	**–**	**16 025 146**	**88 692**	**16 113 838**
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**

(Thousands of United States dollars)

Fair value hierarchy as at 31 December 2017	*Level 1*	*Level 2*	*Level 3*	*Total*
Short-term investments				
Government and agencies securities	–	158 321	–	158 321
Corporate bonds	–	680 728	90 015	770 743
Notes, deposits and commercial paper	–	36 067	–	36 067
Commercial mortgage-backed	–	869 149	–	869 149
Total short-term investments	**–**	**1 744 265**	**90 015**	**1 834 280**
Equities				
Common and preferred stock	36 781 931	–	–	36 781 931
Funds – exchange-traded funds	2 595 365	–	–	2 595 365
Real estate investment trusts	210 016	–	–	210 016
Funds – common stock	–	–	146 906	146 906
Stapled securities	50 010	–	–	50 010
Total equities	**39 637 322**	**–**	**146 906**	**39 784 228**
Fixed income				
Government and agencies securities	–	11 339 964	–	11 339 964
Corporate bonds	–	3 152 503	–	3 152 503
Municipal/provincial bonds	–	778 966	–	778 966
Commercial mortgage-backed	–	9 958	–	9 958
Funds – corporate bond	–	–	48 556	48 556
Total fixed income	**–**	**15 281 391**	**48 556**	**15 329 947**
Real assets				
Real estate funds	–	253 893	3 809 681	4 063 574
Infrastructure assets	–	–	132 167	132 167
Timberlands	–	–	18 088	18 088
Total real assets	**–**	**253 893**	**3 959 936**	**4 213 829**
Alternatives and other investments				
Private equity	–	–	2 285 545	2 285 545
Commodity funds	–	–	117 821	117 821
Total alternatives and other investments	**–**	**–**	**2 403 366**	**2 403 366**
Total	**39 637 322**	**17 279 549**	**6 648 779**	**63 565 650**

Short-term investments

108. As at 31 December 2018, no short-term investments were considered to be level 3 (31 December 2017: $90.0 million). Inputs for the value of the investments considered to be level 3 as at 31 December 2017, 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.

Equities

109. 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.

110. Common stock funds amounting to $127.6 million as at 31 December 2018 (31 December 2017: $146.9 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

111. 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.

112. Corporate bond funds amounting to $48.6 million as at 31 December 2018 (31 December 2017: $48.6 million) and corporate bonds amounting to $40.0 million (31 December 2017: zero) 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

113. Real assets amounting to $4,092.8 million as at 31 December 2018 (31 December 2017: $3,959.9 million), net of carried interest of $176.9 million (31 December 2017: $151.5 million), as well as alternatives and other investments amounting to $2,743.4 million as at 31 December 2018 (31 December 2017: $2,403.4 million), net of carried interest of $138.2 million (31 December 2017: $135.5 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.

114. Two real estate funds amounting to $247.6 million (31 December 2017: $253.9 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.

115. 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	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	**–**	**–**	**43 719**	**43 719**
Transfers out of				
Fixed income	–	(43 719)	–	(43 719)
Equities	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	**–**	**(43 719)**	**–**	**(43 719)**

116. There were no transfers between levels in 2017.

117. For the year ended 31 December 2018, there was a transfer of one fixed-income security, amounting to $40.0 million (31 December 2017: $43.7 million) out of level 2 and into level 3. The security was priced by multiple vendors as at 31 December 2017, compared with a single vendor as at 31 December 2018. Consequently, the Fund has decided to classify this investment as level 3.

118. The table below presents the movements in level 3 instruments for the period 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

119. The table below presents the movements in level 3 instruments for the year ended 31 December 2017 by class of financial instrument.

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternatives and other investments*	*Total*
Opening balance	**158 361**	**172 919**	**3 556 446**	**1 663 801**	**5 551 527**
Purchases	845	88 130	759 979	780 513	1 629 467
Sales/return of capital	(29 441)	(139 964)	(756 102)	(440 867)	(1 366 374)
Transfers (out of)/into level 3	–	–	–	–	–
Net gains and losses recognized in the statement of changes in net assets available for benefits	17 141	17 486	399 613	399 919	834 159
Closing balance	**146 906**	**138 571**	**3 959 936**	**2 403 366**	**6 648 779**
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	(2 238)	5 859	169 555	216 533	359 709

Note 7
Accrued income from investments

120. 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 2018	*31 December 2017*
Cash and cash equivalents	142	719
Short-term investments	8 284	9 243
Fixed-income securities	99 896	99 254
Dividends receivable on equities	47 742	43 280
Real assets and alternative investments	2 187	2 159
Total accrued income from investments	**158 251**	**154 655**

Note 8
Withholding tax receivables

121. Withholding tax receivables as at 31 December 2018 and 31 December 2017 and withholding tax expense for the years ended 31 December 2018 and 31 December 2017 by country are as follows:

(Thousands of United States dollars)

Country	*For the year 2018*			*As at 31 December 2018*			*For the year 2017*			*As at 31 December 2017*		
	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	–	134	(134)	–	–	–	–	–	130	140	(140)	–
Austria	–	29	1	–	–	–	–	–	(4)	30	–	30
Belgium	656	653	3	–	–	–	316	320	(4)	–	–	–
Brazil	363	–	363	416	(416)	–	461	–	461	486	(486)	–
Chile	431	260	173	13	–	13	319	25	279	15	–	15
China	3 343	183	3 064	13 206	(13 110)	96	3 189	168	3 021	11 066	(11 066)	–
Czechia	85	–	–	85	–	85	–	–	–	–	–	–
France	–	226	(7)	–	–	–	195	–	(24)	219	–	219
Germany	8 724	7 715	787	14 774	–	14 774	7 337	–	(1 519)	14 552	–	14 552
Greece	–	–	–	113	(113)	–	–	–	–	118	(118)	–
Ireland	32	148	(2)	31	–	31	113	–	(11)	145	–	145
Israel	–	–	–	–	–	–	37	–	37	–	–	–
Mexico	44	–	(1)	58	–	58	13	–	–	13	–	13
Netherlands	1 800	881	26	970	–	970	1 716	1 816	(38)	77	–	77
New Zealand	2	–	2	–	–	–	–	–	–	–	–	–
Papua New Guinea	–	–	–	19	(19)	–	21	–	21	21	(21)	–
Russian Federation	1 276	–	1 276	–	–	–	1 254	608	816	–	–	–
Singapore	42	–	–	42	–	42	–	–	–	–	–	–
South Africa	693	673	20	–	–	–	–	–	–	–	–	–
Spain	2 285	1 950	27	537	–	537	1 983	1 974	(29)	229	–	229
Sweden	–	–	–	31	(31)	–	–	–	–	32	(32)	–
Switzerland	9 574	15 968	316	2 538	–	2 538	8 999	2 322	(370)	9 248	–	9 248
Turkey	51	–	14	298	(261)	37	–	–	–	366	(366)	–
United Kingdom	1 882	2 912	44	952	–	952	2 012	2 161	(248)	2 026	–	2 026
Total	**31 283**	**31 732**	**5 972**	**34 083**	**(13 950)**	**20 133**	**27 965**	**9 394**	**2 518**	**38 783**	**(12 229)**	**26 554**

122. 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 fully provided for in 2018, unless there is virtual certainty of reclaim in the subsequent year.

123. Ageing analysis of withholding tax receivable as at 31 December 2018 and 31 December 2017 are as follows:

(Thousands of United States dollars)

	As at 31 December 2018			*As at 31 December 2017*		
Country	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*
Austria	–	–	–	30	–	30
Chile	–	13	13	–	15	15
China	63	33	96	–	–	–
Czechia	–	85	85	–	–	–
France	–	–	–	–	219	219
Germany	–	14 774	14 774	–	14 552	14 552
Ireland	–	31	31	–	45	145
Mexico	–	58	58	–	13	13
Netherlands	–	970	970	–	7	77
Singapore	–	42	42	–	–	–
Spain	–	537	537	–	229	229
Switzerland	–	2 538	2 538	–	9 248	9 248
Turkey	–	37	37	–	–	–
United Kingdom	–	952	952	–	2 026	2 026
Total	**63**	**20 070**	**20 133**	**30**	**26 524**	**26 554**

Note 9
Other assets

124. 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 2018	*31 December 2017*
Prepayments and benefits receivable	15 184	16 233
Property, plant and equipment	3 941	2 787
Intangible assets in use	25	3 649
United Nations receivables	2 339	–
Other receivables	579	525
Total	**22 068**	**23 194**

9.1 Prepayments and benefits receivable

125. An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Prepayments	3 267	2 625
Advance benefit payments due to payroll conversion	7 484	8 663
Benefits receivable	8 764	9 556
Benefits receivable – provision	(4 331)	(4 611)
Total	**15 184**	**16 233**

9.2 Property, plant and equipment

126. 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 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**

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*		
	In use	*In use*	*Under construction*	*Total*
Cost				
1 January 2017	1 595	13 963	–	15 558
Additions	–	–	190	190
Disposals/transfers	(248)	–	–	(248)
31 December 2017	1 347	13 963	190	15 500
Accumulated depreciation				
1 January 2017	1 289	10 357	–	11 646
Depreciation	161	1 154	–	1 315
Disposals/transfers	(248)	–	–	(248)
31 December 2017	1 202	11 511	–	12 713
Net book value, 31 December 2017	**145**	**2 452**	**190**	**2 787**

127. 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

128. 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 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**

(Thousands of United States dollars)

	Intangible assets		
	In use	*Under construction*	*Total*
Cost			
1 January 2017	21 722	–	21 722
Additions	–	–	–
Transfers	–	–	–
Disposals	–	–	–
31 December 2017	21 722	–	21 722
Accumulated amortization			
1 January 2017	11 424	–	11 424
Amortization	6 649	–	6 649
Disposals	–	–	–
31 December 2017	18 073	–	18 073
Net book value, 31 December 2017	**3 649**	**–**	**3 649**

Note 10
Benefits payable

129. The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Withdrawal settlements	54 842	57 683
Lump-sum payments	19 486	48 236
Periodic benefits payable	27 573	41 974
Other benefits payable/adjustments	587	293
Total	**102 488**	**148 186**

Note 11
After-service health insurance and other employee benefits

130. 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 2018	*31 December 2017*
After-service health insurance liability	80 477	86 601
Repatriation grant and related costs	3 271	3 407
Education grant and related costs	360	331
Annual leave	3 468	3 735
Home leave	315	289
Total	**87 891**	**94 363**

After-service health insurance, annual leave and repatriation grants liability

131. 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.

132. The liabilities as at 31 December 2018 were the result of the roll-forward to 31 December 2018 of the end-of-service benefit obligations as at 31 December 2017 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

133. In performing the roll-forward to 31 December 2018, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2018 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2017.

134. 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.

135. 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

136. For 31 December 2017, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 3.64 per cent for the after-service health insurance scheme
- 3.47 per cent for repatriation benefits
- 3.52 per cent for annual leave

137. For the purpose of comparison, the table below shows the impact on accrued liability based on a 1 per cent change in the discount rate.

Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*
Increase of 1 per cent	18 per cent decrease	9 per cent decrease	9 per cent decrease
Decrease of 1 per cent	24 per cent increase	10 per cent increase	10 per cent increase

138. The comparison of health-care cost trend rates is as follows:

	31 December 2018	*31 December 2017*
United States non-Medicare	5.57 per cent, trending down to 3.85 per cent after 14 years	5.70 per cent, trending down to 3.85 per cent after 15 years
United States Medicare	5.38 per cent, trending down to 3.85 per cent after 14 years	5.50 per cent, trending down to 3.85 per cent after 15 years
United States dental	4.73 per cent, trending down to 3.85 per cent after 14 years	4.80 per cent, trending down to 3.85 per cent after 15 years
Non-United States – Switzerland	3.89 per cent, trending down to 3.05 per cent after 9 years	4.00 per cent, trending down to 3.05 per cent after 10 years
Non-United States – eurozone	3.91 per cent, trending down to 3.65 per cent after 4 years	4.00 per cent, trending down to 3.65 per cent after 5 years

139. The decrease in the total after-service health insurance liabilities reported from 31 December 2017 to 31 December 2018 is due primarily to the impact of changing the financial assumptions, in particular the increase in the discount rates for benefits denominated in United States dollars.

140. Other specific key assumptions used in the calculations on the basis of census data as at 31 October 2017 were as follows:

After-service health insurance

141. A total of 217 active staff were included in the calculation: 181 United States-based and 36 non-United States-based. A total of 91 retired staff or their surviving spouses were included in the calculation: 76 United States-based and 15 non-United States-based. In addition, four active staff and three retirees or their surviving spouses who participated in dental-only plans were included. For active staff, the average age was 47 years with 10 years of service. The average age of retirees was 69 years.

Repatriation benefits

142. 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.

143. 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.

144. A total of 82 eligible staff with an average annual salary of $81,804 were considered.

Annual leave

145. 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.

146. A total of 280 active staff with an average annual salary of $99,432 were considered.

Note 12
Other accruals and liabilities

147. 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 2018	*31 December 2017*
Accruals for management fees and expenses	6 933	5 030
Restoration payable	2 869	2 485
Operating leases accrual	2 237	1 122
After-service health insurance payable to member organizations	6	6
United Nations payable	–	1 874
Audit fee accrual	197	197
Other	355	330
Total	**12 597**	**11 044**

Note 13
Investment income

148. 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.

149. 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 of 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)

	2018	*2017*
Total change in fair value for financial assets designated at fair value	**(4 502 075)**	**9 081 326**
Interest income		
Interest income on cash and cash equivalents	8 670	9 298
Interest income on fixed income instruments	368 046	352 444
Total interest income	**376 716**	**361 742**
Total dividend income	**912 237**	**865 788**
Total income from real assets	**55 510**	**65 530**
Transaction costs		
Management fees and other related fees	(111 690)	(103 842)
Small capitalization fund management fees	(12 903)	(12 511)
Brokerage commissions	(14 841)	(13 770)
Other transaction costs	(4 001)	(3 022)
Total transaction costs	**(143 435)**	**(133 145)**
Withholding tax	**(5 972)**	**(2 518)**
Other investment-related income/(expense), net	**505**	**9 379**
Net investment income	**(3 306 514)**	**10 248 102**

150. 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 2018 and 31 December 2017.

	2018			*2017*		
	Market price	*Currency*[a]	*Total change*	*Market price*	*Currency*[a]	*Total change*
Short-term investments	1 257	(34 935)	(33 678)	(8 431)	89 522	81 091
Equities	(3 886 905)	(504 519)	(4 391 424)	6 572 139	865 916	7 438 055
Fixed income	(191 167)	(326 061)	(517 228)	(6 345)	644 309	637 964
Real assets investments	298 456	(42 080)	256 376	416 993	54 797	471 790
Alternative investments	197 327	(11 524)	185 803	422 238	22 471	444 709
Cash, cash equivalents and receivable and payable from investment traded	–	(1 924)	(1 924)	–	7 717	7 717
Total change in fair value for financial assets designated at fair value	**(3 581 032)**	**(921 043)**	**(4 502 075)**	**7 396 594**	**1 684 732**	**9 081 326**

[a] Change in currency exchange gain/(loss) includes a $256.0 million realized currency exchange loss (2017: loss of $332.5 million) and a $665.1 million unrealized currency exchange loss (2017: gain of $2,017.2 million).

Note 14
Contributions

151. Contributions received during the period can be broken down as follows:

(Thousands of United States dollars)

	2018	*2017*
Contributions from participants		
Regular contributions	814 410	787 636
Contributions for validation	992	869
Contributions for restoration	4 807	4 088
	820 209	**792 593**
Contributions from member organizations		
Regular contributions	1 628 818	1 575 272
Contributions for validation	2 020	1 879
	1 630 838	**1 577 151**
Other contributions		
Contributions for participants transferred in under agreements	2 296	5 826
Receipts of excess actuarial value over regular contributions	236	546
Other contributions/adjustments	3 572	24 796
	6 104	**31 168**
Total contributions for the period	**2 457 151**	**2 400 912**

152. 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 and the yearly step increase to individual pensionable remuneration received by all participants.

Note 15
Benefit expenses

153. Benefit expenses during the period can be broken down as follows:

(Thousands of United States dollars)

	2018	*2017*
Withdrawal settlements and full commutation of benefits		
For contributory service of 5 years or less	47 506	42 413
For contributory service of more than 5 years	134 165	152 390
	181 671	**194 803**
Retirement benefits		
Full retirement benefits	1 335 160	1 343 089
Early retirement benefits	717 804	684 426
Deferred retirement benefits	104 730	97 412
Disability benefits	80 269	75 452
Survivor benefits	259 848	248 154
Child benefits	32 687	31 040
	2 530 498	**2 479 573**
Other benefits/adjustments		
Payments for participants transferred out under agreements	2 772	2 523
Forfeitures	(42 222)	–
Other benefits/adjustments	(3 159)	(3 642)
	(42 609)	(1 119)
Total benefit expenses for the period	**2 669 560**	**2 673 257**

Note 16
Administrative expenses

154. Administrative expenses in 2018 and 2017 are as follows:

(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

	2018				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 341	–	1 341
Board expenses	–	–	–	450	450
Total administrative expenses	**36 222**	**32 212**	**1 235**	**450**	**70 119**

(Thousands of United States dollars)

	2017				
	Fund secretariat	*Office of Investment Management*	*Audit*	*Pension Board*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	15 371	11 044	–	–	26 415
Changes in the value of the after-service health insurance liability	12 789	4 130	299	–	17 218
Other staff costs	6 900	692	–	–	7 592
Hospitality	–	1	–	–	1
Consultants	341	7–	–	–	348
Travel	329	403	–	–	732
Contractual services	18 194	15 742	–	–	33 936
General operating expenses	4 698	4 085	–	–	8 783
Supplies and materials	29	21	–	–	50
Furniture and equipment	296	525	–	–	821
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 095	–	1 095
Board expenses	–	–	–	409	409
Total administrative expenses	**58 947**	**36 650**	**1 394**	**409**	**97 400**

Note 17
Other expenses

155. Other expenses during the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017 (reclassified)*
Emergency fund expense	97	117
Provision for unrecoverable overpayments of benefits	722	458
Total other expenses for the period	**819**	**575**

Note 18
Actuarial situation of the Fund
(see also note 1.5)

156. 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.

157. 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.

158. 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.

159. 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

160. The significant actuarial assumptions used are the same as those used in the valuation as at 31 December 2017 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

161. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-fourth session, in July 2017. 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

162. The actuarial present value of accumulated plan benefits as at 31 December 2018 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	26 732	36 054
Vested terminated participants	787	1 356
Active participants	14 430	19 880
Total vested benefits	**41 949**	**57 290**
Non-vested benefits	947	1 202
Total actuarial present value of accumulated plan benefits	**42 896**	**58 492**

Information on participation in the Pension Fund

163. The most recent valuation was provided by the consulting actuaries as at 31 December 2017 on the basis of participation, as shown below.

	As at 31 December 2017
Active participants accruing benefits	
Number	116 985
Annual remuneration (millions of United States dollars)	10 464
Average remuneration (United States dollars)	**89 451**
Inactive participants no longer accruing benefits	
Number	9 559
Annual benefits payable at normal retirement age (millions of United States dollars)	83
Average benefit payable at normal retirement age (United States dollars)	**8 635**
Retired participants and beneficiaries	
Number	78 247
Annual benefits (millions of United States dollars)	2 373
Average benefit (United States dollars)	**30 324**

Actuarial asset value used for periodic actuarial valuations

164. The actuarial asset value used for the purpose of preparing the periodic actuarial valuation differs from the value presented in the financial statements. The periodic actuarial valuation presents a value using a five-year moving market average methodology. A 15 per cent limiting corridor is applied, which means that the computed value has a minimum value of 85 per cent and a maximum value of 115 per cent of the market value of the assets as at the valuation date. Starting with the valuation as at 31 December 2013, a gradual transition to the alternative asset averaging methodology was introduced, with a targeted completion of the actuarial valuation effective 31 December 2019. The effect of transitioning to the alternative asset averaging methodology is an increase in actuarial assets of $3,439 million as at 31 December 2017.

Note 19
Commitments and contingencies

19.1 Investment commitments

165. As at 31 December 2018 and 31 December 2017, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Real estate funds	2 676 748	2 025 968
Private equity	2 809 048	1 920 260
Infrastructure funds	144 578	65 598
Timberland funds	11 270	11 270
Total commitments	**5 641 644**	**4 023 096**

166. 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

167. As at 31 December 2018 and 31 December 2017, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Obligations for property leases		
Under 1 year	6 003	6 802
1–5 years	5 532	11 025
Beyond 5 years	–	–
Total property lease obligations	**11 535**	**17 827**

19.3 Legal or contingent liabilities and contingent assets

168. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

169. 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 2018 or 31 December 2017.

Note 20
Risk assessment

170. 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).

171. 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.

172. 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

173. 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

174. The Fund is primarily exposed to credit risk in its debt securities (total fixed income, and short-term bills and notes). The Fund's policy aimed at managing this risk is to invest in debt securities that have an investment grade rating by at least one of the following well-known credit rating agencies: S&P Global Ratings, Moody's and Fitch. For the purpose of consistency in this disclosure, the Fund used Moody's Investors Service, which provided ratings on most of the Fund's debt securities in 2018. As at 31 December 2018, 80 per cent (2017: 90 per cent) of the individual securities of the fixed-income portfolio were investment grade (rated between Aaa and Baa3) by Moody's.

175. The analysis below summarizes the credit quality of the Fund's fixed-income portfolio at 31 December 2018 and 31 December 2017, respectively, as provided by Moody's.

(Thousands of United States dollars)

	31 December 2018			
	Aaa–A3	*Baa1–Ba1*	*Not rated*	*Total*
Commercial mortgage-backed	7 155	–	–	7 155
Corporate bonds	2 274 109	538 604	320 815	3 133 528
Funds – corporate bond	–	–	48 646	48 646
Government agencies	1 342 460	–	189 486	1 531 946
Government bonds	7 401 636	681 602	766 834	8 850 072
Government mortgage-backed	–	–	1 281 378	1 281 378
Municipal/provincial bonds	655 606	–	123 471	779 077
Non-government-backed collateralized mortgage obligations	1 884	–	–	1 884
Certificate of deposits	–	–	480 152	480 152
Total fixed income	**11 682 850**	**1 220 206**	**3 210 782**	**16 113 838**
Short-term investments	**401 292**	**10 954**	**2 298 749**	**2 710 995**

(Thousands of United States dollars)

	31 December 2017			
	Aaa–A3	*Baa1–Baa3*	*Not rated*	*Total*
Commercial mortgage-backed	7 262	–	–	7 262
Corporate bonds	2 495 552	472 226	184 725	3 152 503
Funds – corporate bond	–	–	48 556	48 556
Government agencies	1 628 710	–	128 068	1 756 778
Government bonds	7 622 010	807 341	1 011 985	9 441 336
Government mortgage-backed	3 461	–	138 389	141 850
Municipal/provincial bonds	724 618	–	54 348	778 966
Non-government-backed collateralized mortgage obligations	2 696	–	–	2 696
Total fixed income	**12 484 309**	**1 279 567**	**1 566 071**	**15 329 947**
Short-term investments	**649 965**	**122 094**	**1 062 221**	**1 834 280**

176. Of the unrated fixed-income securities totalling $3,210.8 million as at 31 December 2018, $2,669.8 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to $541.0 million for which no issuer rating was available from Moody's, 23 debt securities, amounting to $492.4 million, were rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch), and another security, amounting to $48.6 million, was a bond fund and, as such, was not evaluated by a credit rating agency. Of the Baa1–Ba1 fixed-income securities as at 31 December 2018, one security, amounting to $1.9 million, was rated as Ba1 by Moody's and as investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch).

177. Of the unrated short-term securities totalling $2,298.7 million as at 31 December 2018, $2,248.8 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. The one remaining unrated debt security, amounting to $49.9 million, for which no issuer rating was available from Moody's, was rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch).

178. Of the unrated fixed income securities totalling $1,566.1 million as at 31 December 2017, $1,355.6 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities, amounting to $210.5 million, for which no issuer rating was available from Moody's, 17 debt securities, amounting to $161.9 million, were rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch) and another security, amounting to $48.6 million, was a bond fund and, accordingly, was not evaluated by a credit rating agency.

179. Of the unrated short-term securities totalling $1,062.2 million as at 31 December 2017, $938.2 million were in debt securities that present a very low credit risk, as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. The six remaining unrated debt securities, amounting to $124.0 million, for which no issuer rating was available from Moody's, were rated investment grade by at least one of the other two rating agencies (S&P Global Ratings and Fitch).

180. All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as the delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

20.2 Liquidity risk

181. 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's financial liabilities as at 31 December 2018 and 31 December 2017 contractually mature within three months. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

20.3 Market risk

182. 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.

183. 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.

184. 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 time when losses exceed VaR 95.

185. All numbers in the table below are reported for a one-year term horizon. For 2018, the estimated volatility on absolute basis (benchmark not included) of the total Fund was 7.39 per cent, the estimated VaR 95 was 12.38 per cent and the estimated expected shortfall (5 per cent) was 18.94 per cent. A VaR 95 of 12.38 per cent indicates that there is a 95 per cent chance that portfolio losses will not exceed 12.38 per cent over the year. The asset class with the lowest VaR (lowest risk) is cash, followed by fixed income and total equity, and the asset class with the highest VaR (highest risk) is infrastructure, followed by real estate, commodities 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 2018, total equity contributed 82.05 per cent to total Fund risk, while fixed income contributed 2.76 per cent, real estate 8.86 per cent and private equity 6.30 per cent. As at 31 December 2018, equities represented 56.60 per cent of the net assets available for benefits.

186. All numbers in the tables below are annualized using historical simulation.

(Percentage)

	2018			
Asset class	*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	14.04	23.67	8.86	34.72
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

Note: Figures are reported from MSCI RiskMetrics as at 31 December 2018.

(Percentage)

	2017			
Asset class	*Volatility (standard deviation)*	*VaR (95%)*	*Contribution to risk*	*Expected shortfall (5%)*
Total fund	8.10	11.85	100.00	19.84
Total equity	11.35	17.18	84.89	28.79
Fixed income	5.33	8.97	2.29	12.65
Cash and short-term	3.19	5.20	0.43	7.31
Real estate	14.62	26.58	7.52	36.35
Private equity	11.07	16.73	4.49	27.93
Commodities	13.36	22.32	0.12	29.16
Infrastructure	14.36	26.65	0.22	35.90

Note: Figures are reported from MSCI RiskMetrics as at 29 December 2017.

187. 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

188. 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.

189. As at 31 December 2018 and 31 December 2017, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2018	*31 December 2017*
Common and preferred stock	32 402 313	36 781 931
Funds – exchange-traded funds	1 774 285	2 595 365
Real estate investment trusts	–	210 016
Funds – common stock	127 585	146 906
Stapled securities	96 976	50 010
Total equity instruments	**34 401 159**	**39 784 228**

190. Considering the total Fund risk as 100 per cent, the contribution to risk due to equities is 82.05 per cent (2017: 84.9 per cent) of the total Fund risk and the rest is contributed by all other asset classes.

191. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights.

192. The Fund's equity investment portfolio by industrial sector based on the Global Industry Classification Standard as at 31 December 2018 was as follows:

(Percentage)

	31 December 2018	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]
Financials	16.12	17.77
Information technology	15.02	15.29
Communication services	8.01	9.26
Consumer discretionary	10.93	10.68
Consumer staples	7.24	7.77
Energy	5.57	6.37
Health care	12.86	12.49
Industrials	8.16	8.51
Materials	4.58	5.12
Utilities	2.90	3.46
Real estate	3.02	3.28
Other	5.59	Not applicable
Total	**100.00**	**100.00**

[a] Benchmark source: MSCI All Country World Index.

193. On 28 September 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. Accordingly, the classifications of the equity investment portfolio by industrial sector as at 31 December 2018 and as at 31 December 2017 are not comparable.

194. The Fund's equity investment portfolio by industrial sector based on the Global Industry Classification Standard as at 31 December 2017 was as follows:

(Percentage)

	31 December 2017	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]
Financials	18.08	18.74
Information technology	17.97	18.09
Consumer discretionary	11.78	12.01
Energy	5.67	6.38
Health care	10.90	10.68
Industrials	9.01	10.86
Consumer staples	7.72	8.75
Materials	5.21	5.50

	31 December 2017	
Global Industry Classification Standard	*Fund's equity portfolio*	*Benchmark*[a]
Telecommunication services	2.60	3.02
Utilities	2.32	2.90
Real estate	2.25	3.07
Other	6.49	Not applicable
Total	**100.00**	**100.00**

[a] Benchmark source: MSCI All Country World Index.

195. The table below analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (on the basis of the counterparty's place of primary listing or, if not listed, place of domicile).

(Percentage)

	31 December 2018	*31 December 2017*
North America	58.4	55.0
Europe	18.4	20.7
Asia-Pacific	11.7	12.1
Emerging markets	10.9	11.6
International regions	0.6	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 2018 and 31 December 2017, respectively. Net financial liabilities amounting to $102.6 million in 2018 (2017: $178.0 million), not held at fair value (see note 5), are excluded from these tables. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

	As at 31 December 2018						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and other*	*Short-term*	*Cash*	*Total*
United States dollar	34.13	12.17	5.51	3.84	4.45	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
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**	**26.47**	**7.13**	**4.51**	**4.45**	**0.93**	**100.00**

Note: Percentages are rounded to the nearest two decimal places. 0.00 per cent indicates a value smaller than 0.01 per cent but not zero.

(Percentage)

	As at 31 December 2017						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternatives and other*	*Short–term*	*Cash*	*Total*
United States dollar	34.95	9.92	5.08	3.13	1.63	1.20	55.91
Euro	6.56	5.79	0.58	0.59	0.80	0.22	14.54
Japanese yen	4.85	3.64	0.23	–	–	0.04	8.76
British pound sterling	3.61	0.78	0.19	–	–	0.00	4.58
Canadian dollar	1.91	0.62	0.15	–	–	0.00	2.68
Hong Kong dollar	2.48	–	–	–	–	0.01	2.49
Australian dollar	1.33	0.42	0.30	–	–	0.03	2.08
Republic of Korea won	1.13	0.51	–	–	–	–	1.64
Swiss franc	1.62	–	–	–	–	0.01	1.63
Swedish krona	0.71	0.17	–	–	0.13	0.00	1.01
Malaysian ringgit	0.16	0.24	–	–	0.16	0.00	0.56
Mexican peso	0.19	0.32	–	–	–	–	0.51
Indian rupee	0.50	–	–	–	–	0.00	0.50
Norwegian krone	0.05	0.32	–	–	0.12	0.00	0.49
South African rand	0.48	–	–	–	–	–	0.48
Brazilian real	0.43	–	–	–	–	0.00	0.43
Polish zloty	–	0.40	–	–	–	0.00	0.40
Singapore dollar	0.26	0.07	–	–	–	0.00	0.33
Danish krone	0.24	–	–	–	–	0.00	0.24
Czech koruna	–	0.17	–	–	–	–	0.17
Hungarian forint	–	0.13	–	–	–	–	0.13
Philippine peso	0.12	–	–	–	–	0.00	0.12
New Zealand dollar	–	0.11	–	–	–	0.00	0.11
Thai baht	–	0.08	–	–	–	0.00	0.08
Turkish lira	0.07	–	–	–	–	–	0.07
Chilean peso	–	0.06	–	–	–	0.00	0.06
Pakistani rupee	–	–	–	–	–	0.00	0.00
African franc	–	–	–	–	–	0.00	0.00
Total	**61.65**	**23.75**	**6.53**	**3.72**	**2.84**	**1.51**	**100.00**

Note: Percentages are rounded to the nearest two decimal places. 0.00 per cent indicates a value smaller than 0.01 per cent 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 rate securities, floating rate debt, 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 benchmark of the Barclays Global Aggregate Bond Index. 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.

	2018		*2017*	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	6.40	6.96	6.54	6.99

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 6.40 per cent (2017: 6.54 per cent) compared with the benchmark, which can lose or gain approximately 6.96 per cent (2017: 6.99 per cent). This arises primarily from the increase/decrease in the fair value of fixed interest securities.

Note 21
Budget information

21.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2018	*2017 budget balance carried forward*	*Approved increases/ decreases*	*Final appropriation 2018*
Fund secretariat	50 257	–	–	50 257
Office of Investment Management	43 568	–	–	43 568
Audit	1 448	–	–	1 448
Pension Board	494	–	–	494
Total	**95 767**	**–**	**–**	**95 767**

202. In its resolution 72/262 A, the General Assembly approved the appropriation for the biennium 2018–2019.

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 the Pension 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 Pension Fund.

(Thousands of United States dollars)

	2018	*2017*
Actual amount on a comparable basis[a]	**79 835**	**81 862**
Basis differences		
Asset additions/disposals	(2 249)	(190)
Depreciation, amortization and impairment	4 719	7 963
Unliquidated obligations	(6 846)	(2 794)
Prepayments	406	(956)
Employee benefits	(6 479)	17 621
Other accruals	733	(6 106)
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**70 119**	**97 400**

[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) of 11 December 1972 establishing the United Nations University 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 2017 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 the United Nations University. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately. The costs of 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 2018 and 31 December 2017 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)					
2018	5	1 046	370	245	1 661	–	–
2017	5	1 027	286	240	1 553	–	–

208. Key management personnel are the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Office of Investment Management and the Chief Financial Officer, as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund.

209. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

210. There are no outstanding advances against entitlements of key management personnel as at 31 December 2018 and 31 December 2017.

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 2018	*As at 31 December 2017*
After-service health insurance	1 355	1 458
Repatriation grant	157	164
Annual leave	118	127
Total	**1 630**	**1 749**

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 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 technology and communications 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 2018, 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 2018, the Fund has updated the presentation of the statement of changes in net assets available for benefits such that it provides more meaningful information to the users of the financial statements by presenting all investment-related changes as part of investment income (loss) and breaking down administrative expenses further. See note 13 for additional and updated disclosure.

218. As a result, certain line items have been amended in the statement of changes in 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 the change is summarized below.

(Thousands of United States dollars)

	Previously reported 2017	*Adjustment*	*After reclassification 2017*
Investment income			
Net change in fair value of investments	9 081 326	–	9 081 326
Interest income	361 742	–	361 742
Dividend income	865 788	–	865 788
Income from real assets	65 530	–	65 530
Less: transaction costs and management fees	(133 145)	–	(133 145)
Less: withholding tax	–	(2 518)	(2 518)
Other investment-related income/(expense), net	–	9 379	9 379
	10 241 241	**6 861**	**10 248 102**
Contributions	2 400 912	–	2 400 912
Other income	11 624	(11 624)	–
Benefit expenses			
From withdrawal settlements and full commutation benefits	194 803	–	194 803
From retirement benefits	2 479 573	–	2 479 573
Other benefits/adjustments	(1 106)	(13)	(1 119)
	2 673 270	**(13)**	**2 673 257**
Administrative expenses	97 400	–	97 400
Other expenses	2 807	(2 232)	575
Withholding tax expense	2 518	(2 518)	–
Increase in net assets available for benefits	**9 877 782**	**–**	**9 877 782**

Note 25
Subsequent events

220. At the time of signing these financial statements, the management of the Fund is not aware of any reportable event after the reporting date in accordance with IPSAS 14: Events after the reporting date. 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 2017*	*New entrants*	*Transfer In*	*Transfer Out*	*Separations*	*Adjustments*[a]	*Participants as at 31 December 2018*	*Percentage increase/ (decrease)*
United Nations[b]	85 009	6 805	169	245	6 713	171	84 854	(0.2)
International Labour Organization	3 629	411	35	22	236	(2)	3 819	5.2
Food and Agriculture Organization of the United Nations	10 533	1 286	77	67	658	8	11 163	6.0
United Nations Educational, Scientific and Cultural Organization	2 434	174	14	16	123	4	2 479	1.8
World Health Organization	10 732	788	67	52	701	15	10 819	0.8
International Civil Aviation Organization	799	64	10	4	75	5	789	(1.3)
World Meteorological Organization	350	27	7	2	22	–	360	2.9
International Atomic Energy Agency	2 679	205	18	17	149	2	2 734	2.1
International Maritime Organization	280	16	1	1	19	–	277	(1.1)
International Telecommunication Union	721	37	9	6	33	2	726	0.7
World Intellectual Property Organization	1 209	74	15	3	70	3	1 222	1.1
International Fund for Agricultural Development	580	35	10	4	33	2	586	1.0
International Centre for the Study of the Preservation and Restoration of Cultural Property	39	6	–	–	2	–	43	10.3
European and Mediterranean Plant Protection Organization	18	1	–	–	–	–	19	5.6
International Centre for Genetic Engineering and Biotechnology	175	4	–	1	4	–	174	(0.6)
World Tourism Organization	83	10	–	–	5	–	88	6.0
International Tribunal for the Law of the Sea	41	–	1	–	1	1	40	(2.4)
International Seabed Authority	38	8	2	–	6	–	42	10.5
United Nations Industrial Development Organization	673	50	5	6	24	–	698	3.7
International Criminal Court	1 167	96	19	9	46	2	1 225	5.0
Inter-Parliamentary Union	45	2	1	–	–	–	48	6.7
International Organization for Migration	5 052	1 398	28	24	494	9	5 951	17.8
Special Tribunal for Lebanon	450	29	9	18	32	–	438	(2.7)
Total	**126 736**	**11 526**	**497**	**497**	**9 446**	**222**	**128 594**	**1.5**

[a] Corrections of erroneous entries from prior years.
[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 2018

Member organization	*Number of benefits awarded*											
				Withdrawal settlement								
	Retirement benefit	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant benefit*	*Transfer under agreement*	*Total*
United Nations[a]	434	482	447	3 218	1 918	854	77	–	97	2	13	7 542
International Labour Organization	26	23	9	137	33	15	1	–	5	–	–	249
Food and Agriculture Organization of the United Nations	108	63	29	273	154	138	19	–	7	–	1	792
United Nations Educational, Scientific and Cultural Organization	19	13	9	70	10	6	1	–	–	–	–	128
World Health Organization	170	49	24	321	119	157	7	–	8	–	–	855
International Civil Aviation Organization	27	6	3	28	8	13	–	–	1	–	–	86
World Meteorological Organization	9	3	–	10	–	–	–	–	–	–	–	22
International Atomic Energy Agency	30	21	23	62	8	18	1	–	3	–	1	167
International Maritime Organization	3	5	2	4	4	4	–	–	1	–	–	23
International Telecommunication Union	4	7	–	15	1	12	–	–	6	–	–	45
World Intellectual Property Organization	18	4	3	33	8	15	–	–	4	–	–	85
International Fund for Agricultural Development	10	6	4	8	–	5	1	–	–	–	3	37
International Centre for the Study of the Preservation and Restoration of Cultural Property	–	1	–	1	–	–	–	–	–	–	–	2
European and Mediterranean Plant Protection Organization	–	–	–	–	–	–	–	–	–	–	–	–
International Centre for Genetic Engineering and Biotechnology	1	1	–	2	–	–	–	–	–	–	–	4
World Tourism Organization	2	1	–	1	1	2	–	–	–	–	–	7

	Number of benefits awarded											
				Withdrawal settlement								
Member organization	*Retirement benefit*	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child benefit*	*Widow and widower benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant benefit*	*Transfer under agreement*	*Total*
International Tribunal for the Law of the Sea	–	–	–	–	1	–	–	–	–	–	–	1
International Seabed Authority	2	1	–	2	–	–	–	–	1	–	–	6
United Nations Industrial Development Organization	4	4	–	8	7	6	–	–	1	–	–	30
International Criminal Court	3	1	3	24	13	3	–	–	1	–	–	48
Inter-Parliamentary Union	–	–	–	–	–	–	–	–	–	–	–	–
International Organization for Migration	14	12	4	306	155	15	2	–	2	–	–	510
Special Tribunal for Lebanon	4	–	1	16	7	4	1	–	2	–	–	35
Total	**888**	**703**	**561**	**4 539**	**2 447**	**1 267**	**110**	**–**	**139**	**2**	**18**	**10 674**

[a] United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2018

Type of benefit	*Total as at 31 December 2017*	*New*	*Benefits discontinued, resulting in award of survivor benefit*	*All other benefits discontinued*	*Total as at 31 December 2018*
Retirement	29 117	888	(317)	(509)	29 179
Early retirement	16 560	703	(172)	(347)	16 744
Deferred retirement	7 592	561	(63)	(243)	7 847
Widow	11 680	100	531	(731)	11 580
Widower	1 050	10	67	(72)	1 055
Disability	1 583	139	(22)	(24)	1 676
Child	10 629	1 267	–	(1 295)	10 601
Secondary dependant	36	2	–	(4)	34
Total	**78 247**	**3 670**	**24**	**(3 225)**	**78 716**

Table 4
Status of processable entitlement cases

	Number of cases	
	As at 31 December 2018	*As at 31 December 2017*
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)	327	244
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	412
Deferment of choice under article 32 of the Regulations of the Fund (election/payment of benefits deferred by the beneficiary up to 36 months)	3 717	3 302
Total	**4 216**	**3 714**
Not ready for payment		
Cases reviewed but withheld because of issues/missing additional proof documents	701	656
For payment (case inventory)		
Cases in progress	329	239
Cases scheduled for review	595	656
Total	**924**	**895**

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