United Nations A/C.5/69/SR.8

General Assembly

Sixty-ninth session

Official Records

Distr.: General
25 November 2014

Original: English

Fifth Committee

Summary record of the 8th meeting

Held at Headquarters, New York, on Monday, 27 October 2014, at 10 a.m.

Chair: Mr. Ružička .... (Slovakia)

Chair of the Advisory Committee on Administrative and Budgetary Questions: Mr. Ruiz Massieu

Contents

14-63369 (E)

The meeting was called to order at 10.10 a.m.

Agenda item 139: United Nations common system (A/69/30 and A/69/546; A/C.5/69/3)

1. **Mr. Rhodes** (Chair of the International Civil Service Commission), introducing the report of the International Civil Service Commission (ICSC) for 2014 (A/69/30), drew the attention of the Committee to the Commission's decisions and recommendations on the apportionment of health insurance premiums between United Nations organizations and beneficiaries; the mandatory age of separation for existing staff; gender balance and diversity in the United Nations common system; the base/floor salary scale; post adjustment matters; General Service salary survey methodologies; and the United Nations/United States net remuneration margin.

2. The margin between the net remuneration of United Nations staff in the Professional and higher categories in New York and that of United States federal civil service employees in comparable positions in Washington, D.C., was 117.4 for 2014, with a five-year average of 116.4 for 2010 to 2014. A three-year statutory freeze on United States federal civil service pay had been lifted in 2014 with the granting of a 1 per cent pay increase. At the same time, United Nations net remuneration in New York had been frozen as the five-year margin level was above the desirable midpoint of 115. That, coupled with the slight growth in the cost-of-living differential between New York and Washington, D.C., had resulted in a reduction in the net remuneration margin compared to 2013. That trend might be expected to continue in the coming years. Despite the downward trend in the calendar year margin, the five-year average had increased in 2014 because calendar year margin levels had been lower in years prior to 2010.

3. Pursuant to the General Assembly's request for a range of actions and time schedules that would bring the margin back to its desirable midpoint, the Commission recommended continuing the freeze on United Nations net remuneration until the calendar year margin was brought to the midpoint, expected to occur within the next two years. The Commission would have to manage the annual margin at the midpoint until that goal was achieved.

4. Over the last year, the Commission had devoted the majority of its time to the comprehensive review of the compensation package for staff in the Professional and higher categories, taking into account the financial situation of the organizations participating in the United Nations common system and their capacity to attract a competitive workforce. The aim of the review, as approved by the General Assembly, was to create a coherent, integrated and cost-effective system, based on the Noblemaire principle and the provisions of the Charter, namely that staff should be recruited with regard to the highest standards of efficiency, competence and integrity from as wide a geographical basis as possible. The revised system should be transparent so that all stakeholders — Member States, organizations and staff — would be able to understand it easily. It should also be financially predictable, stable and sustainable, and allowances should be fit for purpose.

5. The three working groups established to focus on the remuneration structure, competitiveness and sustainability, and performance incentives and other related human resources matters, had completed the first phase of their work by examining all aspects of the current system, the comparator civil service and best practices from elsewhere. A global staff survey had been carried out to ascertain the views of staff, who were an indispensable element in the process, and meetings had been held with the executive heads of common system organizations. The executive heads had expressed their support for the review and had provided ongoing feedback. The Commission had continued to update Member States throughout the process.

6. After examining compensation packages for expatriate workers offered by outside employers, the Commission had concluded that such approaches were not applicable to the common system as the compensation package was either tied to employees' home countries or to the country to which they were assigned. Given the diversity of United Nations common system staff and the disparate nature and location of assignments, the current globalist approach was best suited to the Professional category of staff.

7. While salary and benefits were significant elements in the compensation package, the concept of total rewards was important, as it allowed for a broader focus beyond monetary aspects alone. The holistic concept of total rewards focused on performance and recognition, as well as development and career opportunities, and placed a high value on the intrinsic

worth of non-financial, intangible, elements, such as work-life balance, job satisfaction and the notion of working for the greater good.

8. The Commission had also considered the unique common system salary scale, which differentiated between staff with and without dependants. Having examined the pros and cons of the dual system, the Commission favoured the introduction of one salary scale on the basis of work done, rather than personal circumstances. In the coming months, the Commission would consider the specific intricacies of various allowances, many of which were linked to the dependency status of the staff member. Work was ongoing to ensure that allowances, including social benefits and expatriate and field-based allowances, were fit for purpose. Those allowances would be the focus of further analysis at the spring session of the Commission in 2015.

9. The Commission would also finalize other pending issues, including consideration of the National Professional Officer category and performance management approaches, such as linking pay progression more closely to performance. The Commission was aware of the importance of maintaining the competitiveness of common system organizations while bearing in mind the desired attributes of cost-effectiveness, predictability and sustainability. The Commission's final report on the review of the compensation package would be submitted in 2015.

10. **Mr. Huisman** (Director, Programme Planning and Budget Division), introducing the statement submitted by the Secretary-General in accordance with rule 153 of the rules of procedure of the General Assembly on the administrative and financial implications of the decisions and recommendations contained in the report of ICSC for 2014 (A/C.5/69/3), said that financial implications would arise from the ICSC recommendations on the base/floor salary scale; the review of staff assessment rates used in conjunction with gross salaries; and the survey of best prevailing conditions of employment for General Service and related categories in Madrid.

11. For the biennium 2014-2015, the recommendations would entail additional requirements of $65,800 under the programme budget, to be addressed in the second performance report for the biennium. For the biennium 2016-2017, there would be additional requirements of $131,600 under the proposed programme budget.

12. For the budgets of peacekeeping operations, the recommendations would entail additional requirements of $66,400 for the financial period from 1 July 2014 to 30 June 2015, to be reported in the related performance reports; additional requirements of $132,800 for the period from 1 July 2015 to 30 June 2016 would be incorporated into the proposed budgets.

13. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/69/546), said that the Advisory Committee had no objections to the proposals of the Secretary-General and associated financial implications.

14. **The Chair**, in accordance with General Assembly resolution 35/213, invited a representative of the Federation of International Civil Servants' Associations (FICSA) to make a statement. He also invited a representative of the Coordinating Committee for International Staff Unions and Associations of the United Nations System (CCISUA) to make a statement.

15. **Mr. El-Tabari** (Federation of International Civil Servants' Associations) said that staff had serious concerns about the comprehensive review of the compensation package. Staff were participating in all the ICSC working groups, but felt that the review was simply a cost-cutting exercise. While the work done by ICSC was appreciated, it was difficult to see how high levels of staff competency and integrity could be maintained with such an approach. Other matters of serious concern were the decisions to freeze allowances for General Service staff, which FICSA had asked the Commission to reconsider, and to change the mandatory age of separation. It could be considered discriminatory to have different mandatory ages of separation for existing and new staff; the retirement age should be the same for all staff.

16. The increasing use of non-staff, who were employed by the Organization on consultant contracts or through special service agreements simply to cut costs, was also worrying. Such cost-cutting methods again raised questions as to how the high levels of competency and integrity of United Nations staff would be maintained.

17. Lastly, while staff wished the new United Nations Mission for Ebola Emergency Response (UNMEER) every success, it was not clear why the decision had been taken to establish a new mission. FICSA would have preferred to see existing missions in the region strengthened in order to deal with the outbreak.

18. **Mr. Richards** (Coordinating Committee for International Staff Unions and Associations of the United Nations System) said that in the midst of many global crises, all requiring a coordinated response, the United Nations common system had shown itself to be more relevant than ever. The quality of the organizations' output, impact and reach was increasing, as were the expectations placed on staff. The organizations must ensure that the globally mobile, diverse and hard-working staff recruited to confront those challenges were the brightest and best, and, naturally, the right compensation package was needed to attract them. That was why Member States had repeatedly reaffirmed that Professional staff should be paid in accordance with the Noblemaire principle. The outcome of the compensation review, which was taking place in difficult financial times, needed to accord with the performance goals set by the General Assembly for the next 5, 10 and 20 years.

19. Feedback from staff in field offices made it clear that if organizations wished to get their best staff, including more women, to the field they must offer a compensation package that was family-friendly, respected cultural and linguistic diversity, and addressed the sacrifices staff members' families had to make. Having placed the best staff in the right locations, it was important not to let them go. It was regrettable that some of the most experienced and productive staff were still required to retire at 60 or 62, unlike the comparator service, which had no mandatory retirement age. The results of the in-depth study on the impact of increasing the age of separation to 65 were clear: not only would that measure reduce after-service health insurance liabilities by nearly $31 million, it would also reduce the actuarial deficit of the Pension Fund by almost a fifth, an important factor at a time when the number of beneficiaries was increasing and the number of participants was decreasing. If organizations were concerned about the impact on workforce planning, staff should simply be asked to state well in advance whether they wished to retire at 65. Analysis had shown that the measure would not affect the gender balance, geographical diversity, rejuvenation, or performance management of the organizations. Other tools, such as selection and appraisal policies, existed to address those issues, and he urged Member States to examine the use, or, rather, the failure to use, those tools.

20. While CCISUA did not agree with the pay freeze, it had shown that the current margin management system worked, particularly as ICSC had forecast that the margin would reach the desirable midpoint within the next two years. However, it should be noted that the margin had been below the desirable midpoint for 15 years prior to 2012. He trusted that ICSC and the General Assembly would be more attentive to that fact. The ICSC conclusions on the effects of trying to manage the five-year average margin proved that maintaining a trailing average of the previous five years was like driving a car by looking through the rear window.

21. CCISUA welcomed the decision of the Pension Board to continue to be administered by the United Nations Secretariat, which would ensure that the necessary management controls were maintained; however, it was concerned that the Pension Fund was actively seeking a waiver of four important elements of the Staff Regulations which, if approved, might undermine the ability to check abuses of authority. Despite the fact that specialized posts were already exempt from the mobility policy, Fund managers had requested exemption for its staff. They had also asked for discretionary authority to keep some staff beyond retirement, which would remove the incentives for workforce and succession planning, and to promote certain colleagues from the General Service to the Professional category without having passed an examination. Lastly, they wanted to be able to assign staff laterally, rather than advertise vacancies externally. Those requests had been made by Fund managers who had recently issued a draft directive forbidding staff from reporting fraud to the Office of Internal Oversight Services. CCISUA had also received reports of alleged threats and retaliation against suspected whistle-blowers. He trusted that the General Assembly, which was ultimately responsible for the Fund's finances, would examine those matters seriously.

22. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that ICSC played a crucial role in the harmonization of conditions of service of United

Nations staff and in the alignment of the common system to the new contractual framework pursuant to General Assembly resolution 63/250. The Group would examine the ICSC recommendation to raise the mandatory age of separation for current staff to 65, as of 1 January 2016, in the light of the Commission's analysis of the impact of its adoption on the workforce and on succession planning, performance management and appraisal, rejuvenation, gender balance and equitable geographical representation across the United Nations common system.

23. The Group would also examine the ICSC decisions to suspend normal procedure for management of the United Nations/United States net remuneration margin within the established range and to freeze net remuneration in New York so as to bring the margin back to its desirable midpoint.

24. The Group had serious concerns about the insufficient progress made by common system organizations in achieving gender balance, particularly at the D-1 level and above. It supported the ICSC recommendations aimed at improving the representation of women: greater efforts should be made to recruit women from developing countries.

25. **Mr. Presutti** (Observer for the European Union) said that the European Union supported the independence of ICSC, which had a significant role to play in enhancing the effective functioning of the organizations of the common system.

26. The staff were the major asset of the United Nations. The European Union was committed to providing staff with appropriate support that would enable them to work effectively and safely, especially in dangerous conditions. At the same time, staff costs made up the largest portion of the United Nations budget and were a major contributing factor in budget increases at a time when budget austerity was being imposed by many Member States on their own civil services. United Nations staff could no longer be insulated from current economic realities without jeopardizing the sustainability of the system.

27. Given the General Assembly's concern that the five-year average of the net remuneration margin was higher than the desirable midpoint of 115, he welcomed the ICSC decision to maintain the freeze on net remuneration in order to bring the one year average margin closer to the desirable midpoint. However, continued margin management was necessary to bring the five-year average margin down to the midpoint. The member States of the European Union also welcomed the progress made by ICSC in the comprehensive review of the compensation package, on which the General Assembly had asked ICSC to report no later than at the main part of its seventieth session. The review should aim to create a simpler, more predictable and cost-effective system that would better respond to the organizations' needs and ensure the future sustainability of the common system.

28. The member States of the European Union would look closely into other important issues under the agenda item, including the mandatory age of separation, the proposed revised base/floor salary scale for the Professional and higher categories, and the conditions of service of General Service and other locally recruited staff.

29. **Ms. Koyama** (Japan) said that the greatest asset of the United Nations was its staff, who were highly motivated and deserved a transparent, fair, simple and sustainable common system compensation package. She welcomed the progress report on the comprehensive review of the common system compensation package. The review should result in an effective, efficient, flexible and performance-orientated United Nations workforce and her delegation looked forward to the final conclusions and recommendations of ICSC in 2015.

30. She welcomed the initiative by ICSC to bring the remuneration margin back to the midpoint, as well as the study on recruitment policies in the context of diversity in the United Nations common system with a focus on geographical distribution and gender balance. In addition, the ICSC analysis of the impact of the recommendation to increase the mandatory age of separation on all relevant human resources management policies, including workforce and succession planning, should be given due consideration.

31. She urged ICSC to continue informing the Assembly of any challenges it faced in guiding common system organizations towards more coherent and effective human resources management.

32. **Ms. Norman Chalet** (United States of America) said that rising staff costs over the past decade had created a crisis throughout the 24 organizations of the United Nations common system; budgets were being squeezed, mandates were being endangered, and posts

were being left vacant. To date, eight organizations had asked the General Assembly and ICSC to provide relief. As the five-year average net remuneration margin had exceeded 115 for the first time in 2013 and had been projected to go higher, absent corrective action, the Assembly had asked ICSC to suspend annual increases in post adjustment payments — one of the main drivers of rising staff costs — until United Nations pay returned to the mandated level. In addition, it had asked ICSC to carry out a comprehensive review of the existing compensation package with the objective of developing a new one that better reflected the current and probable future financial realities faced by the organizations and Member States. Her delegation welcomed the progress made, but noted that much remained to be done to ensure the long-term viability of the organizations.

33. While the ICSC decision to continue the freeze in net remuneration until the calendar year margin — currently at 117.4 — returned to 115 was welcome, it would not bring the five-year average margin all the way to the desirable midpoint. The General Assembly would have to decide at a future session, as part of its consideration of the new compensation package, whether to change the current margin management system, including whether to peg future margins to the 115 midpoint or to a lower figure, to eliminate duplicative expatriate status recognition. Until then, the current system governed, and her delegation welcomed the decision to continue to manage the margin until the five-year margin returned to the midpoint.

34. While the ongoing pay freeze was necessary to provide common system organizations with short-term relief, it did not solve the long-term problem, namely that the current compensation package was too complex, outmoded, inflexible and expensive. Organizations valued their membership of the United Nations common system, but the current compensation package was insufficiently flexible to account for the variability in their specific mandates. Staff should be well compensated for their work, but rather than focusing on the value or structure of the current package, a total rewards package should be developed that recognized good performance, with incentives and the opportunity for development and advancement. Only ICSC had the standing and expertise to resolve the problem. There was significant scope to simplify the compensation package and make it more modern, flexible and cost-effective. So far, ICSC appeared to be carrying out the review with those objectives in mind, although it was still too early to assess results.

35. **Ms. Maciel González** (Paraguay), thanking the Cost-of-living Division of ICSC for its valuable support in providing data to her Government for its calculation of the post adjustment indexes for its Foreign Service, said that while her delegation recognized the essential role played by ICSC in the important process of harmonizing conditions of service, the recommendation to increase the retirement age to 65 should be analysed from the perspective of rejuvenating the Organization, incorporating young Professional staff members, and achieving gender balance and equitable representation across the common system. Her delegation strongly supported the ICSC recommendations aimed at improving the representation of women in the Organization: greater efforts should be made to recruit women from developing countries.

36. **Mr. Kalugin** (Russian Federation) said that his delegation supported all the ICSC recommendations. He welcomed the progress made in the comprehensive review of the common system compensation package and looked forward to its successful completion by the end of 2015. The Commission’s discussions on the optimization and simplification of dependency benefits, including the education grant, and the need for one salary scale, irrespective of the dependency status of the staff member, were particularly noteworthy.

37. An increase in the mandatory retirement age to 65, reflecting the current trend in many Member States, was also reasonable. The policy should be extended to all United Nations staff, not just those joining the Organization in 2014, with current staff being given the choice of retirement at 65 or earlier.

38. His delegation supported the ICSC decision to continue to freeze the net remuneration of the Professional and higher categories in New York, given that it would bring the five-year average margin back to the desirable midpoint of 115 and would result in significant savings by curbing the growth in staff costs. Lastly, his delegation had no objection to the recommendation to increase the base/floor salary scale in the common system by 1.01 per cent as of 1 January 2015 in view of the similar increase in the comparator civil service.

Agenda item 140: United Nations pension system (A/69/9 and A/69/528; A/C.5/69/2)

39. **Mr. Rahman** (Vice-Chair of the United Nations Joint Staff Pension Board), introducing the report of the United Nations Joint Staff Pension Board (A/69/9), said that chapter II of the report provided an overview of the Board's recommendations and decisions. The first part of the chapter summarized those recommendations that required action by the General Assembly.

40. Specifically, the Board recommended the approval of an amendment to article 4 of the Regulations of the Fund that would reflect its decision, on the recommendation of its Audit Committee, to make provision for the promulgation of Financial Rules that would govern the financial management of the Fund. In accordance with the recommendation of the Audit Committee, the Pension Board also recommended an addition to article 14 (b) to clarify the mandate of the Board of Auditors vis-à-vis the Fund and to establish the terms of reference for the Fund's annual audits. The Board further recommended the approval of technical changes in the Fund's Regulations in accordance with past decisions and amendments adopted by the Pension Board and approved by the General Assembly.

41. The Pension Board recommended an addition to section E of the pension adjustment system to reflect the 10 per cent adjustment to small pension threshold amounts for separations on or after 1 April 2016. Also, the Assembly was asked to concur with the Board's approval of three new transfer agreements between the Fund and the European Organization for the Exploitation of Meteorological Satellites, the European Union Satellite Centre, and the European Union Institute for Security Studies, to become effective on 1 January 2015. The Board also recommended the discontinuation of the assessment of the costs of the April 1992 modification of the cost-of-living factors as applicable to the Professional and higher categories; of the assessment of actual savings from the reduction of the 120 per cent cap provision to 110 per cent, effective for separations on 1 July 1995 or later; and of the assessment of the costs/savings of the minimum guarantee at 80 per cent of the United States dollar track amount.

42. The actuarial valuation of the Fund as at 31 December 2013 had revealed a deficit of 0.72 per cent of pensionable remuneration, a decrease from the deficit of 1.87 per cent revealed by the 2011 actuarial valuation. The Board noted that the decrease in the deficit was largely due to the increase in normal and early retirement ages for new staff whose participation in the Fund commenced, or recommenced, on or after 1 January 2014. The Board also noted the significance of the reversal of the downward trend in the results of the actuarial valuations since 1999, and took note of the significant improvement in the actuarial condition of the Fund.

43. With respect to the Fund's liabilities on a plan-termination basis, as at 31 December 2013 the Fund had been in a soundly funded position at 127.5 per cent, assuming future expected cost-of-living adjustments were not taken into account. Taking into account future expected cost-of-living increases, the funded ratio dropped to 91.2 per cent. With reference to article 26 of the Fund's Regulations, there was no requirement that deficiency payments should be made by member organizations.

44. With regard to the management of the Fund's investments, the Representative of the Secretary-General for Investments of the Fund had reported that the Fund's market value had been $51.4 billion as at 31 December 2013, a historically high valuation, up from $44.7 billion the previous year. In 2013, the Fund had had a return of 15.5 per cent, outperforming the policy benchmark by 198 basis points. With respect to the Fund's long-term return objective, the Fund had achieved a 4-per-cent real rate of return over the last 50 years, exceeding the target of 3.5 per cent.

45. Drawing the attention of the Fifth Committee to the Fund's financial statements, contained in annex VIII to the report, he said that the number of active participants had decreased from 120,774 to 120,294, or by 0.4 per cent, during the biennium ended 31 December 2013, which followed an increase of 2.7 per cent during the previous biennium, indicating that the Fund was continuing to mature. Benefits in award had increased from 65,387 to 69,980, or by 7.0 per cent, following an increase of 5.7 per cent during the previous biennium. The net assets available for benefits had increased from $39.8 billion to $51.5 billion. Despite its maturing state, it was important to note that the Fund was facing increasing transactional volumes. During the 2012-2013 biennium the Fund had made 1,357,021 payments, 7 per cent more than in the previous biennium, amounting to

$4,547 million, an increase of $459 million, or 11 per cent.

46. The Financial Rules of the Fund had been on the Board's agenda since 2004 and had been the subject of recommendations by the Board of Auditors, the Audit Committee and the Pension Board. The Pension Board supported the Fund's efforts to finalize its consultative process with all stakeholders in respect of drafting Fund-specific financial rules that took into account the governance structure, mandate and funding source of the Fund, to be presented for review at the Board's sixty-second session, in 2015.

47. The Board had reviewed the progress report on the integrated pension administration system and noted the progress achieved towards its implementation. The Fund should adopt a prudent approach and test the system fully before it went live, as it was a very complex project that required all critical mission systems to be replaced. The Board had also considered the report on possible options for strengthening the client-servicing capacity of the Fund. Recalling that the core business of the Fund was paying benefits and servicing its clients, the Board noted that the information provided in the report should be considered in the context of the Fund's budget proposals for the biennium 2016-2017.

48. The Board had endorsed the report of the Audit Committee, including its recommendation that article 4 of the Regulations of the Fund should be amended. The Pension Board had taken note of the unqualified opinion of the Board of Auditors on the financial statements of the Fund for the year ended 31 December 2013, prepared in accordance with the International Public Sector Accounting Standards (IPSAS).

49. The Fund was committed to further reinforcing its governance and operations. In that connection, the Board had considered the first report of the Assets and Liabilities Monitoring Committee and endorsed its conclusions. The Board had also approved a risk appetite statement for the Fund and risk tolerance metrics for solvency and investment risks.

50. The Board agreed with the Assets and Liabilities Monitoring Committee that it would not be advisable to broaden the mandate of the Pension Fund to include the administration of after-service health insurance benefits, as that could jeopardize the Fund's operational viability and have a negative effect on the long-term sustainability of the Fund. Any system-wide solution would first require the harmonization of the different medical plans. In any event, utilizing the Pension Fund to administer after-service health insurance offered limited opportunity for efficiency gains, except perhaps in the area of investments.

51. With regard to contributions made on behalf of participants who separated from the Fund with less than five years of contributory service, he recalled that the Fund was a collective arrangement that pooled contributions, assets and risks. The long-term financial position of the Fund was currently healthy and robust, but any possible decrease in funding would compromise the Fund's long-term sustainability. In addition, the General Assembly, in its resolution 68/247 A, had stressed the need to avoid any action that would compromise the fiduciary responsibilities and long-term sustainability of the Fund.

52. With regard to governance issues, the Pension Board expected the Secretary-General to engage in consultation with it regarding the selection of candidates for the position of full-time Representative of the Secretary-General for the Investment of the Assets of the Fund. The Board had considered and approved the strategic framework of the Fund for the biennium 2016-2017, the revised accountability statement and the revised terms of reference of the staff pension committees. The Board had taken note of the updated internal control policy of the Fund and welcomed the preparation of the first version of the statement of internal control of the Fund, which accompanied the financial statements for the year ended 31 December 2013.

53. The Board had reaffirmed its earlier decision that the Fund should continue to use the United Nations machinery for its administrative services and that the Chief Executive Officer of the Fund and the Representative of the Secretary-General should conclude the revised memorandum of understanding with the Office of Human Resources Management without further delay. The memorandum of understanding should consider the unique governance of the Fund and its inter-agency status, mandate and funding source, as well as its maturing status and the complexity and scope of its operations. An updated memorandum of understanding with appropriate administrative flexibility was critical to achieving the mission and objectives of the Fund, and was long overdue.

54. The Board had taken note of the application of paragraph 26 of the pension adjustment system regarding the suspension of local currency track benefits. The Board had requested the Chief Executive Officer to develop possible economic and administrative parameters and updated language for the pension adjustment system to assist in the administration of paragraph 26.

55. The Board had also considered a report on small pensions and decided that the table of small pension threshold amounts should be adjusted by 10 per cent upwards, on a one-time basis, effective 1 April 2016, as an interim measure pending a more permanent solution to the question of the linkage between the small pension and minimum benefit provisions. Alternatives would be presented to the Board at its session in 2015 for its consideration, and a decision taken in 2016, when the results of the next actuarial valuation would be available.

56. The Fund had been significantly strengthened and was in a good financial and operational situation as a result of hard work, clear priorities, coordinated strategies and actions, and effective guidance and oversight at all governance levels. At the same time, it faced structural and external challenges. The Fund was working to address those challenges by strengthening its governance and operations in accordance with the strategies, plans and actions mandated by the Board and the General Assembly. A summary of the matters requiring the attention and decisions of the Assembly were reflected in the proposed draft resolution on pension matters, included in annex XVIII to the Board's report.

57. **The Chair** said that there would be no financial implications for the regular budget arising from the report of the Board.

58. **Ms. Boykin** (Representative of the Secretary-General for the Investment of the Assets of the United Nations Joint Staff Pension Fund), introducing the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/69/2), said that the report addressed, inter alia, the performance and diversification of the Fund's investments during the fiscal biennium from 1 April 2012 to 31 March 2014, and the membership of the Investments Committee.

59. With regard to performance, the Fund had exceeded its investment return target of 3.5 per cent in real return during the fiscal biennium, and had achieved or exceeded that target in the past 10, 15, 20, 25 and 50 years. As at 31 March 2014, the total market value of the Fund's assets had been $51.8 billion.

60. The Fund was committed to a policy of broad diversification of its investments by geographical area, currency and type of asset class. The Fund had a well-diversified portfolio and, as at 31 March 2014, had invested in 39 different countries and 23 different currencies through its internally managed direct investments. Investments in developing countries had amounted to $5.2 billion as at the same date.

61. During the fiscal biennium, changes in the long-term strategic asset allocation policy had been considered: the targets and ranges of that policy would be reviewed once the asset liability modelling study had been completed. Necessary staffing changes were being implemented. The Investment Management Division had begun to reduce the number of external non-discretionary advisers and to recruit additional internal staff in an effort to reduce costs. Other changes had been the Division's successful migration to IPSAS in 2012, and the addition of a global custodian for global emerging markets. Prior to the reporting period, there had been only one custodian, Northern Trust; however, another custodian, CitiBank, had been added for global emerging markets to reduce institution-specific risk. In addition, KPMG LLP had been engaged in January 2013 as a global tax adviser to assist the Fund in its tax recovery efforts. The Fund had also received tax rulings confirming its tax-exempt status in many countries.

62. Although the term of office of the members of the Investments Committee was usually three years, owing to the ongoing transition to a full-time Representative of the Secretary-General it was recommended that the General Assembly should extend all expiring appointments for one year. It was also recommended that the appointment of Mr. Oliveros (Spain) should be converted from ad hoc to regular for a one-year term beginning on 1 January 2015.

63. In an effort to enhance investment returns, opportunities to further diversify the portfolio would be explored, in particular in emerging and frontier markets, bearing in mind the Fund's four investment criteria: safety, profitability, liquidity and

convertibility. The support of additional staff and investment tools during the next biennium would help the Fund to face the challenges posed by market uncertainties in the current phase of the global economic recovery.

64. **Mr. Ruiz Massieu** (Chair of the Advisory Committee on Administrative and Budgetary Questions), introducing the related report of the Advisory Committee (A/69/528), said that the Advisory Committee concurred with the opinions of the Board of Auditors contained in its report, included as annex X to the Pension Board’s report.

65. The actuarial valuation of the Pension Fund as at 31 December 2013 indicated an actuarial deficit of 0.72 per cent of pensionable remuneration, a significant improvement over the deficit of 1.87 per cent of pensionable remuneration as at 31 December 2011. The Advisory Committee was pleased to note the reversal of the downward trend in actuarial valuations since 1999.

66. The Advisory Committee took note of the Pension Board’s opinion on broadening the mandate of the Fund to include the administration of after-service health insurance benefits. The Advisory Committee’s view was that the funding and administration of after-service health insurance benefits was an issue of system-wide concern best resolved through a system-wide approach. The proposal merited further consideration and, in that regard, the Advisory Committee welcomed the initiative taken by the High-level Committee on Management to establish a working group on after-service health insurance and looked forward to receiving information on its findings at the seventieth session of the General Assembly.

67. During the fiscal biennium ended 31 March 2014, the value of the Fund’s investments had increased by 20.3 per cent. While acknowledging the fundamental role played by favourable market conditions over that period, the Advisory Committee, nonetheless, commended the Fund on its success in meeting its investment objectives during the fiscal biennium and over the long term. In that connection, the Advisory Committee welcomed the appointment of the full-time Representative of the Secretary-General for the Investment of the Assets of the Fund, and trusted that the Fund would benefit from her experience and leadership.

68. The Advisory Committee called for the expeditious conclusion of the ongoing discussions on the revision of the memorandum of understanding between the Office of Human Resources Management and the Fund. While the Advisory Committee understood that the review was an internal management exercise, some of the specific requirements proposed by the Pension Fund included exceptions to United Nations human resources policies and procedures about which the General Assembly should be informed.

69. The Advisory Committee took note of the Pension Board’s views on the issue of withdrawal settlements and contributions made by member organizations on behalf of participants who separated with less than five years of contributory service. The Advisory Committee considered that the issue merited further review and expected the Fund to continue to track and report on such contributions, as requested by the General Assembly in its resolution 68/247 A.

70. **Ms. Rios Requena** (Plurinational State of Bolivia), speaking on behalf of the Group of 77 and China, said that the Group had noted the 0.4 per cent decrease in the number of participants in the Fund and the 0.7 per cent increase in the periodic benefits in award for the biennium ended 31 December 2013. The Group had also noted that the net assets available for benefits had increased from $39.8 billion to $51.5 billion and that income earned had amounted to $16.4 billion. Overall return on investments was 15.5 per cent for 2013 and 12.7 per cent for 2012, which exceeded the performance benchmarks of 13.5 per cent and 12.1 per cent, respectively. The Group also welcomed the improvement in the actuarial position of the Fund, which represented a reversal of the downward trend observed in its actuarial valuations since 1999. Efforts to further improve the actuarial position of the Fund should be pursued.

71. The Group acknowledged that the management of pension and health-care benefits were two separate and independent businesses that required different systems, processes, procedures and expertise, with limited opportunity for efficiency gains. It had noted the Advisory Committee’s view that the funding and administration of after-service health insurance benefits was an issue of system-wide concern that would be best resolved through a system-wide approach. The Group welcomed the initiative taken by the High-level Committee on Management to establish

a working group on after-service health insurance and looked forward to its findings.

72. The Group was pleased to note that the market value of the Fund's assets had increased by 20.3 per cent, to a historically high level of $51.8 billion as at 31 March 2014. During the reporting period, the Fund had had an annualized return of 10.1 per cent, outperforming the policy benchmark of 9.6 per cent. Noting that the Fund had achieved its target of 3.5 per cent in real return in the past 10, 15, 20, 25 and 50 years, the Group called for further improvements in that regard.

73. Regarding diversification of the investments of the Fund, the Group looked forward to detailed discussion in informal consultations of specific issues of interest, in particular investments in developing countries. With regard to staffing matters, the Group would be interested to learn the extent to which the provisions of resolution 68/247 A had been implemented, particularly in connection with the reduction in costs for non-discretionary advisory fees as a result of additional in-house capacity. It would also be interested to learn more about the selection process that had led to the appointment of the new Representative of the Secretary-General and the mechanism for providing information on her performance. Updates on the progress made in revising the memorandum of understanding between the Office of Human Resources Management and the Pension Fund would also be welcome.

74. While noting that the Board of Auditors had issued an unqualified audit opinion on the financial statements of the Pension Fund and that the adoption of IPSAS had enhanced the quality of those statements by consolidating information from stand-alone systems, the Group concurred with the Board of Auditors that the Fund's internal controls over financial reporting, especially for investment accounting and disclosure, needed to be further enhanced. The Group strongly encouraged the Fund to implement fully all of the recommendations of the Board of Auditors, including those related to financial management and financial statement disclosure; investment management; contribution collection and benefit payment management; and information technology system management.

75. **Ms. Norman Chalet** (United States of America) said that her delegation was pleased to note that, even in challenging economic times, the Pension Fund had performed well, reaching an all-time high in the value of its investments. She welcomed the efforts of the Fund's secretariat and the Investment Management Division to improve the Fund's sustainability, as well as the continued growth of the Fund and the strong performance indicated by the 15.5 per cent overall return on investments. Her delegation also appreciated the efforts to diversify the Fund's investments by currency, asset type and geographical area, and encouraged the secretariat to continue to be innovative and pursue efficiencies wherever possible to ensure the long-term health of the Fund. In that connection, her delegation had recommended and supported the creation of the full-time Representative of the Secretary-General position, in order to ensure the Fund's long-term sustainability and to provide full-time management of such an important portfolio. The recent appointments to the Investments Committee and the Audit Committee were also welcome.

76. Thanking the Committee of Actuaries for its important work and detailed reporting, she noted the improvement in the Fund's actuarial valuations since 1999, due largely, since 2013, to the increase in normal and early retirement ages for new staff.

77. Of the many issues raised by the Pension Board in its report, of particular interest to her delegation was the broadening of the mandate of the Pension Fund to include the cost-effective, efficient and sustainable administration of after-service health insurance benefits, a matter that had been examined in depth by the Advisory Committee. Her delegation looked forward to examining the results of the review by the Pension Fund and identifying what additional information the General Assembly might need to make an informed decision. Her delegation also looked forward to hearing more about the discussions on updating the current memorandum of understanding between the Fund and the Office of Human Resources Management, as well as the Fund's effort to update its financial rules and regulations. On the question of human resources, the consultants and other individuals working on so-called non-staff contracts represented a significant percentage of the United Nations common system global workforce. Since personnel working on non-staff contracts were not eligible to participate in the Fund, her delegation appreciated the Board's monitoring the issue and looked forward to further discussion of the matter in informal consultations.

The meeting rose at 12 p.m.