United Nations

United Nations Joint Staff Pension Fund

Financial report and audited financial statements

for the year ended 31 December 2017

and

Report of the Board of Auditors

General Assembly

Official Records
Seventy-third Session
Supplement No. 5P

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A/73/5/Add.16

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United Nations • New York, 2018

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.

ISSN 0257-0815

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Letters of transmittal

Letter dated 11 June 2018 from the Deputy 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 2017, 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.

Article 7 (c) of the Regulations of the Fund provides that, in the absence of the Chief Executive Officer of the Fund, the Deputy Chief Executive Officer shall perform the functions of the Chief Executive Officer. Owing to the absence of the Chief Executive Officer, the Deputy has performed the functions of the Chief Executive Officer in respect of the approval of the financial statements, in accordance with article 7 (c) of the Regulations of the Fund.

(*Signed*) Paul **Dooley**
Deputy 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 2018 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 2017, which were submitted by the Deputy 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*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
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 2017 and the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III), the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2016–17 (statement IV) and the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year 2017 (statement V) for the year then ended, 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 2017 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26.

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 report for the year ended 31 December 2017, 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 of 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 IPSAS and International Accounting Standard 26 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, 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 Fund 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 is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it 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*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

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

Chapter II
Long-form report of the Board of Auditors

Summary

The United Nations Joint Staff Pension Fund was established in 1949 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 2017 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 conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly depict the state of affairs of the Fund as at 31 December 2017 and were in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard (IAS) 26. 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 Investment Management Division and the Secretariat of the Fund. 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

The Board issued an unqualified opinion on the financial statements of the Fund as reflected in chapter I of the present report.

Overall conclusion

The Fund has successfully prepared financial statements in accordance with IAS 26 and following the provisions of IPSAS since 2012. While there were no material deficiencies in the financial statements prepared by the Fund, the Board identified scope for improvements in the disclosures in the notes to the financial statements that would enhance the completeness and transparency of the information provided to the stakeholders.

There is scope for improvement in processing pension benefits. The Fund should take proactive steps in collaboration with member organizations to expedite the receipt of the documents required for calculating and awarding pension benefits. There is also a need to plug some deficiencies in the Integrated Pension Administration System, streamline the procedures for obtaining the certificate of entitlement and improve the client grievance management system. On investment management side of operation, the Fund needs to strengthen risk management and the management of foreign currency exposure and improve the planning and execution of critical software such as the trade order management software.

Key findings

Benefits payment management

The Fund internally divides benefit processing cases into two categories, namely, actionable and non-actionable cases. The Fund considers cases received with the core required documents as actionable cases and other cases as non-actionable cases. The Fund categorized 15,125 cases as actionable and had 16,427 workflows pending owing to non-receipt of documents and 12,982 workflows pending because of system issues in the Integrated Pension Administration System in 2017.

Actionable cases

The Board noted that the 15,125 cases considered as actionable during 2017 included an opening balance of 3,627 cases on 1 January 2017 and 11,498 cases received during the year. Of those, the Fund processed 9,588 cases (63.4 per cent) up to 31 December 2017, leaving a balance of 5,537 cases (36.6 per cent) outstanding. The Board observed a significant increase of 52.66 per cent in the number of cases outstanding at the end of 2017, compared with the number outstanding at the end of 2016. Moreover, the Fund has processed 703 fewer cases in 2017 than in 2016, when it processed 10,291 cases.

The Fund processed 62 per cent of cases during 2017 within the prescribed time limit of 15 business days, which was higher than the 27 per cent achieved in 2016, but still short of the internal target of 75 per cent. The Board also noted that 527 actionable cases were processed with a delay of six months and 303 actionable cases with a delay of more than a year.

It is important for the Fund to process all cases within a reasonable period of time, otherwise there will be dissatisfaction among the separating employees.

Open workflows and non-actionable cases

Workflows that remained open owing to system deficiencies in the Integrated Pension Administration System

The Fund implemented the Integrated Pension Administration System in order to automate the processing of benefits. The system went live in August 2015. Under the system, a workflow is opened on receipt of a separation document. As at 31 December 2017, 12,982 workflows remained open owing to various system issues. The Fund informed the Board that by 30 April 2018 it had corrected some of the system issues and only 3,557 workflows remained open owing to systemic issues.

The systemic issues in the Integrated Pension Administration System pose a serious challenge to the stability of the system and strongly indicate the need for an independent examination of the Integrated Pension Administration System to get assurance of its reliable operation.

Workflows that remained open owing to non-receipt of documents

As at 31 December 2017, there were 16,427 cases that were non-actionable owing to non-receipt of documents. In 1,969 of those cases, the separation personnel action had not been received by the Fund. The Board observed that the Fund has a fully functional human resources interface with the member organizations through which it is expected to automatically receive the separation personnel action. Hence, the Fund needs to review the reason for non-receipt of the separation personnel action in all of those cases.

The Board also noted that in 8,560 cases, the separation notification had not been received from the member organization. This indicates that the member organizations and the Fund need to improve coordination and ensure the timely submission of the information and documents required to process the benefits.

The delay in processing of benefits owing to delay in receipt of essential documents has been repeatedly highlighted in the previous reports of the Board (see A/71/5/Add.16 and A/72/5/Add.16). In order to find out the causes of delay and to find solutions to the problem, the Fund undertook an "end-to-end review" of the separation processes with the help of an external consultant and the participation of five member organizations. The review also included the issues highlighted by the Board in its previous reports.

Certificate of entitlement

Benefits of retirees and beneficiaries are suspended owing to non-receipt of a certificate of entitlement by the Fund, which may occur as a result of a change of address of the beneficiary of which the Fund is not informed, or a malfunction of the postal service. Non-matching of signatures can also be a reason for suspension of the benefits.

Of a total of 1,619 cases of suspended benefits as at 31 December 2017, certificate of entitlement forms in respect of 937 cases were pending from the years 2006 to 2016. The long-pending cases point to the need for concentrated efforts to streamline the system of processing of certificates of entitlement.

The Board observed that the procedure followed in processing certificates of entitlement is cumbersome for both the Fund and the beneficiaries, considering that the latter are located all over the world.

Investment Management Division

Management of foreign currency gains and losses

Open exposure to foreign currency volatility brings with it the risk of reduced returns or even capital erosion. The Fund gained $1,684.73 million on account of foreign currency fluctuation during 2017, while it suffered losses on the same account in the preceding years 2013 to 2016. The currency impact on the Fund's return over 3, 5 and 10 years was (-) 0.43 per cent, (-) 1.68 per cent and (-) 0.91 per respectively cent, respectively.

In its previous reports (see A/70/5/Add.16, A/71/5/Add.16 and A/72/5/Add.16), the Board has raised concerns over foreign currency losses affecting the Fund's performance. On the recommendation of the Board, the Fund conducted a formal currency study in 2017, as a result of which it was recommended, inter alia, that the currency exposure relative to liabilities be reduced to the extent possible, taking into account cost-effectiveness and operational feasibility. The study also recommended that details of the currency composition of the liabilities be included in the next asset and liability management study.

The Board observed that, as at 31 December 2017, 44.09 per cent of the total investments of the Fund were in currencies other than the United States dollar, which exposed it to foreign currency fluctuation risk and associated risks. The Board is of the opinion that it is important to have specific guidelines on the position to be taken and currency exposure to be maintained for each class of asset. The Board noted that the Fund did not prepare such a guideline for currency exposure under each asset class relative to the respective benchmarks.

Planning and acquisition of the trade order management system

The Fund adopted the Bloomberg Asset and Investment Manager as its trade order management system in 2015. It was selected through a non-competitive process. Presently, the Bloomberg Asset and Investment Manager, which is one of the critical systems, is being used extensively to provide a front-to-back solution.

The contract for the Bloomberg Asset and Investment Manager was a stop-gap arrangement for a three-year period (29 July 2015 to 28 July 2018) and subject to a comprehensive assessment for the awarding of a contract for the system through a competitive bidding process. The Board noted that only in June 2017 was a consultant hired to conduct the comprehensive assessment, and that no request for proposal had been initiated for awarding the contract for a new trade order management system. Meanwhile, it was proposed that the contract for the Bloomberg system be extended for two years, with the possibility of a further two-year extension, such that the contract could be in force until 28 July 2022. The Fund informed the Board that the Investment Management Division would be working on the new order management system in 2020.

The Board observed that the Investment Management Division has estimated that it will take more than three years to get a new system implemented after floating the request for proposal. Hence, if the Division were to start working on the request for proposal in 2020, the new system would not get implemented before the end of the present contract for the Bloomberg system. Therefore, it is evident that the Fund has not properly planned for the acquisition of a critical system.

Fraud risk assessment

According to the information circular issued in September 2016 concerning the Anti-Fraud and Anti-Corruption framework of the United Nations Secretariat (ST/IC/2016/25), systematic fraud risk assessments should be undertaken in accordance with the Secretariat's enterprise risk management and internal control policy and methodology. In compliance with the circular, a fraud risk assessment is being conducted by the Fund secretariat. However, the Investment Management Division did not carry out any fraud risk assessment.

The Board observed that a fraud risk assessment is important for the Investment Management Division as well, in view of the substantial amount of assets it is managing.

Main recommendations

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

Benefits payment management

Actionable cases

(a) **Process the cases pending for a long time on a priority basis and in a time-bound manner;**

Open workflows and non-actionable cases

(b) **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;**

(c) **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;**

(d) **Engage with member organizations and resolve the issues in transmission to the Fund of the documents required for the processing of pension benefits;**

(e) **Develop a system for receiving the required documents through a secure electronic interface;**

Certificate of entitlement

(f) **Review the process of obtaining the certificate of entitlement and the suspended cases that have been on hold for an extended period;**

(g) **Develop an automatic signature verification system to facilitate the certificate of entitlement process;**

Investment Management Division

Management of foreign currency gains and losses

(h) **Take expeditious action on the recommendations of the currency study to reduce the effect of foreign exchange volatility on its return on investments;**

(i) **Expedite the asset and liability management study for alignment of its currency exposure with liabilities;**

(j) **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;**

Planning and acquisition of the trade order management system

(k) **Properly plan and execute the acquisition of critical software;**

Fraud risk assessment

(l) **Conduct a fraud risk assessment in respect of the Investment Management Division to identify the vulnerable areas and develop a suitable mitigation strategy.**

Key facts	
23	Number of member organizations
126,736	Participants in the Fund
78,247	Periodic benefits
$64.78 billion	Total assets (2016: $54.73 billion)
$64.37 billion	Net assets available for benefits (2016: $54.49 billion)
$12.65 billion	Income and contributions (2016: $4.94 billion)
$2.78 billion	Total expenses, including benefit payments (2016: $2.59 billion)
$10.24 billion	Investment income (2016: $2.67 billion)
16.5 per cent	Inflation-adjusted real return for 2017 (2016: 3.1 per cent)

A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1949 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 2017 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 2017 and its financial performance for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26. 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 with respect to 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 matters 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 41 outstanding recommendations and noted that 20 (48.78 per cent; in 2016: 19.23 per cent) had been fully implemented, 19 (46.33 per cent; in 2016: 80.77 per cent) were under implementation and 2 (4.89 per cent) had not been implemented.[1] The details are provided in the annex.

7. The Board noted the improvement in the progress of implementation of recommendations when compared with the previous year. The Board also noted that there were still a number of important recommendations related to pension processing and investment management that were under implementation. Some of the important recommendations under implementation related to the following issues:

(a) Ensuring adherence to benchmarks for processing of benefits;

(b) Improving the grievance redressal mechanism;

(c) Prescribing a time frame for servicing different types of cases, keeping their complexity in mind;

(d) Simplifying the process of obtaining the certificate of entitlement;

(e) Devising a mechanism to assess the value addition to performance owing to active management of the portfolio;

(f) Developing an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange;

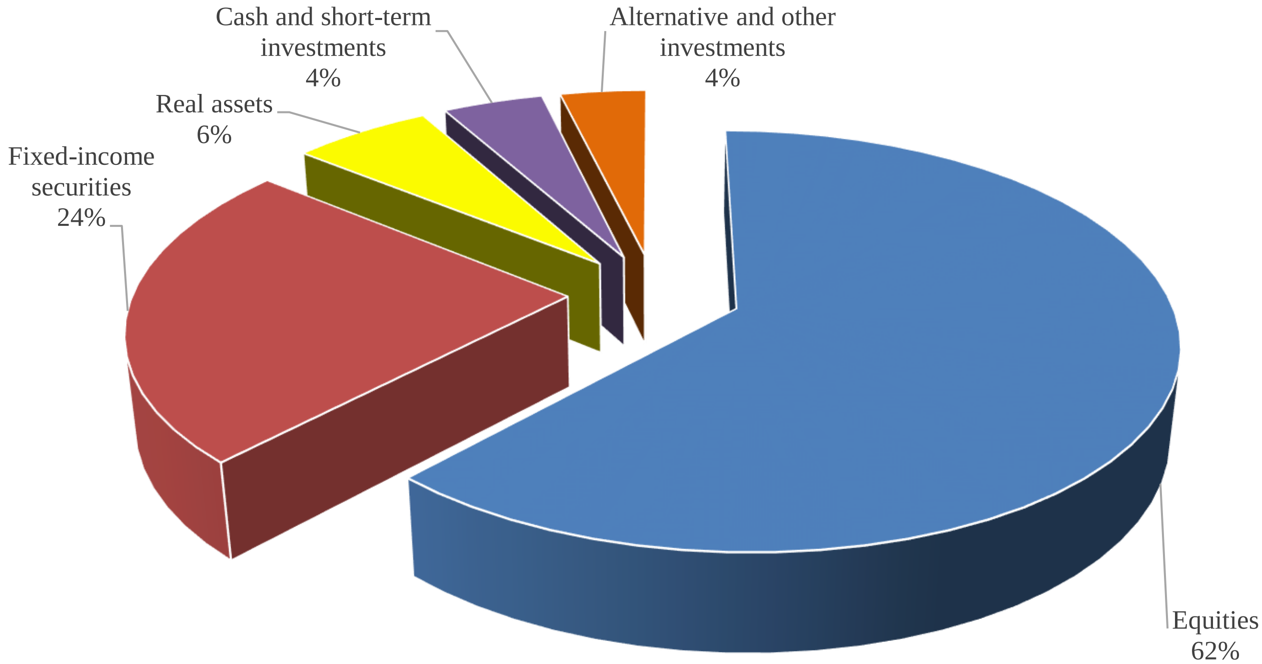
(g) Preparing a detailed risk budget for all classes of assets.

2. Financial overview

8. As at 31 December 2017, the total assets of the Fund amounted to $64.78 billion (2016: $54.73 billion) and the total liabilities amounted to $411.29 million (2016: $237.64 million), making net assets available for benefits of $64.37 billion (2016: $54.49 billion). This represented an increase of $9.88 billion in the net assets available for benefits compared with an increase of $2.36 billion in 2016. The fair value of the total investment by the Fund as at 31 December 2017 was $64.54 billion, comprising $39.78 billion in equities, $15.33 billion in fixed-income securities, $4.21 billion in real assets, $2.40 billion in alternative and other investments and $2.81 billion in cash and short-term investments. The percentage share of each component in the fair value of investment is shown in figure II.I.

[1] One of the two unimplemented recommendations was issued to the Fund's member organizations in regard to the need to identify separation cases and submit them to the Fund sufficiently in advance.

Figure II.I
Percentage share of components in the fair value of investment in 2017



Source: United Nations Joint Staff Pension Fund financial statements.

9. The total income of the Fund in 2017 was $12.65 billion (2016: $4.94 billion), comprising investment income of $10.24 billion (2016: $2.67 billion), contributions of $2.40 billion (2016: $2.27 billion) and other income of $11.62 million (2016: $3.37 million). The total expenses of the Fund in 2017 were $2.78 billion (2016: $2.59 billion), comprising benefit payments of $2.67 billion (2016: $2.51 billion) and administrative expenses and other expenses of $102.73 million (2016: $79.8 million).

10. In the year 2017, the total investment income of the Fund was $10.24 billion, including appreciation in the fair value of the investments of $9.08 billion (2016: $1.58 billion). The appreciation included a foreign currency gain of $1.68 billion (2016: foreign currency loss of $679.88 million). Historically, appreciation/ depreciation in the fair value of investment has been the driving force for investment income. The other components have largely remained constant. The different components of investment income are shown in figure II.II.

Figure II.II
Components of investment income, 2013–2017

Source: United Nations Joint Staff Pension Fund financial statements.

11. The Fund return (nominal) for the year 2017 was at 18.61 per cent in comparison with the policy benchmark of 18.14 per cent. The inflation-adjusted real return was 16.5 per cent against the required 3.5 per cent set as a long-term investment goal, owing to high appreciation in the fair value of the investments.

12. As at 31 December 2017, the Fund had 126,736 participants (2016: 128,262) and distributed 78,247 periodic benefits (2016: 74,788). In 2017, the Fund changed the methodology for calculating the number of participants and periodic benefits as at the end of the year, as presented by the Fund in the annex to the financial statements. Until 2016, the data reflected the information available on 31 December of the year in question. Under the new methodology employed in the present financial statements, the data reflect the information available at the time of the cut-off date, 7 April 2018. If the old methodology had been applied in 2017, the number of participants would have been 129,354 and the number of periodic benefits would have been 74,092.

Actuarial valuation

13. Article 12 of the Regulations of the Fund provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. It also 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. Currently, the Fund is carrying out an actuarial valuation every two years. For the valuation done as at 31 December 2015, the Board pointed out discrepancies in the data relating to

active participants and beneficiaries. The Fund discarded that valuation and decided to roll forward the actuarial valuation done as at 31 December 2013 to the subsequent four years.

14. The Fund carried out the actuarial valuation to ascertain its position as at 31 December 2017. The valuation revealed an actuarial deficit of $184.2 million. The actuarial valuation of the Fund's assets was at $145.87 billion and that of the liabilities at $146.05 billion. Therefore, the Fund is at the funding level of 99.88 per cent.

Financial statements

15. Various suggestions made by the Board for enhancement of disclosures to the financial statements were reflected in the final version of the statements.

3. Benefits payment management

Benefits processing

16. The Fund provides retirement, death, disability and related benefits to the staff members of the United Nations and the other member organizations. The payment of benefits is governed by the Regulations, Rules and Pension Adjustment System of the Fund.

17. To process a benefit, the Fund requires three documents. The member organization is required to send two documents to the Fund, namely, the separation notification[2] and the separation personnel action.[3] The third document, the payment instruction form,[4] is sent by the separating employee. The Fund can retrieve the separation personnel action through the human resources interface with the member organization. Therefore, now the Fund requires only the separation notification from the member organizations and the payment instruction from the separating employee to process the case.

18. Under the strategic framework approved by the Pension Board, the Fund is required to increase the percentage of withdrawal settlements, retirement benefits and other benefits processed in 15 business days. According to the internal targets, 75 per cent of the cases received by the Fund are to be processed within 15 business days. However, with regard to the processing time, there is no prioritization or separate timeline for processing cases according to the nature of the case or the complexity of the processing; for example, the timeline for a death benefit case is the same as that of a separation benefit case, even though these cases differ in their nature and complexity.

19. The Board noted that the Fund internally divides the cases into two categories, namely, actionable and non-actionable cases. The Fund considers cases received along with all the required documents as actionable cases and other cases as non-actionable. The Fund categorized a total of 15,125 cases as actionable and 29,409 as non-actionable in 2017.

20. The Board of Auditors analysed the data pertaining to the cases processed by the Fund during 2017 to examine adherence to the targets set by the Pension Board in the strategic framework. The analysis is presented in the following paragraphs.

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[2] The separation notification is the notification of separation issued by the organization.

[3] The separation personnel action is the general information and employment history of the employee.

[4] The payment instruction form contains the beneficiary's specification of preferred mode of payment and related details required to release the payment of benefit.

Actionable cases

21. The Board noted that the Fund considered 15,125 cases as actionable during 2017, which included an opening balance of 3,627 cases as at 1 January 2017 and 11,498 cases received during the year. Of these, the Fund processed 9,588 cases (63.4 per cent) up to 31 December 2017, leaving a balance of 5,537 cases (36.6 per cent) to be processed. The Board observed a significant increase of 52.66 per cent in the balance of cases outstanding at the end of the year 2017 over those outstanding at the end of 2016, owing mainly to an increase in deferred benefits. The Fund had processed 10,291 cases in 2016. Therefore, the Fund has processed 703 fewer cases in 2017 than in 2016.

22. Table II.1 depicts the time taken to process the 9,588 cases processed in the Integrated Pension Administration System in 2017, broken down by benefit category.

Table II.1
Ageing analysis (from date of receipt of all documents) of cases processed under different benefit categories (per cent in parentheses)

No. of business days taken to process a case	*Retirement benefit*	*Early retirement*	*Deferred retirement*	*Withdrawal settlement*	*Widow/ widower benefit*	*Disability benefit*	*Child benefit*	*Total*
0–15	1 032 (57)	390 (56)	37 (18)	4 399 (67)	41 (32)	61 (53)	0 (0)	5 960 (62)
15–30	436 (24)	153 (22)	19 (10)	904 (14)	25 (19)	25 (22)	4 (13)	1 566 (16)
30–60	203 (11)	76 (11)	16 (8)	507 (8)	22 (17)	12 (11)	4 (13)	840 (9)
60–90	60 (3)	27 (4)	13 (7)	227 (3)	14 (11)	9 (8)	3 (10)	353 (4)
90–180	42 (2)	26 (4)	33 (17)	222 (3)	12 (9)	3 (3)	4 (13)	342 (4)
180–365	20 (1)	12 (2)	24 (12)	151 (2)	9 (7)	2 (2)	6 (20)	224 (2)
More than 365	14 (1)	15 (2)	56 (28)	199 (3)	7 (5)	3 (3)	9 (30)	303 (3)
Total	**1 807**	**699**	**198**	**6 609**	**130**	**115**	**30**	**9 588**

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

23. From table II.1, the Board noted that the Fund processed 62 per cent of the cases during 2017 within the prescribed time limit of 15 business days, which was higher than the 27 per cent achieved in 2016, but still short of the internal target of 75 per cent. The Board also noted that 224 actionable cases were processed with a delay of six months to one year and 303 actionable cases with a delay of more than a year.

24. The Fund stated that most of these cases were migrated legacy cases or deemed deferred retirement benefit cases or cases which required several follow-ups. The Board is of the opinion that it is important for the Fund to process all cases within a reasonable time frame, otherwise it would lead to financial hardship among the separated employees.

25. The Board further noted that the categories with the highest numbers of benefits processed were withdrawal settlement (6,609 cases) and retirement benefit (1,807 cases). In these categories, 67 per cent and 57 per cent, respectively, of the cases were processed within 15 business days. The Fund was not able to achieve similar levels of performance in other categories.

Cases outstanding for processing

26. The Board noted that the Fund had 5,537 outstanding cases as at 31 December 2017, where all documents had been received. These cases fall under different categories, as shown in table II.2.

Table II.2
Outstanding cases according to category

Category	*Number of cases*
Not immediately processable	
Re-employment	243
Deferred benefit	414
Deferment of choice: cases pending for less than 33 months[a]	3 143
Subtotal, not immediately processable	**3 800**
Processable	
Deferment of choice: cases pending for more than 33 months	173
Cases where additional information is required	399
Cases with issues	323
In progress	212
Awaiting review by the Benefits Officer before being released	630
Subtotal, processable	**1 737**
Total	**5 537**

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

[a] These are the cases where the separating employee has opted for deferment of choice, which is permitted up to 36 months. According to the Fund's internal procedure, cases in this category become due for processing after 33 months of separation, so that the case can be processed by the time deferment ends.

27. The ageing analysis details of the 1,737 cases that were due for processing as at 31 December 2017 are in table II.3.

Table II.3
Ageing analysis (from date of separation) of outstanding processable cases

Category	*Cases where some more information is required*	*Cases with issues*	*In progress*	*Awaiting review*	*Total*
0–15 days	9	15	57	187	**268**
15–30 days	6	32	32	150	**220**
30–60 days	13	65	34	65	**177**
60–90 days	17	35	18	39	**109**
90–180 days	29	42	14	37	**122**
180–365 days	38	62	22	58	**180**
More than 365 days	287	72	35	94	**661**
Total	**399**	**323**	**212**	**630**	**1 737**

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

28. The above analysis shows that 963 cases were pending for more than three months, 841 cases for more than six months and 661 cases are pending for more than a year. The oldest cases pertain to the years 2009 (1 case), 2010 (2 cases), 2011 (2 cases), 2012 (14 cases) and 2013 (66 cases). These cases were outstanding for want

of some additional document or missing information either from the participant or the member organization or were awaiting review by the Benefits Officer.

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.**

30. The Fund accepted the recommendation.

Open workflows and non-actionable cases

31. The Board noted that there were 29,409 open entitlement workflows[5] and non-actionable cases as at 31 December 2017. These workflows can be classified into two broad categories:

(a) Workflows that remain open in the system because of issues in the Integrated Pension Administration System;

(b) Workflows that are pending owing to non-receipt of documents.

32. The breakdown of open workflows as at 31 December 2017 according to category is presented in table II.4.

Table II.4
Open workflows and non-actionable cases according to category

Category	*Number of open workflows as at 31 December 2017*
Workflows that remain open because of system issues in the Integrated Pension Administration System	
Participant account to be identified	134
Linked to estimate	61
Benefit calculation completed	10 189
Benefit is paid	2 362
Death in service case to be closed	236
Subtotal	**12 982**
Workflows pending owing to non-receipt of documents	
No documents received	627
Only separation personnel action received	7 049
Only separation notification received	1 541
Only payment instructions received	428
Separation notification not received	1 083
Payment instructions not received	5 699
Subtotal	**16 427**
Total	**29 409**

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

[5] The Integrated Pension Administration System opens a workflow on receipt of any separation document.

Workflows that remained open in the system owing to system deficiencies in the Integrated Pension Administration System

33. The Fund implemented the Integrated Pension Administration System for automation of benefits processing. The system went live in August 2015. In a period of just over two years into production, the Fund implemented numerous enhancements, data fixes and change management procedures to correct various problems encountered with the system. The Board has highlighted various deficiencies in the Integrated Pension Administration System in its previous audit reports (see A/71/5/Add.16 and A/72/5/Add.16), especially related to lack of input validation controls, non-generation of management information system reports and the need for human interventions at every stage of benefits processing, and the Board recommended that the Fund address these issues.

34. As at 31 December 2017, 12,982 workflows remained opened owing to various system issues (see table II.4). The terms “linked to estimate”, “benefit calculation completed”, “benefit is paid” and so forth are used by the Fund to categorize the workflows that remain open owing to system issues, although they should have been closed in a normal course of operations. The Fund informed the Board that by 30 April 2018 it had corrected some of the system issues and only 3,557 workflows remained open owing to systemic issues.

35. The Board is of the opinion that the number of systemic issues in the processing of workflows indicates the urgent need to review the Integrated Pension Administration System and fix the issues preventing it from functioning reliably. The systemic issues in the Integrated Pension Administration System pose a serious challenge to the stability of the system. The Board further noted an incident that occurred in October 2017 when about 195,000 workflows were opened owing to erroneous operation by a staff member and then closed within the same week. The Fund stated that the incident was due to human error and it had taken preventive action. The Board is of the opinion that these system issues strongly indicate the need for independent system examination of the Integrated Pension Administration System to get an assurance concerning its reliable operation.

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.**

37. The Fund stated that all workflow issues have been identified and are scheduled to be fixed in the forthcoming product releases.

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.**

Workflows that remained open owing to lack of documents required to process the benefits

39. The strategic framework of the Pension Fund for 2016–2017 does not provide for categorization of cases into actionable and non-actionable cases. The Fund, nonetheless, classified 16,427 cases as “non-actionable” on 31 December 2017, as one or more of the three required documents had not been received.

40. The ageing analysis of cases pending due to non-receipt of documents from date of separation is presented in table II.5.

Table II.5
Ageing analysis (from date of separation) of cases deemed "non-actionable" owing to non-receipt of documents

Category	*No documents received*	*Only separation personnel action received*	*Only separation notification received*	*Only payment instructions received*	*Separation personnel action and payment instructions received*	*Separation personnel action and separation notification received*	*Total*
Less than 1 year	8	1 747	16	3	225	886	2 885
1–2 years	7	374	27	5	92	431	936
2–3 years	9	238	20	3	63	316	649
3–4 years	4	107	28	1	37	342	519
4–5 years	4	63	56	6	22	292	443
More than 5 years	96	291	143	22	111	846	1509
Subtotal	**128**	**2 820**	**290**	**40**	**550**	**3 113**	**6 941**
Without date of separation	499	4 229	1 251	388	533	2 586	9 486
Total	**627**	**7 049**	**1 541**	**428**	**1 083**	**5 699**	**16 427**

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

41. The Board noted that 9,486 cases shown as "non-actionable" did not have a separation date recorded in the Integrated Pension Administration System. Hence, it is not possible to ascertain how long they have been pending from the date of separation. This also indicated a deficiency in the system, in that it accepts blanks in the data fields.

42. The Board also noted that there were 627 cases in which a workflow had been opened, even though no documents had been received. Moreover, in 1,969 cases, no separation personnel action had been received. The Board observed that the Fund has a full functional human resources interface with the member organizations, through which it is supposed to automatically receive the separation personnel action. Hence, the Fund needs to review the reason for the non-receipt of the separation personnel action in all of those cases.

43. The Board also noted that in 8,560 cases, the separation notification was not received from the member organization. The Board noted that the Secretariat, the United Nations Children's Fund, the United Nations Development Programme, the Office of the United Nations High Commissioner for Refugees, the World Health Organization and the International Labour Organization together accounted for more than 90 per cent of such cases.

44. The delay in processing of benefits because of delay in the receipt of essential documents has been repeatedly highlighted in the previous reports of the Board (see A/71/5/Add.16 and A/72/5/Add.16). In order to find out the causes of the delays and to find a solution to the problem, the Fund undertook an "end-to-end review" of the separation process with the help of an external consultant and the participation of five member organizations. The review also echoed the issues highlighted by the Board in its previous reports.

45. The Fund stated that the strategic framework covers only actionable cases because benefit processing can only commence once all separation documents have been received. It also stated that the figure of 16,427 represented the number of workflows opened by the system upon receipt of any separation document through an automated interface. The Fund updated that figure, stating that, as at 30 April 2018,

13,080 workflows remained open owing to non-receipt of documents. The Fund also acknowledged the existence of deficiencies in the Integrated Pension Administration System that allowed incomplete, duplicate or erroneous entries to be accepted and it stated that corresponding enhancements to the system were being implemented.

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.**

47. **The Board further recommends that the Fund develop a system for receiving the required documents through a secure electronic interface.**

48. The Fund informed the Board that it was collaborating with the Secretariat to implement an enhancement project to create an interface to further automate the exchange of information and documentation concerning separating staff.

Grievance redressal mechanism

49. Delays in processing benefits, the complex nature of the Fund, the complexity of the procedure for approving the payment of benefits, the process of verification of the continued eligibility of beneficiaries through the annual certificate of entitlement exercise and the criticality of the Fund to the livelihoods of beneficiaries, combined with a very large and diverse clientele of the Fund including participants, retirees and beneficiaries, result in a large number of queries, follow-ups and sometimes complaints being submitted to the Fund.

50. To service these queries, follow-ups and complaints, the Fund requires a well-defined and active grievance redressal mechanism. In recent years, the Fund has taken the following initiatives:

(a) Establishment of call centres in New York and Geneva to address clients' telephone queries;

(b) Enhancement of its website with additional information and learning tools, exhaustive "frequently asked questions" and additional reference materials;

(c) Provision of a member self-service portal;

(d) Provision on the website of an interactive contact form which segregates and routes the incoming queries to the Fund office responsible;

(e) Provision of an urgent assistance page;

(f) Creation of an employer self-service portal.

51. The Fund, however, continued to receive a large volume of queries (including complaints) through various modes during the year 2017. The modes of query are detailed in table II.6.

Table II.6
Types of queries received in 2017

Mode of receipt	*New York office*	*Geneva office*	*Total*
Walk-in	3 999	1 925	5 924
Telephone call	12 786[a]	11 515	24 301
Email	44 744	22 521	67 265
Total	**61 529**	**35 961**	**97 490**

Source: Data provided by the United Nations Joint Staff Pension Fund.
[a] In addition, there were 14,614 calls that were received after office hours and working days and therefore could not be answered.

52. As regards the mechanism for handling these queries and complaints, the Fund informed the Board that all queries it received were acknowledged and processed. The Board noted that there was no documented client grievance redressal system including mechanisms to prioritize complaints and queries on the basis of their nature and set a corresponding time period to deal with them. The Board further noted that there is no centralized system to register the queries and complaints by giving them a distinct tracking number. Hence, it is not possible for the person making the query to track it subsequently. Similarly, there is no centralized system of updating and informing the clients about the status of the queries or grievances registered by them with the Fund.

53. The Board observed that majority of the emails were either forwarded or archived or designated as no action required. On further inquiry into the final action taken on forwarded emails, the Board noted that the final action taken or status of the grievances was not tracked centrally by the Fund.

54. The Fund responded that it had initiated a process to identify tools that would be beneficial for quality implementation of client grievance redressal.

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.**

Certificate of entitlement

56. The certificate of entitlement is a form used by the Fund to verify the continuing eligibility of retirees and beneficiaries to the benefits they are receiving. The Fund sends a barcoded certificate of entitlement form every year to each beneficiary to whom benefits have been paid for at least six months prior to the month of sending the certificates. The form is barcoded so that it can be tracked when returned by the beneficiary. If the ink-signed form is not returned within the allowed time frame, the benefit gets suspended. As soon as a certificate of entitlement is returned by a beneficiary, a workflow is triggered with a step called "review signature" for manual verification of the signature. Verification of signatures is required for all beneficiaries over 75 years old and beneficiaries having disability benefits or survivors' benefits. Of the beneficiaries under 75 years of age, 25 per cent are verified each year, with each beneficiary being selected for signature verification at least once every five years.

57. The certificate of entitlement exercise is undertaken by the Fund in two batches. A first mailing is done by 31 May, with a follow-up mailing in September to all beneficiaries whose signed forms have not received back from the first mailing. The cases where the certificate of entitlement forms are not received by the end of the year are identified and reviewed by the Fund in subsequent months. In respect of the cases for which no barcoded form is received but some other document carrying the beneficiary's original signature is received after 1 May, the Fund takes the case off the suspension list, as the beneficiary has satisfied the annual requirement of providing an original signature on or after 1 May of the certificate of entitlement year. In the remaining cases, the Fund follows up with the Association of Former International Civil Servants and the staff pension committee of the last employing organization of the beneficiary to request their assistance in locating the person or providing information they may have about the beneficiary. The Fund has created a dedicated email inbox to receive information on such cases.

58. The certificate of entitlement is an important tool for verifying the eligibility of the beneficiary every year. However, the procedure followed is cumbersome for both the Fund and the beneficiaries, considering that the latter are located all over the

world. Benefits get suspended as a result of non-receipt of the certificate of entitlement by the Fund, which may occur owing to a change of address of the beneficiary of which the Fund is not informed, or a malfunction of the postal service. Non-matching signatures can also be a reason for suspension of the benefits of the retirees/beneficiaries.

59. The Board analysed the benefits suspended as at 31 December 2017. There were 1,619 cases where the disbursement had been stopped owing to non-receipt of certificate of entitlement. Of the 1,619 cases, 937 had certificates pending from 2006 to 2016. The ageing analysis of these cases is depicted in table II.7.

Table II.7
Ageing analysis of benefits stopped owing to non-receipt of certificate of entitlement

Timeline	*Number of benefits*
Less than 1 year	682
1–2 years	242
2–3 years	52
3–4 years	170
4–5 years	126
More than 5 years	347
Total	**1 619**

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

60. The Fund stated that these cases represented 0.19 per cent of the 500,000 certificates of entitlement dispatched during the last 10 years. It further stated that it had reviewed the cases suspended for two or more years since their last returned certificate of entitlement and started a process of termination of those cases. That action had been put on hold due to other priorities. The Fund would take action to terminate the identified cases.

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.**

62. **The Board further recommends the Fund develop an automatic signature verification system to facilitate the certificate of entitlement process.**

63. The Fund has taken note of the above recommendations and stated that it is undertaking implementation of an automatic signature verification project to automate the process of signature verification during the annual certificate of entitlement exercise.

4. Investment management

64. The Investment Management Division is headed by the Representative of the Secretary-General for the investment of the assets of the Fund. The Board reviewed the mechanism in place for the formulation and implementation of the investment strategy, policies and decision-making processes followed by the Fund in order to assess whether the Fund had appropriately addressed the associated risks, its performance against established benchmarks and the target rates of return required to meet expected pension obligations. The Board's findings on the functioning of the Investment Management Division are discussed in the paragraphs below.

Risk management in the Investment Management Division

65. In accordance with the investment policy statement of 2016, the strategic asset allocation is determined by the Representative of the Secretary-General considering the Fund's mission, long-term liabilities and approved risk appetite and tolerance, with input from asset and liability management studies and the guidance of Investment Committee. The strategic asset allocation is the major determinant of investment performance. Once the strategic asset allocation has been selected by the Representative of the Secretary-General, the Investment Management Division manages the portfolio in accordance with the strategic asset allocation and the risk tolerance limits. The Investment Management Division also determines and monitors risk budgets, the objective of which is to allocate risk among asset classes and portfolios, and conducts risk monitoring, the objective of which is to ensure that the realized risk is within the risk tolerance and risk appetite.

66. The Board observed that the Fund has developed a risk budget at the total Fund level. The risk budget for the equity is allocated on the basis of portfolio by region. However, the Board observed that there was no suballocation of the risk budget among countries, sectors and currencies for equities in which the Fund had made investments or was planning to invest. The Fund has developed a risk budget for the fixed-income group by currency weightages and by duration. In its previous report, the Board recommended that the Fund prepare a detailed risk budget for all categories of the assets (see A/72/5/Add.16, paras. 41 and 42). The Investment Management Division replied that it had implemented a strategic risk report at the total Fund level, including a revised risk budget reflecting all asset classes.

67. **The Board recommends that the Fund evolve guidelines for country, sector and currency-level suballocation of the risk budget for equities.**

Independent review

68. The Fund hired the services of a consultant in 2017 to conduct an independent review and peer comparison of the Fund's investment main practices, investment management and risk management. The consultant gave 25 recommendations regarding investment management, risk management, investment limits and compliance, performance measurement and investment reporting. The Pension Board endorsed the independent review of the Fund and requested the Assets and Liabilities Monitoring Committee to monitor the implementation of those recommendations and report back to the Pension Board at its sixty-fifth session, in 2018.

69. The Fund stated that the independent review report mentioned that the majority of the leading practices were already incorporated into Fund practices. On the basis of the smaller list of items that were not currently observed Fund practices, the independent review report provided a list of the most important gaps to be closed.

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.**

71. The Fund accepted the recommendation.

Management of foreign currency gains and losses

72. Open exposure to foreign currency volatility brings with it the risk of reduced returns or even capital erosion. The Fund gained $1,684.73 million on account of foreign currency fluctuation during 2017, while it suffered losses on the same account in the preceding years 2013 to 2016. The currency impact on the Fund's return over 3, 5 and 10 years was (-) 0.43 percent, (-) 1.68 percent and (-) 0.91 percent, respectively.

73. In its previous reports (see A/70/5/Add.16, A/71/5/Add.16 and A/72/5/Add.16), the Board has raised concerns over foreign currency losses affecting the Fund's performance. On the recommendation of the Board, the Fund conducted a formal currency study in 2017, as a result of which it was recommended, inter alia, that the currency exposure relative to liabilities be reduced to the extent possible, taking into account cost-effectiveness and operational feasibility. The study also recommended that details of the currency composition of the liabilities be included in the next asset and liability management study.

74. The Board observed that, as at 31 December 2017, 44.09 per cent of the total investments of the Fund were in currencies other than the United States dollar, which exposed it to foreign currency fluctuation risk and the associated risks. The Board is of the opinion that it is important to have specific guidelines for investment managers on the position to be taken and currency exposure to be maintained for each class of asset. The Board noted that the Fund did not prepare such guidelines for currency exposure under each asset class relative to the benchmark.

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.**

76. **The Board further recommends that the Fund expedite the asset and liability management study for alignment of its currency exposure with liabilities.**

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.**

78. **The Board recommends that the Fund prepare guidelines for currency exposure under each asset class relative to the benchmark.**

79. The Fund stated that it had had exposure to foreign currency risk since at least 1980. The General Assembly promotes global investments in various resolutions. Global investments imply foreign currency risk. Despite currency accounting volatility, the Investment Management Division has met the long-term 3.5 per cent real rate of return target. The Board appreciates the fact that the Fund is dealing with the foreign currency volatility but is of the opinion that, owing to the inherent risks involved in foreign currency transactions, the asset and liability management study needs to be carried out to better manage these risks.

80. The Fund accepted the recommendations.

Planning and acquisition of the trade order management system[6]

81. The Fund adopted the Bloomberg Asset and Investment Manager[7] as its trade order management system in 2015. It was selected through a non-competitive process. Presently, the Bloomberg Asset and Investment Manager, which is one of the critical systems, is being used extensively to provide a front-to-back solution.

82. The Board noted that the contract for Bloomberg Asset and Investment Manager was a stop-gap arrangement for a three-year period (29 July 2015 to 28 July 2018)

[6] A trade order management system is a software system that facilitates and manages the execution of trade orders. Such a system is essential for the investment management function, which involves frequent buying and selling of investments.

[7] Through the Bloomberg Asset and Investment Manager, the Investment Management Division has access to the Bloomberg professional service, which enables it to monitor and analyse real-time financial market movements and access news, price quotations for securities, foreign exchange quotations, credit profiles, messaging, etc., within a proprietary secure network.

and subject to a comprehensive assessment of the award of a contract for the recommended system through competitive bidding process. The Board noted that only in June 2017 was a consultant hired to conduct the comprehensive assessment, and that no request for proposal had been initiated for awarding the contract for a new trade order management system. Meanwhile, it was proposed that the contract for the Bloomberg system be extended for two years, with the possibility of a further two-year extension, such that the contract could be in force until 28 July 2022. The Fund informed the Board that the Investment Management Division would be working on the new order management system in 2020.

83. The Board noted that the Investment Management Division has estimated that it will take more than three years to get a new system implemented after floating the request for proposal. Hence, if the Division were to start working on the request for proposal in 2020, the new system would not be implemented before the end of the present contract for the Bloomberg system. Therefore, it is evident that the Fund has not properly planned for the acquisition of a critical system.

84. The Fund replied that the consultant engaged to assess the target operating model had deemed the current trade order management system fit-for-purpose. Since that system had been procured as a stop-gap measure, the Fund would launch a request for information by the end of 2018 to verify (a) that the current trade order management system was still the best solution and (b) that its price was competitive. The Fund would launch a request for proposal if the request for information showed that better and more economical solutions were available, taking account of implementation, maintenance and integration costs. That manner of proceeding was a management decision based on prudent advice and not a case of improper planning.

85. The Board is of the opinion that the failure to formulate the request for proposal even after the completion of the original contract period for the stop-gap arrangement, and extending the contract by a further period of two plus two years, reflect the need for better procurement planning in the Fund.

86. **The Board recommends that the Fund properly plan and execute the acquisition of critical software.**

87. The Fund accepted the recommendation.

Internal controls in the Investment Management Division

88. The 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. That framework places emphasis on fraud risks and compliance. It requires the organization to consider the potential for fraud in assessing risks to the achievement of objectives.

89. According to the information circular issued in September 2016 concerning the Anti-Fraud and Anti-Corruption framework of the United Nations Secretariat (ST/IC/2016/25), systematic fraud risk assessments should be undertaken in accordance with the Secretariat's enterprise risk management and internal control policy and methodology. In compliance with the circular, a fraud risk assessment is being conducted by the Fund secretariat. However, the Investment Management Division did not carry out any fraud risk assessment.

90. Further, the Board noted that the Investment Management Division had detected an external cyberfraud attempt in April 2018 which was being investigated.

91. The fraud risk assessment should include three key elements: identification of inherent fraud risks, assessment of likelihood and significance of inherent fraud risks and response to likely and significant inherent and residual fraud risks. As a part of

the fraud risk assessment, the organization needs to review the control environment with regard to information technology, which has a significant effect on fraud risk for most functions. The Investment Management Division handles a substantial portion of the assets of the United Nations. Hence, it is important for the Division to regularly carry out fraud risk assessments to know the vulnerable areas and develop a suitable mitigation strategy.

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.**

93. The Fund agreed with the recommendation and stated that it had hired a specialized information and communications technology security consultant to analyse and recommend solutions for any potential security weaknesses and would strengthen its training on fraud awareness.

Weekly report generation

94. The weekly report titled "Equity asset allocation" is designed to provide the Fund's actual equity weights (country and regional) relative to the Morgan Stanley Capital International All Country World Index[8] weights. The creation of the report was largely automated up to 19 December 2016 with the exception of the Morgan Stanley weights, which had to be incorporated manually. From 19 December 2016, that portion of the report was also automated. However, the Board noted that the weekly equity asset allocation reports generated between 23 December 2016 and 4 May 2017 continued to use the old benchmark weights of 16 December 2016 instead of the prevailing weights.

95. The Board further noted that, although the equity asset allocation report is a critical report for the Investment Management Division, there were no checks in place to identify deficiencies in the report. The above-mentioned deficiency was only identified by the Investment Management Division after more than four months. In order to address the issue, the Division built an internal reconciliation prototype tool to ensure the reconciliation of data between the service provider and Morgan Stanley Capital International. However, in May 2017, despite having the capability to generate the reports at regular intervals internally, the Investment Management Division had outsourced to a vendor the work of generating reports from the internal reconciliation prototype tool developed for internal control. This again put the Division at risk of any mistake on the part of the external contractor in generating reports.

96. The Investment Management Division replied that it was in the process of finalizing a contract with Morgan Stanley Capital International to take feeds directly from the service provider and create a permanent reconciliation of the data between the service provider and Morgan Stanley. Once the contract was finalized the Division would put a new internal reconciliation process in place as part of that solution to ensure that it had the appropriate internal controls over this outsourced function.

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.**

98. The Fund accepted the recommendation.

[8] The Morgan Stanley Capital International All Country World Index is designed to provide a broad measure of equity-market performance throughout the world. It is composed of stocks from both developed and emerging markets.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

99. The Fund informed the Board that during the year 2017, there was a write-off of receivables of $559,162.92. There were no write-offs of losses of cash or property.

100. The Board noted that the overpayments were mainly on account of the death of the beneficiaries that came to the notice of the Fund subsequently.

2. Ex gratia payments

101. The Fund reported that there were no ex gratia payments by the Fund during the year 2017.

3. Cases of fraud and presumptive fraud

102. 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.

103. 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.

104. 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 2017.

D. Acknowledgement

105. 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 Deputy Chief Executive Officer of the Fund and the members of their staff.

(*Signed*) Rajiv **Mehrishi**
Comptroller and Auditor General of India
Chair of the Board of Auditors
(Lead Auditor)

(*Signed*) Mussa Juma **Assad**
Controller and Auditor General of the
United Republic of Tanzania

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

24 July 2018

Annex

Status of implementation of recommendations up to the year ended 31 December 2016

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2013 (A/69/9, annex X)	19	The Board recommended that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner and keep in close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.	The Fund and the Board of Auditors revised the timeline for the preparation of the financial statements. Each year the Fund requests that contribution schedules be submitted by the end of January, but most member organizations are unable to meet the deadline. Since the contribution schedules are needed to complete the year-end process, the financial statements have to be closed at a later date. In the financial statements submitted on 11 June 2018, the Fund included the results of the actuarial valuation as at 31 December 2017.	The recommendation is treated as implemented, as the actuarial valuation is included in the financial statements.	X			
2	2013 (A/69/9, annex X)	47	The secretariat of the Fund 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) The Fund is advancing in the monthly financial interfaces project. The pilot for the monthly reconciliation of contributions submitted by member organizations will start in July 2018. Complementarily, the Fund started a finance process review to identify and address root causes of contribution discrepancies rather than individual discrepancies. (b) The year-end contribution reconciliation is completed every year prior to the closing of the financial statements. To further improve the process, the Fund is advancing in the financial interfaces project for the monthly reconciliation. A pilot monthly reconciliation is targeted for July 2018.	In view of the pilot study to be commenced in July 2018, the recommendation is treated as under implementation.		X		

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3	2013 (A/69/9, annex X)	51	The secretariat of the Fund 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.	The member self-service module was expanded to provide client access to proof documents and allow non-two-track clients to download, print and sign the certificate of entitlement. Additionally, retirees can update their own address in the member self-service module, excluding two-track clients and those using the United Nations pouch mail. This enhancement also benefits the certificate of entitlement process. Further, the member self-service feature allows retirees and beneficiaries to track all payments made to them by the Fund. Users of the feature can download all forms pre-completed with their names and unique identification numbers. Initial requests for validation, restoration, transfer of pension rights and emergency fund assistance can be submitted to the Fund through the member self-service module. (b) The Fund launched a project to develop a system to automate the process of signature verification during the annual certificate of entitlement exercise. A formal contract is expected to be awarded in 2018.	As Fund has initiated the process, the recommendation is treated as under implementation.		X		
4	2014 (A/70/325, annex VI, chap. II)	30	The Board recommended that the Fund expedite the introduction of the counterparty settlement system in a time-bound manner.	With the migration of the securities to a single global custodian effective on 1 February 2018, all eligible currencies are currently set up for settlement through the Continuous Linked Settlement Bank system.	This recommendation is treated as implemented.	X			
5	2014 (A/70/325, annex VI, chap. II)	35	The Board recommended that the Fund explore alternatives to mitigate the foreign exchange losses, including a detailed cost-	A consultant was hired and delivered a report on strategies to better control and reduce currency risks. The study was discussed with the Investments Committee in November 2017. The management of the Investment Management Division accepted the main	In view of the study, the recommendation is treated as implemented.	X			

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			benefit study for a suitable hedging strategy.	conclusions of the study and formulated strategies to better control and reduce currency risks.					
6	2014 (A/70/325, annex VI, chap. II)	41	The Board recommended that the Fund take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and practices and endeavour to achieve the overall minimal real return of 3.5 per cent.	The Investment Management Division engaged with Deloitte in 2017 to establish an independent review of the Fund's investment main practices, investment management and risk management. The study contains a detailed checklist of the Fund's practices against industry standards. The gaps identified by Deloitte are being addressed.	As the Fund has achieved an overall investment return greater than the benchmark of 3.5 per cent, the recommendation is treated as implemented.	X			
7	2014 (A/70/325, annex VI, chap. II)	48	The Board reiterated its recommendation that the Fund continue its efforts to reconcile and resolve all participant reconciliation exceptions with member organizations in a timely manner. The Board added that until such time as a system was implemented to enable monthly reconciliations, the Fund might consider including a suitable disclosure in the financial statements on the quantum of unresolved participant reconciliation exceptions.	The year-end reconciliation is conducted on a timely basis every year, prior to the closing of the financial statements, to ensure the accuracy of the contributions and receivables recorded in the financial statements. The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. A disclosure in the financial statements was not deemed necessary since the exceptions identified during the review of human resources and contributions data submitted by member organizations do not affect the accuracy of the financial statements.	On the basis of the satisfactory response by the Fund, the recommendation is treated as implemented.	X			
8	2014 (A/70/325, annex VI, chap. II)	53	The Board recommended 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	The Fund shows significant progress in achieving the benefit processing benchmark of 75 per cent of benefits processed within 15 business days of receipt of all required separation documents. At the end of December 2017, 63.4 per cent of benefits with all required separation documents had been processed within 15 business days. The median time	The Fund has still to achieve the desired target for processing the cases. Although the performance has improved over the year, it is still below the		X		

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			service to its members is the primary function of the Fund.	to process a benefit was 12 business days. During 2017, the Fund maintained a stable low end-of-month inventory of outstanding initial separation cases, with approximately 80 per cent of separations processed within the same calendar month. The Fund also conducted an end-to-end review study to identify opportunities to enhance the separation-to-benefit process. The Fund has also strengthened the exchange of information and cooperation with member organizations to expedite the submission of separation documents. There are focal points with member organizations and information and reports are regularly exchanged with member organizations.	desired target for processing the benefit within 15 business days. Hence, the recommendation is treated as under implementation.				
9	2014 (A/70/325, annex VI, chap. II)	65	The Board recommended 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 Investment Management Division updated its information and communications technology strategy document in 2017. The purpose of the strategy document is to outline the projects the Division will undertake and the road map it will follow to modernize its infrastructure and prepare for the anticipated growth over the next 5 to 10 years. The Division has also engaged the services of Cutter Associates, an external asset management technology consulting firm specializing in helping asset managers to develop long-term technology road maps based on industry best practices.	Though the Fund has updated its information and communications technology strategy document, the existing trade order management system is still working as a stop-gap arrangement. Hence, this recommendation is treated as under implementation.		X		
10	2015 (A/71/5/Add.16, chap. II)	28	The Board recommended that the Fund, while filling the vacancies at the senior levels at the earliest opportunity, draw up a	The Investment Management Division identified critical posts and filled all senior-level vacancies. The Division has reduced the number of vacant posts to 11, most of which are at various stages of the	In view of the action taken by the Fund, this recommendation	X			

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			succession plan that foresees and addresses the changes that will occur when senior positions become vacant.	recruitment process. The Division has established an enhanced tracking process with a specific flowchart and critical timelines in order to proactively monitor the recruitment process and identify and address reasons for delays.	is treated as implemented.				
11	2015 (A/71/5/Add.16, chap. II)	37	The Board recommended that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis so as to assess its impact and implement course correction as deemed necessary.	The Investment Management Division engaged with Deloitte in 2017 to establish an independent review of the Fund's investment main practices, investment management and risk management. The study contains a detailed checklist of the Fund's practices against industry standards. The gaps identified by Deloitte are being addressed.	In view of the ongoing action by the Fund, this recommendation is treated as under implementation.		X		
12	2015 (A/71/5/Add.16, chap. II)	68	The Board recommended that the Fund carry out a review of the cash requirements of various currencies in order to keep a minimum investment in cash, given that it carries a low return and is subject to foreign exchange fluctuation.	From December 2017, the Investment Management Division has fully implemented the Bloomberg order management system, which has a dynamic cash forecasting capability bringing significant improvement to the Division's portfolio management and workflows. Furthermore, procedures for operational cash movements and the calculation of operational reserves became effective on 8 February 2018.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			
13	2015 (A/71/5/Add.16, chap. II)	75	The Board recommended 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	BNP Paribas was appointed to undertake the currency management study in 2017 and the final report was delivered in February 2018. The draft study was discussed with the Investments Committee in November 2017. The management of the Investment Management Division accepted the main conclusions of the study and formulated strategies to better control and reduce currency risks.	Action is yet to be taken on the recommendations of BNP Paribas. Hence, this recommendation is treated as under implementation.		X		

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			owing to foreign exchange in addition to regular monitoring of the fair value of the assets.						
14	2015 (A/71/5/Add.16, chap. II)	83	The Board recommended that the Fund review its processes for fixed-income investments to ensure that it meets or exceeds its benchmark.	The fixed-income risk limit framework, which has been fully implemented, instituted new limits for deviations for currency and duration exposures relative to the benchmark within the fixed-income portfolio. These risk limits were implemented in March 2017 and assisted in the sizing of the aforementioned exposures within an acceptable risk/reward profile. The enhancements to the fixed-income section within the Investment Management Division led to improvements in the portfolio management capabilities and enabled the portfolio to achieve a return of 7.50 per cent in 2017, outperforming the benchmark return by 0.11 per cent.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			
15	2015 (A/71/5/Add.16, chap. II)	94	The Board recommended that the Fund enter into a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and develop a mechanism to secure compliance with the agreement.	The Investment Management Division is working with Bloomberg to develop a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and is developing a mechanism to secure compliance with the agreement. The Division expects to have an agreement in place by the fourth quarter of 2018.	In view of the ongoing action by the Fund, this recommendation is treated as under implementation.		X		
16	2015 (A/71/5/Add.16, chap. II)	99	The Board recommended that the Fund: (a) resolve the issues of data migration; and (b) frame key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of Integrated	(a) To enhance data quality, the Fund started a detailed review of issues during the data migration process from Pensys to the Integrated Pension Administration System. (b) The Fund has a process in place to address data issues which involves: (i) the generation of periodic exception reports; (ii) detailed reviews of data issues and underlying root causes; and (iii) data fixes both manual and	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			

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			Pension Administration System outcomes.	automated. In addition, the Fund has key performance indicators in place for its core functions. Progress against key performance indicators is regularly monitored and reported by managers and annually reported to the Pension Board.					
17	2015 (A/71/5/Add.16, chap. II)	105	The Board recommended 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.	All queries are acknowledged, processed and tracked. Walk-ins are immediately served, all telephone calls are answered during business hours and all emails receive an automatic and topic-relevant response. The New York call centre business hours have been extended to cover 7 a.m. to 7 p.m. Items (b) and (c) have been implemented. A contact form was introduced in the Fund's website which allows queries to be categorized by topic and routed to the Fund office in charge of the case file (New York or Geneva). Dedicated email inboxes have been created for high-priority cases such as death-related queries, stopped regular monthly benefit payments and emergency fund queries; this enables the Fund to respond and take appropriate action quickly. An urgent attention page has been created on the website to provide clients with detailed information on how to reach the Fund and provide information concerning the death of a beneficiary a monthly benefit payment stopped Items (d), (e) and (f) are under implementation. With the approval of the budgetary resources, the Fund is preparing a project for the implementation of a customer relationship management system The Fund is gathering information about the system requirements for review and market research. The Fund will migrate all of its email services to the United Nations Headquarters Unite Mail system	Items (a), (b) and (c) have been implemented while (d), (e) and (f) are under implementation. The recommendation is considered as under implementation.		X		

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				in the second quarter of 2018. This is expected to significantly improve security and email retention and will have a significant impact on implementing any customer relationship management solution that is completely dependent on the email component for client contact.					
18	2015 (A/71/5/Add.16, chap. II)	110	The Board recommended 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's strategic framework and budget documents specify the indicator of achievement and target for benefit processing. The Fund is studying the specific requirements for different benchmarks to be assigned to each benefit type. In the interim, the current benchmark of 75 per cent of benefits (initial separations) processed within 15 business days of receipt of all required separation documents (same formula and evaluation criteria) is applied to all benefit types. Death in service, survivor and disability benefits continue to be handled as priority cases.	The Fund has not prescribed specific reporting benchmarks for different types of cases according to their complexity. Hence, the recommendation is treated as under implementation.		X		
19	2015 (A/71/5/Add.16, chap. II)	115	An internal reporting framework simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.	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 payments to 190 countries and a diverse set of local regulations that impede banks' involvement in the process. The process has been revised to ensure that all activities from the initial mailing to the follow-up actions are completed within one year. All non-two-track clients can access and print their individual certificate of entitlement from the member self-service section of the website, which greatly improves access to the annual certificate of entitlement form.	In view of the number of long-pending certificate of entitlement cases, there is a clear need to simplify the process of obtaining the certificate of entitlement, hence the recommendation is treated as under implementation.		X		

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20	2015 (A/71/5/Add.16, chap. II)	123	The Board recommended that the Fund: (a) impress upon the participating organizations the need to ensure that they identify and submit to the Fund sufficiently in advance cases that are due for separation in the normal course of business; and (b) check the status of documentation and jointly devise a mechanism to resolve the issues relating to incomplete or missing documentation from member organizations.	(a) The Fund has taken an active approach to coordinating with organizations, especially with those where there is advance notification of mission closings. Additional support is provided in those cases in terms of outreach activities and exchange of information to enable and expedite benefit processing. For example, the Fund recently conducted a joint mission with the Department of Field Support of the Secretariat to Liberia, where a peacekeeping mission will be closing. (b) The Fund has taken a proactive approach to enhancing the process and introducing new mechanisms for the submission and follow-up of separation documents: (i) Focal points with member organizations: to enhance communication and coordination for timely submission of documentation and follow-ups, member organizations have appointed focal points to handle all pension-related matters and submission of documentation to the Fund. (ii) Service-level agreements: the Fund entered into service-level agreements with member organizations to ensure ongoing reciprocal communications and the provision of information and communications technology support by the Fund to the member organizations. Secretaries of staff pension committees and focal points of member organizations already have access to the Integrated Pension Administration System and the member self-service and employer self-service features of the website. (iii) Business intelligence: the Fund has granted the staff pension committee secretaries access to the business intelligence system to allow them to directly monitor the status of separation	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			

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				cases. (iv) Monthly reports by email: the Fund disseminates monthly statistics and reports on cases paid as well as outstanding cases to all member organizations and agencies. The reports detail the status of each case and the action needed to be taken to ensure that the outstanding cases can be processed. (v) Employer self-service: The Fund has made available complete listings of cases and reports in the employer self-service module. These reports complement the proof documents feature in member self-service, which allows members to track the status of separation documents. These mechanisms have enabled the Fund to maintain close interaction and communication with the member organizations and to follow up on missing documents. The Fund is currently implementing an enhancement project with the Secretariat to create an interface between iNeed and business intelligence (the Integrated Pension Administration System) to further automate the exchange of information and documentation about retiring staff. The Fund requests the Board of Auditors to close the recommendation considering the actions taken to exploit existing mechanisms and systems, and explore and implement initiatives to further automate the exchange of information and documents about retiring staff.					
21	2015 (A/71/5/Add.16, chap. II)	129	The Board recommended that participant reconciliation exceptions be resolved in a time-bound manner in order to avoid any dispute with the participating organizations	The year-end reconciliation is conducted on a timely basis every year, prior to the closing of the financial statements, to ensure the accuracy of the contributions and receivables recorded in the financial statements. The participant reconciliation exceptions process is a quality	In view of the response by the Fund, this recommendation is treated as implemented.	X			

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			and to ensure that up-to-date and accurate financial statements can be prepared for the Fund and the participating organizations.	improvement exercise that does not affect the accuracy of the financial statements.					
22	2016 (A/72/5/Add.16, chap. II)	19	The Board recommended that the Fund strengthen its internal control procedure to ensure the accuracy of data before sending them for the actuarial valuation and carry out a fresh actuarial valuation as at 31 December 2017.	The Fund created a working group to review the process of preparation of the census data for the actuarial valuation as at 31 December 2017, with the participation of managers and representatives of the relevant units. The Fund has documented the process for the preparation of the census data and their reconciliation with the tables contained in the annex to the notes to the financial statements. The internal controls applied in the process and related roles and responsibilities are further documented in the risk and control matrix for the actuarial valuation data collection process. Management tested the execution of the controls applied in the preparation of the census data.	The Board examined the process and data sent to the actuary for conducting an actuarial valuation and did not find any issue in the internal process of the Fund. Hence, the recommendation is treated as implemented.	X			
23	2016 (A/72/5/Add.16, chap. II)	30	The Board recommended that the Fund make an appropriate disclosure of the accounting treatment of the tax withholding in the notes to the financial statements.	The Fund reviewed and updated its policy and the disclosure of the accounting treatment of the tax withholding within the notes to the financial statements. The updated tax-related disclosure clarifies the accounting policy for recoverability of receivables for the tax withholdings.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			
24	2016 (A/72/5/Add.16, chap. II)	32	The Board recommended that the Fund prepare and follow a consistent accounting policy for creating provisions for the receivables for the tax withholdings.	The Fund reviewed and updated its policy and the disclosure of the accounting treatment of the tax withholding within the notes to the financial statements. The updated tax-related disclosure clarifies the accounting policy for recoverability of receivable for the tax withholdings.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			

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25	2016 (A/72/5/Add.16, chap. II)	41	The Board recommended that the Fund prepare a detailed risk budget for all categories of the assets.	The Fund adopted more detailed risk limits in early 2017 for the internally managed fixed-income portfolio, including currency and duration limits. The Fund is also in the process of developing active limits for the global equity portfolio, and these active limits are expected to be implemented by or before the fourth quarter of 2018. The Fund is also taking action regarding the recommendation to prepare detailed risk budgets for public asset classes such as equities and fixed income. This may not be feasible for categories such as real assets, alternative investments and cash and cash equivalents. The Fund will review and consider the recommendation as it relates to these asset classes, pending the outcome of further research and analysis.	The recommendation is under implementation.		X		
26	2016 (A/72/5/Add.16, chap. II)	43	The Board recommended that the Fund fill the vacancies at the Professional and decision-making levels and prepare a comprehensive succession plan to effectively deal with the changes that will occur when senior positions become vacant.	The Investment Management Division identified critical posts and filled all senior-level vacancies. The Division has reduced the number of vacant posts to 11, most of which are at various stages in the recruitment process. The Division has established an enhanced tracking process with a specific flowchart and critical timelines in order to proactively monitor the recruitment process and identify and address reasons for delays.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			
27	2016 (A/72/5/Add.16, chap. II)	50	The Board recommended that the Fund review its internal investment and risk processes and procedures so as to outperform the benchmarks and achieve at least the targeted long-term real rate of return of 3.5 per cent.	The Investment Management Division engaged with Deloitte in 2017 to establish an independent review of the Fund's investment main practices, investment management and risk management. The study contains a detailed checklist of the Fund's practices against industry standards. The gaps identified by Deloitte are being addressed.	In view of the action initiated by the Fund, this recommendation is treated as implemented.	X			

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28	2016 (A/72/5/Add.16, chap. II)	55	The Board recommended that the Fund continuously monitor and review its fixed-income strategy so as to ensure that it will meet and perform better than the benchmark.	The fixed-income risk limit framework, which has been fully implemented, instituted new limits for deviations for currency and duration exposures relative to the benchmark within the fixed-income portfolio. These risk limits were implemented in March 2017 and assisted in the sizing of the aforementioned exposures within an acceptable risk/reward profile. The enhancements to the fixed-income section within the Investment Management Division led to improvements in the portfolio management capabilities and enabled the portfolio to achieve a return of 7.50 per cent in 2017, outperforming the benchmark return by 0.11 per cent.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			
29	2016 (A/72/5/Add.16, chap. II)	61	The Board recommended that the Fund expedite the currency study so as to further strengthen foreign currency management and control and reduce risks by employing suitable strategies.	BNP Paribas was appointed to undertake the currency management study in 2017 and the final report was delivered in February 2018. The draft study was discussed with the Investments Committee in November 2017. The management of the Investment Management Division accepted the main conclusions of the study and formulated strategies to better control and reduce currency risks.	In view of the action taken by the Fund, this recommendation is treated as implemented.	X			
30	2016 (A/72/5/Add.16, chap. II)	67	The Board recommended 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 Fund updated its policy for external managers in April 2018, incorporating provisions regarding duration of the contract with external fund managers.	The policy does not prescribe any format or criteria for conducting an evaluation of the external fund managers as recommended, hence the recommendation is treated as under implementation.		X		

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31	2016 (A/72/5/Add.16, chap. II)	75	The Board recommended 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 Fund entered into a contract in April 2018 for the provision of information and communications technology security, risk management and business continuity management for the Investment Management Division.	The Fund has entered into a contract for the provision of information and communications technology security, risk management and business continuity management and started the process of updating the recovery plan. Hence, the recommendation is treated as under implementation.		X		
32	2016 (A/72/5/Add.16, chap. II)	79	The Board recommended 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 Investment Management Division will prepare a comprehensive security policy, and the outcome of the information and communications technology security study is expected to assist the Division staff in addressing the Board's recommendation.	In view of reply by the Fund, the recommendation is treated as under implementation.		X		
33	2016 (A/72/5/Add.16, chap. II)	92	The Board recommended 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;	(a) The Fund has implemented a number of system enhancements to further automate benefit processing. (b) Various measures have been implemented to address issues related to input controls. (c) Several enhancements have been introduced to the member self-service and employer self-service modules, including the feature that allows beneficiaries to change address, the possibility of	The Board has continued to note weaknesses in Integrated Pension Administration System. In view of them, the recommendation is treated as		X		

						Status after verification			
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			(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.	submission of contributory service purchase requests (validation, restoration, transfer of pension rights), a separation documents tracking table in the proof documents feature, all official Pension Fund forms pre-completed with the member's name and identification number, possibility of submission of emergency fund requests from beneficiaries, the online barcoded certificate of entitlement and certificate tracking table and the disbursements tab, providing details of all payments made to the beneficiary by the Fund and making reports available to member organizations with information on different types of cases. (d) The Fund has a process in place to identify and address data issues. The process, which includes exception reports, data reports and data fixes, has enabled the Fund to address various data issues. Complementarily, the Fund is conducting detailed process reviews and root cause analyses for benefit processing and finance processes to permanently address data-quality issues.	under implementation.				
34	2016 (A/72/5/Add.16, chap. II)	101	The Board recommended 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) The Fund's strategic framework and budget documents specify the indicator of achievement and target for benefit processing. The Fund continues to show progress in achieving the benefit processing benchmark of 75 per cent of benefits (initial separations) processed within 15 business days of receipt of all required separation documents. The Fund substantially improved its performance over the year.	The Fund has not prescribed specific targets for different types of cases according to their complexity. Hence, the recommendation is treated as under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
35	2016 (A/72/5/Add.16, chap. II)	105	The Board recommends that the member organizations create pension focal points to facilitate the expeditious processing of the retirement benefit cases.	The Fund has got pension focal points established.	In view of the action taken, the recommendation is treated as implemented.	X			
36	2016 (A/72/5/Add.16, chap. II)	106	The Board recommended 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 on its own, and in collaboration with the member organizations, is actively working to monitor and implement mechanisms for the timely submission of core separation documents from the member organizations. The Fund has in place pension focal points and regular interaction to monitor and prepare for peaks in separation movements in its organizations. The Fund has carried out targeted outreach and provided training to pension focal points to ensure the most efficient handling of pension-related matters in member organizations (for example, with the UNICEF Global Shared Services Centre in Budapest in autumn 2017). The Fund holds regular meetings with its counterparts in the Field Personnel Division of the Department of Field Support. The Fund has carried out an increased number of targeted outreach and training activities ahead of peacekeeping mission closures (e.g. ONUCI, MINUSTAH and UNMIL) and carried out joint outreach mission with the Field Personnel Division pension team. The Fund will share with focal points in member organizations reports with information on upcoming separations and work to address issues in the transmission of separation documents.	The recommendation is treated as not implemented.			X	

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
37	2016 (A/72/5/Add.16, chap. II)	112	The Board recommended that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.	With the approval of the budgetary resources, the Fund is preparing a project for the implementation of a customer relationship management system. The Fund is gathering information about the system requirements for review and market research. This would include better tracking of response times, integration of email, phone and walk-in registration with the Integrated Pension Administration System and improved monitoring of benchmarks and performance reporting. The customer relationship management tool will include automated escalation for handling queries.	The Fund is in the process of setting up the customer relationship management system, hence the recommendation is treated as under implementation.		X		
38	2016 (A/72/5/Add.16, chap. II)	113	The Board recommended that the Fund devise and implement a structured feedback mechanism to receive feedback from clients.	The Fund implemented an electronic survey available in the Fund's website to assess clients' perceptions of the information provided in the website and other client services provided by the Fund. The information gathered will help to identify opportunities for improvement.	In view of the action taken by the Fund, the recommendation is treated as implemented.	X			
39	2016 (A/72/5/Add.16, chap. II)	118	The Board recommended 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) All non-two-track clients can access and print their individual certificate of entitlement from the member self-service section of the website, greatly improving access to the annual certificate of entitlement form. The Fund is procuring an automated signature verification tool to further automate the process. (b) Benefits are suspended after several attempts to reach the beneficiary. Suspended cases often require interaction with clients, often in remote areas with poor mail services. The Fund gradually reviews suspended benefits that could be forfeited. The Regulations of the Fund require that rights to periodic benefits expire after five years for suspended cases.	The Board did not note that the Fund has reviewed the suspended cases that have been on hold for a long period. Hence, the recommendation is treated as not implemented.			X	

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
40	2016 (A/72/5/Add.16, chap. II)	124	The Board recommended 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 first pilot for monthly reconciliation is targeted for July 2018. The Fund will also put into production business intelligence that will enable monitoring of the monthly reconciliation process. In the interim, contributions continue to be reconciled in the annual year-end process for the preparation of the Fund's financial statements.	The recommendation is under implementation.		X		
41	2016 (A/72/5/Add.16, chap. II)	128	The Board recommended that the Fund carry out the reconciliation of the contribution by the member organizations at regular intervals.	The year-end reconciliation is conducted on a timely basis every year, prior to the closing of the financial statements, to ensure the accuracy of the contributions and receivables recorded in the financial statements. The first pilot for monthly reconciliation will start in July 2018. The Fund will also put into production business intelligence that will enable monitoring of the monthly reconciliation process. In the interim, contributions continue to be reconciled in the annual yearend process for the preparation of the Fund's financial statements.	The recommendation is under implementation.		X		
	Total				**41**	**20**	**19**	**2**	**0**
	Percentage					**48.78**	**46.33**	**4.89**	

Chapter III
Certification of the financial statements

Letter dated 11 June 2018 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 2017 have been prepared in accordance with 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 2017

Scope of responsibility

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 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.

In accordance with article 7 (c) of the Regulations of the United Nations Joint Staff Pension Fund, in the absence of the Chief Executive Officer, the Deputy Chief Executive Officer shall perform these functions. Owing to the absence of the Chief Executive Officer, the Deputy Chief Executive Officer has performed these functions, in line with article 7 (c).

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 2017.

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:

- *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:
  - The Audit Committee oversees the work of the Office of Internal Oversight Services (OIOS) and the Board of Auditors, and the Fund’s internal control framework.
  - The Assets and Liabilities Monitoring Committee advises the Pension Board on risk management, funding policy, asset-liability management and investment policy matters.
- *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.
- *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.
- *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.

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 Fund management of the effectiveness of internal controls over financial reporting as at 31 December 2017 was supported by:

- The preparation of the statement of internal control, which involved:
  - A scoping exercise to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services.
  - Identification of key financial reporting risks.
  - 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.
  - Operational effectiveness testing of the key controls over financial reporting performed by management.
- Assertion letters on the effectiveness of internal controls over financial reporting signed by key officers in the Fund secretariat and the Investment Management Division. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting and reporting any deficiencies identified.
- 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. 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.
- 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 provides assurances that the new system's operations and maintenance are in accordance with the information security management standard. The Fund secretariat is committed to maintaining the ISO 27001 certification, which is valid for three years, until March 2019.
- Independent auditors performed an International Standard on Assurance Engagements audit ISAE 3402 of the internal control framework of the United Nations International Computing Centre. The ISAE 3402 audit report provides an independent assessment of whether the Centre's controls are suitably designed and operated effectively. The ISAE 3402 audit report's conclusion was an unqualified opinion.
- The Audit Committee reviewed the results of 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, Deputy Chief Executive Officer, Chief Financial Officer, Risk and Compliance Officers and internal and external auditors had periodic meetings with the Audit Committee.

- 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 endorsed by the Audit Committee, OIOS conducted audit examinations in high-risk areas to provide assurance on the effectiveness of internal controls and identify control deficiencies. The Chief Executive Officer/Deputy 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.
- 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 2017 draws attention to key areas with an impact on internal controls over financial reporting, as follows:

(a) In January 2018, the Fund secretariat updated its pension fraud awareness, reporting and escalation policy. The objectives of the policy are to promote awareness, prevent fraud, enhance the Fund's internal controls and establish guidelines on reporting and escalation of fraud-related concerns;

(b) The scope of the statement of internal control was expanded to cover the process for the preparation of the census data for the actuarial valuation. In that regard, the Fund's management strengthened, documented and tested the internal controls applied in the preparation of the census data to be used in the actuarial valuation as at 31 December 2017. Similarly, the Fund assessed the process adopted by the Fund for the integrity of the information available in the business intelligence system and related data transfer and validation processes. The testing of internal controls did not identify internal control gaps or deficiencies in the preparation of the census data or the integrity of the business intelligence information;

(c) The Fund's management, within its scope of responsibility, has successfully implemented process and system changes and management reporting tools to address temporary and structural challenges related to efficiency aspects in the processing of benefit entitlements and client servicing. These actions translated into significant progress by the Fund in benefit processing during 2017, and allowed the closing of a critical audit recommendation related to client services;

(d) Complementarily, the Fund secretariat conducted an end-to-end review jointly with the United Nations and other member organizations to identify opportunities for streamlining the overall separation to payment process. The results of the end-to-end review were presented to the Pension Board at its sixty-fourth session, in July 2017. Management is currently implementing the short-term recommendations arising from the study.

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 2017.

(*Signed*) Paul **Dooley**
Deputy 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

23 April 2018
New York

Chapter IV
Financial report for the year ended 31 December 2017

A. Introduction

1. The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 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 are currently 23 member organizations participating in the Fund. 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 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 Chief Executive Officer is responsible for providing some administrative support to the Investment Management Division. 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.

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 an increase in the net assets available for benefits for the year ended 31 December 2017 of $9,877.8 million (2016: $2,358.1 million). The increase was attributable primarily to investment income for the year.

7. Investment income for 2017 was $10,241.2 million (2016: $2,667.6 million). Investment income for 2017 comprised net appreciation in fair value of investments of $9,081.3 million, dividend income of $865.8 million and interest income of $361.7 million. The increase of $7,573.7 million compared with the prior year was driven largely by the increase in the fair value of equities and fixed-income securities.

8. Total contributions (from participants: $792.6 million; member organizations: $1,577.1 million; and other contributions: $31.2 million) for 2017 were $2,400.9 million (2016: $2,273.5 million), reflecting an increase of $127.4 million (or 5.6 per cent) compared with the total contributions for 2016.

9. Benefit expenses for 2017 of $2,673.3 million (2016: $2,506.5 million) reflected an increase of $166.8 million (or 6.7 per cent) compared with the benefit expenses for 2016.

10. Administrative expenses for 2017 of $97.4 million (2016: $74.8 million) reflected an increase of $22.6 million (or 30.3 per cent). The increase in administrative expense was due primarily to an increase in the changes in the liabilities for after-service health insurance of $11.0 million, an increase in contractual services of $6.9 million and an increase in other staff costs of $3.0 million.

Statement of net assets available for benefits

11. Net assets available for benefits at 31 December 2017 were $64,365.9 million (2016: $54,488.1 million), reflecting an increase of $9,877.8 million (or 18.1 per cent).

12. Cash and cash equivalents at 31 December 2017 were $971.8 million (2016: $1,562.5 million), reflecting a decrease of $590.7 million (or 37.8 per cent).

13. Fair value of investments at 31 December 2017 was $63,565.6 million (2016: $52,951.2 million), reflecting an increase of $10,614.4 million (or 20.0 per cent). Details with regard to the investment classes at 31 December 2017 and 31 December 2016 are as follows:

(Millions of United States dollars)

	31 December 2017	*31 December 2016*	*Change*	*Percentage*
Short-term investments	1 834.3	724.5	1,109.8	153.2
Equities	39 784.2	34 455.5	5,328.7	15.5
Fixed income	15 329.9	12 311.3	3,018.6	24.5
Real assets	4 213.8	3 796.1	417.7	11.0
Alternatives and other investments	2 403.4	1 663.8	739.6	44.5
Total investments	**63 565.6**	**52 951.2**	**10 614.4**	**20.0**

14. Total investments and cash and cash equivalents are as follows:

(Millions of United States dollars)

	31 December 2017	*31 December 2016*	*Change*	*Percentage*
Total investments	63 565.6	52 951.2	10 614.4	20.0
Cash and cash equivalents	971.8	1 562.5	(590.7)	(37.8)
Total investments and cash and cash equivalents	**64 537.4**	**54 513.7**	**10 023.7**	**18.4**

15. Total liabilities of the Fund as at 31 December 2017 were $411.3 million (2016: $237.6 million), reflecting an increase of $173.7 million (or 73.1 per cent). The increase in total liabilities was due primarily to an increase in payables for investments traded of $149.6 million and after-service health insurance liability of $17.2 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 2017 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	25 902	34 057
Vested terminated participants	742	1 279
Active participants	14 040	19 278
Total vested benefits	**40 684**	**54 614**
Non-vested benefits	921	1 165
Total actuarial present value of accumulated plan benefits	**41 605**	**55 779**

Chapter V

Financial statements for the year ended 31 December 2017

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits

(Thousands of United States dollars)

	Note	*31 December 2017*	*31 December 2016*
Assets			
Cash and cash equivalents	4	971 807	1 562 522
Investments	5, 6		
Short-term investments		1 834 280	724 509
Equities		39 784 228	34 455 474
Fixed income		15 329 947	12 311 322
Real assets		4 213 829	3 796 144
Alternatives and other investments		2 403 366	1 663 801
		63 565 650	**52 951 250**
Contributions receivable		6 939	13 824
Accrued income from investments	7	154 655	139 311
Receivable from investments traded	5	28 401	15 124
Withholding tax receivable	8	26 554	10 501
Other assets	9	23 194	33 237
Total assets		**64 777 200**	**54 725 769**
Liabilities			
Benefits payable	10	148 186	133 782
Payable from investments traded	5	157 699	8 138
After-service health insurance and other employee benefits liabilities	11	94 363	76 736
Other accruals and liabilities	12	11 044	18 987
Total liabilities		**411 292**	**237 643**
Net assets available for benefits		**64 365 908**	**54 488 126**

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 2017*	*For the year 2016 (reclassified)*[a]
Investment income	13		
Net appreciation in fair value of investments		9 081 326	1 582 604
Interest income		361 742	325 786
Dividend income		865 788	821 651
Income from real assets		65 530	55 015
Less: transaction costs and management fees		(133 145)	(117 494)
		10 241 241	**2 667 562**
Contributions	14		
From participants		792 593	757 039
From member organization		1 577 151	1 506 193
Other contributions		31 168	10 266
		2 400 912	**2 273 498**
Other income	15	11 624	3 368
Benefit expenses	16		
From withdrawal settlements and full commutation benefits		194 803	117 395
From retirements benefits		2 479 573	2 391 291
Other benefits/adjustments		(1 106)	(2 151)
		2 673 270	**2 506 535**
Administrative expenses	17	97 400	74 764
Other expenses	18	2 807	1 282
Withholding tax expense	8	2 518	3 749
Increase in net assets available for benefits		**9 877 782**	**2 358 098**

[a] Refer to note 25 for details of the reclassifications.

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	Note	*For the year 2017*	*For the year 2016*
Cash flows from investing activities			
Purchase of investments		(15 346 130)	(13 713 338)
Proceeds from sale/redemption of investments		13 933 105	13 052 796
Dividends received from equity investments, excluding withholding tax		839 462	795 134
Interest received from fixed income investments		345 952	335 544
Income received from unitized real asset funds, excluding withholding tax		65 506	55 765
Other income received/(losses incurred), net		11 611	3 129
Transaction costs, management fees and other expenses paid		(134 993)	(122 669)
Withholding taxes reimbursement		9 394	23 501
Net cash (used)/provided by investing activities		**(276 093)**	**429 862**
Cash flows from operating activities			
Contribution from member organizations and participants		2 401 970	2 298 646
Benefits payments		(2 656 307)	(2 598 579)
Net transfer to/from other plans		3 302	3 598
Administrative expenses paid		(72 501)	(59 520)
Other payments, net		(513)	(649)
Net cash used by operating activities		**(324 049)**	**(356 504)**
Net (decrease)/increase in cash and cash equivalents		(600 142)	73 358
Cash and cash equivalents at the beginning of year	4	1 562 522	1 488 132
Exchange gains on cash and cash equivalents		9 427	1 032
Cash and cash equivalents at the end of year	**4**	**971 807**	**1 562 522**

United Nations Joint Staff Pension Fund
Schedule I

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2016–2017

(Thousands of United States dollars)

	Revised appropriation 2016–2017			*Final appropriation 2016–2017*			*Actuals on a comparable basis 2016–2017*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Fund secretariat administrative expenses													
Posts	31 944.5	14 309.2	46 253.7	29 976.0	13 342.9	43 318.9	29 349.1	12 895.0	42 244.1	(626.9)	(447.9)	(1 074.8)	(2)
Other staff costs	7 752.3	283.2	8 035.5	11 537.5	522.8	12 060.3	11 088.9	399.0	11 487.9	(448.6)	(123.8)	(572.4)	(5)
Hospitality	6.2	–	6.2	6.2	–	6.2	–	–	–	(6.2)	–	(6.2)	(100)
Consultants	631.6	–	631.6	331.8	–	331.8	258.0	–	258.0	(73.8)	–	(73.8)	(22)
Travel of staff	1 025.2	–	1 025.2	924.9	–	924.9	694.1	–	694.1	(230.8)	–	(230.8)	(25)
Contractual services[a]	13 763.4	2 394.3	16 157.7	21 711.1	2 394.3	24 105.4	21 240.5	2 426.4	23 666.9	(470.6)	32.1	(438.5)	(2)
General operating expenses[b]	13 416.9	3 712.8	17 129.7	11 591.9	3 408.6	15 000.5	11 462.6	3 429.3	14 891.9	(129.3)	20.7	(108.6)	(1)
Supplies and materials	127.1	63.6	190.7	65.1	32.2	97.3	45.0	16.9	61.9	(20.1)	(15.3)	(35.4)	(36)
Furniture and equipment	1 329.7	618.4	1 948.1	496.6	201.7	698.3	326.3	98.8	425.1	(170.3)	(102.9)	(273.2)	(39)
Subtotal	**69 996.9**	**21 381.5**	**91 378.4**	**76 641.1**	**19 902.5**	**96 543.6**	**74 464.5**	**19 265.4**	**93 729.9**	**(2 176.6)**	**(637.1)**	**(2 813.7)**	**(3)**

United Nations Joint Staff Pension Fund
Schedule I (continued)

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2016–2017 (continued)

(Thousands of United States dollars)

	Revised appropriation 2016–2017			*Final appropriation 2016–2017*			*Actuals on a comparable basis 2016–2017*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
B. Investment administrative expenses													
Posts	25 818.6	–	25 818.6	22 492.6	–	22 492.6	21 356.0	–	21 356.0	(1 136.6)	–	(1 136.6)	(5)
Other staff costs	2 968.2	–	2 968.2	1 839.1	–	1 839.1	1 054.3	–	1 054.3	(784.8)	–	(784.8)	(43)
Hospitality	27.5	–	27.5	27.5	–	27.5	1.0	–	1.0	(26.5)	–	(26.5)	(96)
Consultants	1 114.0	–	1 114.0	964.0	–	964.0	149.2	–	149.2	(814.8)	–	(814.8)	(85)
Travel of representatives	682.5	–	682.5	467.4	–	467.4	242.6	–	242.6	(224.8)	–	(224.8)	(48)
Travel of staff	1 460.6	–	1 460.6	877.2	–	877.2	585.9	–	585.9	(291.3)	–	(291.3)	(33)
Contractual services[a]	44 172.6	–	44 172.6	39 204.6	–	39 204.6	31 201.3	–	31 201.3	(8 003.3)	–	(8 003.3)	(20)
General operating expenses[b]	7 350.6	–	7 350.6	7 595.6	–	7 595.6	7 467.3	–	7 467.3	(128.3)	–	(128.3)	(2)
Supplies and materials	253.4	–	253.4	201.7	–	201.7	54.4	–	54.4	(147.3)	–	(147.3)	(73)
Furniture and equipment	960.7	–	960.7	960.7	–	960.7	619.2	–	619.2	(341.5)	–	(341.5)	(36)
Subtotal	**84 808.7**	**–**	**84 808.7**	**74 630.4**	**–**	**74 630.4**	**62 731.2**	**–**	**62 731.2**	**(11 899.2)**	**–**	**(11 899.2)**	**(16)**
C. Audit expenses													
External audit	655.4	131.1	786.5	655.4	131.1	786.5	655.2	131.1	786.3	(0.2)	–	(0.2)	(0)
Internal audit	1 763.5	352.7	2 116.2	1 698.5	339.7	2 038.2	1 548.7	309.8	1 858.5	(149.8)	(29.9)	(179.7)	(9)
Subtotal	**2 418.9**	**483.8**	**2 902.7**	**2 353.9**	**470.8**	**2 824.7**	**2 203.9**	**440.9**	**2 644.8**	**(150.0)**	**(29.9)**	**(179.9)**	**(6)**

	Revised appropriation 2016–2017			*Final appropriation 2016–2017*			*Actuals on a comparable basis 2016–2017*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
D. Board expenses	965.6	–	965.6	965.6	–	965.6	825.2		825.2	(140.4)	–	(140.4)	(15)
Total administrative expenses	**158 190.1**	**21 865.3**	**180 055.4**	**154 591.0**	**20 373.3**	**174 964.3**	**140 224.8**	**19 706.3**	**159 931.1**	**(14 366.2)**	**(667.0)**	**(15 033.2)**	**(9)**

The purpose of schedule I is to compare budget to actual amounts for the biennium 2016–2017 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] For the purpose of presentation, training resources under other staff costs in revised appropriation are moved to contractual services, in line with expenditure recording in Umoja. Fund secretariat: actuals include expenditure for the International Computing Centre ($12.3 million). Investment Management Division: actuals include expenditure for external legal consultants ($1.4 million), investment advisory services ($5.9 million) and custodial, electronic data processing and other services ($23.9 million).

[b] Includes rental and maintenance of premises and other operating expenses.

United Nations Joint Staff Pension Fund
Schedule I (continued)

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2016-2017 (continued)

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

A. Fund secretariat administrative expenses

Hospitality. The underexpenditure is the result of efforts to minimize hospitality costs.

Consultants. The underexpenditure is attributable primarily to the postponement of the consultancy services related to performance measurement, as the new format of the results-based framework will be introduced by the United Nations Secretariat in the following year.

Travel. The underexpenditure is due to lower-than-anticipated expenditure for travel and the replacement of certain staff travel with videoconferencing and teleconferencing.

Supplies, furniture and equipment. The underexpenditure is due to lower-than-anticipated requirements for supplies and materials and the postponement of selected replacement and rotational programmes until the next biennium.

B. Investment administrative expenses

Other staff costs. The underexpenditure is attributable primarily to a decrease in actual expenditure with respect to general temporary assistance compared with the budget amounts, owing to the difficulty of recruiting suitable candidates and the postponement of recruitment action until the completion of the target operating model study.

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 postponement of data management and technical writer consultancy services pending the outcome of the target operating model study, and to lower-than-anticipated costs for consulting studies.

Travel. The underexpenditure is attributable primarily to a decrease in the travel of representatives, owing to attendance by a lower-than-anticipated number of members at meetings of the Investments Committee; and to lower-than-anticipated expenditure for the travel of staff, owing largely to the fact that, apart from ensuring business continuity and work priorities, the Investment Management Division is still moving towards a full staffing complement and is taking advantage of increasingly cost-efficient technological advances in information dissemination and interconnectivity.

Contractual services. The underexpenditure in investment advisory services, custodial services and external legal consultants is due to restructuring and a reduction in non-discretionary advisory services, a decrease in costs for custodial services and less-than-anticipated costs of legal services. The underexpenditure in electronic data processing services is primarily a result of the postponement of several business application acquisitions until the completion of the target operating model study.

Supplies, furniture and equipment. The underexpenditure is attributable primarily to lower-than-anticipated expenditure for the acquisition of software, owing to the decision to postpone some information-technology-related projects, and for office supplies, owing to the continued effort to find less expensive alternatives.

C. Board expenses

The underexpenditure is attributable mainly to lower-than-anticipated expenditure related to the travel of representatives, owing in particular to the holding of two meetings associated with the Committee of Actuaries back to back, thus saving an extra trip.

United Nations Joint Staff Pension Fund
Schedule II

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2017

(Thousands of United States dollars)

	Revised appropriation 2017			*2016 budget balance carried forward*			*Revision to appropriation*			*Final budget 2017*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
A. Fund secretariat administrative expenses												
Posts	16 048.8	7 190.9	23 239.7	1 608.4	886.0	2 494.4	(1 968.5)	(966.3)	(2 934.8)	15 688.7	7 110.6	22 799.3
Other staff costs	4 249.9	141.6	4 391.5	(690.8)	(108.7)	(799.5)	3 785.2	239.6	4 024.8	7 344.3	272.5	7 616.8
Hospitality	3.1	–	3.1	3.1	–	3.1	–	–	–	6.2	–	6.2
Consultants	318.9	–	318.9	146.6	(0.8)	145.8	(299.8)	–	(299.8)	165.7	(0.8)	164.9
Travel of staff	523.2	–	523.2	132.6	(7.2)	125.4	(100.3)	–	(100.3)	555.5	(7.2)	548.3
Contractual services	6 404.3	1 161.0	7 565.3	1 093.0	84.0	1 177.0	7 947.7	–	7 947.7	15 445.0	1 245.0	16 690.0
General operating expenses	6 741.2	1 872.5	8 613.7	2 219.8	317.4	2 537.2	(1 825.0)	(304.2)	(2 129.2)	7 136.0	1 885.7	9 021.7
Supplies and materials	63.6	31.8	95.4	46.9	26.9	73.8	(62.0)	(31.4)	(93.4)	48.5	27.3	75.8
Furniture and equipment	577.8	278.3	856.1	628.9	326.7	955.6	(833.1)	(416.7)	(1 249.8)	373.6	188.3	561.9
Subtotal	**34 930.8**	**10 676.1**	**45 606.9**	**5 188.5**	**1 524.3**	**6 712.8**	**6 644.2**	**(1 479.0)**	**5 165.2**	**46 763.5**	**10 721.4**	**57 484.9**

United Nations Joint Staff Pension Fund
Schedule II (continued)

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2017 (continued)

(Thousands of United States dollars)

	Revised appropriation 2017			*2016 budget balance carried forward*			*Revision to appropriation*			*Final budget 2017*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
B. Investment administrative expenses												
Posts	12 942.9	–	12 942.9	2 466.2	–	2 466.2	(3 326.0)	–	(3 326.0)	12 083.1	–	12 083.1
Other staff costs	1 508.6	–	1 508.6	1 097.1	–	1 097.1	(1 129.1)	–	(1 129.1)	1 476.6	–	1 476.6
Hospitality	13.2	–	13.2	13.9	–	13.9	–	–	–	27.1	–	27.1
Consultants	635.7	–	635.7	329.4	–	329.4	(150.0)	–	(150.0)	815.1	–	815.1
Travel of representatives	341.2	–	341.2	215.1	–	215.1	(215.1)	–	(215.1)	341.2	–	341.2
Travel of staff	575.2	–	575.2	583.5	–	583.5	(583.4)	–	(583.4)	575.3	–	575.3
Contractual services	22 415.1	–	22 415.1	10 215.6	–	10 215.6	(4 968.0)	–	(4 968.0)	27 662.7	–	27 662.7
General operating expenses	3 687.0	–	3 687.0	(237.2)	–	(237.2)	245.0	–	245.0	3 694.8	–	3 694.8
Supplies and materials	126.7	–	126.7	93.1	–	93.1	(51.7)	–	(51.7)	168.1	–	168.1
Furniture and equipment	127.8	–	127.8	686.8	–	686.8	–	–	–	814.6	–	814.6
Subtotal	**42 373.4**	**–**	**42 373.4**	**15 463.5**	**–**	**15 463.5**	**(10 178.3)**	**–**	**(10 178.3)**	**47 658.6**	**–**	**47 658.6**
C. Audit expenses												
External audit	327.7	65.6	393.3	0.1	–	0.1	–	–	–	327.8	65.6	393.4
Internal audit	861.6	172.3	1 033.9	133.2	28.8	162.0	(65.0)	(13.0)	(78.0)	929.8	188.1	1 117.9
Subtotal	**1 189.3**	**237.9**	**1 427.2**	**133.3**	**28.8**	**162.1**	**(65.0)**	**(13.0)**	**(78.0)**	**1 257.6**	**253.7**	**1 511.3**
D. Board expenses	488.9	–	488.9	59.7	–	59.7	–	–	–	548.6	–	548.6
Total administrative expenses	**78 982.4**	**10 914.0**	**89 896.4**	**20 845.0**	**1 553.1**	**22 398.1**	**(3 599.1)**	**(1 492.0)**	**(5 091.1)**	**96 228.3**	**10 975.1**	**107 203.4**

United Nations Joint Staff Pension Fund
Schedule II (continued)

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2017 (continued)

(Thousands of United States dollars)

	Final budget 2017			*Actuals on a comparable basis*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
A. Fund secretariat administrative expenses										
Posts	15 688.7	7 110.6	22 799.3	15 061.8	6 662.7	21 724.5	(626.9)	(447.9)	(1 074.8)	(5)
Other staff costs	7 344.3	272.5	7 616.8	6 895.7	148.7	7 044.4	(448.6)	(123.8)	(572.4)	(8)
Hospitality	6.2	–	6.2	–	–	–	(6.2)	–	(6.2)	(100)
Consultants	165.7	(0.8)	164.9	91.9	(0.8)	91.1	(73.8)	–	(73.8)	(45)
Travel of staff	555.5	(7.2)	548.3	324.7	(7.2)	317.5	(230.8)	–	(230.8)	(42)
Contractual services[a]	15 445.0	1 245.0	16 690.0	14 974.4	1 277.1	16 251.5	(470.6)	32.1	(438.5)	(3)
General operating expenses[b]	7 136.0	1 885.7	9 021.7	7 006.7	1 906.4	8 913.1	(129.3)	20.7	(108.6)	(1)
Supplies and materials	48.5	27.3	75.8	28.4	12.0	40.4	(20.1)	(15.3)	(35.4)	(47)
Furniture and equipment	373.6	188.3	561.9	203.3	85.4	288.7	(170.3)	(102.9)	(273.2)	(49)
Subtotal	**46 763.5**	**10 721.4**	**57 484.9**	**44 586.9**	**10 084.3**	**54 671.2**	**(2 176.6)**	**(637.1)**	**(2 813.7)**	**(5)**
B. Investment administrative expenses										
Posts	12 083.1	–	12 083.1	10 946.5	–	10 946.5	(1 136.6)	–	(1 136.6)	(9)
Other staff costs	1 476.6	–	1 476.6	691.8	–	691.8	(784.8)	–	(784.8)	(53)
Hospitality	27.1	–	27.1	0.6	–	0.6	(26.5)	–	(26.5)	(98)
Consultants	815.1	–	815.1	0.3	–	0.3	(814.8)	–	(814.8)	(100)
Travel of representatives	341.2	–	341.2	116.4	–	116.4	(224.8)	–	(224.8)	(66)
Travel of staff	575.3	–	575.3	284.0	–	284.0	(291.3)	–	(291.3)	(51)
Contractual services[a]	27 662.7	–	27 662.7	19 659.4	–	19 659.4	(8 003.3)	–	(8 003.3)	(29)
General operating expenses[b]	3 694.8	–	3 694.8	3 566.5	–	3 566.5	(128.3)	–	(128.3)	(3)
Supplies and materials	168.1	–	168.1	20.8	–	20.8	(147.3)	–	(147.3)	(88)
Furniture and equipment	814.6	–	814.6	473.1	–	473.1	(341.5)	–	(341.5)	(42)
Subtotal	**47 658.6**	**–**	**47 658.6**	**35 759.4**	**–**	**35 759.4**	**(11 899.2)**	**–**	**(11 899.2)**	**(25)**

United Nations Joint Staff Pension Fund
Schedule II (continued)

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2017 (continued)

(Thousands of United States dollars)

	Final budget 2017			*Actuals on a comparable basis*			*Variance*			
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Percentage*
C. Audit expenses										
External audit	327.8	65.6	393.4	327.6	65.6	393.2	(0.2)	–	(0.2)	(0)
Internal audit	929.8	188.1	1 117.9	780.0	158.2	938.2	(149.8)	(29.9)	(179.7)	(16)
Subtotal	**1 257.6**	**253.7**	**1 511.3**	**1 107.6**	**223.8**	**1 331.4**	**(150.0)**	**(29.9)**	**(179.9)**	**(12)**
D. Board expenses	**548.6**	**–**	**548.6**	**408.2**	**–**	**408.2**	**(140.4)**	**–**	**(140.4)**	**(26)**
Total administrative expenses	**96 228.3**	**10 975.1**	**107 203.4**	**81 862.1**	**10 308.1**	**92 170.2**	**(14 366.2)**	**(667.0)**	**(15 033.2)**	**(14)**

The purpose of schedule II 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 reconciliation of the differences is provided in note 22.2.

[a] Fund secretariat: actuals include expenditure for the International Computing Centre ($7.1 million). Investment Management Division: actuals include expenditure for external legal consultants ($0.8 million), investment advisory services ($3.4 million) and custodial, electronic data processing and other services ($15.4 million).
[b] Includes rental and maintenance of premises and other operating expenses.

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 1949 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 are currently 23 member organizations participating in the Fund. 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. The Chief Executive Officer is responsible for providing a range of administrative functions to support the Investment Management Division. 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 the 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. 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 budgetary, financial and accounting operations of the Pension 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

9. 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' service without an interruption of more than 30 days. As at 31 December 2017, the Fund had active contributors (participants) from Member organizations/agencies 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 Organizations, 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

10. 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 manages the receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

11. The Representative of the Secretary-General is assisted by the staff of the Investment Management Division where investments are actively traded and processed and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

12. Article 12 of the Regulations of the Fund (see JSPB/G.4/Rev.22) 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 19 for a summary of the actuarial situation of the Fund as at 31 December 2017.

1.6 Retirement benefit

13. 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 his or her 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.

14. 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.

15. 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.

16. 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).

17. The retirement benefit shall, however, be payable at the minimum annual rate, obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of $1,072.22 (effective 1 April 2017, 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.

18. 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 $1,705.44 (effective 1 April 2017, 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.

19. "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.

20. A participant may, except in the case where a minimum benefit is payable and he or she 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

21. 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.

22. 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 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.

23. 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

24. 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.

25. 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 his or her 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

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

27. 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 he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

28. 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 $2,839.80 (effective 1 April 2017, 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

29. 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 his or her 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

30. 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

31. Other benefits include the secondary dependant 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

32. 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, Administrative 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).

33. 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 his or her country of residence.

1.12 Funding policy

34. 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 article 11 (c) of the Regulations of the Fund. The participants' contributions for the years ended 31 December 2017 and 31 December 2016 were $792.6 million and $757.0 million, respectively. The contribution figures do not include interest on the contributions.

35. 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 $1,577.2 million and $1,506.6 million during calendar years 2017 and 2016, respectively. When combined with the contributions of participant and expected investment returns, total funding is estimated to be sufficient to provide for the benefits of all employees by the time they retire.

36. 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

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

38. 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 Board.

39. The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

40. 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.

41. 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.

42. The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.14 Changes in funding policy and plan terminations terms during the reporting period

43. 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

44. 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 22). 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.

45. 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

46. In July 2016, the IPSAS Board issued IPSAS 39, Employee benefits. IPSAS 39 supersedes the requirements set out in IPSAS 25, Employee benefits. The significant changes introduced in IPSAS 39 as compared with IPSAS 25 are: the removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (the “corridor approach”); the introduction of the net interest approach for defined benefit plans; and the amendment of certain disclosure requirements for defined benefit plans and multi-employer plans. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Fund recognizes actuarial gain and loss as expense;

accordingly, the implementation of IPSAS 39 was not expected to have material impact on the Fund's financial position. The Fund is currently evaluating the impact of changes in disclosure requirements on the adoption of this accounting standard on 1 January 2018.

47. In January 2017, the IPSAS Board issued IPSAS 40, Public sector combinations. IPSAS 40 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 the adoption of this accounting standard.

48. 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 to have immaterial impact on the Fund's financial statements.

2.3 Other general information

49. 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 Investment Management Division, global custodians and fund managers. 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

50. 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

51. 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.

52. 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.

53. 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)
- Alternative and other investments (including investments in private equity funds, and commodity funds)

3.2.2 Valuation of financial instruments

54. 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.

55. 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

56. 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.

57. 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

58. 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

59. 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.

60. 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

61. 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 depositary 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.

62. 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 end of the year, the Fund measures its withholding tax receivable at the amount deemed recoverable.

63. 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 depositary 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.

64. 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

65. 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

66. 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.

67. 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.

68. 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.

69. 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

70. 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

71. 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

72. 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

73. 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 19 contains information on assumptions used for the actuarial liability to the beneficiaries of the Fund.

3.5 Contributions

74. 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

75. 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

76. 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.

77. 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 Thomson Reuters rates (secondary source) as the spot rates for 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

78. 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 the 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

79. 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.

80. 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

81. 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

82. 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

83. 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

84. 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.

85. 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

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

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

88. The employees of the Fund themselves participate in the Pension 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 25. 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

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

90. 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.

91. 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 2017 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.

92. Note 22 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

93. 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.

94. 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 Investment Management Division and the Chief Financial Officer;

(b) The General Assembly;

(c) The 23 member organizations participating in the Fund;

(d) The International Computing Centre.

95. A summary of the relationship and transactions with the above-mentioned parties is given in note 24.

3.16 Subsequent events

96. Any information that is received after the reporting period but before the financial statements are signed about conditions that existed at the date of the statement of net assets available for benefits is incorporated into the financial statements.

97. 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

98. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Cash at Bank — Investment Management Division	722 512	1 372 817
Cash at Bank — Fund secretariat	207 181	153 812
Cash held by external managers	42 114	35 893
Total cash and cash equivalents	**971 807**	**1 562 522**

Note 5
Financial instruments by category

99. The tables below provide an overview of all financial instruments held by category as at 31 December 2017 and 31 December 2016.[9]

(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	–	–

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

	As at 31 December 2017		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Equities	39 784 228	–	–
Fixed income	15 329 947	–	–
Real assets	4 213 829	–	–
Alternative 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

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

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

(Thousands of United States dollars)

	As at 31 December 2016		
	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	1 562 522	–	–
Investments			
Short-term investments	724 509	–	–
Equities	34 455 474	–	–
Fixed income	12 311 322	–	–
Real assets	3 796 144	–	–
Alternative and other investments	1 663 801	–	–
Contributions receivable	–	13 824	–
Accrued income from investments	–	139 311	–
Receivable from investments traded	–	15 124	–

	As at 31 December 2016		
	Financial instruments at fair value	*Loans and receivables*	*Other financial liabilities*
Withholding tax receivables	–	10 501	–
Other assets	–	19 027	–
Total financial assets	**54 513 772**	**197 787**	**–**
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	133 782
Payable from investments traded	–	–	8 138
After-service health insurance and other employee benefits liabilities	–	–	76 736
Other accruals and liabilities	–	–	18 987
Total financial liabilities	**–**	**–**	**237 643**

Investments exceeding 5 per cent of net assets

102. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2016.

103. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2016. The Fund held a total of $202.8 million in one real estate fund as at 31 December 2016, which represented 5 per cent or more of the real assets category. The Fund also held investments of $489.8 million in five private equity funds, which represented 5 per cent or more of the alternative and other investments category.

Note 6
Fair value measurement

104. 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.

105. 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.

106. The tables below present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2017 and 31 December 2016.

(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**

(Thousands of United States dollars)

Hierarchy disclosure as at 31 December 2016	*Level 1*	*Level 2*	*Level 3*	*Total*
Short-term investments				
Government and agencies securities	–	346 406	–	346 406
Corporate bonds	–	165 006	126 217	291 223
Notes, deposits and commercial paper	–	86 880	–	86 880
Total short-term investments	**–**	**598 292**	**126 217**	**724 509**
Equities				
Common and preferred stock	31 366 431	–	–	31 366 431
Funds — exchange-traded funds	2 646 766	–	–	2 646 766
Real estate investment trusts	240 075	–	–	240 075
Funds — common stock	–	–	158 361	158 361
Stapled securities	43 841	–	–	43 841
Total equities	**34 297 113**	**–**	**158 361**	**34 455 474**
Fixed income				
Government and agencies securities	–	8 837 924	–	8 837 924
Corporate bonds	–	2 789 955	–	2 789 955
Municipal/provincial bonds	–	626 113	–	626 113
Commercial mortgage-backed	–	10 628	–	10 628
Funds — corporate bond	–	–	46 702	46 702
Total fixed income	**–**	**12 264 620**	**46 702**	**12 311 322**
Real assets				
Real estate funds	–	239 698	3 407 072	3 646 770
Infrastructure assets	–	–	132 792	132 792
Timberlands	–	–	16 582	16 582
Total real Assets	**–**	**239 698**	**3 556 446**	**3 796 144**
Alternatives and other investments				
Private equity	–	–	1 547 504	1 547 504
Commodity funds	–	–	116 297	116 297
Total alternatives and other investments	**–**	**–**	**1 663 801**	**1 663 801**
Total	**34 297 113**	**13 102 610**	**5 551 527**	**52 951 250**

Short-term investments

107. Corporate bonds amounting to $90.0 million as at 31 December 2017 (31 December 2016: $126.2 million) 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.

Equities

108. 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.

109. Common stock funds amounting to $146.9 million as at 31 December 2017 (31 December 2016: $158.4 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

110. 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.

111. Corporate bond funds amounting to $48.6 million as at 31 December 2017 (31 December 2016: $46.7 million) 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

112. Real assets amounting to $3,959.9 million as at 31 December 2017 (31 December 2016: $3,556.4 million), as well as alternative and other investments amounting to $2,403.4 million as at 31 December 2017 (31 December 2016: $1,663.8 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.

113. Two real estate funds amounting to $253.9 million (31 December 2016: $239.6 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.

114. There were no transfers between levels in 2017.

115. The table below presents the inter-level transfers for the year ended 31 December 2016.

(Thousands of United States dollars)

	Level 1	*Level 2*	*Level 3*	*Total*
Transfers into				
Fixed income	–	19 370	–	19 370
Equities	–	–	29 836	29 836
Alternatives and other investments	–	–	–	–
Total	**–**	**19 370**	**29 836**	**49 206**

	Level 1	*Level 2*	*Level 3*	*Total*
Transfers out of				
Fixed income	–	–	(19 370)	(19 370)
Equities	–	–	–	–
Alternative and other investments	–	–	(29 836)	(29 836)
Total	**–**	**–**	**(49 206)**	**(49 206)**

116. For the year ended 31 December 2016, there was a transfer of one fixed-income security, amounting to $19.4 million, out of level 3 and into level 2. The security was priced by multiple vendors as at 31 December 2016, as compared with a single vendor as at 31 December 2015. Consequently, the Fund has decided to classify this investment as level 2.

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

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternative 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

118. The table below presents the movements in level 3 instruments for the year ended 31 December 2016 by class of financial instrument.

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	*Total*
Opening balance	**165 279**	**109 367**	**3 127 959**	**1 380 833**	**4 783 438**
Purchases	3 043	128 602	812 716	371 192	1 315 553
Sales/return of capital	(17 150)	(48 280)	(620 183)	(232 112)	(917 725)
Transfers (out of)/into level 3	29 836	(19 370)	–	(29 836)	(19 370)

	Equities	*Fixed income*	*Real assets*	*Alternative and other investments*	*Total*
Net gains and losses recognized in the statement of changes in net assets available for benefits	(22 647)	2 600	235 954	173 724	389 631
Closing balance	**158 361**	**172 919**	**3 556 446**	**1 663 801**	**5 551 527**
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	(13 176)	(1 869)	205 168	142 846	332 969

Note 7
Accrued income from investments

119. 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 2017	*31 December 2016*
Cash and cash equivalents	719	324
Short-term investments	9 243	5 447
Fixed-income securities	99 254	86 486
Dividends receivable on equities	43 280	44 919
Real assets and alternative investments	2 159	2 135
Total accrued income from investments	**154 655**	**139 311**

Note 8
Withholding tax receivables

120. Withholding tax receivables as at 31 December 2016 and 2017 and withholding tax expense for the years ended 31 December 2016 and 31 December 2017 by county are as follows:

(Thousands of United States dollars)

	For the year 2016			*As at 31 December 2016*			*For the year 2017*			*As at 31 December 2017*		
Country	*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	–	–	–	130	–	130	–	–	130	140	(140)	–
Austria	–	–	1	26	–	26	–	–	(4)	30	–	30
Belgium	1 129	1 128	1	–	–	–	316	320	(4)	–	–	–
Brazil	208	–	208	495	(495)	–	461	–	461	486	(486)	–
Chile	263	–	263	–	–	–	319	25	279	15	–	15
China	2 080	270	1 810	9 213	(9 213)	–	3 189	168	3 021	11 066	(11 066)	–
France	–	–	–	–	–	–	195	–	(24)	219	–	219
Germany	7 585	7 907	430	5 696	–	5 696	7 337	–	(1 519)	14 552	–	14 552
Greece	–	–	107	104	(104)	–	–	–	–	118	(118)	–
Ireland	23	–	2	21	–	21	113	–	(11)	145	–	145
Israel	5	–	5	–	–	–	37	–	37	–	–	–
Mexico	–	–	–	–	–	–	13	–	–	13	–	13
Netherlands	1 675	1 626	53	139	–	139	1 716	1 816	(38)	77	–	77
Papua New Guinea	–	–	–	–	–	–	21	–	21	21	(21)	–
Russian Federation	591	–	918	170	–	170	1 254	608	816	–	–	–
Singapore	–	–	37	–	–	–		–	–	–	–	–
Spain	2 195	2 271	(2)	191	–	191	1 983	1 974	(29)	229	–	229
Sweden	–	–	29	28	(28)	–	–	–	–	32	(32)	–
Switzerland	7 288	7 239	(60)	2 201	–	2 201	8 999	2 322	(370)	9 248	–	9 248
Turkey	–	–	–	394	(394)	–	–	–	–	366	(366)	–
United Kingdom	1 645	2 600	(53)	1 927	–	1 927	2 012	2 161	(248)	2 026	–	2 026
Total	**24 687**	**23 041**	**3 749**	**20 735**	**(10 234)**	**10 501**	**27 965**	**9 394**	**2 518**	**38 783**	**(12 229)**	**26 554**

121. In Brazil and some provinces of China, and for certain periods in Greece, 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 2017.

122. Ageing analysis of withholding tax receivable as at 31 December 2017 and 31 December 2016 is as follows:

(Thousands of United States dollars)

	As at 31 December 2017			*As at 31 December 2016*		
Country	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*	*Greater than 3 years*	*Less than 3 years*	*Tax receivable*
Australia	–	–	–	67	63	130
Austria	30	–	30	–	26	26
Chile	–	15	15	–	–	–
France	–	219	219	–	–	–
Germany	–	14 552	14 552	–	5 696	5 696
Ireland	–	145	145	–	21	21
Mexico	–	13	13	–	–	–
Netherlands	–	77	77	–	139	139
Russian Federation	–	–	–	170	–	170
Spain	–	229	229	–	191	191
Switzerland	–	9 248	9 248	–	2 201	2 201
United Kingdom	–	2 026	2 026	–	1 927	1 927
Total	**30**	**26 524**	**26 554**	**237**	**10 264**	**10 501**

Note 9
Other assets

123. 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 2017	*31 December 2016*
Prepayments and benefits receivable	16 233	13 688
Property, plant and equipment	2 787	3 912
Intangible assets in use	3 649	10 298
United Nations receivables	–	4 891
Other receivables	525	448
Total	**23 194**	**33 237**

9.1 Prepayments and benefits receivable

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

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Prepayments	2 625	491
Advance benefit payments due to payroll conversion	8 663	9 817
Benefits receivable	9 556	8 092
Benefits receivable — provision	(4 611)	(4 712)
Total	**16 233**	**13 688**

9.2 Property, plant and equipment

125. 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 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**

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*		
	In use	*In use*	*Under construction*	*Total*
Cost				
1 January 2016	1 333	10 880	2 170	14 383
Additions	283	3 083	(2 170)	1 196
Disposals/transfers	(21)	–	–	(21)
31 December 2016	1 595	13 963	–	15 558

	Information technology equipment	*Leasehold improvements*		
	In use	*In use*	*Under construction*	*Total*
Accumulated depreciation				
1 January 2016	1 086	9 074	–	10 160
Depreciation	224	1 283	–	1 507
Disposals/transfers	(21)	–	–	(21)
31 December 2016	1 289	10 357	–	11 646
Net book value, 31 December 2016	**306**	**3 606**	**–**	**3 912**

126. 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

127. 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 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**

(Thousands of United States dollars)

	Intangible assets		
	In use	*Under construction*	*Total*
Cost			
1 January 2016	20 305	115	20 420
Additions	1 734	–	1 734
Transfers	115	(115)	–
Disposals	(432)	–	(432)
31 December 2016	21 722	–	21 722

	Intangible assets		
	In use	*Under construction*	*Total*
Accumulated amortization			
1 January 2016	5 218	–	5 218
Amortization	6 638	–	6 638
Disposals	(432)	–	(432)
31 December 2016	11 424	–	11 424
Net book value, 31 December 2016	**10 298**	**–**	**10 298**

Note 10
Benefits payable

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

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Withdrawal settlements	57 683	41 210
Lump-sum payments	48 236	52 105
Periodic benefits payable	41 974	40 524
Other benefits payables/adjustments	293	(57)
Total	**148 186**	**133 782**

Note 11
After-service health insurance and other employee benefits

129. 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 2017	*31 December 2016*
After-service health insurance liability	86 601	69 383
Repatriation grant and related costs	3 407	2 932
Education grant and related costs	331	292
Death benefit	–	149
Annual leave	3 735	3 724
Home leave	289	256
Total	**94 363**	**76 736**

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

130. 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.
- Death benefits payable in case of death in service to any dependants.

131. The liabilities as at 31 December 2017 were calculated on the basis of census data as at 31 October 2017, provided to the actuary by the United Nations; the liabilities as at 31 December 2016 were the result of the roll-forward to 31 December 2016 of the end-of-service benefit obligations as at 31 December 2015 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

132. In performing the roll-forward to 31 December 2016, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2016 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2015.

133. 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.

134. 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

135. For 31 December 2016, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 3.83 per cent for the after-service health insurance scheme
- 3.46 per cent for repatriation benefits
- 3.58 per cent for annual leave
- 3.29 per cent for death benefits

136. For the purpose of comparison, the table below shows the percentage change due to a 1 per cent change in the discount rate.

	Impact on accrued liability			
Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*	*Death benefit*
Increase of 1 per cent	18 per cent decrease	9 per cent decrease	9 per cent decrease	7 per cent decrease
Decrease of 1 per cent	24 per cent increase	10 per cent increase	10 per cent increase	7 per cent increase

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

	31 December 2017	*31 December 2016*
United States non-Medicare	5.7 per cent, trending down to 3.85 per cent after 15 years	6.0 per cent, trending down to 4.5 per cent after 8 years
United States Medicare	5.5 per cent, trending down to 3.85 per cent after 15 years	5.7 per cent, trending down to 4.5 per cent after 7 years
United States dental	4.8 per cent, trending down to 3.85 per cent after 15 years	4.9 per cent, trending down to 4.5 per cent after 9 years
Non-United States — Switzerland	4.0 per cent, trending down to 3.05 per cent after 10 years	4.0 per cent per year
Non-United States — eurozone	4.0 per cent, trending down to 3.05 per cent after 10 years	4.0 per cent per year

138. The increase in the total after-service health insurance liabilities reported from 31 December 2016 to 31 December 2017 is due primarily to the impact of changing the actuarial assumptions, in particular the increase in life expectancies and the decrease in discount rates for benefits denominated in United States dollars.

139. 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

140. 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

141. Staff members who are appointed as international staff are eligible for the payment of a repatriation grant after one year of active service outside his or her country of nationality as long as the reason for separation is not summary dismissal or abandonment of post.

142. 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.

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

Annual leave

144. 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.

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

Note 12
Other accruals and liabilities

146. 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 2017	*31 December 2016*
Accruals for management fees and expenses	5 030	10 287
Accrual for contractual services	–	4 339
Restoration payable	2 485	2 036
Operating leases rent accrual	1 122	1 755
After-service health insurance payable to member organizations	6	7
United Nations payable	1 874	–
Audit fee accrual	197	197
Other	330	366
Total	**11 044**	**18 987**

Note 13
Investment income

147. 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.

148. 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)

	2017	*2016*
Total change in fair value for financial assets designated at fair value	**9 081 326**	**1 582 604**
Interest income		
Interest income on cash and cash equivalents	9 298	3 287
Interest income on fixed income instruments	352 444	322 499
Total interest income	**361 742**	**325 786**
Total dividend income	**865 788**	**821 651**
Total income from real assets	**65 530**	**55 015**
Transaction costs		
Management fees and other related fees	(103 842)	(90 696)
Small capitalization fund management fees	(12 511)	(10 087)
Brokerage commissions	(13 770)	(13 012)
Other transactions cost	(3 022)	(3 699)
Total transaction cost	**(133 145)**	**(117 494)**
Net investment income	**10 241 241**	**2 667 562**

149. 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 2017 and 31 December 2016.

	2017			*2016*		
	Market price	*Currency*[a]	*Total change*	*Market price*	*Currency*[a]	*Total change*
Short-term investments	(8 431)	89 522	81 091	(4 014)	(13 616)	(17 630)
Equities	6 572 139	865 916	7 438 055	2 008 382	(425 868)	1 582 514
Fixed Income	(6 345)	644 309	637 964	(284 677)	(210 523)	(495 200)
Real assets investments	416 993	54 797	471 790	300 984	(19 206)	281 778
Alternative investments	422 238	22 471	444 709	241 396	(5 959)	235 437
Cash, cash equivalents and receivable and payable from investment traded	–	7 717	7 717	–	(4 295)	(4 295)
Total change in fair value for financial assets designated at fair value	**7 396 594**	**1 684 732**	**9 081 326**	**2 262 071**	**(679 467)**	**1 582 604**

[a] Change in currency exchange gain/(loss) includes a $332.5 million (2016: $775.9 million) realized currency exchange loss and a $2,017.2 million unrealized currency exchange gain (2016: $96.4 million).

Note 14
Contributions

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

(Thousands of United States dollars)

	2017	*2016*
Contributions from participants		
Regular contributions	787 636	752 314
Contributions for validation	869	607
Contributions for restoration	4 088	4 118
	792 593	**757 039**
Contributions from member organizations		
Regular contributions	1 575 272	1 504 629
Contributions for validation	1 879	1 564
	1 577 151	**1 506 193**
Other contributions		
Contributions for participants transferred in under agreements	5 826	3 827
Receipts of excess actuarial value over regular contributions	546	171
Other contributions/adjustments	24 796	6 268
	31 168	**10 266**
Total contributions for the period	**2 400 912**	**2 273 498**

151. 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
Other income

152. Other income during the period can be broken down as follows:

(Thousands of United States dollars)

	2017	*2016*
Class action proceeds and claims	7 663	485
Notional interest income	3 835	2 093
United Nations University management fees	50	50
Other income	76	740
Total other income for the period	**11 624**	**3 368**

Note 16
Benefit expenses

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

(Thousands of United States dollars)

	2017	2016
Withdrawal settlements and full commutation of benefits		
For contributory services of 5 years or less	42 413	42 790
For contributory services of more than 5 years	152 390	74 605
	194 803	**117 395**
Retirement benefits		
Full retirement benefits	1 343 089	1 297 563
Early retirement benefits	684 426	668 319
Deferred retirement benefits	97 412	93 225
Disability benefits	75 452	67 886
Survivor benefits	248 154	234 666
Child benefits	31 040	29 632
	2 479 573	**2 391 291**
Other benefits/adjustments		
Payments for participants transferred out under agreements	2 523	228
Other benefits/adjustments	(3 629)	(2 379)
	(1 106)	**(2 151)**
Total benefit expenses for the period	**2 673 270**	**2 506 535**

Note 17
Administrative expenses

154. Administrative expenses in 2017 and 2016 are as follows:

(Thousands of United States dollars)

	2017				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*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[a]	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

	2017				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
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**

[a] Includes training cost.

(Thousands of United States dollars)

	2016				
	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts (excluding change in the value of the after-service health insurance liability)	14 387	10 418	–	–	24 805
Changes in the value of the after-service health insurance liability	4 655	1 474	116	–	6 245
Other staff costs	4 189	363	–	–	4 552
Hospitality	–	–	–	–	–
Consultants	113	87	–	–	200
Travel	349	395	–	–	744
Contractual services[a]	14 052	13 016	–	–	27 068
General operating expenses	4 367	4 290	–	–	8 657
Supplies and materials	81	27	–	–	108
Furniture and equipment	460	410	–	–	870
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 099	–	1 099
Board expenses	–	–	–	416	416
Total administrative expenses	**42 653**	**30 480**	**1 215**	**416**	**74 764**

[a] Includes training cost.

Note 18
Other expenses

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

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Emergency fund expense	117	40
Notional interest expense	2 231	637
Other expenses and claims	459	605
Total other expenses for the period	**2 807**	**1 282**

Note 19
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 in the valuation as at 31 December 2017 are as follows:

- Life expectancy of participants (2017 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions as approved by the Pension Board during its sixty-fourth session
- Annual nominal 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
- Assumed long-term cost of two-track system of 2.1 per cent of pensionable remuneration
- Assumed percentage of benefits commuted by retired participants of 19 per cent of annuity payments

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 2017 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	25 902	34 057
Vested terminated participants	742	1 279
Active participants	14 040	19 278
Total vested benefits	**40 684**	**54 614**
Non-vested benefits	921	1 165
Total actuarial present value of accumulated plan benefits	**41 605**	**55 779**

Information on participation in the Pension Fund

163. The participation in the plan developed as follows:

	As at 31 December 2017
Active participants[a]	
Number	116 985
Annual remuneration (millions of United States dollars)	10 464
Average remuneration (United States dollars)	**89 451**
Inactive participants[a] and beneficiaries[b]	
Number	87 806
Annual benefit (millions of United States dollars)	2 455
Average benefit (United States dollars)	**27 963**

[a] For the purpose of the actuarial valuation, 9,559 inactive participants are separated from the total number of participants and are reflected in the valuation as a participant with a deferred benefit entitlement.

[b] Multiple benefits in payments were combined for selected beneficiaries.

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 assets averaging methodology is an increase in actuarial assets of $3,439 million as at 31 December 2017.

Note 20
Commitments and contingencies

20.1 Investment commitments

165. As at 31 December 2017 and 31 December 2016, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Real estate funds	2 025 968	2 045 371
Private equity	1 920 260	1 967 515
Infrastructure funds	65 598	60 020
Timberland funds	11 270	86 701
Total commitments	**4 023 096**	**4 159 607**

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.

20.2 Lease commitments

167. As at 31 December 2017 and 31 December 2016, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Obligations for property leases		
Under 1 year	6 802	6 566
1–5 years	11 025	16 380
Beyond 5 years	–	–
Total property lease obligations	**17 827**	**22 946**

20.3 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 2017 or 31 December 2016.

Note 21
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.

21.1 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: Standard & Poor's, 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 2017. As at 31 December 2017, 90 per cent (2016: 92 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 2017 and 31 December 2016, respectively, as provided by Moody's.

(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

	31 December 2017			
	Aaa–A3	*Baa1–Baa3*	*Not rated*	*Total*
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**

(Thousands of United States dollars)

	31 December 2016			
	Aaa–A3	*Baa1–Baa3*	*Not rated*	*Total*
Commercial mortgage-backed	7 267	–	–	7 267
Corporate bonds	2 056 248	555 015	178 692	2 789 955
Funds — corporate bond	–	–	46 702	46 702
Government agencies	1 439 840	–	59 389	1 499 229
Government bonds	6 310 445	359 464	576 684	7 246 593
Government mortgage-backed	–	–	56 141	56 141
Index linked government bonds	35 961	–	–	35 961
Municipal/provincial bonds	544 914	–	81 199	626 113
Non-government-backed collateralized mortgage obligations	3 361	–	–	3 361
Total fixed income	**10 398 036**	**914 479**	**998 807**	**12 311 322**
Short-term investments	**203 659**	**68 107**	**452 743**	**724 509**

176. 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 (Standard & Poor's 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.

177. 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 (Standard & Poor's and Fitch).

178. Of the unrated fixed income securities totalling $998.8 million as at 31 December 2016, $895.1 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 $103.7 million for which no issuer rating was available from Moody's, seven debt securities, amounting to $57.0 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch) and another security, amounting to $46.7 million, was a bond fund and, as such, was not evaluated by a credit rating agency.

179. Of the unrated short-term securities totalling $452.7 million as at 31 December 2016, $429.7 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 $23.0 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 (Standard & Poor's 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.

21.2 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 2017 and 31 December 2016 contractually mature within three months. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

21.3 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 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 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 tables below are annualized using historical simulation.

(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.

(Percentage)

	2016			
Asset class	*Volatility (standard deviation)*	*VaR (95%)*	*Contribution to risk*	*Expected shortfall (5%)*
Total fund	8.58	13.10	100.00	20.40
Total equity	11.79	18.74	86.72	28.60
Fixed income	4.71	8.06	0.69	11.29
Cash and short-term	0.91	1.60	0.11	2.13
Real estate	14.74	26.79	8.38	36.32
Private equity	11.62	18.15	3.70	28.49
Commodities	13.52	22.57	0.13	29.93
Infrastructure	14.57	26.75	0.27	35.89

Note: Figures are reported from MSCI RiskMetrics as of 31 December 2016.

186. 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

187. 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.

188. At 31 December 2017 and 31 December 2016, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2017	*31 December 2016*
Common and preferred stock	36 781 931	31 366 431
Funds — exchange-traded funds	2 595 365	2 646 766
Real estate investment trusts	210 016	240 075
Funds — common stock	146 906	158 361
Stapled securities	50 010	43 841
Total equity instruments	**39 784 228**	**34 455 474**

189. Considering the total Fund risk as 100 per cent, the contribution to risk (total Fund) due to market risk is 89.9 per cent (2016: 93.4 per cent). For the total Fund risk, equities contributed 84.9 per cent (2016: 86.7 per cent) to the total Fund risk and the rest is contributed by all other asset classes.

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

191. The Fund's equity investment portfolio by industrial sector in 2017 and 2016 were as follows:

(Percentage)

	31 December 2017		*31 December 2016*	
General industry classification standards	*Fund's equity portfolio*	*Benchmark*	*Fund's equity portfolio*	*Benchmark*
Financials	18.08	18.74	17.22	18.68
Information technology	17.97	18.09	16.29	15.53
Consumer discretionary	11.78	12.01	11.80	12.10
Energy	5.67	6.38	6.47	7.35
Health care	10.90	10.68	11.05	11.05
Industrials	9.01	10.86	8.62	10.63
Consumer staples	7.72	8.75	8.28	9.48
Materials	5.21	5.50	5.05	5.27
Telecommunication services	2.60	3.02	3.11	3.62
Utilities	2.32	2.90	2.39	3.16
Real estate	2.25	3.07	2.01	3.13

	31 December 2017		31 December 2016	
General industry classification standards	*Fund's equity portfolio*	*Benchmark*	*Fund's equity portfolio*	*Benchmark*
Other	6.49	Not applicable	7.71	Not applicable
Total	**100.00**	**100.00**	**100.00**	**100.00**

192. 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)

	2017	*2016*
North America	55.0	57.9
Europe	20.7	19.3
Asia-Pacific	12.1	10.7
Emerging markets	11.6	9.9
International regions	0.6	2.2
Total	**100.0**	**100.0**

Currency risk

193. 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.

194. 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.

195. 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 2017 and 31 December 2016, respectively. Net financial liabilities amounting to $178.0 million in 2017 (2016: $39.9 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 2017						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and others*	*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

	As at 31 December 2017						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and others*	*Short–term*	*Cash*	*Total*
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
South Korean 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
Pakistani rupee	–	–	–	–	–	0.00	0.00
African franc	–	–	–	–	–	0.00	0.00
Chilean peso	–	0.06	–	–	–	0.00	0.06
Total	**61.65**	**23.75**	**6.53**	**3.72**	**2.84**	**1.51**	**100.00**

(Percentage)

	As at 31 December 2016						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and others*	*Short–term*	*Cash*	*Total*
United States dollar	38.47	11.49	5.64	2.60	0.25	2.52	60.97
Euro	6.09	3.79	0.46	0.45	0.90	0.02	11.71
Japanese yen	4.75	2.48	0.22	–	–	0.00	7.45
British pound sterling	3.64	0.94	0.17	–	–	0.00	4.75
Canadian dollar	1.97	0.67	0.16	–	–	0.00	2.80
Australian dollar	1.24	0.54	0.31	–	–	0.03	2.12
Hong Kong dollar	2.00	–	–	–	–	0.00	2.00
Swiss franc	1.71	–	–	–	–	0.00	1.71
South Korean won	0.85	0.37	–	–	–	0.00	1.22
Polish zloty	–	0.84	–	–	–	0.09	0.93

	As at 31 December 2016						
Currency	*Equity*	*Fixed income*	*Real assets*	*Alternative and others*	*Short–term*	*Cash*	*Total*
Mexican peso	0.17	0.53	–	–	–	0.02	0.72
Swedish krona	0.43	0.18	–	–	–	0.11	0.72
Norwegian krone	0.03	0.31	–	–	0.17	0.00	0.51
Indian rupee	0.39	–	–	–	–	0.06	0.45
Brazilian real	0.40	–	–	–	–	0.00	0.40
South African rand	0.34	–	–	–	–	0.00	0.34
Malaysian ringgit	0.10	0.20	–	–	–	0.01	0.31
Singapore dollar	0.23	0.07	–	–	–	0.00	0.30
Danish krone	0.25	–	–	–	–	0.00	0.25
New Zealand dollar	0.01	0.09	–	–	–	0.00	0.10
Philippine peso	0.10	–	–	–	–	0.00	0.10
Turkish lira	0.08	–	–	–	–	0.00	0.08
Chilean peso	–	0.06	–	–	–	0.00	0.06
Hungarian forint	–	–	–	–	–	0.00	0.00
African franc	–	–	–	–	–	0.00	0.00
Pakistani rupee	–	–	–	–	–	0.00	0.00
Grand total	**63.25**	**22.56**	**6.96**	**3.05**	**1.32**	**2.86%**	**100.00**

Interest rate risk

196. 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.

197. 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.

(Percentage)

	2017		*2016*	
	Fund	*Benchmark*	*Fund*	*Benchmark*
Effective duration	6.54	6.99	6.81	6.90

198. 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 6.54 per cent (2016: 6.81 per cent) compared with benchmark, which can lose or gain approximately 6.99 per cent (2016: 6.90 per cent). This arises primarily from the increase/decrease in the fair value of fixed interest securities.

Note 22
Budget information

22.1 Movement between original and final budgets

(Thousands of United States dollars)

	Revised appropriation 2017	*2016 budget balance carried forward*	*Approved increases/decreases*	*Final appropriation 2017*
Administrative costs	45 607	6 713	5 165	57 485
Investment costs	42 373	15 464	(10 178)	47 659
Audit costs	1 427	162	(78)	1 511
Board expenses	489	60	–	549
Total	**89 896**	**22 399**	**(5 091)**	**107 204**

199. An explanation of the changes between the revised appropriation and the final appropriation for the biennium 2016–2017 can be found in paragraphs 6–42 of the report of the Pension Fund on the administrative expenses of the Fund (A/72/383). In its resolution 72/262 (sect. XV, para. 27), the General Assembly approved the final appropriation for the administrative expenses of the Fund for the biennium 2016–2017.

22.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

200. 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)

	2017	*2016*
Actual amount on a comparable basis[a]	**81 862**	**58 363**
Basis differences		
Asset additions/disposals	(190)	(2 930)
Depreciation, amortization and impairment	7 963	8 142
Unliquidated obligations	(2 794)	1 159
Prepayments	(956)	289

	2017	*2016*
Employee benefits	17 621	6 333
Other accruals	(6 106)	3 408
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**97 400**	**74 764**

[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.

201. 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 23
Funds under management

202. 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.

203. 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 Investment Management Division is providing oversight services for the investments of the United Nations University Endowment Fund that are currently outsourced to Nikko Asset Management Co. Ltd. up to 20 November 2017 and subsequently to BlackRock Financial Management Inc. with a separate custodian bank. Formal arrangements between the Investment Management Division 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 Investment Management Division management advisory fees amounting to $50,000 per year are reimbursed by the Endowment Fund to the Division and recorded as other income.

Note 24
Related party transactions

Key management personnel

204. Key management personnel remunerated by the Fund for the years ended 31 December 2017 and 31 December 2016 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)					
2017	5	1 027	286	240	1 553	–	–
2016	5	907	129	208	1 244	–	–

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

206. 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.

207. There are no outstanding advances against entitlements of key management personnel as at 31 December 2017 and 31 December 2016.

208. 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 key management personnel are as follows:

(Thousands of United States dollars)

	As at 31 December 2017	*As at 31 December 2016*
After-service health insurance	1 458	1 203
Repatriation grant	164	80
Annual leave	127	105
Death benefit	–	2
Total	**1 749**	**1 390**

Other related parties

209. 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

210. 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

211. 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

212. 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. At 31 December 2017, there are 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.

213. 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 25
Reclassification and comparative numbers

214. The Fund manages its investments on the basis of a total-return-on-investment approach. Foreign exchange gains and losses are managed as part of total return on investment. Accordingly, from the perspective of understanding the performance of investment activities during the year, changes due to market value and changes due to exchange rate are considered together.

215. Historically, the Fund disclosed changes due to market value and changes due to exchange rate as separate line items in the statement of changes in net assets. Furthermore, the Fund disclosed changes due to market price by asset class, whereas changes due to exchange rate were not presented by asset class.

216. Beginning in 2017, the Fund has updated the disclosure such that it provides more meaningful information to users of the financial statements by presenting change in fair value of investments by asset class along with analysis of change in market price and currency exchange rate for each asset class. See note 13 for additional and updated disclosure.

217. 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.

218. The net zero effect of the change is summarized below.

(Thousands of United States dollars)

	Previously reported 2016	*Adjustment*	*After reclassification 2016*
Investment income			
Change in fair value of assets designated at fair value	–	1 582 604	1 582 604
Net appreciation in fair value of investments	2 262 071	(2 262 071)	–
Interest income	325 786	–	325 786
Dividend income	821 651	–	821 651
Income from real assets	55 015	–	55 015
Foreign currency (losses)	(679 882)	679 882	–
Less: transaction costs and management fees	(117 494)	–	(117 494)
	2 667 147	**415**	**2 667 562**
Contributions	2 273 498	–	2 273 498
Other income	3 368	–	3 368
Benefit expenses			
From withdrawal settlements and full commutation benefits	117 395	–	117 395
From retirement benefits	2 391 291	–	2 391 291
Other benefits/adjustments	(2 566)	415	(2 151)
	2 506 120	**415**	**2 506 535**
Administrative expenses	74 764	–	74 764
Other expenses	1 282	–	1 282
Withholding tax expense	3 749	–	3 749
Increase in net assets available for benefits	**2 358 098**	**–**	**2 358 098**

Note 26
Subsequent events

219. 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. 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 2016*	*New entrants*	*Transfer*		*Separations*	*Adjustments*[a]	*Participants as at 31 December 2017*[b]	*Percentage increase/ (decrease)*
			In	*Out*				
United Nations[c]	87 111	7 314	185	(279)	(8 839)	(483)	85 009	(2.4)
International Labour Organization	3 706	324	28	(16)	(400)	(13)	3 629	(2.1)
Food and Agriculture Organization of the United Nations	10 318	1 038	83	(80)	(683)	(143)	10 533	2.1
United Nations Educational, Scientific and Cultural Organization	2 412	178	14	(7)	(162)	(1)	2 434	0.9
World Health Organization	10 724	942	101	(64)	(937)	(34)	10 732	0.1
International Civil Aviation Organization	798	66	11	(5)	(69)	(2)	799	0.1
World Meteorological Organization	351	20	7	(2)	(25)	(1)	350	(0.3)
International Atomic Energy Agency	2 681	213	23	(28)	(207)	(3)	2 679	(0.1)
International Maritime Organization	284	14	2	(1)	(20)	1	280	(1.4)
International Telecommunication Union	768	31	10	(4)	(80)	(4)	721	(6.1)
World Intellectual Property Organization	1 225	65	7	(10)	(75)	(3)	1 209	(1.3)
International Fund for Agricultural Development	595	17	15	(7)	(38)	(2)	580	(2.5)
International Centre for the Study of the Preservation and Restoration of Cultural Property	37	4	–	–	(2)	–	39	5.4
European and Mediterranean Plant Protection Organization	18	1	–	–	(1)	–	18	0.0
International Centre for Genetic Engineering and Biotechnology	168	12	1	–	(6)	–	175	4.2
World Tourism Organization	91	1	–	–	(10)	1	83	(8.8)
International Tribunal for the Law of the Sea	39	2	1	–	(1)	–	41	5.1
International Seabed Authority	35	6	2	–	(5)	–	38	8.6
United Nations Industrial Development Organization	669	64	4	(7)	(55)	(2)	673	0.6
International Criminal Court	1 099	115	35	(15)	(67)	–	1 167	6.2
Inter–Parliamentary Union	47	1	–	(1)	(2)	–	45	(4.3)
International Organization for Migration	4 624	914	23	(19)	(490)	–	5 052	9.3
Special Tribunal for Lebanon	462	35	13	(20)	(37)	(3)	450	(2.6)
Total	**128 262**	**11 377**	**565**	**(565)**	**(12 211)**	**(692)**	**126 736**	**(1.2)**

[a] Corrections of erroneous entries from prior years.
[b] The methodology for the calculation of participants as at 31 December 2017 was changed. The comparable number of participants calculated using the method employed for 31 December 2016 is a total of 129,354 (representing an increase of 1,092, or 0.9 per cent). Further information on the methodology change and the rationale is provided in the note to the present annex.
[c] 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 2017

	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*
United Nations[a]	1 338	553	174	3 879	2 623	1 649	137	1	86	3	–	10 443
International Labour Organization	84	26	9	213	59	42	2	–	5	–	–	440
Food and Agriculture Organization of the United Nations	191	87	15	274	88	219	12	–	9	–	–	895
United Nations Educational, Scientific and Cultural Organization	77	12	6	50	8	32	2	–	6	–	–	193
World Health Organization	254	83	32	442	96	189	12	–	16	–	–	1 124
International Civil Aviation Organization	26	16	2	19	3	13	1	–	2	–	–	82
World Meteorological Organization	8	8	–	7	–	1	1	–	1	–	–	26
International Atomic Energy Agency	89	22	15	64	11	19	–	–	5	–	–	225
International Maritime Organization	12	–	–	7	–	2	1	–	–	–	–	22
International Telecommunication Union	31	23	–	16	7	20	1	–	2	–	–	100
World Intellectual Property Organization	16	18	–	27	7	11	–	–	7	–	–	86
International Fund for Agricultural Development	15	5	–	11	3	8	–	–	1	–	–	43
International Centre for the Study of the Preservation and Restoration of Cultural Property	2	–	–	–	–	–	–	–	–	–	–	2
European and Mediterranean Plant Protection Organization	–	1	–	–	–	–	–	–	–	–	–	1
International Centre for Genetic Engineering and Biotechnology	1	–	–	3	2	–	–	–	–	–	–	6
World Tourism Organization	8	2	–	–	–	–	–	–	–	–	–	10
International Tribunal for the Law of the Sea	1	–	–	–	–	1	–	–	–	–	–	2
International Seabed Authority	2	–	–	2	1	–	–	–	–	–	–	5

Member organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child benefit	Widow and widower benefit	Other death benefit	Disability benefit	Secondary dependant benefit	Transfer under agreement	Total
	Number of benefits awarded											
United Nations Industrial Development Organization	20	15	–	11	5	12	1	–	3	–	–	67
International Criminal Court	5	1	–	42	18	–	1	–	–	–	–	67
Inter-Parliamentary Union	1	–	–	1	–	3	–	–	–	–	–	5
International Organization for Migration	18	2	5	297	158	21	2	–	1	–	–	504
Special Tribunal for Lebanon	1	1	1	25	9	–	–	–	–	–	–	37
Total	**2 200**	**875**	**259**	**5 390**	**3 098**	**2 242**	**173**	**1**	**144**	**3**	**–**	**14 385**

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

Table 3
Analysis of periodic benefits for the year ended 31 December 2017

Type of benefit	*Total as at 31 December 2016*	*New*	*Benefits discontinued, resulting in award of survivor benefit*	*All other benefits discontinued*	*Total as at 31 December 2017*[a]
Retirement	27 664	2 200	(337)	(410)	29 117
Early retirement	16 110	875	(200)	(225)	16 560
Deferred retirement	7 548	259	(60)	(155)	7 592
Widow	11 239	152	769	(480)	11 680
Widower	968	21	110	(49)	1 050
Disability	1 500	144	(34)	(27)	1 583
Child	9 721	2 242	23	(1 357)	10 629
Secondary dependant	38	3	–	(5)	36
Total	**74 788**	**5 896**	**271**	**(2 708)**	**78 247**

[a] The methodology for the calculation of periodic benefits as at 31 December 2017 was changed. The comparable number of periodic benefits in payment calculated using the method employed for 31 December 2016 is a total of 74,092 (representing a decrease of 696, or 0.9 per cent). Further information on the methodology change and the rationale is provided in the note to the present annex.

Note to the annex to the financial statements for the year ended 31 December 2017

The United Nations Joint Staff Pension Fund prepares the annex to the financial statements with the statistics on the operations of the Fund on an annual basis.

Until the year 2016, the statistics were presented as at 31 December of the related reporting year, reflecting all information available as at that date. Accordingly, information becoming available after 31 December was not reflected.

The Fund decided to align the methodology used for the statistical data as at 31 December 2017 with the approach used for the financial statements. Therefore, the statistics as at 31 December 2017 now reflect all information available at the time of the cut-off date, 7 April 2018. In particular, the benefit entitlements processed in the first quarter of the next fiscal year, for which the participant's separation occurred in or prior to the fiscal year being reported, are no longer included in the participant headcount. The related benefits processed are reflected in table 2, and those beneficiaries in receipt of a periodic benefit are presented in table 3.

The census data compiled by the Fund and provided to the consulting actuary for preparation of the actuarial valuation of the Fund's benefit liability are established on the same basis.

Accordingly, the data presented in the annex as at 31 December 2016 and the data presented as at 31 December 2017 are not comparable, as they are prepared on the basis of different approaches.

In addition, table 1 reflects a reduction in 2017 of corrections made owing to erroneous entries in the Fund's system made during prior periods.

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