



United Nations

United Nations Joint Staff Pension Fund

**Financial report and audited
financial statements**

for the year ended 31 December 2019

and

Report of the Board of Auditors

General Assembly

Official Records

Seventy-fifth Session

Supplement No. 5P



United Nations Joint Staff Pension Fund

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Report of the Board of Auditors



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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.

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Letters of transmittal

Letter dated 12 June 2020 from the Chief Executive of Pension Administration of the United Nations Joint Staff Pension Fund and the Acting 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 Fund for the year ended 31 December 2019, which we hereby approve. The Chief Executive of Pension Administration and the Acting Representative of the Secretary-General for the investment of the assets of the Fund approve the financial statements for their respective areas of responsibility. The financial statements have been completed and certified by the Chief Financial Officer of the Fund as correct in all material respects.

(Signed) Rosemarie **McClellan**
Chief Executive of Pension Administration
United Nations Joint Staff Pension Fund

(Signed) Pedro **Guazo**
Acting Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

**Letter dated 21 July 2020 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 2019, which were submitted by the Chief Executive of Pension Administration of the Fund and the Acting Representative of the Secretary-General for the investment of the assets of the Fund. The statements have been examined by the Board of Auditors.

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

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

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Joint Staff Pension Fund, which comprise the statement of net assets available for benefits (statement I) as at 31 December 2019 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 2018–2019 (statement IV) and the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2019 (statement V), 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 2019 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 of Pension Administration and the Acting Representative of the Secretary-General for the investment of the assets of the Fund, within their respective authority under the Regulations of the Fund, are responsible for the other information, which comprises the financial overview contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Chief Executive of Pension Administration and the Acting Representative of the Secretary-General, within their respective authority under the Regulations of the Fund, are responsible for the preparation and fair presentation of the financial statements in accordance with International Accounting Standard 26 and IPSAS and for such internal control as the management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the management intends either to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but not a guarantee, that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement where one exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our

opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules of the United Nations Joint Staff Pension Fund and their legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

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

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

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 2019 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952 and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The audit was carried out from 14 to 29 October 2019 in the Fund's Geneva office and from 11 November to 11 December 2019 at the Fund's headquarters in New York.

After May 2020, the Board conducted the audit remotely owing to the coronavirus disease pandemic. This included the final audit of the financial statements.

Scope of the report

The report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly and have been discussed with the management of the Fund, whose views have been appropriately reflected.

The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2019 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. The audit included a general review of the financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

Audit opinion

In the Board's opinion, the financial statements present fairly, in all material respects, the net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2019 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with IPSAS and International Accounting Standard 26.

Overall conclusion

The Fund has prepared financial statements in accordance with International Accounting Standard 26 and following the provisions of IPSAS since 2012. The Fund has incorporated the guidance from International Accounting Standard 26 into its financial policies. Its financial presentation is based on that guidance, and additional information is presented where requested by IPSAS.

During the period, the Fund continued its efforts to address the observations raised by the Board of Auditors in its previous report and to improve financial information. While the Board did not identify significant deficiencies in the financial statements presented, a number of areas were identified where improvements could be made.

Key findings

The Board's key findings are set out below.

Fund secretariat

Communication between Fund secretariat offices

The Board evaluated the Committee of Sponsoring Organizations of the Treadway Commission internal control integrated framework components related to information and communications and monitoring and supervision and how these components are present in the Fund secretariat offices in New York and Geneva. The Board noted that both offices carry out the same operations and procedures, related to the programme of work (including the Operations, Client Services and Outreach Section and Financial Services). However, the number of personnel that must carry out these procedures in the Geneva office is fewer compared with the number of personnel in the secretariat office in New York, although both offices manage and provide services to approximately the same number of beneficiaries.

In addition, the Board observed that staff members in the Geneva office performed tasks without specific guidelines. Furthermore, for the formulation of the Fund's risk control matrix, the Geneva office risks were not correctly identified. Also, the Board noted that the Geneva office had its own performance indicators, which were unknown to the secretariat office in New York.

Benchmark for the time taken to follow up on missing or invalid documents

The Board noted that, when the Pension Entitlements Section processes a benefit, whether a core document is deemed invalid or additional documentation is required, the process is suspended and the benchmark to measure the service provided (the Section is expected to process 75 per cent of separations within 15 business days) stops. Once the requested documentation is received, the case is resumed; however, a new period of 15 business days is assigned to the process. Without a proper process for following up on missing or invalid documents, the practice of constantly postponing benchmarks for additional documentation requirements may hamper the possibility for beneficiaries, and for the Fund, to determine, with an acceptable certainty, the actual time for completion of the processing of a benefit.

Office of Investment Management

Personal securities trades

The Board identified that the current monitoring does not allow for the tracking and assessment of the impact of all staff members' activities in connection with their personal securities transactions that could result in conflict between personal interests (whether direct or indirect) and the interests of the Fund. The Board additionally noticed the absence of a formal document, except for the organizational chart and the delegation of authority, that clearly specifies which staff members are directly responsible for investment decisions and management. There is no control that allows for the registration of the trading transactions of staff members with the purpose of checking compliance with the internal policy provisions on the matter. Furthermore,

there is no system that automatically tracks the personal securities transactions of all the staff members in order to avoid conflict with the activities of the Fund.

Scope of the policies applicable to the employees of the Office of Investment Management

The Board identified that employees of the Fund secretariat who did not belong to the Office of Investment Management might be involved, in different ways, in investment operations of the Office; however, currently, the personal securities policy and procedures are applicable only to the employees of the Office and not to those who belong to the Fund secretariat or any other employee who may be involved in transactions of the Office.

Financial statements closing process

The Board noticed that the Office of Investment Management had posted in the Oracle E-Business Suite system as a debit entry instead of a credit entry an adjustment regarding the fair value of the investments as at 31 December 2019 and had also provided inaccurate data about four different reports referring to investments, in which the Office alluded to a version control issue and an Excel formula issue. As a result, the Office had to reprocess entire files, reverse three movements of the journal entries and record new manual adjustment entries, subsequently reissuing the financial statements in order to update several notes to the financial statements.

Absence of an advisory policy

The Board observed that the Office of Investment Management did not have a specific policy and a formal procedure on external advisers to help to identify the nature of the various contracted services and regulate the confidentiality of the information handled by external advisers, identify possible conflicts of interest and facilitate follow-up regarding the verification of the provision of the contracted services.

Main recommendations

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

Fund secretariat

(a) **Clearly establish the management accountability structure of the Geneva office within the pension administration structure, which should, in turn, enable timely and complete information flow between the Geneva office's finance and client services and the Pension Administration in New York;**

(b) **Pause the period of 15 business days in the Integrated Pension Administration System only in cases of missing or invalid documents and resume the period once the necessary documentation has been received;**

Office of Investment Management

(c) **Issue to all staff members a formal document that establishes which officials should answer the questions stated in the trade order pre-clearance form;**

(d) **Review, clarify and adjust the Office of Investment Management personal securities trading policy in matters related to excessive personal trading and the minimum holding period of 60 days of any investment in order to enable a better understanding of the policy;**

(e) **Develop and implement a system that allows for the tracking of the personal trading accounts of all the Office of Investment Management staff members and also of those employees of the Fund who have a clear reporting line to the Office staff for preventing potential conflicts of interest with the activities of the Fund;**

(f) **Monitor and control the possible conflicts of interest of employees and adopt the measures necessary to address cases in which conflicts are detected;**

(g) **Redefine the applicability of the personal securities policies and procedures, with the purpose of applying them to any staff member of the Fund involved in the work of the Office of Investment Management, including the personnel of the Fund secretariat;**

(h) **Assess the design and operation of the current controls and develop a method to detect inaccuracies related to the financial statements closing process in order to ensure that the controls operate effectively, as designed;**

(i) **Develop a special policy for external advisers that addresses, among other matters, conflicts of interest, the confidentiality of information and the performance review and monitoring of contracted service providers;**

(j) **Review the current guidelines on conflicts of interest and design a procedure that allows for the Office of Investment Management staff to be informed in a timely manner about the current list of external advisers, so that the staff can disclose potential conflicts between an employee and external adviser.**

Key facts

24	Number of member organizations
131,583	Participants in the Fund
79,975	Periodic benefits
\$72.29 billion	Total assets
\$72.03 billion	Net assets available for benefits
\$14.05 billion	Income and contributions
\$2.79 billion	Total expenses, including benefit payments
\$11.36 billion	Investment income

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 24 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 Fund and has reviewed its operations for the year ended 31 December 2019 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 net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2019 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. This included an assessment of 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 the financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board reviewed the operations of the Fund under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations concerning compliance with the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the Fund operations. The Board coordinated with the Office of Internal Oversight Services in the planning of its audits in order to avoid duplication of effort and to determine the extent to which the Board could rely on the latter's work.

5. The present report covers matter that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and conclusions were discussed with the management of the Fund, whose views have been appropriately reflected in the report.

B. Findings and recommendations

1. Follow-up to previous recommendations

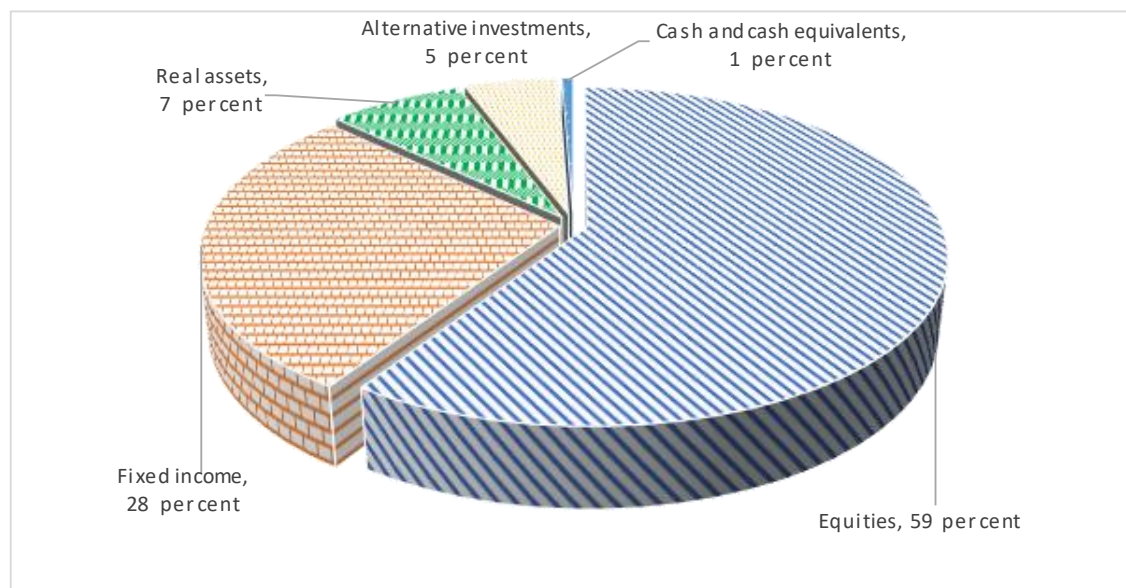
6. The Board followed up on the 45 outstanding recommendations as at 31 December 2018 and noted that 33 (73 per cent) had been fully implemented and 12 (27 per cent) were under implementation. The details are provided in the annex to chapter II.

2. Financial overview

7. As at December 2019, the total assets of the Fund amounted to \$72.29 billion, (2018: \$61.14 billion) and the total liabilities amounted to \$0.26 billion (2018: \$0.36 billion). The net assets available for benefits amounted to \$72.03 billion (2018: \$60.78 billion), which represented an increase of \$11.26 billion (18.53 per cent) compared with the decrease of \$3.59 billion in 2018. The Fund assets consist mainly of investment, representing 98.9 per cent of the total assets, whose fair value by the Fund as at 31 December 2019 was \$71.55 billion. The asset allocation was \$42.31 billion (59 per cent) in equities, \$20.41 billion (28 per cent) in fixed income, \$5.20 billion (7 per cent) in real assets, \$3.63 billion (5 per cent) in alternative investments and \$0.44 billion (1 per cent) in cash and cash equivalents. The percentage share of each component of investment is shown in figure II.I.

Figure II.I

Percentage share of components in the fair value of investment in 2019



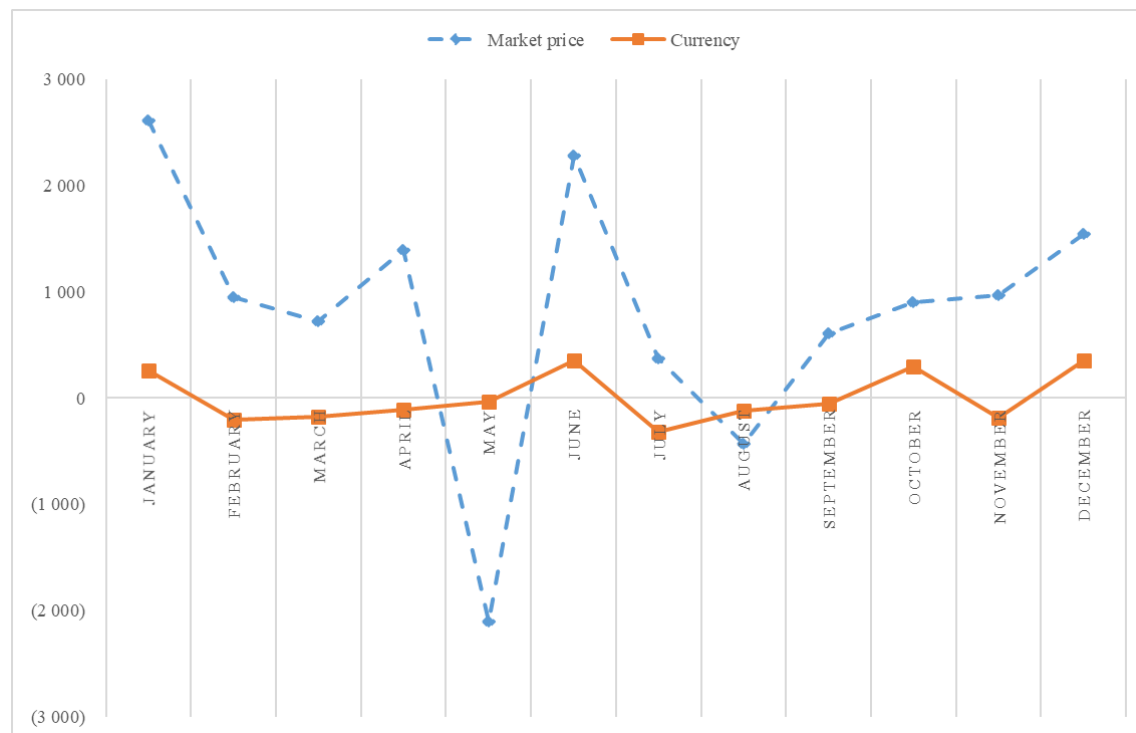
Source: United Nations Joint Staff Pension Fund financial statements.

8. The total income of the Fund in 2019 amounted to \$14.05 billion (2018: loss of \$0.85 billion), comprising investment income of \$11.36 billion and contributions of \$2.69 billion (2018: \$2.46 billion). The total expenses of the Fund were \$2.79 billion (2018: \$2.74 billion), comprising pension benefit payments of \$2.70 billion (2018:

\$2.67 billion) and administrative expenses and other expenses amounting to \$0.09 billion (2018: \$0.07 billion). The monthly breakdown of investment income in 2019 is shown in figure II.II.

Figure II.II
Investment income in 2019

(Thousands of United States dollars)

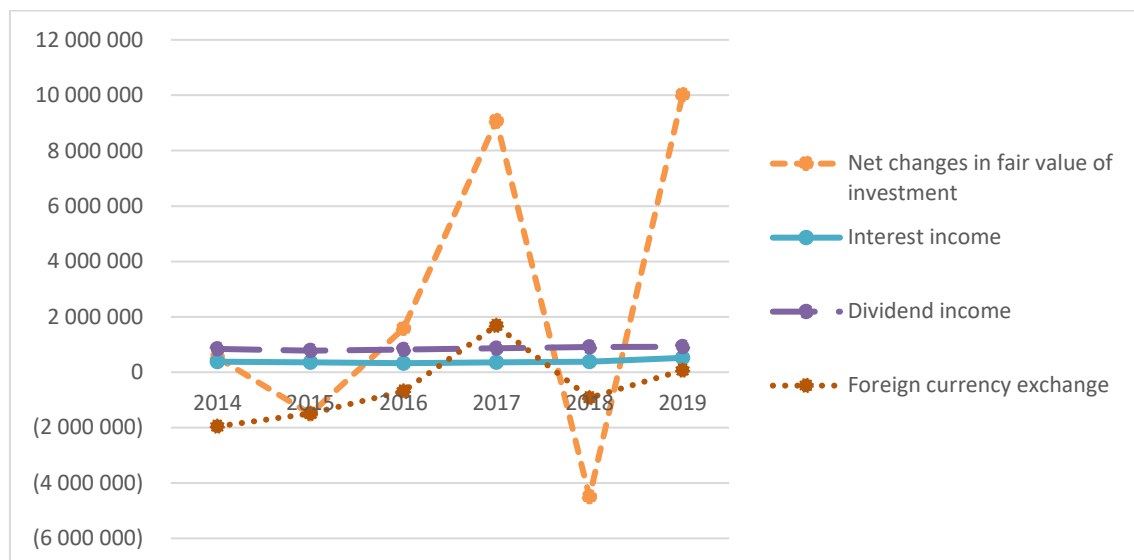


Source: United Nations Joint Staff Pension Fund financial statements.

9. In the year 2019, the total investment income of the Fund was \$11.36 billion (2018: loss of \$3.31 billion), including an increase in the fair value of investment of \$10 billion (decrease in the fair value of investment in 2018: \$4.5 billion), with a foreign exchange gain of \$0.067 billion (2018: loss of \$0.92 billion). Historically, the increase/decrease 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.III.

Figure II.III
Components of investment income, 2014–2019

(Thousands of United States dollars)



Source: United Nations Joint Staff Pension Fund financial statements.

10. As a result of the spread of the coronavirus disease, which, in March 2020, the World Health Organization declared to be a global pandemic, economic uncertainties have arisen that are likely to have a negative impact on the financial condition, results of operations and cash flows of the Fund.

Participants

11. As at 31 December 2019, the Fund had 131,583 participants (2018: 128,594 participants). In 2019, the annual periodic benefit payments made by the Fund amounted to \$2.70 billion and were issued in 15 currencies, in some 190 countries. The income contributions, however, amounted to \$2.69 billion; the expenditure on benefits in 2019 therefore exceeded contributions by 0.3 per cent.

Actuarial valuation

12. Article 12 of the Regulations of the Fund provides that the Pension Board shall have an actuarial valuation, at least once every three years, prepared by the consulting actuary. 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.

13. Currently, the Fund is carrying out an actuarial valuation every two years. The Fund carried out the actuarial valuation to ascertain its position as at 31 December 2019. The valuation revealed an actuarial surplus of \$1.85 billion. The actuarial valuation of the Fund's assets was at \$153.68 billion and that of the liabilities at \$151.83 billion. Therefore, the Fund is at the funding level of 101.22 per cent.

14. The actuarial valuation as at 31 December 2017 revealed an actuarial deficit of \$184.3 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 was at the funding level of 99.88 per cent.

15. The funded ratio increased in 2019, to 107.1 per cent, compared with 102.7 per cent in 2017. The increases in funded ratios, between 2017 and 2019, are largely attributable to the 12.24 per cent increase in the actuarial value of assets used to

calculate the valuation and, therefore, used to calculate the funded ratios. Accordingly, the value of the actuarial assets in 2019 is \$67.82 billion, or 12.24 per cent greater than the value of the assets as of the prior valuation in 2017, of \$60.42 billion. That is to say, the value of the actuarial assets for the 2019 calculation is bigger than the increases in liabilities over the biennium combined with modest growth in the future number of Professional participants (see table II.1).

Table II.1

Ratio analysis

<i>Ratio</i>	<i>31 December 2019</i>	<i>31 December 2017</i>
Funding ratio		
Total assets: pension obligation (actuarial value)	1.07	1.03

16. The Board noted some inaccuracies in the file named “active participants data as of 31 December 2019”, part of the set submitted to the actuary. In that regard, the Fund pointed out that these had no impact on headcount or the actuarial valuation results and that they were regularly fixed during the benefits process. Given the fact that the census data accuracy still has scope for improvement, this will be analysed in a future audit.

Financial statements

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

3. Fund secretariat*Communication between Fund secretariat offices*

18. In the eighth progress report on the adoption of IPSAS by the United Nations, the Secretary-General indicated that the United Nations would use the internal control integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission as the basis for its approach to strengthening internal controls. In the report, he establishes that a good internal control evaluation would focus on the risk assessments that an entity carries out and the control of key activities.

19. In line with the above, and in order to assess the internal control components related to information and communications and monitoring and supervision of the Fund secretariat, the Board reviewed the execution of the operations of the secretariat offices located in New York and Geneva. Operations of these offices comprise pension entitlements, client services and outreach and financial services, all of which are present in both New York and Geneva. They involve activities such as the administration of participants from entry to separation and the determination and payment of deriving benefit entitlements, recalculation and revision, emergency fund assistance to beneficiaries, securing daily servicing, and ensuring monthly and other benefits for participants and beneficiaries, among others.

20. The Board noted that the Finance, Client Services and Record Management Section in Geneva was responsible for weekly payment and updating benefits information relating to, for example, death or change of residence. In addition, it responds to the queries of the participants/beneficiaries when they contact the secretariat office (through e-mail or phone calls). The processes mentioned above are performed in the New York office by different units, including through an independent call centre, unlike in the office in Geneva, where the same processes are performed

by only one unit and without a call centre. It should be noted that both offices manage approximately the same number of beneficiaries.

21. Moreover, the Board asked the Geneva office about the existence of specific guidelines, procedure manuals or administrative circulars for its operating procedures. The office stated that it had no specific guidelines to address its practices regarding client services, finance and human resources, among others. In this regard, the Fund headquarters stated that the Geneva office operated under the same regulations and rules; therefore, it followed the same operating procedures as New York. Furthermore, it stated that this was reflected in the fact that both offices used the same systems for basic functions such as benefits processing (the V3 Integrated Pension Administration System) and customer services (the iNeed system) and, therefore, that the same procedures applied.

22. In addition, the Board noted that the risk control matrix did not address the risks of the two different offices. It also noted that the Geneva office was not involved in the formulation of the risk control matrix. Furthermore, the Board noted that a comprehensive risk control matrix had not been developed for all areas of the Geneva office, such as budget (for instance, monitoring and reporting) and accounting (such as overpayment and year-end activities).

23. It was also observed that no feasibility study had been conducted by the headquarters for the Geneva office in order to assess the implementation of the iNeed system (e.g., to determine the amount of resources needed for that purpose). The commissioning of the iNeed system began in April 2019. In May 2019, the headquarters instructed the Geneva office to start using the system, without having received prior training. This instruction resulted in an increase in the workload for the Geneva staff, since they had not received adequate training on the new system. Moreover, the iNeed system requires the manual entry of each query from participants, beneficiaries or member organizations. The follow-up and closing of the query must also be done manually. Owing to the limited staff in the Geneva office, queries that cannot be cleared up by the client services section are referred to the finance section or Pension Entitlements Section, which must manually enter the query in iNeed, follow up, solve it and close the ticket, all of which is in addition to their normal work involving the calculation and delivery of benefits.

24. The Board verified that the Geneva office had its own performance indicators developed by each section (such as the finance section) and approved by each respective first reporting officer. These key performance indicators are aligned with the Fund's strategic framework. The Board subsequently requested the New York office to provide additional information on the matter, which stated that the Geneva office did not have performance indicators to help to determine the office's performance; therefore, the Board concludes that the Geneva office's key performance indicators are unknown to the New York office.

25. The Board also observed that, as noted in the report of the Pension Board on the administrative expenses of the Fund and the report on the work of Pension Board's sixty-sixth session (A/74/331), the Fund is implementing the practice of full functional leadership in 2020, whereby each work unit of the Geneva office will report directly to the respective chiefs in the New York headquarters. In the organizational reviews of the Fund, conducted by the Board, the interactions and interdependencies between the New York and Geneva secretariat offices were found to be unclear in terms of functional responsibilities and reporting lines. This also distorts accountability. As a result, global coordination, efficiency and service delivery at the operational level within the Fund had become suboptimal. The Board considers that the key performance indicators of the Geneva office should also be included in the strategic framework of the Fund.

26. **The Board recommends that the Fund clearly establish the management accountability structure of the Geneva office within the pension administration structure, which should, in turn, enable timely and complete information flow between the Geneva office's finance and client services and the Pension Administration in New York.**

27. **In order to close the gaps between the Geneva and New York offices, the Board recommends that the Pension Administration ensure that the risk control matrix be amended to include the risks of the Geneva office operations; develop a manual on administrative procedures regarding client services, finance and human resources; evaluate the training needs of the Geneva office staff on the iNeed software; and include the Geneva office's performance indicators in the strategic framework of the Pension Administration.**

28. The Fund secretariat accepted these recommendations and recognized the need for closer coordination between the Geneva and New York offices. The secretariat stated that, effective 1 January 2020, it had implemented a functional leadership approach to enhance accountability, facilitate strategic planning and execution, offer quality control, share best practices and ensure that risks were successfully managed. Regarding functional reporting, functional units of the Geneva office reported directly to the respective chiefs in the New York headquarters office. Functional chiefs were accountable for service delivery to beneficiaries and participants across all geographic locations.

Emergency fund

29. In accordance with the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund (2019 version), the emergency fund is intended to provide relief in individual cases of proven hardship, owing to illness, infirmity or similar cases, to beneficiaries who are currently receiving a periodic benefit from the Fund.

30. Moreover, as stated in paragraph 2 (c) the section on procedures for dealing with such cases, all requests should be accompanied by substantiating documentation; in cases involving medical expenses, that documentation must include a medical statement regarding the nature of the illness, the type and cause of treatment provided by the physician and/or hospital, and proof of the expenditure and payment for each. If the request has been channelled through the secretary of a staff pension committee, certain documentation can sometimes be waived as it will already have been verified and approved by the organization's health insurance scheme. United Nations family cases are similarly referred to the United Nations insurance section.

31. Regarding funeral expenses, the Fund's regulations establish that assistance may be provided in hardship cases towards funeral expenses for immediate dependent relatives. The present ceiling for reimbursement, which reflects the movement of the United States cost-of-living index from 1974 (when this assistance was added to costs that could be reimbursed) to 2018, is \$1,320, subject to subsequent adjustments.

32. The Board noted that there was no formal means to test and that much flexibility was exercised as to which applicants received assistance from the emergency fund. The applications are examined without an objective and standard procedure, taking into account factors such as age, the number of years of contributory service, the amount of the Fund benefit, the country in which the pensioner resides, the availability of insurance, other possible sources of income and/or assistance and the circumstances surrounding the expenditure.

33. In this regard, following a review of the requests granted or rejected (i.e., closed cases) in 2019, the Board noted the following:

(a) There was no uniformity in the revised documentation for deciding whether to grant or reject emergency fund requests. Table II.2 shows a breakdown of all the documents that the Board reviewed for the sample selected and the number of cases in which the document was and was not available in the Integrated Pension Administration System, by type of decision taken (granted, voided and rejected);

Table II.2

Availability of supporting documentation in the Integrated Pension Administration System, by type of decision taken

Supporting documentation	Granted			Voided			Rejected		
	Document available	Document not available	N/A	Document available	Document not available	N/A	Document available	Document not available	N/A
Review checklist	5	8	0	1	2	0	0	1	0
Petition letter	10	3	0	2	1	0	1	0	0
Follow-up by the Fund	2	11	0	2	1	0	0	1	0
Medical statement	8	5	0	2	1	0	0	1	0
Type of treatment	4	2	7	1	1	1	0	0	1
Proof of expenses	12	1	0	2	1	0	0	1	0
Proof of disbursements	8	5	0	1	2	0	0	1	0

Source: Information provided by the Fund and analysed by the Board.

Abbreviation: N/A, not applicable (cases involving funeral expenses).

(b) In a total of 77 cases closed as at 31 July 2019, the average time to complete the workflows was 300 days. Of those 77 cases, 45 were closed in less than six months, 9 were closed in less than one year but more than six months and 23 were closed in more than one year;

(c) The Integrated Pension Administration System did not have uniform records of the information received from the applicant. Moreover, in the System, these documents were not classified and the files did not have specific names related to the emergency fund. This situation hindered the review of the cases in the sample. Furthermore, the information is received by email or correspondence and is manually recorded in the Integrated Pension Administration System. This process does not ensure that the data input in the System is properly recorded, complete and accurate;

(d) In accordance with the Regulations of the Fund, assistance for funeral expenses must be delivered to immediate family members of the deceased. In the review conducted by the Board, a case was identified in which the reimbursement for funeral expenses was not provided to a direct relative of the deceased beneficiary but to an official representative of the local retiree association.

34. The Board considers that there is a risk of arbitrariness in the granting, voiding or rejecting of the emergency fund applications. In addition, the Board considers that, although the budget for the emergency fund may be immaterial with respect to the resources administered by the Fund – \$112,500 in 2019 – it is not an obstacle for the Fund to establish a uniform procedure for the granting of resources from the emergency fund.

35. The Board recommends that the Fund establish a procedure to make uniform the criteria, evaluation process and granting of resources from the emergency fund, which would allow more transparency and consistency in the decisions taken by the Fund's management.

36. **The Board recommends that the Fund establish a guideline to record emergency fund-specific supporting information in the Integrated Pension Administration System before granting the emergency fund assistance.**

37. The Fund accepted the recommendations and stated that it would take action to improve the situation. In this regard, the Fund stated that it would establish uniform evaluation criteria for emergency fund assistance to be used by both offices, in New York and Geneva, and that it would provide a guideline to record emergency fund-specific supporting documents in the Integrated Pension Administration System.

Hiring of consultants in the secretariat of the Fund

38. The hiring and management of consultants and individual contractors are governed by administrative instruction [ST/AI/2013/4](#). In addition, the use of consultants falls within the administrative responsibilities of the Chief Executive of Pension Administration, pursuant to article 7 of the Regulations, Rules and Pension Adjustment System of the Fund.

39. The administrative instruction requires the entity to ensure a competitive process. A screened pool of individuals should be generated, with relevant records based on the entity's requirements. The final selection process requires scrutiny of a minimum of three candidates against the established terms of reference that outline the work expected, as well as the competencies, expertise and experience necessary for the position.

40. Regarding the terms of reference, in accordance with section 3 of the administrative instruction, the Fund is required to develop terms of reference for consultants and include them in their contracts. Terms of reference include measurable, attainable, results-based and time-bound outputs and functions performed to achieve the objectives and targets.

41. The Board selected a sample of eight consultant contracts extracted from Umoja, which had expenses accrued during 2019, to assess how consultants were hired and managed in accordance with the established procedures.

42. From the sample analysed, the Board noted inconsistencies in the development of the terms of reference. It was noted that some did not include targets of the work assignment, specific delivery dates and indicators for the evaluation of the outputs. Hence, the monitoring and evaluation of the achievements of the consultant performance against the outputs in terms of quality and timelines were neither established nor clearly defined. Therefore, by not having standard requirements for the development of terms of reference, the Fund is not able to properly monitor and evaluate the achievements of its consultants.

43. **The Board recommends that the Fund establish standardized requirements for the development of terms of reference for consultants.**

44. The Fund accepted the recommendation and stated that it would issue guidelines for the preparation of terms of reference for consultants in alignment with administrative instruction [ST/AI/2013/4](#).

Benchmark for the time taken to follow up on missing or invalid documents

45. In accordance with the strategic framework for the programme of work of the Fund secretariat, the Pension Entitlements Section (in charge of processing the benefits) is expected to process 75 per cent of initial separations within 15 business days.

46. The period of 15 business days begins upon reception of the three core documents (payment instruction, separation notification and separation personnel action) and ends once the benefit is released. Once the core documents have been

received, the benefit requirements are processed by the Pension Entitlements Section through workflows in the Integrated Pension Administration System. Depending on the type of benefit, additional documentation may be requested. The follow-up of these cases is carried out by personnel of the Pension Entitlements Section, either with the member organization or directly with the participant.

47. The Board noted that, when the Pension Entitlements Section processes a benefit, whether a core document is deemed invalid or additional documentation is necessary, the process is suspended and the 15-day period stops. Once the requested documentation is received, the case is resumed; however, a new period of 15 business days is assigned to the process.

48. Also, the Board observed that the Fund had no formal procedure to follow up on cases with missing or invalid documentation.

49. The Board considers that, without a proper process for following up on missing or invalid documents, the practice of constantly postponing benchmarks for additional documentation requirements may hamper the possibility for beneficiaries, and for the Fund, to determine, with a reasonable certainty, the actual time for completion of the processing of a benefit.

50. The Board recommends that the Fund pause the period of 15 business days in the Integrated Pension Administration System only in cases of missing or invalid documents and resume the period once the necessary documentation has been received.

51. The Board recommends that the Fund establish a procedure for the follow-up of cases with missing or invalid documents.

52. The Fund accepted the recommendations and indicated that it had taken concrete actions to ensure that cases with missing or invalid documents were handled appropriately and given proper attention.

Signature verification review

53. In accordance with article 46 (c) of the Regulations, Rules and Pension Adjustment System of the Fund, the right to continued periodic payments of a retirement, early retirement, deferred retirement or disability benefit, widow's or widower's benefit, divorced surviving spouse's benefit, child's benefit or secondary dependant's benefit shall be forfeited if, for two years after a periodic payment has been due, the beneficiary has failed to submit payment instructions, or has failed or refused to accept payment, or has failed to submit the duly signed certificate of entitlement.

54. In line with the regulations and rules of the Fund, it is essential that the Fund monitor the continued eligibility of its beneficiaries through, among other mechanisms, an appropriate certificate of entitlement process.

55. In this context, the Fund secretariat instituted the "signature verification" control, the main objective of which is to review the signatures in the certificate of entitlement received, identifying discrepancies in the beneficiary's signatures through a comparison with the first payment instruction signed by the beneficiary.

56. The system is set up to select all beneficiaries over 75 years of age, all beneficiaries receiving survivor's benefits, beneficiaries who have not been reviewed in five years and 25 per cent of the remaining population, excluding new beneficiaries who have been receiving payment for less than six months and beneficiaries of deferred retirement benefits.

57. The Board reviewed the validation of signatures in the certificate of entitlements until 31 October 2019, noticing the existence of 610 cases of open workflows of

signature verifications initiated between 2014 and 2018 and 17,619 cases opened in 2019.

58. The Pension Administration has taken targeted actions to address the previous low completion of signature verifications relating to the annual certificate of entitlement exercise. In this context, the Pension Administration prioritized the signature verification of the 610 backlogged cases, while also reviewing the 17,619 cases relating to the 2019 certificate of entitlement exercise.

59. The backlog for the period prior to the 2019 certificate of entitlement exercise has been reduced from 610 to 35. The volume of cases relating to the 2019 exercise, which was ongoing until the end of April 2020, was reduced from 17,619 to 1,598 cases. All these signature review cases were expected to have been reviewed and completed by 30 April 2020. Therefore, the Fund does not have a backlog of signature verification cases, since 98.71 per cent of the outstanding signature verification cases from the Integrated Pension Administration System that came into force in August 2015 had been reviewed as at November 2019.

60. Although the Board acknowledges the Fund's efforts to close all the open workflows for signature verification, it considers that the purpose of the control was not achieved in a timely manner. The Board holds that the control established for the certificate of entitlement process is not efficient, since it is not meeting the deadlines.

61. The Board recommends that the Fund continue to reduce the timelines of the signature verification process in order to reduce the risk of improper benefit payments.

62. The Board recommends that the Fund prioritize the signature verification of the 35 backlogged cases from the period prior to 2019 and the 1,598 backlogged cases from 2019.

63. The Fund accepted the recommendations and stated that it had implemented a signature verification project to ensure the completion of all outstanding certificate of entitlement-related signature verification cases by April 2020.

Segregation of duties in the creation of benefits

64. The process of creating benefits is performed through workflows in the Integrated Pension Administration System by personnel of the Pension Entitlements Section of the Fund secretariat.

65. This process of creating and calculating benefits (entitlement cases) begins with the calculation, then goes through a first review by an auditor and finally a second review by the releaser.

66. In the case of a recalculation, for example, as a result of changes in the currency of payment or modifications to the benefit or beneficiaries, the same three steps are performed.

67. The Board requested all the benefits released between January and November 2019 to verify the segregation of duties in all workflows. During the verification, two workflows released and certified by the same person were identified.

68. However, these cases were possible to identify only because of reporting issues; therefore, the total number of cases that could have presented issues of segregation of duties during the period under review was not possible to determine.

69. Some of the reporting issues include:

- (a) Missing auditor;
- (b) Missing releaser;

(c) The calculator, auditor or releaser do not correspond to the last user that performed each step.

70. In addition, the Board noted that 17 users who had been assigned the role of calculator in the Integrated Pension Administration System had performed the role of auditor in other workflows; however, none of the active users had been assigned the auditor role in the System. Not having active users with auditor roles hampers the review of the benefits release.

71. According to the Fund, all benefit assistants in the Pension Entitlements Section have dual roles as calculators and auditors. Some of the cases noted by the Board were caused by a user mistake and a defect in the Integrated Pension Administration System application activity log.

72. The Board also noted that, because of a reporting issue, the list of users provided by the Fund did not indicate active users with an auditor profile.

73. In the Board's opinion, the inadequate segregation of duties in the processing of benefits increases the risk of creating unauthorized benefits, since these can be released by the same person who creates them. In addition, in the absence of a review by an auditor, there may be errors in the calculation of the benefit.

74. Finally, in line with the implementation of the internal control integrated framework of the Committee of Sponsoring Organizations of the Treadway Commission, as the foundation of the Fund's approach to strengthening internal controls, it is emphasized that, in the context of the identification and assessment of risk, the factor of ineffective segregation of duties increases the possibility of risk of fraud.

75. The Board recommends that the Fund evaluate the technical feasibility of establishing parameters for the different roles involved in the workflows for the creation of benefits to ensure an adequate segregation of duties.

76. The Board recommends that the Fund ensure that the establishment of parameters for the different roles is consistent with the roles granted to each user and in accordance with the recertification carried out by the Information Management Systems Service in conjunction with the Chief of the Pension Entitlements Section.

77. The Fund accepted both recommendations. Regarding the first recommendation, the Fund secretariat stated that the application defect was being addressed with the implementation of a system enhancement, which would ensure that the Integrated Pension Administration System applied a proper segregation of duties between the calculator, auditor and releaser functions.

78. With regard to the second recommendation, the Fund will improve the reports used during the user recertification process to confirm the segregation of duties.

4. Office of Investment Management

Personal securities trades

79. The Office of Investment Management established, in its personal securities trading policy (2019 version), that all its staff members shall avoid any activities in connection with their personal securities transactions that conflict with the activities of the Fund. Moreover, the Office has several compliance policies to address various matters such as personal security trading, outside activities, gifts, information sensitivity, fraud and corruption.

80. In this context, staff members must disclose, through the trade order pre-clearance form, their activity relating to any covered accounts, and, unless an exemption applies, any securities transactions in which the staff member has or will

acquire a financial interest must be pre-cleared. In addition, those staff members directly responsible for investment decisions and management must answer two additional questions included in the form.

81. The Board identified that the Office of Investment Management had procedures in place and pre-clearance forms to avoid potential conflicts arising from the personal securities transactions of employees using knowledge of the Fund's transactions.

82. However, the Board noticed the absence of a formal document, except for the organizational chart and the delegation of authority, which designates the officials approved for making investments and clearly specifies which staff members should answer the two questions in the trade order pre-clearance form that are only applicable to staff members directly responsible for investment decisions and management.

83. In addition, the Board verified that one investment officer did not answer the two questions requested in the trade order pre-clearance form, even though, in the designation of approved officials, the Office of Investment Management establishes that this investment officer is responsible for investment decisions and management. Therefore, in the Board's opinion, there is no certainty as to which officials must respond to the two questions in the form.

84. In addition, the Office of Investment Management personal securities trading policy establishes that staff members are prohibited from engaging in excessive personal trading or short-term trading that may raise concerns that the staff member's energies and interests are not properly aligned with the interests of the Fund.

85. However, it has not been determined what is understood by "excessive personal trading". More specifically, it is not clear whether it is related to the amount of shares to buy or sell, the number of pre-clearance forms requested or the number of investments in securities made in one year, etc. In its personal securities trading policy, the Office of Investment Management does, however, recommend a holding period of 60 days for all investments in order to avoid excessive personal trading or short-term trading.

86. Finally, the Board observed that the Office of Investment Management was in negotiations with a service provider located in New York, who will be retained for the development and maintenance of a software platform to ensure automatic monitoring of personal trading by the staff members of the Office. Although contract negotiations began in December 2018, the contract was signed on 28 April 2020. During the audit, evidence was provided to demonstrate that the implementation of the software was ongoing.

87. The Board considers that the Office of Investment Management does not have an automated control that allows for the registration of the trading transactions of staff members with the purpose of checking compliance with the personal securities trading policy and that there is no system that automatically tracks the personal securities transactions of all the staff members in order to avoid conflict with the activities of the Fund.

88. The Board recommends that the Office of Investment Management issue to all staff members a formal document that establishes which officials should answer the questions stated in the trade order pre-clearance form.

89. The Board recommends that the Office of Investment Management review, clarify and adjust its personal securities trading policy in matters related to excessive personal trading and the minimum holding period of 60 days of any investment in order to enable a better understanding of the policy.

90. The Board recommends that the Office of Investment Management develop and implement a system that allows for the tracking of the personal trading

accounts of all the staff members of the Office and also of those employees of the Fund who have a clear reporting line to the Office of Investment Management staff for preventing potential conflicts of interest with the activities of the Fund.

91. **The Board recommends that the Office of Investment Management monitor and control the possible conflicts of interest of employees and adopt the measures necessary to address cases in which conflicts are detected.**

92. The Fund accepted the first recommendation. The Office of Investment Management will clarify the language in questions 4 and 5 of the trade order pre-clearance form to make it clearer.

93. Regarding the second recommendation, the Office stated that the definition of excessive personal trading, which included a recommended holding period of 60 days, would be revised. The scope of the policy would also be revised.

94. The Office of Investment Management agreed with the third and fourth recommendations, stating that the current monitoring could be enhanced and that it had taken steps to secure the personal trading surveillance system through the “ComplySci” automated system.

Scope of the policies applicable to the employees of the Office of Investment Management

95. The Risk and Compliance Section of the Office of Investment Management has established personal securities policies and procedures, aiming to prevent fraudulent or manipulative practices against the Fund’s holdings.

96. The Board identified, from minutes of committee meetings and the report on the Office of Investment Management staff reporting line, that employees who belonged to the Fund secretariat were involved, in different ways, in the investment operations of the Office. Currently, however, the aforementioned policies and procedures are applicable only to the employees of the Office.

97. The Board is of the view that each person involved in the work of the Office of Investment Management, who has any type of information or knowledge about the operations of the Office, must accept and comply with the policies and procedures of the Office by signing the forms developed to address aspects of security trading, conflicts of interest and fraud, among other issues.

98. **The Board recommends that the Office of Investment Management redefine the applicability of the personal securities policies and procedures, with the purpose of applying them to any staff member of the Fund involved in the work of the Office, including the personnel of the Fund secretariat.**

99. The Office of Investment Management agreed with the recommendation. The Office will include the staff with a clear and formal reporting line to the Office in the list of the Office staff that should comply with the personal securities policies and procedures.

Absence of an advisory policy

100. The United Nations, on behalf of the Fund, had 13 contracts with external advisers, 8 of which were extended during 2020. The main purpose of the contract advisory services is to provide consulting and advisory services and undertake research concerning investment issues.

101. During 2019, the Fund paid more than approximately \$3.5 million for advisory services.

102. After an examination of a sample of three advisory contracts, the Board observed that the Office of Investment Management did not have a specific policy on

external advisers, considering that the services provided by such advisers mainly involve providing actionable insights to the Office through consultancies and studies to ensure that the Office has the capacity to make better investment decisions.

103. The Office of Investment Management has not defined procedures to make available the necessary information for new or even current brokers, advisers or external service providers to identify a potential conflict of interest.

104. In addition, the Office of Investment Management does not have a formal procedure to be applied on a regular basis that would help to verify the performance of the contracted service providers, in order to compare the service contracted with that actually provided.

105. The Board considers that it is relevant for the Office of Investment Management to define a policy that helps to identify the nature of the various contracted services and regulate the confidentiality of the information handled by external advisers, identify possible conflicts of interest and facilitate follow-up regarding the verification of the provision of the contracted services.

106. The Board recommends that the Office of Investment Management develop a special policy for external advisers that addresses, among other matters, conflicts of interest, the confidentiality of information and the performance review and monitoring of contracted service providers.

107. The Board recommends that the Office of Investment Management review the current guidelines on conflicts of interest and design a procedure that allows for the staff of the Office to be informed in a timely manner about the current list of external advisers, so that the staff can disclose potential conflicts between an employee and external adviser.

108. The Office of Investment Management accepted the recommendations. The Office will strengthen its existing monitoring of the external service provider evaluation procedures and will incorporate the matter of the disclosure of conflicts into the Office's compliance policy.

Outdated and non-formalized procedure manuals

109. In accordance with paragraph D.11 of the financial rules of the Fund, the Representative of the Secretary-General for the investment of the assets of the Fund shall establish an investment policy as well as investment guidelines to ensure that investment decisions are taken in the best interest of the Fund and on behalf of the participants and beneficiaries of the Fund.

110. Pursuant to the above-mentioned provision and as an internal control best practice, the Office of Investment Management has developed several procedure manuals, policies and guidelines on aligning its operations with the investment policy.

111. The new investment policy statement approved by the Representative of the Secretary-General (2019 version), states, in paragraph 7, that the policy includes information on the eligible investment universe of asset classes, the strategic asset allocation, the policy benchmark, the risk parameters and the investment process; however, the Board observed that some information in the policy statement was not updated, for instance, the risk parameters and the investment process were not considered, even as annexes.

112. Accordingly, the Board noticed that the investment procedures of the Office of Investment Management included in the above-mentioned policy, instead of being updated, amended or enhanced as part of a living document, have not been modified since March 2014. Despite the fact that the Office has amended certain investment

procedures since 2014, these have not been incorporated into an updated document in order to have a comprehensive text aligned with the new investment policy statement.

113. In terms of the risk management manual of the Office of Investment Management, the investment policy risk controls of the risk management programme have not been updated since they were approved in March 2014, while the investment policy statement has been issued and updated twice, in 2016 and 2019.

114. In addition, the Board verified that the new delegation of authority mentioned in the investment policy statement has not been approved. The latest and current designation of approved officials was signed in November 2017.

115. Also, in paragraph 73 of the new investment policy statement, external investment management is mentioned briefly, despite the fact that at least 15 per cent of the portfolio is externally managed. The related policies about the operations and risk management of external managers were not referenced in the statement.

116. The Board further noted that the Risk and Compliance Section defines three groups within its work structure, namely, the compliance, risk and performance groups. In particular, the performance group measures the performance of the Fund through thorough analysis and periodic reports and relates updated information on the assets of the Fund directly to the custodian. Currently, there is a performance manual in a draft format. It is essential that these rules governing the operations of the performance group be formalized and that their application and compliance be guaranteed.

117. The Board reminds the Office of Investment Management that one of the purposes of procedures and guidelines is to provide employees with the necessary instructions on how to proceed, in a timely manner, in important aspects of the processes of the Office. This has become even more important following the hiring of 20 new employees during 2019.

118. The Board considers that the Office of Investment Management needs to disseminate clear and updated versions, in a timely manner, of investment guidelines and useful internal procedure manuals and align them with any new investment policy statement.

119. The Board recommends that the Office of Investment Management review and update at least once a year the investment guidelines in order to align them with the investment policy statement.

120. The Board recommends that the Office of Investment Management disseminate updated versions of internal procedure manuals and guidelines previous to the enforcement of such procedures.

121. The Board recommends that the Office of Investment Management incorporate the policy on the operations and risk management of external managers into the investment policy, considering that 15 per cent of the portfolio is externally managed.

122. The Office of Investment Management stated that it expected to finalize the update of the investment procedures and risk manual in 2020 to reflect the new investment policy statement. The Office will distribute the updated version of the manual to all staff. In addition, the comprehensive delegation of authority document is currently being updated and will be finalized in 2020.

Legal team

123. In accordance with the organizational chart of the Office of Investment Management, the legal team of the Office of the Representative of the Secretary-General is currently composed of four lawyers, three of whom were hired in 2019.

124. The Office of Investment Management stated that the legal team is responsible, among other functions, with the assistance of the Office of Legal Affairs and external counsel, for the drafting, review and negotiation of the agreements resulting from investment decisions made by the Office of Investment Management, such as the legal documentation related to the private equity and real estate investments made by the Fund, and, with the assistance of the Office of Legal Affairs and the Procurement Division, for the operational aspects of the agreements resulting from the procurement of goods and services through formal modes of solicitation.

125. During the audit, the Board identified that there was no formal document approved and circulated to the employees of the Office of Investment Management that establishes the functions and activities for which the legal team is responsible.

126. In addition, the Board noted that the legal team did not have a tool to formally record the documents reviewed and processed, the complexity of the matters, the requests made by other sections of the Office of Investment Management, the status of the documents, the allocation of tasks and the timelines of the document revisions.

127. The Board considers that it is necessary to issue a formal procedure that establishes the roles, functions and specific activities performed by the legal team, considering that the legal team provides support to most sections of the Office of Investment Management.

128. The Board recommends that the Office of Investment Management establish and implement a formal procedure that defines, among other matters, the functions and activities to be carried out by the legal team, the responsible staff members and the team's timelines, according to the support that the team provides to the other sections of the Office.

129. The Board recommends that the Office of Investment Management define a mechanism that allows for, among other functions, the tracking of documents reviewed and processed by the legal team and the recording of the complexity of the matters, the status of the documents, the allocation of tasks and the timelines of the document revisions.

130. The Office of Investment Management agreed to establish and implement a formal procedure that clearly defines the functions and activities of the legal team. The Office will prepare a formal document in that regard and will disseminate it to all the staff members of the legal team.

131. Regarding the second recommendation, the legal team will start recording the information in an Excel spreadsheet. In the event that a technological solution is not reasonably feasible, the Excel spreadsheet solution will be considered as the legal team's official registry.

Training policies and procedures in the Office of Investment Management

132. The United Nations has several learning programmes that are mandatory for all staff to ensure familiarity with key regulations, rules and processes.

133. In accordance with the Secretary-General's bulletin [ST/SGB/2018/4](#), dated 11 July 2018, on United Nations mandatory learning programmes, staff members are to complete the self-paced mandatory learning programmes within six months of the issuance of the bulletin, or within six months of joining the Organization or assuming a role for which additional learning is mandatory.

134. In the bulletin, the Secretary-General states that the mandatory learning programmes for all staff members are the following:

- (a) BSAFE;
- (b) Prevention of sexual harassment and abuse by United Nations personnel – working harmoniously;
- (c) HIV/AIDS in the workplace orientation programme;
- (d) Ethics and integrity at the United Nations;
- (e) Information security awareness – foundational;
- (f) United Nations human rights responsibilities;
- (g) I know gender: an introduction to gender equality for United Nations staff;
- (h) Prevention of sexual exploitation and abuse by United Nations personnel;
- (i) Preventing fraud and corruption at the United Nations.

135. Furthermore, staff members at the P-4 and P-5 levels have to complete the management development programme as mandatory training.

136. In addition, every year, the Risk and Compliance Section of the Office of Investment Management organizes and carries out ethics and anti-fraud training sessions. All staff members of the Office have to participate in an annual training session and sign the annual certification of compliance with the Office of Investment Management policies.

137. On 26 November 2019, the Board requested the Office of Investment Management to provide the certificates of the United Nations mandatory learning programmes for 11 employees, for the purpose of checking whether they had completed such courses. It was verified that:

- (a) Seven employees had not completed at least four mandatory courses within six months of joining the Organization;
- (b) For three of the seven employees, the Office did not provide the information related to three mandatory courses;
- (c) For three others of the seven employees, it was not possible to verify whether they had completed all United Nations mandatory learning programmes because the Office did not provide such information;
- (d) For one of the employees, who was at the P-5 level, it was not possible to check whether he had carried out the mandatory management development programme. This case is particularly important considering that the employee is in charge of the alternative investments portfolio.

138. Ethics and anti-fraud training sessions were held on 23 September and 7 October 2019, and the Board identified that one Senior Investment Officer had signed the annual certification of compliance with the Office of Investment Management policies on 3 December 2019, that is to say, after the Board had requested such information.

139. With regard to access to systems of the Office of Investment Management, the Board could not verify the existence of the staff application access form for seven officials. This document is to be completed by officials joining the Office in order to give them access to the Office's systems and set up an email account, as indicated by the Risk and Compliance Section.

140. Finally, the Office of Investment Management did not provide the performance evaluation covering the period from April 2018 to March 2019 for four staff members. These staff members were holding temporary appointments.

141. Completing the mandatory learning programmes is a duty of all staff members of the United Nations system, which implies taking the courses in a timely manner. This is particularly important in the case of one portfolio manager who makes investment decisions but had not completed the mandatory courses relevant to that staff member's position and level.

142. In that regard, the Board is of the view that the Office of Investment Management is responsible for monitoring and controlling that all staff members have completed the United Nations mandatory courses relevant to their position in a timely manner.

143. Finally, regarding the observations related to the annual ethics and anti-fraud training sessions, the staff application access form and the performance evaluation, the Board considers that the Office of Investment Management is responsible for ensuring that all staff members comply in a timely manner with the policies and procedures defined internally and that there are records of the documents that prove such compliance.

144. The Board recommends that the Office of Investment Management define a formal mechanism for monitoring and ensuring that all staff members of the Office, in particular new employees, complete the United Nations mandatory learning programmes within six months of joining the Organization or assuming a role for which additional learning is mandatory.

145. The Board recommends that the Office of Investment Management ensure that its staff send the appropriate certificate to the corresponding section in relation to United Nations mandatory learning programmes, the courses conducted by the Office and compliance with policies designed and implemented by the Office, and any other document of the employee that should be available in a repository.

146. The Fund stated that it would improve its mechanism for monitoring and ensuring the completion by all Office of Investment Management staff members of the United Nations mandatory learning programmes within six months of joining the Organization or assuming a role for which additional learning is mandatory.

147. The Office of Investment Management will also include, in the internal training programmes, staff with a dual reporting line, including those with a clear and formal reporting line to the staff of the Office.

Control deficiencies in the investment commitments register

148. During the analysis of the information used for preparing note 19.1 to the financial statements, the Board verified that two funds had been added back into the unfunded commitment balance and six funds had not been accurately captured in the calculation of the unfunded commitments.

149. In addition, the Board noticed that the Office of Investment Management prepares the list of investment commitments once a year, on 31 December; however, there is no effective mechanism for recording and monitoring the investment commitments throughout the year, which, in the Board's opinion, should be put in place.

150. The Board highlights that the findings detected correspond with the review carried out on the financial statements; however, these only reinforce the facts already detected in the 2018 audit.

151. In addition, there was no adequate coordination among the operations team, legal team and Senior Investment Officers regarding the necessary information to be obtained on the investment commitments that were closed during the year.

152. The Board acknowledges that the Office of Investment Management is working on the implementation of the platform for real assets and alternative investments.

However, until the platform is implemented, the Office should reinforce the manual controls applied to these types of investments.

153. The Board recommends that the Office of Investment Management develop and implement a mechanism or methodology that allows for the tracking of all investment commitments to be disclosed in the financial statement at any time of the year.

154. The Board recommends that the Office of Investment Management establish a formal procedure among the legal team, Senior Investment Officers and operations team to obtain timely information about the deals that have been closed during the year for preparing the note on investment commitments included in the notes to the financial statements.

155. The Office of Investment Management acknowledged that the automation of the entire alternative investments process was important and therefore accepted the recommendations to enhance the alternative assets reporting platform. In anticipation of the potential growth of the alternative investments portfolio and the limited scalability of existing manual controls and resources, the Office recognizes the need to have a system to manage the alternative investments portfolio.

Absence of procedures and information to support the acquisition process for real assets and alternative investments

156. The Board noticed that, for real assets and alternative investments, the Office of Investment Management did not have a digital repository/file containing the consolidated information associated to each fund invested in. The repository/file should include all stages of the deal, from the evaluation stage to the point at which the transaction has been deemed satisfactory from a business and legal perspective and has satisfied all the conditions imposed by the Private Markets Committee.

157. In addition, there is no detailed procedure that establishes the general process for closing an agreement with the Fund, either for real assets or alternative investments.

158. On the basis of these facts, the Board considers that the current operation for these kinds of investments is not efficient and effective. The Board points out that this is not the first time that control deficiencies have been observed.

159. Furthermore, the Office of Investment Management must have the evidence to ensure that the acquisition process for each fund complies with a defined standard and that the process is not subject to the discretion of the investment officer.

160. The Board recommends that the Office of Investment Management develop a digital repository/file containing all the information for each fund needed to support the acquisition process, from the evaluation stage to the point at which the transaction has been deemed satisfactory from a business and legal perspective and has satisfied any conditions imposed by the Private Markets Committee.

161. The Board recommends that the Office of Investment Management develop, document and implement a detailed procedure that establishes the stages for closing an agreement concerning real assets and alternative investments.

162. The Office of Investment Management accepted both recommendations. Regarding the recommendation to develop a system that better supports the acquisition process for new alternative investments, it stated that the software platform that had been under development was expected to have a workflow to document the acquisition process, beginning from the evaluation stage to the point at which the transaction had been deemed satisfactory from a business and legal perspective. This would assist the Fund in tracking the transaction, and the accounting team would be able to retrieve accurate reports on the total commitment for each closed fund.

163. Regarding the second recommendation, the Fund stated that a detailed procedure to establish the general process for closing agreements was needed. This issue was addressed in the investment procedure document that was in the process of being adopted.

Financial statements closing process

164. The Board noticed that the Office of Investment Management had posted in the Oracle E-Business Suite system as a debit entry instead of a credit entry an adjustment regarding the fair value of the investments as at 31 December 2019 and had also provided inaccurate data about four different reports referring to the fair value of real assets and alternative investments, investment commitments, the investment portfolio used to calculate the value at risk and the cash held by external managers, in which the Office alluded to a version control issue and an Excel formula issue.

165. Upon the review of the information, the Office of Investment Management recognized other issues found in the data provided to the Board.

166. Consequently, although the net amount of the adjustment entries was not material, the Office of Investment Management had to reprocess entire files, reverse three movements of the journal entries, record new manual adjustment entries and update the financial statements, given the impact on several notes to the financial statements.

167. In addition, as at every year-end closing, the Office of Investment Management updated its procedures manual to ensure that the investments of the Fund were subject to adequate internal controls. The procedures, controls and employees involved in the financial statements closing process were included in the manual. Nevertheless, the above-mentioned issues were not detected during the process.

168. On the basis of these facts, the Board considers that the current controls do not effectively address the detection of inaccuracies on a timely basis, as evidenced by the situations in which transactions were improperly recorded and inaccurate reports were provided related to the notes to the financial statements.

169. Furthermore, not updating the manual in a timely manner or reinforcing the importance of the controls detailed therein could result in these procedures not being taken into account by the employees in a formal way in the future.

170. The Board recommends that the Office of Investment Management assess the design and operation of the current controls and develop a method to detect inaccuracies related to the financial statements closing process in order to ensure that the controls operate effectively, as designed.

171. The Board recommends that the Office of Investment Management disseminate an enhanced and approved version of its procedures manual once the procedures and controls performed have been appropriately reflected in the manual.

172. The Office of Investment Management accepted the recommendations and acknowledged that existing internal controls over financial reporting could be further enhanced in line with the recommendation of the Board. The Fund stated that it would enhance the existing year-end accounting procedures by developing additional preventive and detective controls related to the financial statements closing process that would be updated and included in the procedures manual of the Office.

Office of Investment Management mandatory leave policy

173. The Office of Investment Management mandatory leave policy approved in August 2019 establishes, as part of industry best practices, that one of the simplest and most cost-effective anti-fraud measures is to ensure that designated staff of the Office take an official leave of at least 10 consecutive days.

174. The policy states that the designated staff comprise all staff members in the operations, information systems, investments and trading departments. In addition, the mandatory leave must be taken once every fiscal year ending in March.

175. In November 2019, just four months before the end of the fiscal year, the Board noticed that 39 staff members subject to the mandatory leave policy had not taken the 10 consecutive days of leave.

176. In addition, in May 2020, the Board verified that, for the fiscal year ending on 31 March 2020, the issue remained unresolved and 14 staff members had not taken the 10 consecutive days of leave.

177. The Office of Investment Management provided evidence that staff members except for those 14 had taken their mandatory leave. Given that the annual leave report provided by human resources only reflects vacation days taken by employees, the United Nations holidays are not included therein. The United Nations holidays had to be added in the calculation of the 10 consecutive days of leave in order for the methodology to reflect accurately the level of compliance, especially since many staff members had chosen to take their mandatory leave in combination with United Nations holidays, such as Christmas, New Year, Good Friday, Labour Day or Eid al-Adha.

178. Although the Office of Investment Management Risk and Compliance Section regularly checks the progression of this matter every year and all staff members sign the annual certification establishing that each has read, understood and agreed to comply with the mandatory leave policy, the objective of the policy is not being reached.

179. The Board considers that the Office of Investment Management should ensure compliance with the mandatory leave policy, considering that its objective is to prevent fraud that may result from a lack of regular control.

180. The Board recommends that the authorities of the Office of Investment Management ensure compliance with the mandatory leave policy, avoiding possible fraudulent situations.

181. The Office of Investment Management stated that fewer than 14 staff members had not taken the 10 consecutive days of leave; however, the Board encourages the Office to ensure compliance by all personnel subject to the policy.

C. Disclosures by management

1. Write-off of cash, receivables and property

182. During the year 2019, the Fund secretariat recorded write-offs of receivables of \$594,275.69 as a result of normal business operations in accordance with the established policy on benefit overpayments receivables. The Fund reported that there were no write-offs of receivables from the Office of Investment Management and there were no write-offs of cash or property.

2. Ex gratia payments

183. The Fund reported that there were no ex gratia payments during the year 2019.

3. Cases of fraud and presumptive fraud

184. The Fund reported that there were no cases of fraud and presumptive fraud for the financial year ended 31 December 2019.

D. Acknowledgement

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

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

(Signed) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

(Signed) Rajiv **Mehrishi**
Comptroller and Auditor General of India

21 July 2020

Annex

Status of implementation of recommendations up to the year ended 31 December 2018

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2015	A/71/5/Add.16 , chap. II, para. 37	The Board recommends that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis to assess its impact and implement course correction as deemed necessary.	The Office of Investment Management stated that it produced quarterly performance review documents for all portfolios and held quarterly performance meetings to assess the value addition to the portfolio owing to active management, that it produced, on a daily basis, a portfolio allocation report and, on a weekly basis, a report with the portfolio performance that was distributed to the investment team and senior management, and that it presented quarterly performance attribution reports to the Investments Committee for all asset classes in the quarterly investments committee blue book.	The Office of Investment Management has implemented reports that are reviewed every week that assess the value addition to performance owing to active management. Therefore, the Board considers that this recommendation has been implemented.	X			
2	2015	A/71/5/Add.16 , chap. II, para. 75	The Board recommends that the Fund: (a) address the foreign exchange exposure issue and employ suitable procedures and tools to mitigate foreign exchange losses; and (b) develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in	Part (a) of the recommendation was closed by the Board in 2018. The Office of Investment Management took note of part (b) and indicated that the asset and liability management study had been presented to the United Nations Joint Staff Pension Board in July 2019 after consultation with, and with	Part (a) of the recommendation has been implemented. Regarding part (b), the Board noted that the asset and liability management study, which evaluates the Fund's foreign exchange exposure, among other functions, was presented in July 2019. The Board also acknowledged the	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
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			addition to regular monitoring of the fair value of the assets.	<p>the full support of, the Investments Committee, the Committee of Actuaries and the Fund Solvency and Assets and Liabilities Monitoring Committee. This study is considered an internal mechanism through which the Fund monitors and evaluates its foreign exchange exposures.</p> <p>The Fund stated that it monitored foreign exchange exposures on a daily, weekly and quarterly basis, through different reports that highlight fund exposures and active risk, including currency risk. Finally, each asset class has currency and country deviation limits in place, which also restrict the amount of currency exposure relative to the benchmarks included in the investment policy statement.</p> <p>The Office of Investment Management indicated that the action plan to address currency exposure included actions such as the implementation of the fixed income benchmark and the cash benchmark, and the implementation of the risk dashboard report and the risk navigator report. It also indicated that there were no more actions planned and</p>	mechanisms developed by the Office of Investment Management to monitor and evaluate the losses or gains owing to foreign exchange. Therefore, the Board considers that this recommendation has been implemented.				

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				that there was nothing else that could be done as the action plan had been completed.					
3	2015	A/71/5/Add.16 , chap. II, para. 94	The Board recommends that the Fund enter into a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and that it develop a mechanism to secure compliance with the agreement.	The Office of Investment Management reported that it had developed a service-level agreement with Bloomberg for its asset and investment manager system, defining the respective roles and responsibilities and service-level benchmarks and developing a mechanism to secure its compliance.	The Board has reviewed the evidence provided by the Office of Investment Management in the email sent on 13 June 2019. The evidence provided by the Fund is the contract entitled “Service legal agreement for Bloomberg order management system”, which constitutes the evidence necessary for establishing that this recommendation has been fulfilled. The contract was signed on 6 July 2019 by the Director of the Procurement Division, on behalf of the Pension Fund, and Bloomberg’s general partner. Therefore, this recommendation is considered implemented.	X			
4	2015	A/71/5/Add.16 , chap. II, para. 105	The Board recommends that the Fund: (a) acknowledge all queries and complaints received from all sources; (b) segregate queries and complaints so to address them appropriately; (c) devise a system of categorization and prioritization of complaints and their resolution; (d) inform the client periodically about	The Fund submitted to the Board evidence of implementation in December 2019. There are no outstanding client queries in Outlook. The Fund developed procedures for iNeed. Emails are sent to clients providing a service request number, which can be referenced by clients when communicating with the Fund. An immediate	The Board reviewed the evidence provided and found it sufficient. Therefore, this recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			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.	response is sent to the client immediately after the query is received. Status updates are provided if required by the client. iNeed has a functionality to send updates to clients when a query is resolved.					
5	2015	A/71/5/Add.16 , chap. II, para. 110	The Board recommends that the Fund prescribe a time frame for servicing the case load. An internal reporting framework for each type of benefit based on its priority should be established.	The Fund met, in general, the benchmark for the processing of benefits. As the Integrated Pension Administration System is still in the process of being enhanced, and reliable historical data are being gathered, the Fund decided to maintain the benefits processing benchmark for all types of benefits. Any revision thereto will be carried out in the context of the preparations for the Fund's next strategic framework. The cases of death in service are covered in the analysis conducted by the Fund.	The Board has reviewed the following information: (a) the evidence provided by the Fund related to the annual performance report and which shows that, as at October 2019, the 75 per cent benchmark had been fulfilled; (b) of the total benefits provided by the Fund, the one for which the highest percentage of applications is received (72 per cent) is withdrawal settlement (article 31 of the Regulations of the Fund), and, in this sense, the Fund has maintained the 75 per cent of initial benefits processed within 15 business days for the most common benefits; (c) regarding the time taken to process the other types of benefits, which are more specific, such as deferred	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
6	2015	A/71/5/Add.16 , chap. II, para. 115	The Board recommends that the Fund simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.	<p>(a) The certificate of entitlement process was revised to ensure that all related activities, from the date of the mailing to the follow-up actions, were completed within a calendar year.</p> <p>(b) Additional tools were deployed in the Integrated Pension Administration System member self-service to allow non-two-track clients to download and print their certificate of entitlement form.</p> <p>(c) In addition, the Fund explored the possibility of engaging corresponding banks in the certificate of entitlement process. However, this was not feasible given the use of multiple correspondent</p>	<p>retirement benefit (article 30) and residual settlement (article 38), these benefits represent 1 per cent of the requests from beneficiaries. The Fund requires additional time for those cases. However, the idea is to accommodate those processing times so as to comply with the 75 per cent benchmark already established and not to give them a different benchmark. Therefore, this recommendation is considered implemented.</p> <p>(a) The Board has reviewed the evidence provided by the Fund in a document entitled “Certificate of entitlement annual timeline”, which establishes the certificate of entitlement process for one year.</p> <p>(b) The Board verified the total number of beneficiaries with access to the certificate of entitlement and there were no two-track or duplicate certificates of entitlement. In addition, the Board reviewed additional evidence provided by the Fund in respect of this issue.</p> <p>(c) The Fund provided evidence in respect of enquiries with the local JP Morgan Bank, in which the possibility was explored of</p>	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				banks to distribute benefit payments in 190 countries. Moreover, the Fund's correspondent bank confirmed that local regulations limited the banks' involvement.	engaging corresponding banks in the certificate of entitlement process. However, the response of the bank was negative. Therefore, this recommendation is considered implemented.				
7	2016	A/72/5/Add.16, chap. II, para. 41	The Board recommends that the Fund prepare a detailed risk budget for all categories of the assets.	The Office of Investment Management has finalized and approved the risk budget for all categories of the assets.	The Board considers this recommendation implemented.	X			
8	2016	A/72/5/Add.16, chap. II, para. 92	The Board recommends that the Fund: (a) explore the possibility of further automating various steps in benefits processing; (b) build input controls to ensure standardized information in the Integrated Pension Administration System; (c) enhance the functionalities of the member self-service and employer self-service modules; and (d) resolve data issues resulting from the migration to the Integrated Pension Administration System.	The Fund continues to improve the already strong relations with the member organizations through designated focal points to facilitate and expedite the submission of separation documents. The Fund implemented a tool to show the status of the separation documents for each separating staff through the member self-service. In order to enhance the communication with member organizations, the Fund has launched business intelligence dashboards on a new member organization site within the Fund's intranet to show the status of separation documents provided by organizations. The Fund has also been working with Systems, Applications and Products in Data Processing and United Nations	The Board reviewed the evidence provided by the Fund, namely, the guidance for the electronic submission of separation documents. A tool to display basic separation proof documents in the member self-service was deployed in June 2017 and allows member self-service users to see the status of the separation personal action form, the separation notification form (PF4) or the payment instruction documents in the Integrated Pension Administration System. The Board considers this recommendation implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
9	2016	A/72/5/Add.16 , chap. II, para. 101	The Board recommends that the Fund: (a) set a definite timeline to process all outstanding cases in which all documents have been received; and (b) prescribe a time frame for processing each type of entitlement or benefit.	Headquarters to implement the so-called PF4 interface to receive the contribution information for separating staff, which will replace the separation notification form (PF4). Owing to the coronavirus disease (COVID-19) crisis, the electronic submission of separation documents is now available for all member organizations through dedicated mailboxes. The Fund has also started a project to accept the payment instruction through the member self-service.	In 2018, there was evidence of a sustained and improved trend whereby the Fund met and exceeded the target of 75 per cent of initial separation benefits processed within 15 business days.	The Board has reviewed the following information: (a) the evidence provided by the Fund related to the annual performance report and which shows that, as at October 2019, the 75 per cent benchmark had been fulfilled; (b) of the total benefits provided by the Fund, the one for which the highest percentage of applications is received (72 per cent) is withdrawal settlement (article 31 of the Regulations of the Fund), and, in this sense, the Fund has maintained the 75 per cent of initial benefits processed within 15 business days for the most common benefits;	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
					(c) regarding the time taken to process the other types of benefits, which are more specific, such as deferred retirement benefit (article 30) and residual settlement (article 38), these benefits represent 1 per cent of the requests from beneficiaries. The Fund requires additional time for those cases. However, the idea is to accommodate those processing times so as to comply with the 75 per cent benchmark already established and not to give them a different benchmark. Therefore, the recommendation is considered implemented.				
10	2016	A/72/5/Add.16 , chap. II, para. 106	The Board recommends that the member organizations identify all cases due for separation in the next six months before the date of separation, send updated demographic details to the Fund and reconcile all differences in contributions.	The Fund is collaborating with the United Nations Secretariat to create a data interface between Umoja and the Integrated Pension Administration System to further automate the exchange of information and documentation (separation notifications) regarding retiring staff. The new interface will provide timely updates on the status of separation documents, more accurate data and access to a centralized repository of information regarding the separation process. In a subsequent phase, the Fund will seek to	The Fund has not provided any evidence of expeditious action taken towards implementation. Therefore, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				expand this initiative to other member organizations and explore mechanisms for the electronic submission of separation documents.					
11	2016	A/72/5/Add.16 , chap. II, para. 112	The Board recommends that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.	The Fund submitted to the Board evidence of implementation in December 2019. There are no outstanding client queries in Outlook. The Fund approved procedures for the use of iNeed.	The Board considers this recommendation implemented.	X			
12	2017	A/73/5/Add.16 , chap. II, para. 36	The Board recommends that the Fund undertake a data cleansing exercise to identify and close all of the workflows that remain open owing to issues in the Integrated Pension Administration System.	All system fixes related to the closing of workflows were implemented. A small number of outstanding workflows will continue to exist since benefit entitlement cases are processed daily but the batch closing is conducted weekly. Thus, any remaining workflows are mostly those already processed but pending weekly batch closure.	The Board obtained access to the business intelligence dashboard to test the information provided by the Fund. As a result, the Board considers this recommendation implemented.	X			
13	2017	A/73/5/Add.16 , chap. II, para. 38	The Board further recommends that the Fund have a system audit done of the Integrated Pension Administration System to identify the deficiencies and issues in the system so that they can be corrected.	The Fund is procuring consulting services to conduct the audit of the Integrated Pension Administration System. Technical evaluation is being conducted by an ad hoc panel. The audit will be completed in 2020.	As the audit of the Integrated Pension Administration System has not yet been carried out and the Fund is still in the process of contracting the service, the recommendation is considered under implementation.		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
14	2017	A/73/5/Add.16 , chap. II, para. 47	The Board further recommends that the Fund develop a system for receiving the required documents through a secure electronic interface.	<p>The requirements for the two separation data interface projects with the United Nations (managed through Umoja) were defined and are currently with Systems, Applications and Products in Data Processing. The Integrated Pension Administration System will be adjusted accordingly.</p> <p>In parallel, the Fund continues to improve the already strong relations with the member organizations through designated focal points to facilitate and expedite the submission of separation documents. The Fund has started a pilot project with the United Nations Development Programme and the United Nations Children's Fund to receive separation notifications (PF4s) electronically. Owing to the COVID-19 crisis, the electronic submission of separation documents is now available for all member organizations. The Fund has created dedicated mailboxes for this purpose.</p>	As the new data interface is still in progress, the recommendation is considered under implementation.		X		
15	2017	A/73/5/Add.16 , chap. II, para. 55	The Board reiterates its recommendation that the Fund document the client grievance redressal mechanism (see	The Fund submitted to the Board evidence of implementation in December 2019. There are no outstanding client	The Board reviewed the evidence provided and found it sufficient. Therefore, this	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			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.	queries in Outlook. The Fund developed procedures for iNeed. Emails are sent to clients providing a service request number, which can be referenced by clients when communicating with the Fund. An immediate response is sent to the client immediately after the query is received. Status updates are provided if required by the client. iNeed has a functionality to send updates to clients when a query is resolved.	recommendation is considered implemented.				
16	2017	A/73/5/Add.16 , chap. II, para. 62	The Board further recommends the Fund develop an automatic signature verification system to facilitate the certificate of entitlement process.	The Fund expects the signature verification solution to be in place by April 2020. The Fund will then work on connecting all member accounts to the signature verification system. Full verification will be expected in 2021.	As the automatic signature verification system is not yet implemented, the recommendation is considered under implementation.		X		
17	2017	A/73/5/Add.16 , chap. II, para. 70	The Board recommends that the Fund expedite the implementation of the recommendations of the independent review of the Fund's investment main practices, investment management and risk management.	The Office of Investment Management stated that the action plan to address currency exposure included actions such as the implementation of the fixed income benchmark and the cash benchmark and the implementation of the risk dashboard report and the risk navigator report. It also indicated that there were no more actions planned and that there was nothing else that could be done as the action plan had been completed.	The Board noted the progress made by the Office of Investment Management to expedite the implementation of the recommendations of the independent review. Therefore, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
18	2017	A/73/5/Add.16 , chap. II, para. 75	In view of the foreign currency exposure, the Board recommends that the Fund take expeditious action on the recommendations of the currency study to reduce the effect of foreign exchange volatility on its return on investments.	As a result of the Board's recommendation and a third-party currency management study, the Office of Investment Management changed the cash benchmark to the United States dollar as the only benchmark on 1 October 2018, to reduce currency risk and mitigate the amount of uncompensated foreign exchange exposures within the Fund, after extensive consultation with all stakeholders. After further analysis and in the context of the asset and liability management study, the Office also changed its fixed income benchmark, as recommended in the currency management study, which was implemented on 1 October 2019. In addition, the Office stated that the study included an analysis of the currency composition of the liabilities resulting from the two-track feature and a currency hedging analysis.	The Board acknowledged the actions taken by the Office of Investment Management as a result of implementing this recommendation, which included an evaluation of the currency composition of the liabilities, among others. In addition, the Board noted a reduction of non-United-States-dollar exposure since 2017. Therefore, the recommendation is considered implemented.	X			
19	2017	A/73/5/Add.16 , chap. II, para. 76	The Board further recommends that the Fund expedite the asset and liability management study for alignment of its currency exposure with liabilities.	As part of the asset and liability management study, the Office of Investment Management is in the process of implementing a new fixed income benchmark to reduce uncompensated currency	The Board has reviewed the last asset and liability management study as the evidence provided by the Office of Investment Management. The study, presented in July 2019, comprises the following	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				risk. As pointed out in the currency management study and included in the statement of work for the asset and liability management study, Ortec Finance, which was retained as the consultant assisting in the completion of the asset and liability management study, will analyse the currency composition of the liabilities in relation to the asset side in order to understand the currency matching at the balance sheet level. Another part of the asset and liability management study will be to evaluate the advantages and disadvantages of currency hedging overlay strategies.	main objectives: (a) to match the Fund's liability projections as prepared by the Fund's consulting actuary in the actuarial valuation of 31 December 2017; (b) to conduct a thorough risk analysis of the Fund; and (c) to evaluate the current long-term investment strategy and provide advice on improving the strategy. Therefore, this recommendation is considered implemented.				
20	2017	A/73/5/Add.16, chap. II, para. 77	The Board also recommends that the Fund evolve suitable strategies and an action plan to manage the foreign currency risks on the basis of the results of the asset and liability management study.	The asset and liability monitoring study was completed in June 2019 and presented to the Board in July 2019. As part of the study, the Office of Investment Management implemented a new fixed income benchmark to reduce uncompensated currency risk. As pointed out in the currency management study and included in the asset and liability monitoring study, Ortec Finance, which was retained as the consultant	As part of the asset and liability monitoring study, the Fund implemented a new fixed income benchmark to reduce uncompensated currency risk. The Board noted that the action plan to address currency exposure was conducted by the Office of Investment Management. The Board noted the actions taken and concluded that the recommendation had been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				<p>assisting in the completion of the asset and liability monitoring study, analysed the currency composition of the liabilities in relation to the asset side in order to gain an in-depth understanding of the currency matching at the balance sheet level.</p> <p>The Office of Investment Management indicated that the action plan to address currency exposure included actions such as the implementation of the fixed income benchmark and the cash benchmark and the implementation of the risk dashboard report and the risk navigator report. It also indicated that there were no more actions planned and that there was nothing else that could be done as the action plan had been completed.</p>					
21	2017	A/73/5/Add.16 , chap. II, para. 78	The Board recommends that the Fund prepare guidelines for currency exposure under each asset class relative to the benchmark.	The Office of Investment Management implemented a cash benchmark in October 2018 and implemented a new fixed income benchmark in 2019 to reduce uncompensated currency risk. The Fund stated that each asset class had currency and country deviation limits in place established in the risk budget, which also restricted the amount of	In the investment policy statement issued in 2019, the new benchmarks were included and, considering that the currency exposure was addressed through the currency and country deviation limits established in the risk budget, the recommendation is considered implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
				currency exposure relative to the benchmarks included in the investment policy statement.					
22	2017	A/73/5/Add.16, chap. II, para. 86	The Board recommends that the Fund properly plan and execute the acquisition of critical software.	The Office of Investment Management stated that the procurement process for the critical software had been completed.	As long as the acquisition of the software has not been executed, the recommendation remains under implementation.		X		
23	2018	A/74/5/Add.16, chap. II, para. 21	The Board recommends that the Fund expand the disclosure and description of the certification of the financial statements in order to specify the IPSAS Board standards that it applied in the recording of its transactions and in the preparation of its financial statements.	In line with the recommendation, the Fund submitted the financial statements for the year ending 31 December 2019 with changes in the certification.	The Board reviewed the changes in the certification of the financial statements stemming from this recommendation and concluded that the recommendation had been implemented.	X			
24	2018	A/74/5/Add.16, chap. II, para. 33	The Board recommends that the Fund consider breaking down its credit rating disclosure in the notes to the financial statements in order to reflect the details of the risk exposure of all debt securities, including securities not rated by Moody's at the end of the reporting period.	The Fund updated the presentation of credit risk for fixed income investment in accordance with the International Public Sector Accounting Standards (IPSAS) to enhance the completeness and transparency of the information.	The Fund reflected additional disclosures related to credit risk in the 2019 financial statements. The Board noted the breakdown of the credit risk disclosures, including the unrated fixed income securities to reflect the risk exposure of all its debt securities, as well as the addition of a maturity analysis, and concluded that the recommendation had been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
25	2018	A/74/5/Add.16 , chap. II, para. 45	The Board recommends that the Fund establish a comprehensive procedure manual to serve as a basis for addressing withholding tax receivables and that would include, at minimum, a detailed workflow for all instances and the criteria used to obtain objective evidence that the assets are not deemed recoverable, the use of standard parameters and the delegation of authority to either maintain an asset deemed recoverable or have it written off, as well as the detailed criteria used to maintain or reduce the provision.	The Office of Investment Management has updated the existing procedure manual for withholding tax by adding further details and expanding explanations of the steps related to the monitoring and decision-making process for withholding tax receivables. The tax policy and procedures manual was approved on 27 May 2020.	In the tax policy and procedures manual approved on 27 May 2020, the Board noted the progress made through the addition of further details and explanations of the steps related to the monitoring and decision-making process for withholding tax receivables. Therefore, the recommendation is considered implemented.	X			
26	2018	A/74/5/Add.16 , chap. II, para. 64	The Board recommends that the Fund continue to reduce the number of open workflows. To do so, the Pension Fund could establish indicators that make it possible to measure progress in closing them.	The Fund regularly exchanges information and cooperates with its member organizations to expedite the submission of separation documents. Evidence of regular interactions has been provided. Regarding other enhancements, the Fund recently implemented system enhancements to automate the follow-up of missing payment instruction forms.	The Board reviewed the evidence provided by the Fund related to the communication with the member organizations, mainly with the United Nations Children's Fund and the United Nations Development Programme, where most of the open workflows are located. With these emails, the Board obtained evidence that the Fund is in constant communication with the other organizations in order to improve the process and close the open workflows in a coordinated manner.	X			

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						Implemented	Under implementation	Not implemented	Overtaken by events
					In addition, the Board was provided evidence by the Fund through a document on workflows for missing documents from reporting entities opened as of 31 December 2017, which showed the 84.99 per cent reduction of open cases as at 29 November 2019. Therefore, the recommendation is considered implemented.				
27	2018	A/74/5/Add.16 , chap. II, para. 65	For those open workflows with missing documentation, the Board recommends that the Fund consider carrying out the closing process according to the ageing analysis, giving priority to cases with workflows that have been open for more than three years.	The Pension Entitlements Section monitors the ageing of all open workflows and requests missing documents from member organizations and/or participants. Workflows that have been open for more than three years are periodically reviewed and closed. This is an ongoing process, but significant progress has been achieved.	Evidence for the implementation of the recommendation has been provided. Therefore, this recommendation is considered implemented.	X			
28	2018	A/74/5/Add.16 , chap. II, para. 66	In addition, the Board recommends that the Fund consider closing the 165 cases of open workflows where no documentation had been received inherited from the legacy system, the United Nations Joint Staff Pension Fund Administration System.	The Fund reviewed and closed these workflows. Owing to a broad categorization, death notifications contributed to the number of workflows included in this category. The Fund also continues to liaise with member organizations to ask them to submit required documents. The Fund has achieved significant progress in this area, with only 81 cases open as at the end of April 2020.	Evidence for the implementation of the recommendation has been provided. Therefore, this recommendation is considered implemented.	X			

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						Implemented	Under implementation	Not implemented	Overtaken by events
29	2018	A/74/5/Add.16 , chap. II, para. 67	The Board recommends that the Fund regularize, in the Integrated Pension Administration System, the open workflows that have no date of separation, to obtain a better analysis of such cases.	The Fund introduced changes in the interface logic to clean these cases. The changes resulted in a reduction from 9,486 cases in 2017, to 4,019 cases in 2018 and to 174 cases as at the end of April 2020. The remaining cases can be explained by the fact that it was not possible to implement an automated solution for cases that are received in hard copy. The Fund will continue to clean cases as they emerge.	Evidence for the implementation of the recommendation has been provided. Therefore, this recommendation is considered implemented.	X			
30	2018	A/74/5/Add.16 , chap. II, para. 79	The Board recommends that the Fund create a project with committed member organizations to carry out the reconciliation process more than once per year, defining the different criteria, activities, deadlines, roles and responsibilities applicable to the Fund and the member organization and establishing percentages for the progress of its implementation, in order to obtain complete and accurate information regarding the contributions of each participant in a timely manner.	The pilot project with the International Civil Aviation Organization was completed in October 2019. The programme direction team for the interface programme first met in November 2019. The business case and programme definition document were updated. The project development team approved the extension of the pilot project to the United Nations Industrial Development Organization (through an agreement with Systems, Applications and Products in Data Processing) and two other member organizations (the World Intellectual Property Organization or the International Fund for	The evidence provided for the implementation of this recommendation is not sufficient. Therefore, the recommendation is considered under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
31	2018	A/74/5/Add.16, chap. II, para. 80	The Board also recommends that the Fund make efforts to establish a method of working with organizations that have not yet committed to carrying out the reconciliation process periodically, in order to ensure that the reconciliation process takes place more than once per year and that the Fund receives the necessary information on the same	Agricultural Development). Schedules for pending interface projects and the roll-out of the monthly contributions project to other member organizations will be completed in the medium term. The business intelligence dashboard for participation reconciliation exceptions was implemented in April 2020. The dashboards are scheduled to be shared with member organizations in June 2020. The reconciliation data are updated daily to reflect any resolution of the discrepancies. When the monthly financial interface is in operation, it will be possible to process and view the participation reconciliation exceptions the day after the data are received.	The pilot project with the International Civil Aviation Organization was completed in October 2019. The programme direction team for the interface programme first met in November 2019. The business case and programme definition document were updated. The project development team approved the extension of the pilot		X		

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			date. In the case of member organizations that cannot participate in the periodic reconciliation project more than once per year, the Fund secretariat should obtain technical documentation that supports the decisions made.	project to the United Nations Industrial Development Organization (through an agreement with Systems, Applications and Products in Data Processing) and two other member organizations (the World Intellectual Property Organization or the International Fund for Agricultural Development). Schedules for pending interface projects and the roll-out of the monthly contributions project to other member organizations will be completed in the medium term.					
32	2018	A/74/5/Add.16 , chap. II, para. 95	The Board recommends that the Fund update the password parameters defined in the active directory, so as to align them with the provisions set out in the logical access procedures.	The Board considered the recommendation implemented. The revised user access management procedure, the password policy and the active directory policy were updated for devices using the latest operating systems. The Fund also completed the implementation of the new password policy, which began in early 2019.	The Board obtained the necessary evidence and considers this recommendation implemented.	X			
33	2018	A/74/5/Add.16 , chap. II, para. 96	In addition, the Board recommends that the Fund strengthen compliance with regard to controls related to the creation of user accounts as set out in the user account management procedure or redefine and update the	To address the recommendation, a revised version of the user access management procedure was approved on 12 February 2019. To ensure compliance with user account controls, the Enterprise Security Unit annually conducts the user	The Board obtained the necessary evidence and considers this recommendation implemented.	X			

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34	2018	A/74/5/Add.16 , chap. II, para. 97	procedure, adjusting it to the current operation dynamics of the Fund and their related risks. Finally, the Board recommends that the Fund improve the monitoring process of the user accounts functions and adjust its frequency; establish responsibilities, roles and timelines for carrying out the monitoring; and define the evidence that supports its correct and effective execution.	account recertification process on the basis of the revised user access management procedure. The user accounts monitoring process is well defined in the revised user access management procedure. Since January 2017, the Fund has conducted periodic reviews of user accounts. In addition, the user account recertification process is completed annually.	The Board obtained the user access management procedure. Therefore, the Board considers this recommendation implemented.	X			
35	2018	A/74/5/Add.16 , chap. II, para. 111	The Board of Auditors recommends that the Fund strengthen the documentation on and evidence of the execution of manual controls AV-05 and AV-06.	The census data for the actuarial valuation of the Fund as at 31 December 2019 was prepared and submitted to the consulting actuary with the required validations and sign-offs. To address the recommendation, the Fund reviewed the census data preparation process, specifying the detailed review conducted by the Risk Management and Legal Services Section, and Financial Services prepared a detailed description of the review and produced evidence of the review and sign-offs.	Evidence for the implementation of the recommendations has been provided, namely, the revised risk and control matrix for the census data and the process map, a description of the review performed by Financial Services and the Risk Management and Legal Services Section, and the sign-offs by the Risk Management and Legal Services Section, Financial Services and the Accounts Section. Therefore, this recommendation is considered implemented.	X			

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						Implemented	Under implementation	Not implemented	Overtaken by events
36	2018	A/74/5/Add.16 , chap. II, para. 120	The Board recommends that the Fund secretariat identify and address all queries and complaints that remain outstanding in Outlook within a given time period, in order to continue to monitor and track all queries through the new system.	The Fund is using the iNeed system for handling and tracking all client queries. Email queries received by the Fund prior to the implementation of iNeed were handled in July 2019.	Evidence for the implementation of the recommendations has been provided. Therefore, this recommendation is considered implemented.	X			
37	2018	A/74/5/Add.16 , chap. II, para. 121	In addition, the Board recommends that the Fund secretariat provide a unique tracking number that can be used by the client to track the status of the query or complaint online until the final resolution of the issue.	iNeed assigns a random unique service request number to each query. Clients receive an email notifying them of the service request number and that their query has been received. Then, they receive an email reply to their query, also containing the service request number. Finally, when the service request has been considered resolved, clients receive an email with the service request reference stating that the query is considered resolved. Although clients cannot log into the system to track the whereabouts of the query, they can contact the Fund at any time to request an update on the status of the query. This is similar to the process followed for queries addressed to the information and communications technology help desk system or any other system.	The evidence provided by the Fund was a screenshot of the iNeed e-mail with the service request number for receipt and a message on the resolution of the issue. In this document, the Board noted the unique tracking number assigned to the queries. Therefore, this recommendation is considered implemented.	X			

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						Implemented	Under implementation	Not implemented	Overtaken by events
38	2018	A/74/5/Add.16 , chap. II, para. 126	The Board recommends that the Fund secretariat evaluate the probability of outflows of resources occurring as a result of the legal cases pending and assess whether a provision should be recognized or whether a note of disclosure as a contingent liability is necessary instead.	On the basis of a memo from the Legal and Compliance Unit containing an assessment of the probability of outflows of resources arising from legal cases pending, the Fund did not need to recognize a provision for contingent liabilities for the year ended 31 December 2019.	The Board reviewed the memo on contingent liabilities from the Legal and Compliance Unit containing an assessment of the probability of outflows of resources. Therefore, this recommendation is considered implemented.	X			
39	2018	A/74/5/Add.16 , chap. II, para. 135	The Board recommends that the Office of Investment Management establish a workplan, with dates and responsibilities, in order to ensure the implementation of the analysis and evaluation of environmental, social and governance metrics in accordance with the Office's sustainable investment strategy and its incorporation into the investment decision-making process for all asset classes.	The Office of Investment Management took the following actions to incorporate environmental, social and governance metrics into the Office's investment decision-making process: (a) the investment policy statement of the Office was updated to state that all of the Office's activities integrate the principles of sustainable investing, including taking into account environmental, social and governance metrics, while remaining entirely consistent with its fiduciary responsibility to meet its long-term investment objective; (b) guidelines were created that clearly explain the integration of environmental, social and governance metrics and are to be used in the investment decision-making process for each respective asset class;	The workplan implemented by the Office of Investment Management seeks to ensure the integration of the environmental, social and governance metrics into the investment decision-making process across all asset classes. Therefore, the Board considers that this recommendation has been implemented.	X			

No.	Audit report year	Report reference	Recommendation of the Board	Response of the Fund	Assessment of the Board	Status after verification		
						Implemented	Under implementation	Not implemented
				<p>(c) investment officers across all asset classes were formally trained on the methodology and functionality of all internal and external environmental, social and governance platforms to further enhance their understanding of the tools and facilitate the integration of environmental, social and governance metrics into their investment decision-making processes;</p> <p>(d) efforts were made to ensure that environmental, social and governance analysis and metrics are streamlined and built into the documentation process of the investment recommendation process and overseen by the Internal Investment Committee, for internal public equity and fixed income, and the Private Markets Committee, for private equity, real estate and real assets; (e) a yearly report on sustainable investing was published and the Office website was updated to include information on the Office's approach to sustainable investing; (f) attendance is logged for all training sessions, a confirmation from the sustainable investing team on attendance and the</p>				

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				completion of trainings is to be sent to each senior investment officer, and each senior investment officer is required to sign off on the integration guidelines upon receipt; and (g) senior investment officers are encouraged to integrate environmental, social and governance considerations into their investment decision-making process.					
40	2018	A/74/5/Add.16 , chap. II, para. 136	The Board recommends that the Office design and implement instructions, training and procedures that explain the process to be performed by the investment officers regarding the analysis and evaluation of environmental, social and governance metrics for each asset class, including the metrics to be used during the investment decision-making process, as well as the record of and support for the decision made on the basis thereof.	The Office of Investment Management created guidelines that clearly explain the integration of environmental, social and governance metrics and are to be used in the investment decision-making process for each respective asset class.	As long as the training sessions have not been finalized and the guidelines have not been approved, the recommendation remains under implementation.		X		
41	2018	A/74/5/Add.16 , chap. II, para. 137	The Board recommends that the Office support and implement, through computer systems, the analysis and evaluation of environmental, social and governance metrics for public equity investments, in order to have formal	The Office of Investment Management sustainable investment team has developed in-house automated environmental, social and governance assessment tools that allow investment officers to analyse and evaluate	The Office of Investment Management has developed automated environmental, social and governance assessment tools that allow investment officers to analyse and evaluate environmental, social and governance metrics for their	X			

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			documentation that such metrics were considered during the process before approval.	environmental, social and governance metrics for their respective portfolio holdings. The environmental, social and governance analysis tool is embedded within the broader investment model that allows all investment teams to perform both fundamental and environmental, social and governance analyses simultaneously to improve efficiency in their investment decision-making processes. These environmental, social and governance investment support tools were rolled out to the public equity teams in 2019 by the sustainable investment team and continue to be supported by them. The sustainable investment team has also automated the Office's investment rationale to populate relevant data for portfolio managers that include both environmental, social and governance metrics and fundamental metrics for any equity security being considered for investment.	respective portfolio holdings. Therefore, the Board considers this recommendation implemented.				

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						Implemented	Under implementation	Not implemented	Overtaken by events
42	2018	A/74/5/Add.16 , chap. II, para. 138	In the case of private markets, while finalizing the implementation of the system for this type of investments, the Office should reinforce the due diligence process with the Fund's external managers, in order to ensure that environmental, social and governance metrics are considered in the aforementioned process.	The Office of Investment Management sustainable investment team has developed guidelines on due diligence with external managers for private market teams that outline material environmental, social and governance factors to consider, how each factor is used in the context of private markets, best practices for environmental, social and governance incorporation by an external fund and how these material environmental, social and governance factors can have an impact on the risk-adjusted return of the Fund's private markets portfolio. Furthermore, the sustainable investment team has finalized and streamlined a formal environmental, social and governance process that is now embedded into the private market investment decision-making process for each private market team and must be followed prior to submitting investment recommendations. The sustainable investment team is currently developing a dashboard system for private markets similar to that of the public equity to provide material fundamental and environmental, social and governance data.	The Board acknowledges the progress that has been made; however, while it is not possible to verify that the actions taken are achieving the desired results, the recommendation remains under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events
43	2018	A/74/5/Add.16 , chap. II, para. 148	The Board recommends that the Office of Investment Management develop and implement an independent system to carry out, in real time, the registration and monitoring of investments in real assets and alternative investments as soon as the Front Office receives the notification by the Fund's investment managers.	The Office of Investment Management has finalized the first part of the process of seeking services related to the processing and fund administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process as it has many steps and involves other areas, such as procurement and the Office of Legal Affairs, to be finalized, as well as the technical implementation phase.	The Board acknowledges the progress that has been made; however, it considers that implementation is still in progress. Therefore, the recommendation is considered under implementation.		X		
44	2018	A/74/5/Add.16 , chap. II, para. 149	In addition, the Board recommends the information on each transaction carried out by the Office, such as amounts, instructions and administration fees, be recorded in the aforementioned independent system.	The Office of Investment Management has finalized the first part of the process of seeking services related to the processing and fund administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December	The Board acknowledges the progress that has been made; however, it considers that implementation is still in progress. Therefore, this recommendation is considered under implementation.		X		

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						Implemented	Under implementation	Not implemented	Overtaken by events	
45	2018	A/74/5/Add.16 , chap. II, para. 150	Lastly, the Board recommends that the process be traceable through the system, so as to provide complete and accurate information for decision-making, in a timely manner, and that the information be compared with the information maintained in the independent master record keeper's official book of records.	<p>2020 reflects the fact that it is a lengthy process as it has many steps and involves other areas, such as procurement and the Office of Legal Affairs, to be finalized, as well as the technical implementation phase.</p> <p>The Office of Investment Management has finalized the first part of the process of seeking services related to the processing and fund administration of alternative investments (real assets and private equity) and their related information management. The services, including the software platform, will effectively support the Office with a more automated process. The target date of December 2020 reflects the fact that it is a lengthy process as it has many steps and involves other areas, such as procurement and the Office of Legal Affairs, to be finalized, as well as the technical implementation phase.</p>	The Board acknowledges the progress that has been made; however, it considers that implementation is still in progress. Therefore, this recommendation is considered under implementation.		X			
Total						45	33	12	-	-
Percentage						100	73	27	-	-

Chapter III

Certification of the financial statements

Letter dated 12 June 2020 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 2019 have been prepared in accordance with the Regulations, Rules and Pension Adjustment System of the United Nations Joint Staff Pension Fund,¹ 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

¹ The financial rules of the United Nations Joint Staff Pension Fund are promulgated by the United Nations Joint Staff Pension Board in accordance with article 4 (b) of the Regulations of the Fund with effect from 1 January 2017. Subject to the provisions of the Regulations of the Fund and to resolutions and decisions of the General Assembly pertaining to the financial operations of the Fund, those financial rules shall govern the financial management and administration of the Fund and should be read in conjunction with the Administrative Rules. With regard to any matter not specifically covered by those rules, the appropriate provisions of the Financial Regulations and Rules of the United Nations shall apply, mutatis mutandis.

Statement of internal control for the year ended 31 December 2019

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.

The United Nations Joint Staff Pension Board, a subsidiary organ of the General Assembly, has the overall supervisory responsibility for the administration of the Fund and for the observance of the Regulations and Rules of the Fund. The Pension Board appoints an independent Secretary, who is responsible for a full range of secretariat conference management and other secretariat services.

The Chief Executive of Pension Administration discharges the Pension Board's responsibility for the administrative supervision of the pension administration. The Chief Executive, acting under the authority of the Pension Board, collects contributions, ensures record-keeping for pension administration, certifies benefit payments and deals with other issues related to the Fund's participants and beneficiaries. The Chief Executive 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. Until 31 December 2019, the Chief Executive Officer/Secretary of the Pension Board was responsible for both of the roles now assigned separately to the Secretary of the Pension Board and the Chief Executive of Pension Administration.

The investment of the assets of the Fund is the responsibility of the Secretary-General, who 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 the delegated responsibility for the management and accounting of the investments of the Fund. The Representative exercises that 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 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 2019.

Capacity to handle risk

The Pension Fund has implemented a governance structure, a management process and internal and external oversight mechanisms to adequately identify, assess, manage, monitor and report the risks inherent to its operations. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development, as well as its specific requirements.

The Pension Fund internal control policy, approved in May 2014, defines internal control objectives, components and responsibilities, as well as the lines of defence in terms of internal control, which include: (a) management; (b) risk management and compliance sections; (c) internal audit; and (d) external audit. The Fund's internal controls over financial reporting provide reasonable assurance that assets are safeguarded, that transactions are properly recorded and authorized and that there are no material misstatements in the financial statements.

Pension Fund risk management and internal control framework

The purpose of the enterprise-wide risk management framework is to identify events that may affect the Pension Fund and manage risk within the Fund's risk appetite. The Fund's risk management framework includes the following components:

(a) *Risk management governance.* The operation of the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. Specialized committees conduct oversight and provide advice to the Pension Board on risk management and internal control, as follows:

(i) The Audit Committee provides general oversight of and offers recommendations on the Fund's internal and external auditing and its internal control framework;

(ii) The Fund Solvency and Assets and Liabilities Monitoring Committee advises the Pension Board on risk management, funding policy, asset-liability management and investment policy matters;

(b) *Enterprise-wide risk management policy.* The policy provides the basis for the operation of the risk management framework and specifies its applicability throughout the Fund. The enterprise-wide risk management methodology complements the policy and defines the steps, roles and responsibilities in the risk management process;

(c) *Risk assessments.* The Fund conducts periodic risk assessment exercises, which serve as a basis for defining strategies to address the Fund's key risks;

(d) *Risk monitoring.* The Enterprise-wide Risk Management Working Group, chaired by the Chief Executive of the Fund and the Representative of the Secretary-General, includes representatives from all units and monitors the Fund's risk profile and the implementation of risk management strategies. Risk management officers promote the implementation of the enterprise-wide risk management framework, facilitate risk assessments, advise on the implementation of risk management strategies and monitor and report on the Fund's risk profile;

(e) *Fraud risk assessment.* The pension administration and the Office of Investment Management perform fraud risk assessments to identify specific fraud

schemes and risks and assess their likelihood and significance, evaluate existing fraud control activities and implement actions to mitigate residual fraud risks.

Review of the effectiveness of internal controls over financial reporting

The Pension Fund has considered the *Internal Control-Integrated Framework* of the Committee of Sponsoring Organizations of the Treadway Commission as a guideline for assessing its internal controls over financial reporting. The review by the Fund management of the effectiveness of internal controls over financial reporting as at 31 December 2019 was supported by the following:

- (a) The preparation of the statement of internal control, which involved:
 - (i) A scoping exercise to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services;
 - (ii) The identification of key financial reporting risks;
 - (iii) The identification and documentation of entity-level controls, key controls over financial reporting, anti-fraud controls and key ICT general controls that support the operation of other controls over financial reporting;
 - (iv) Operational effectiveness testing of the key controls over financial reporting and anti-fraud controls performed by management;
- (b) Assertion letters on the effectiveness of internal controls over financial reporting signed by key officers in the pension administration and the Office of Investment Management. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting and reporting any deficiencies identified;
- (c) An independent service auditor performed an independent service audit on the controls applied by Northern Trust, which is the master record keeper for the Fund's investments and the custodian bank for the investments. The audit was conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. The audit concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved;
- (d) In April 2016, the pension administration obtained the International Organization for Standardization (ISO) 27001 information security certification for the Integrated Pension Administration System, which was valid for three years, until March 2019. In a surveillance audit conducted in 2018, it was concluded that the information security processes functioned as expected and effectively met the requirements of the standard. Since then, the Fund suspended the yearly surveillance audit in order to seek certification on its conformance with the ISO 27701 standard on privacy information management systems, which would extend the scope of its security controls to personal identifiable information. Pending completion of the procurement process for the new ISO certification services, the Fund continues to maintain and update the controls originally certified under the ISO 27001 certification schema;
- (e) An independent auditor performed an International Standard on Assurance Engagements (ISAE) 3402 type II audit of the internal control framework of the United Nations International Computing Centre. The ISAE 3402 type II audit provides an independent assessment of whether the Centre's controls are suitably designed and operated effectively. The conclusion of the ISAE 3402 type II audit report for 2019 was an unqualified opinion;

(f) The Audit Committee reviewed the results of the audits by the Office of Internal Oversight Services (OIOS) and the Board of Auditors and received information on the implementation of audit recommendations. The Representative of the Secretary-General and the Fund's Chief Executive, Chief Financial Officer, Risk and Compliance Officers and internal and external auditors had periodic meetings with the Audit Committee;

(g) In accordance with its mandate, OIOS provided assurance that internal controls are adequate and functioning effectively. In the execution of a risk-based audit plan endorsed by the Audit Committee, OIOS conducted audits to provide assurance on the effectiveness of internal controls and to identify control deficiencies. The Chief Executive and the Representative of the Secretary-General, in their respective areas of responsibility, took appropriate actions to address recommendations resulting from internal audits;

(h) In accordance with its mandate, the Board of Auditors independently examined the Fund's internal controls and 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 2019 draws attention to key areas having an impact on internal controls over financial reporting, as follows:

(a) At its sixty-sixth session, in July 2019, the Pension Board established a distinct position for the Secretary of the Pension Board. At its seventy-fourth session, the General Assembly adopted its resolution [74/263](#), in which, among other aspects, it stressed that the Secretary of the Pension Board should be fully independent from the Chief Executive of Pension Administration and the Representative of the Secretary-General and should report directly to the Pension Board, while being provided with administrative support from the pension administration and the Office of Investment Management, as necessary;

(b) The pension administration was affected by a cyberattack on 26 October 2019. Detection and corrective measures were immediately activated, and no data was lost. With the support of a specialized cybersecurity firm, the Fund completed all the necessary technical testing and validations and the implementation of protective measures. As a result, the incident had no significant impact on critical business functions and no financial impact on the Fund. The Fund strengthened its control mechanisms to prevent and detect possible future cyberattacks. Additional security measures, including regular awareness training, continue;

(c) At the same time, although financial market volatility in the first quarter of 2020 affected the Fund's assets, the impact of the market downturn has been alleviated by the positive performance of the Fund in 2019. The Fund has sufficient liquidity, and no disruption is expected in the payment of benefits.

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 2019.

(Signed) Rosemarie **McClellan**
Chief Executive of Pension Administration
United Nations Joint Staff Pension Fund

(Signed) Pedro **Guazo**
Acting Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

24 April 2020
New York

Chapter IV

Financial overview

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. As at 31 December 2019, there were 24 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 United Nations Joint Staff Pension Board, a subsidiary organ of the General Assembly, has the overall supervisory responsibility for the administration of the Fund and for the observance of the Regulations and Rules of the Fund. The Pension Board appoints an independent Secretary, who is responsible for a full range of secretariat conference management and other secretariat services. The role of the Secretary of the Pension Board is distinct from the roles and responsibilities pertaining to all aspects of the management, administration and investments of the Fund. The Secretary reports directly to the Pension Board.

3. The Chief Executive of Pension Administration is appointed by the Secretary-General on the recommendation of the Pension Board.

4. The Chief Executive acts under the authority of the Pension Board in the discharge of the latter's responsibility for the administrative supervision of the Fund as a whole. That includes responsibility for strategic planning and operational direction; the establishment of policy; the administration of the Fund's operations and the certification of benefit payments; risk management; regulatory compliance; the overall supervision of staff; and stakeholder communications. The Fund secretariat staff, under the authority of the Chief Executive, provides technical support services, prepares background documentation and offers guidance and advice to the Pension Board and its subsidiary bodies, including its Standing Committee and the Committee of Actuaries. The Chief Executive serves as Secretary of the United Nations Staff Pension Committee. The Chief Executive participates in the 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. In accordance with article 7 (b) of the Regulations of the Fund, in the absence of the Chief Executive of Pension Administration, the Deputy Chief Executive performs the functions of the Chief Executive.

5. Until 31 December 2019 the Chief Executive Officer/Secretary of the Pension Board was responsible for both of the roles now assigned separately to the Secretary of the Pension Board and the Chief Executive of Pension Administration.

6. The investment of the assets of the Fund is 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 Pension 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 arranges for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which are open to examination by the Pension Board.

B. Financial performance

Changes in net assets available for benefits

7. There was an increase in the net assets available for benefits for the year ended 31 December 2019 of \$11,258.5 million (2018: decrease of \$3,589.9 million). The increase was attributable primarily to investment income for the year.

8. The investment income for 2019 was \$11,362.3 million (2018: loss of \$3,306.5 million). Investment income for 2019 primarily comprised a net change in the fair value of investments of \$10,009.8 million and dividend income of \$918.5 million and interest income of \$518.8 million. The change of \$14,668.8 million from the prior year was driven largely by the change in the fair value of financial assets designated at fair value.

9. Total contributions (from participants: \$890.4 million; member organizations: \$1,771.3 million; and other contributions: \$27.2 million) for 2019 were \$2,688.9 million (2018: \$2,457.2 million), reflecting an increase of \$231.7 million (or 9.4 per cent) compared with the total contributions for 2018.

10. Pension benefits for 2019 of \$2,700.0 million (2018: \$2,669.6 million) reflected an increase of \$30.4 million (or 1.1 per cent) compared with the benefits for 2018.

11. Administrative expenses for 2019 of \$91.8 million (2018: \$70.1 million) reflected an increase of \$21.7 million (or 31.0 per cent). The increase in administrative expense was due primarily to the impact of the changes in the post-employment benefits liabilities, including after-service health insurance, of \$19.3 million.

Statement of net assets available for benefits

12. Net assets available for benefits as at 31 December 2019 were \$72,034.5 million (2018: \$60,776.0 million), reflecting an increase of \$11,258.5 million (or 18.5 per cent).

13. Cash and cash equivalents as at 31 December 2019 were \$436.4 million (2018: \$564.9 million), reflecting a decrease of \$128.5 million (or 22.7 per cent).

14. The fair value of investments as at 31 December 2019 was \$71,550.0 million (2018: \$60,309.8 million), reflecting an increase of \$11,240.2 million (or 18.6 per cent). Details with regard to the investment classes as at 31 December 2019 and 31 December 2018 are as follows:

(Millions of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>	<i>Change</i>	<i>Percentage</i>
Equities	42 309.1	34 401.2	7 907.9	23.0
Fixed income	20 412.6	18 824.8	1 587.8	8.4
Real assets	5 201.8	4 340.4	861.4	19.8
Alternatives and other investments	3 626.5	2 743.4	883.1	32.2
Total investments	71 550.0	60 309.8	11 240.2	18.6

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

(Millions of United States dollars)

	31 December 2019	31 December 2018	Change	Percentage
Investments	71 550.0	60 309.8	11 240.2	18.6
Cash and cash equivalents	436.4	564.9	(128.5)	(22.7)
Total investments and cash and cash equivalents	71 986.4	60 874.7	11 111.7	18.3

16. As a result of the global spread of the coronavirus disease (COVID-19), economic uncertainties have arisen that are likely to negatively affect the financial condition, results of operations and cash flows of the Fund. The changes in the value of the Fund's portfolio, which declined significantly following the market downturn in the first quarter of 2020, are consistent with the negative trend observed in the markets. Given that the COVID-19 pandemic is still unfolding, the Fund expects the volatility in the markets to persist in the months to come. As at 12 June 2020, the estimated unaudited market value of the total investments of the Fund, net of the cash and cash equivalents held by the Fund secretariat, was approximately \$70 billion. For additional information and weekly fund performance updates, please refer to the Fund's website (<https://oim.unjspf.org/investments-at-glance/weekly-fund-performance>).

17. Total liabilities of the Fund as at 31 December 2019 were \$256.5 million (2018: \$362.9 million), reflecting a decrease of \$106.4 million (or 29.3 per cent). The decrease in total liabilities was due primarily to the decrease in payable from investments traded of \$132.7 million, offset by the increase in after-service health insurance and other employee benefits of \$16.1 million.

Actuarial situation of the Fund

18. 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.

19. The actuarial present value of accumulated plan benefits as at 31 December 2019 is as follows:

(Millions of United States dollars)

	<i>If future pension payments are made under the Regulations</i>	
	<i>Without pension adjustments</i>	<i>With pension adjustments</i>
Actuarial value of vested benefits		
Participants currently receiving benefits	26 482	34 703
Vested terminated participants	1 078	1 852
Active participants	16 199	22 136
Total vested benefits	43 759	58 691
Non-vested benefits	902	1 138
Total actuarial present value of accumulated plan benefits	44 661	59 829

Key statistics

20. The number of Fund participants as at 31 December 2019 was 131,583 (2018: 128,594), an increase of 2,989, or 2.3 per cent.

21. The number of periodic benefits paid by the Fund as at 31 December 2019 was 79,975 (2018: 78,716), an increase of 1,259 or 1.6 per cent.

Chapter V

Financial statements for the year ended 31 December 2019

United Nations Joint Staff Pension Fund

I. Statement of net assets available for benefits

(Thousands of United States dollars)

	<i>Note</i>	<i>31 December 2019</i>	<i>31 December 2018 (reclassified)^a</i>
Assets			
Cash and cash equivalents	4	436 354	564 891
Investments	5, 6		
Equities		42 309 141	34 401 159
Fixed income		20 412 531	18 824 833
Real assets		5 201 835	4 340 466
Alternatives and other investments		3 626 467	2 743 377
		71 549 974	60 309 835
Contributions receivable		64 912	55 889
Accrued income from investments	7	163 163	158 251
Receivable from investments traded	5	15 390	7 869
Withholding tax receivable	8	35 789	20 133
Other assets	9	25 398	22 068
		72 290 980	61 138 936
Liabilities			
Benefits payable	10	105 970	102 488
Payable from investments traded	5	27 191	159 913
After-service health insurance and other employee benefit liabilities	11	103 989	87 891
Other accruals and liabilities	12	19 352	12 597
		256 502	362 889
		72 034 478	60 776 047

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

^a See note 24 for details with regard to the reclassifications.

United Nations Joint Staff Pension Fund

II. Statement of changes in net assets available for benefits

(Thousands of United States dollars)

	<i>Note</i>	<i>For the year 2019</i>	<i>For the year 2018</i>
Investment income/(loss)	13		
Net change in fair value of investments		10 009 778	(4 502 075)
Interest income		518 791	376 716
Dividend income		918 469	912 237
Income from real assets		78 547	55 510
Less: transaction costs and management fees		(158 748)	(143 435)
Less: withholding tax		(3 232)	(5 972)
Other investment-related (expenses)/income, net		(1 348)	505
		11 362 257	(3 306 514)
Pension contributions	14		
From participants		890 381	820 209
From member organizations		1 771 258	1 630 838
Other contributions		27 217	6 104
		2 688 856	2 457 151
Pension benefits	15		
Withdrawal settlements and full commutation benefits		194 582	181 671
Retirement benefits		2 511 119	2 530 498
Other benefits/adjustments		(5 736)	(42 609)
		2 699 965	2 669 560
Administrative expenses	16		
Fund secretariat		49 428	36 222
Office of Investment Management		40 028	32 212
Audit		1 631	1 235
Pension Board		678	450
		91 765	70 119
Other expenses	17	952	819
Increase/(decrease) in net assets available for benefits		11 258 431	(3 589 861)

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

United Nations Joint Staff Pension Fund

III. Cash flow statement

(Thousands of United States dollars)

	<i>Note</i>	<i>For the year 2019</i>	<i>For the year 2018</i>
Cash flows from investing activities			
Purchase of investments		(48 917 774)	(25 154 053)
Proceeds from sale/redemption of investments		47 553 775	23 932 026
Dividends received from equity investments, <i>excluding withholding tax</i>		878 922	876 424
Interest received from fixed-income investments		525 863	377 678
Income received from unitized real asset funds, <i>excluding withholding tax</i>		75 641	55 483
Other investment-related (expense)/income, net		(1 348)	510
Transaction costs, management fees and other expenses paid		(159 551)	(144 649)
Withholding taxes reimbursement		11 582	31 732
Net cash used by investing activities		(32 890)	(24 849)
Cash flows from operating activities			
Contribution from member organizations and participants		2 656 821	2 405 906
Benefits payments		(2 693 636)	(2 710 412)
Net transfer from/to from other plans		21 780	(475)
Administrative expenses paid		(80 574)	(77 953)
Other payments, net		(950)	(696)
Net cash used by operating activities		(96 559)	(383 630)
Net decrease in cash and cash equivalents		(129 449)	(408 479)
Cash and cash equivalents at the beginning of year	4	564 891	971 807
Exchange gains on cash and cash equivalents		912	1 563
Cash and cash equivalents at the end of year	4	436 354	564 891

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

**United Nations Joint Staff Pension Fund
Schedule A**

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2018–2019

(Thousands of United States dollars)

	<i>Initial appropriation 2018–2019</i>			<i>Final appropriation 2018–2019</i>			<i>Actuals on a comparable basis 2018–2019</i>			<i>Variance</i>			<i>Percentage</i>
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	
A. Fund secretariat													
Posts	32 059.4	14 476.1	46 535.5	33 622.1	15 085.3	48 707.4	33 651.8	15 082.1	48 733.9	29.7	(3.2)	26.5	0
Other staff costs	11 599.8	647.3	12 247.1	11 951.7	295.4	12 247.1	11 248.0	223.8	11 471.8	(703.7)	(71.6)	(775.3)	(6)
Hospitality	5.8	–	5.8	5.8	–	5.8	0.3	–	0.3	(5.5)	–	(5.5)	(95)
Consultants	223.2	–	223.2	223.2	–	223.2	224.1	–	224.1	0.9	–	0.9	0
Travel of staff	1 096.5	–	1 096.5	1 096.5	–	1 096.5	809.1	–	809.1	(287.4)	–	(287.4)	(26)
Contractual services ^a	18 812.0	2 128.5	20 940.5	19 446.7	2 128.5	21 575.2	19 256.7	2 148.6	21 405.3	(190.0)	20.1	(169.9)	(1)
General operating expenses	13 282.4	3 751.1	17 033.5	12 225.5	3 592.0	15 817.5	12 517.0	3 653.3	16 170.3	291.5	61.3	352.8	2
Supplies and materials	136.8	68.5	205.3	117.3	58.7	176.0	73.1	25.0	98.1	(44.2)	(33.7)	(77.9)	(44)
Furniture and equipment	1 554.1	636.0	2 190.1	965.4	302.7	1 268.1	1 121.7	239.9	1 361.6	156.3	(62.8)	93.5	7
Subtotal	78 770.0	21 707.5	100 477.5	79 654.2	21 462.6	101 116.8	78 901.8	21 372.7	100 274.5	(752.4)	(89.9)	(842.3)	(1)

United Nations Joint Staff Pension Fund
Schedule A (continued)

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the biennium 2018–2019 (continued)

(Thousands of United States dollars)

	<i>Initial appropriation 2018–2019</i>			<i>Final appropriation 2018–2019</i>			<i>Actuals on a comparable basis 2018–2019</i>			<i>Variance</i>			<i>Percentage</i>
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	
B. Office of Investment Management													
Posts	25 388.5	–	25 388.5	26 080.6	–	26 080.6	26 692.6	–	26 692.6	612.0	–	612.0	2
Other staff costs	3 501.0	–	3 501.0	4 109.0	–	4 109.0	3 330.4	–	3 330.4	(778.6)	–	(778.6)	(19)
Hospitality	28.1	–	28.1	28.1	–	28.1	9.9	–	9.9	(18.2)	–	(18.2)	(65)
Consultants	1 125.8	–	1 125.8	918.3	–	918.3	551.6	–	551.6	(366.7)	–	(366.7)	(40)
Travel of representatives ^b	711.5	–	711.5	613.3	–	613.3	268.2	–	268.2	(345.1)	–	(345.1)	(56)
Travel of staff	1 551.6	–	1 551.6	1 551.6	–	1 551.6	1 164.3	–	1 164.3	(387.3)	–	(387.3)	(25)
Contractual services	45 265.5	–	45 265.5	38 804.6	–	38 804.6	31 350.9	–	31 350.9	(7 453.7)	–	(7 453.7)	(19)
General operating expenses	8 226.2	–	8 226.2	6 152.9	–	6 152.9	4 835.4	–	4 835.4	(1 317.5)	–	(1 317.5)	(21)
Supplies and materials	62.6	–	62.6	63.1	–	63.1	46.6	–	46.6	(16.5)	–	(16.5)	(26)
Furniture and equipment	1 409.0	–	1 409.0	809.0	–	809.0	633.4	–	633.4	(175.6)	–	(175.6)	(22)
Subtotal	87 269.8	–	87 269.8	79 130.5	–	79 130.5	68 883.3	–	68 883.3	(10 247.2)	–	(10 247.2)	(13)
C. Audit													
External audit	655.3	131.1	786.4	655.3	131.1	786.4	655.3	131.0	786.3	–	(0.1)	(0.1)	(0)
Internal audit	1 766.3	353.3	2 119.6	2 125.2	425.1	2 550.3	2 030.8	406.1	2 436.9	(94.4)	(19.0)	(113.4)	(4)
Subtotal	2 421.6	484.4	2 906.0	2 780.5	556.2	3 336.7	2 686.1	537.1	3 223.2	(94.4)	(19.1)	(113.5)	(3)
D. Pension Board	1 006.5	–	1 006.5	1 332.8	–	1 332.8	1 126.8	–	1 126.8	(206.0)	–	(206.0)	(15)
Total administrative expenses	169 467.9	22 191.9	191 659.8	162 898.0	22 018.8	184 916.8	151 598.0	21 909.8	173 507.8	(11 300.0)	(109.0)	(11 409.0)	(6)

The purpose of schedule A is to compare budget amounts with actual amounts for the biennium 2018–2019 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. Percentages are rounded to the nearest whole number; 0 indicates a value between zero and 1, but not zero, while (0) indicates a value between -1 and zero, but not zero.

^a Actuals include expenditure for the United Nations International Computing Centre (\$11.4 million).

^b Comprises travel of Investments Committee members only.

United Nations Joint Staff Pension Fund
Schedule A (continued)

IV. Statement of comparison of budget and actual amounts on a comparable basis
in relation to administrative expenses for the biennium 2018–2019 (continued)

Explanation of significant differences (greater than +/-5 per cent) between
budget and actual amounts on a comparable basis

A. Fund secretariat

Other staff costs. The underexpenditure is attributable primarily to lower-than-projected expenditure for general temporary assistance, owing to the overall movement of staff in operations and the time it took to refill those positions.

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

Travel. The underexpenditure is due to lower-than-anticipated expenditure for travel, related mainly to outreach missions with fewer-than-planned trips for work coordination between offices in New York, Geneva and Nairobi, as most of that travel was postponed to 2020 and 2021 in the context of the new functional reporting. The underexpenditure also reflects the replacement of some staff travel with videoconferencing and teleconferencing.

Supplies, furniture and equipment. The underexpenditure is due primarily to lower-than-anticipated requirements for supplies and materials.

B. Office of Investment Management

Posts. The overexpenditure reflects the actual expenditure compared with the budgeted rates in relation to standard costs and vacancies.

Other staff costs. The underexpenditure is due primarily to general temporary assistance positions not being filled in the Investments and Operations and Information Technology Sections because of the ongoing challenges in hiring suitable staff for specialized posts in the Office of Investment Management.

Hospitality. The underexpenditure is the result of continued efforts to minimize hospitality costs and the lower-than-anticipated number of functions hosted.

Consultants. The underexpenditure is attributable to the procurement of consultancy services related to the data management programme through contractual services rather than consultant experts as initially planned.

Travel. The underexpenditure is attributable to a decrease in travel of representatives, owing to the attendance of a lower-than-anticipated number of members at Investments Committee meetings. In addition, several members did not submit their travel expenses for reimbursement, which also contributed to the underexpenditure. The underexpenditure is also attributable to lower-than-anticipated expenditure for staff travel, owing largely to changes in work priorities under a volatile market and to numerous projects being undertaken simultaneously, thereby limiting the ability to travel for a number of staff. In addition, meetings with fund managers and corporation management staff were held during their visits to New York, and some anticipated travel was replaced by videoconferences.

Contractual services. The underexpenditure is primarily in the Operations and Information Technology Section, where certain projects under the target operating model have been taking longer than had been anticipated in the due diligence and competitive selection process. Many of those projects are in the final stages of the procurement process, and the finalization of those efforts from a contractual perspective is due to be completed in 2020. In addition, the expenditure for some

projects was lower than anticipated owing to a reduction in costs for tax and account advisory services, as well as in fees paid for custodian services following the transition to a single custodian model. The underexpenditure is also attributable to putting on hold the provision of risk and compliance advisory services and shifting the focus to strengthening the internal team.

General operating expenses. The underexpenditure is due primarily to the surrendering of office space and the partial reimbursement of the cost of improvements to the 5th-floor office space, the deferral of procurement activities for the disaster recovery site and delays in construction projects in 2019.

Supplies and materials. The underexpenditure is attributable to lower-than-anticipated requirements for supplies and materials.

Furniture and equipment. The underexpenditure is attributable primarily to lower-than-anticipated expenditure for the acquisition of software, owing to the postponement of some information technology-related projects and to continued efforts to find more cost-effective alternatives.

D. Pension Board

The underexpenditure is attributable to lower-than-anticipated expenditure related to the travel of committee members.

**United Nations Joint Staff Pension Fund
Schedule B**

V. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2019

(Thousands of United States dollars)

	<i>Initial appropriation 2019</i>			<i>2018 budget balance carried forward</i>			<i>Revision to appropriation</i>			<i>Final budget 2019</i>		
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>
A. Fund secretariat												
Posts	16 070.9	7 258.7	23 329.6	(32.2)	40.3	8.1	1 562.7	609.2	2 171.9	17 601.4	7 908.2	25 509.6
Other staff costs	5 892.1	323.0	6 215.1	(718.6)	213.4	(505.2)	351.9	(351.9)	–	5 525.4	184.5	5 709.9
Hospitality	2.9	–	2.9	2.9	–	2.9	–	–	–	5.8	–	5.8
Consultants	134.1	–	134.1	11.1	–	11.1	–	–	–	145.2	–	145.2
Travel of staff	514.7	–	514.7	205.2	–	205.2	–	–	–	719.9	–	719.9
Contractual services	9 225.5	1 056.0	10 281.5	556.5	(79.5)	477.0	634.7	–	634.7	10 416.7	976.5	11 393.2
General operating expenses	6 716.0	1 913.1	8 629.1	(3 342.0)	(1 498.9)	(4 840.9)	(1 056.9)	(159.1)	(1 216.0)	2 317.1	255.1	2 572.2
Supplies and materials	69.0	34.6	103.6	41.5	20.7	62.2	(19.5)	(9.8)	(29.3)	91.0	45.5	136.5
Furniture and equipment	689.8	320.0	1 009.8	648.1	312.7	960.8	(588.7)	(333.3)	(922.0)	749.2	299.4	1 048.6
Subtotal	39 315.0	10 905.4	50 220.4	(2 627.5)	(991.3)	(3 618.8)	884.2	(244.9)	639.3	37 571.7	9 669.2	47 240.9

United Nations Joint Staff Pension Fund
Schedule B (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 2019 (continued)

(Thousands of United States dollars)

	<i>Initial appropriation 2019</i>			<i>2018 budget balance carried forward</i>			<i>Revision to appropriation</i>			<i>Final budget 2019</i>		
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>
B. Office of Investment Management												
Posts	12 689.8	–	12 689.8	(264.3)	–	(264.3)	692.1	–	692.1	13 117.6	–	13 117.6
Other staff costs	1 765.6	–	1 765.6	666.8	–	666.8	608.0	–	608.0	3 040.4	–	3 040.4
Hospitality	13.5	–	13.5	7.7	–	7.7	–	–	–	21.2	–	21.2
Consultants	504.5	–	504.5	241.2	–	241.2	(207.5)	–	(207.5)	538.2	–	538.2
Travel of representatives ^a	355.9	–	355.9	136.9	–	136.9	(98.2)	–	(98.2)	394.6	–	394.6
Travel of staff	707.2	–	707.2	290.9	–	290.9	–	–	–	998.1	–	998.1
Contractual services	22 884.5	–	22 884.5	6 237.8	–	6 237.8	(6 460.9)	–	(6 460.9)	22 661.4	–	22 661.4
General operating expenses	4 193.8	–	4 193.8	(300.6)	–	(300.6)	(2 073.3)	–	(2 073.3)	1 819.9	–	1 819.9
Supplies and materials	31.3	–	31.3	(1.9)	–	(1.9)	0.5	–	0.5	29.9	–	29.9
Furniture and equipment	556.3	–	556.3	579.0	–	579.0	(600.0)	–	(600.0)	535.3	–	535.3
Subtotal	43 702.4	–	43 702.4	7 593.5	–	7 593.5	(8 139.3)	–	(8 139.3)	43 156.6	–	43 156.6
C. Audit												
External audit	327.6	65.5	393.1	0.1	0.1	0.2	–	–	–	327.7	65.6	393.3
Internal audit	887.3	177.5	1 064.8	(120.9)	(24.2)	(145.1)	358.9	71.8	430.7	1 125.3	225.1	1 350.4
Subtotal	1 214.9	243.0	1 457.9	(120.8)	(24.1)	(144.9)	358.9	71.8	430.7	1 453.0	290.7	1 743.7
D. Pension Board	512.2	–	512.2	43.6	–	43.6	326.3	–	326.3	882.1	–	882.1
Total administrative expenses	84 744.5	11 148.4	95 892.9	4 888.8	(1 015.4)	3 873.4	(6 569.9)	(173.1)	(6 743.0)	83 063.4	9 959.9	93 023.3

United Nations Joint Staff Pension Fund
Schedule B (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 2019 (continued)

(Thousands of United States dollars)

	<i>Final budget 2019</i>			<i>Actuals on a comparable basis</i>			<i>Variance</i>			<i>Percentage</i>
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	
A. Fund secretariat										
Posts	17 601.4	7 908.2	25 509.6	17 631.1	7 905.0	25 536.1	29.7	(3.2)	26.5	0
Other staff costs	5 525.4	184.5	5 709.9	4 821.7	112.9	4 934.6	(703.7)	(71.6)	(775.3)	(14)
Hospitality	5.8	–	5.8	0.3	–	0.3	(5.5)	–	(5.5)	(95)
Consultants	145.2	–	145.2	146.1	–	146.1	0.9	–	0.9	1
Travel of staff	719.9	–	719.9	432.5	–	432.5	(287.4)	–	(287.4)	(40)
Contractual services ^b	10 416.7	976.5	11 393.2	10 226.7	996.6	11 223.3	(190.0)	20.1	(169.9)	(1)
General operating expenses	2 317.1	255.1	2 572.2	2 608.6	316.4	2 925.0	291.5	61.3	352.8	14
Supplies and materials	91.0	45.5	136.5	46.8	11.8	58.6	(44.2)	(33.7)	(77.9)	(57)
Furniture and equipment	749.2	299.4	1 048.6	905.5	236.6	1 142.1	156.3	(62.8)	93.5	9
Subtotal	37 571.7	9 669.2	47 240.9	36 819.3	9 579.3	46 398.6	(752.4)	(89.9)	(842.3)	(2)
B. Office of Investment Management										
Posts	13 117.6	–	13 117.6	13 729.6	–	13 729.6	612.0	–	612.0	5
Other staff costs	3 040.4	–	3 040.4	2 261.8	–	2 261.8	(778.6)	–	(778.6)	(26)
Hospitality	21.2	–	21.2	3.0	–	3.0	(18.2)	–	(18.2)	(86)
Consultants	538.2	–	538.2	171.5	–	171.5	(366.7)	–	(366.7)	(68)
Travel of representatives ^a	394.6	–	394.6	49.5	–	49.5	(345.1)	–	(345.1)	(87)
Travel of staff	998.1	–	998.1	610.8	–	610.8	(387.3)	–	(387.3)	(39)
Contractual services	22 661.4	–	22 661.4	15 207.7	–	15 207.7	(7 453.7)	–	(7 453.7)	(33)
General operating expenses	1 819.9	–	1 819.9	502.4	–	502.4	(1 317.5)	–	(1 317.5)	(72)
Supplies and materials	29.9	–	29.9	13.4	–	13.4	(16.5)	–	(16.5)	(55)
Furniture and equipment	535.3	–	535.3	359.7	–	359.7	(175.6)	–	(175.6)	(33)
Subtotal	43 156.6	–	43 156.6	32 909.4	–	32 909.4	(10 247.2)	–	(10 247.2)	(24)

United Nations Joint Staff Pension Fund
Schedule B (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 2019 (continued)

(Thousands of United States dollars)

	<i>Final budget 2019</i>			<i>Actuals on a comparable basis</i>			<i>Variance</i>			<i>Percentage</i>
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	
C. Audit										
External audit	327.7	65.6	393.3	327.7	65.5	393.2	–	(0.1)	(0.1)	(0)
Internal audit	1 125.3	225.1	1 350.4	1 030.9	206.1	1 237.0	(94.4)	(19.0)	(113.4)	(8)
Subtotal	1 453.0	290.7	1 743.7	1 358.6	271.6	1 630.2	(94.4)	(19.1)	(113.5)	(7)
D. Pension Board	882.1	–	882.1	676.1	–	676.1	(206.0)	–	(206.0)	(23)
Total administrative expenses	83 063.4	9 959.9	93 023.3	71 763.4	9 850.9	81 614.3	(11 300.0)	(109.0)	(11 409.0)	(12)

The purpose of schedule B is to compare budget amounts 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. Percentages are rounded to the nearest whole number; 0 indicates a value between zero and 1, but not zero, while (0) indicates a value between -1 and zero, but not zero. A reconciliation of the differences is provided in note 21.2.

^a Comprises travel of Investments Committee members only.

^b Actuals include expenditure for the United Nations International Computing Centre (\$6.5 million).

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 were 24 member organizations participating in the Fund as at 31 December 2019. All participating organizations and employees contribute to the Fund on the basis of pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see also note 3.5).

3. The Fund is governed by a Pension Board made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, 4 of whom 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, 7 of whom 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 United Nations Joint Staff Pension Board, a subsidiary organ of the General Assembly, has the overall supervisory responsibility for the administration of the Fund and for the observance of the Regulations and Rules of the Fund. The Pension Board appoints an independent Secretary, who is responsible for a full range of secretariat conference management and other secretariat services. The role of the Secretary of the Pension Board is distinct from the roles and responsibilities pertaining to all aspects of the management, administration and investments of the Fund. The Secretary reports directly to the Pension Board.

5. The Chief Executive of Pension Administration is appointed by the Secretary-General on the recommendation of the Pension Board.

6. The Chief Executive acts under the authority of the Pension Board in the discharge of the latter's responsibility for the administrative supervision of the Fund as a whole. That includes responsibility for strategic planning and operational direction; the establishment of policy; the administration of the Fund's operations and the certification of benefit payments; risk management; regulatory compliance; the overall supervision of staff; and stakeholder communications. The Fund secretariat staff, under the authority of the Chief Executive, provides technical support services, prepares background documentation and offers guidance and advice to the Pension Board and its subsidiary bodies, including its Standing Committee and the Committee of Actuaries. The Chief Executive serves as Secretary of the United Nations Staff Pension Committee. The Chief Executive participates in the 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. In accordance with article 7 (b) of the Regulations of the Fund, in the absence of the Chief Executive, the Deputy Chief Executive performs the functions of the Chief Executive.

7. Until 31 December 2019 the Chief Executive Officer/Secretary of the Pension Board was responsible for both of the roles now assigned separately to the Secretary of the Pension Board and the Chief Executive of Pension Administration.

8. The investment of the assets of the Fund is 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 Pension 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 arranges for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which are open to examination by the Pension Board.

9. A range of administrative functions supporting the Fund secretariat and the Office of Investment Management are provided by the Fund's Executive Office, which reports to the Chief Executive. In 2019, the Executive Office was supervised by the Chief Financial Officer on a temporary basis.

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

11. Members of the staff of each of the 24 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer or upon completion of six months of service without an interruption of more than 30 days. As at 31 December 2019, the Fund had active contributors (participants) from member organizations including the main United Nations Secretariat, the United Nations Children's Fund, the United Nations Development Programme and the Office of the United Nations High Commissioner for Refugees, as well as the various specialized agencies, such as the World Health Organization, the International Labour Organization, the International Atomic Energy Agency, the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization (see the annex to the present notes for a complete list of member organizations). There are currently periodic benefits paid to individuals in some 190 countries (see the annex to the present notes for details). The total annual pension expenses are approximately \$2.7 billion and are paid in 15 different currencies.

1.4 Operation of the Fund

12. Participant and beneficiary processing and queries are handled by operations of the Fund secretariat, in offices located in New York and Geneva. All the accounting for operations is handled in New York by centralized financial services. The centralized financial services of the Fund secretariat also manage the receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

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

1.5 Actuarial valuation of the Fund

14. 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. The Fund performs actuarial valuations every two years and intends to continue to do so in the future. Article 12 further provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, as well as the recommendations, if any, for appropriate action. See note 18 for a summary of the actuarial situation of the Fund as at 31 December 2019.

1.6 Retirement benefit

15. Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of the participant's life. "Normal retirement age" means age 60 for a participant whose service commenced prior to 1 January 1990, age 62 for a participant whose service commenced or recommenced on or after 1 January 1990 and age 65 for a participant whose service commenced or recommenced on or after 1 January 2014.

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

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

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

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

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

18. 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).

19. The retirement benefit shall, however, be payable at the minimum annual rate, which is obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of \$1,141.84 (effective 1 April 2020, 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.

20. 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 \$1,816.32 (effective 1 April 2020, 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.

21. "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.

22. A participant may, except in the case where a minimum benefit is payable and the participant does not waive the rights thereto, elect to receive: (a) if the retirement benefit is \$300 per annum or more, a lump sum not greater than the larger of one third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level) or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than \$1,000 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

23. 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.

24. 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 percent for each year between the retirement date and normal retirement age, except that: (a) if the participant has completed at least 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year, and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year, provided, however, that the rate in (a) or (b) applies to no more than five years. The methodology of calculation of the early retirement benefits for employees whose participation commenced on or after 1 January 2014 is detailed in article 29 of the Regulations and Administrative Rules of the Fund.

25. 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

26. 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.

27. A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives the participant's own contributions increased by 10 per cent for each year of contributory service in excess of 5 years, to a maximum increase of 100 per cent.

1.7 Disability benefit

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

29. 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, the disability benefit is payable at the rate of the retirement benefit to which the participant would have been entitled if the participant had remained in service until normal retirement age and the participant's final average remuneration had remained unchanged.

30. 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 \$3,024.24 (effective 1 April 2020, 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

31. A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement or disability benefit at the date of the participant's death or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child benefit

32. 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

33. Other benefits include the secondary dependant's benefit and the residual settlement benefit. A full description of those benefits is available in the Regulations and Administrative Rules of the Fund.

1.11 Pension adjustment system

34. The provisions of the Fund's pension adjustment system provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the United States dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its United States dollar amount, as determined under the Regulations, Rules and Pension Adjustment System of the Fund, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (the two-track system).

35. The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States CPI, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the CPI in the recipient's country of residence.

1.12 Funding policy

36. 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 2019 and 31 December 2018 were \$890.4 million and \$820.2 million, respectively. The contribution figures do not include interest on the contributions.

37. 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. In accordance with article 25 of the Regulations, the contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled \$1,771.3 million and \$1,630.8 million during calendar years 2019 and 2018 respectively. When combined with the contributions of participants and expected investment returns, total funding is estimated to be sufficient to provide for the benefits of all employees by the time they retire.

38. 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

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

40. In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date,

pursuant to an arrangement mutually agreed between such organization and the Pension Board.

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

42. 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.

43. 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.

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

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

45. 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

46. In accordance with the Regulations of the Fund adopted by the General Assembly and the Administrative Rules of the Fund, including the financial rules, established by the Pension Board and reported to the Assembly and the member organizations, the accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. The financial statements of the Fund consist of the following:

- (a) A statement of net assets available for benefits;
- (b) A statement of changes in net assets available for benefits;
- (c) A statement of cash flows;
- (d) A statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses;
- (e) A note disclosing the actuarial present value of defined retirement benefits, distinguishing between vested benefits and non-vested benefits;
- (f) Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory notes.

47. The Fund adopted IPSAS as from 1 January 2012. This also specifically included the adoption of IAS 26, which not only 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 under IPSAS standards. For instance, as required under

IPSAS 24: Presentation of budget information in financial statements, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis and a reconciliation between the actual amounts on a comparable basis (see note 21). While IPSAS 24 stipulates 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.

48. 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

49. In January 2017, the IPSAS Board issued IPSAS 40: Public sector combinations, which addresses accounting for combinations of entities and operations. The standard classifies public sector combinations as either amalgamations or acquisitions. For amalgamations, IPSAS 40 requires the 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 the 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. The Fund did not have any combinations of entities and operations during 2019; accordingly, the Fund did not experience any impact on its financial statements upon adoption of the accounting standard.

50. In August 2018, the IPSAS Board issued IPSAS 41: Financial instruments, which establishes new requirements for classifying, recognizing and measuring financial instruments and replaces those in IPSAS 29: Financial instruments: recognition and measurement. IPSAS 41 is based on International Financial Reporting Standard 9, Financial instruments, developed by the International Accounting Standards Board. The significant changes introduced by IPSAS 41 compared with IPSAS 29 are the application of a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; the application of a single forward-looking expected credit loss model that is applicable to all financial instruments, subject to impairment testing; and the application of an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. An initial high-level analysis indicated that, since the Fund's investments were carried at fair value and, as at 31 December 2019, the Fund did not have any derivative contracts, the impact of the change on the measurement of financial instruments was not expected to be material. The Fund expects to complete its evaluation of the requirements of IPSAS 41 in detail and the impact of the change in measurement and disclosure requirements on the Fund's financial statements during 2020.

51. In January 2019, the IPSAS Board issued IPSAS 42: Social benefits, which provides guidance on accounting for social benefits expenditure. Social benefits are defined as cash transfers provided to specific individuals and/or households who meet eligibility criteria, to mitigate the effect of social risks and address the needs of

society as a whole. IPSAS 42 requires recognition of an expense and a liability for the next social benefit payment. The standard does not apply to cash transfers to individuals and households that do not address social risks, for example emergency relief. This standard is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. Following an initial analysis, the Fund does not expect any impact on its financial statements upon adoption of the accounting standard.

52. 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

53. 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 on the Integrated Pension Administration System. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper, collected and reconciled from source data provided by the Office of Investment Management, global custodians and fund managers. 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

54. 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

Classification of investments

55. 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.

56. 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.

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

- Equities (including exchange-traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)
- Fixed income (including government and agency securities, corporate and municipal/provincial bonds and mortgage- and asset-backed securities)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timberland and agriculture)
- Alternatives and other investments (including investments in private equity funds and commodity funds)

Valuation of financial instruments

58. The Fund uses the established and documented process of its independent master record keeper for determining fair values. That process 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.

59. 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.

Interest and dividend income

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

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

Income from real assets and alternative investments

62. Income distributed from unitized funds is treated as income in the period in which it is earned.

Receivable/payable from investments traded

63. 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.

64. 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

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

66. For direct investments, some Member States grant relief at source for the Fund's investment-related transactions and income from investments, whereas other Member States continue to withhold taxes and reimburse the Fund upon the filing of a claim. In these instances, the Fund's custodians file claims to the governmental taxing authorities for refunds on behalf of the Fund. Taxes withheld on direct investments are initially recognized as "withholding tax receivable" in the statement of net assets available for benefits. After initial recognition, if there is objective evidence that the taxes are not recoverable, the carrying amount of the asset is reduced through the use of an allowance account. Any amount considered to be unrecoverable is recognized in the statement of changes in net assets available for benefits and is included under "withholding tax expense". At the end of the year, the Fund measures its withholding tax receivable at the amount deemed recoverable.

67. For indirect investments, the investment vehicle is typically a taxable entity and the Fund is not directly responsible for any tax; furthermore, the taxes incurred by the investment vehicle can seldom be attributed to the Fund other than investment in depository receipts. Taxes attributed to the Fund on indirect investments are recognized in the statement of changes in net assets available for benefits and are included under "withholding tax expense". To the extent that 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.

68. The Fund also incurs costs 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

69. 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

70. The Fund holds financial instruments that are not quoted in active markets. The fair values of such instruments are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed and modified as required. Valuation models are calibrated by back-testing to actual transactions to ensure that outputs are reliable. The Fund relies primarily on these tests, which are performed by the investee company's independent auditors.

71. When the fair value is based on an observable market price, the quoted price at the reporting date is used. The fair value of an asset determined in accordance with IPSAS 29 reflects a hypothetical exit transaction at the reporting date. Changes in market prices after the reporting date are therefore not reflected in asset valuation.

72. 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.

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

74. 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.

75. The valuation of investments in real assets and alternative investments through limited liability partnerships requires significant judgement owing to the absence of quoted market values, the inherent lack of liquidity and the long-term nature of such investments. The valuation of these investments is based on the valuation provided by the general partners or managers of the underlying investments. The Fund relies primarily on these tests, which are performed by the investee company’s independent auditors, and on the individual investment managers’ compliance with generally accepted accounting standards and valuation procedures.

Taxes

76. 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 during the year and any tax receivable deemed recoverable at the end of the year.

Impairment

77. 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

78. 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 at the respective year-end date of the financial statements.

Actuarial assumptions

79. The Fund uses actuarial methods for the disclosure of employee benefits liabilities. The related assumptions in respect of after-service health insurance and other employee benefits of the staff of the Fund are disclosed in note 11. Note 18

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

3.5 Contributions

80. 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

81. 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

82. 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.

83. At each reporting date, non-United States dollar-denominated monetary items are translated using the closing spot rate. The Fund applies the WM/Reuters company rates (primary source) and the Bloomberg and Refinitiv rates (secondary source) as spot rate for the investment activities, and the United Nations operational rate of exchange for non-investment activities. Exchange differences arising on the settlement of these monetary items or on the translation of these monetary items at rates different from those at which they were previously translated are recognized in the statement of changes in net assets available for benefits in the period in which they arise.

3.8 Leases

84. All of the Fund's leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 Property, plant and equipment

85. 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.

86. 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:

<i>Class</i>	<i>Estimated useful life in years</i>
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audiovisual equipment	7

87. 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

88. 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:

<i>Class</i>	<i>Estimated useful life in years</i>
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

89. 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

90. 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.

91. 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

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

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

94. The employees of the Pension Fund themselves participate in the Fund. While the Fund is a defined benefit scheme, it has been classified as a multi-employer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund, in line with the other organizations participating in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39: Employee benefits. The Fund's contributions to the plan during the financial period are recognized as expenses in the statement of changes in net assets available for benefits.

3.14 Reconciliation of budget information

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

96. 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.

97. 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 2019 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 +/-5 per cent) between the actual and budget amounts.

98. Note 21 provides a reconciliation of actual amounts presented on the same basis as the budget and administrative expense included in the Statement of changes in net assets.

3.15 Related party transactions

99. 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.

100. The following parties are considered related parties for the Fund in 2019:

(a) Key management personnel: the Chief Executive Officer (see note 1.2), the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Office of Investment Management and the Chief Financial Officer;

- (b) The General Assembly;
- (c) The 24 member organizations participating in the Fund;
- (d) The United Nations International Computing Centre.

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

3.16 Subsequent events

102. Any information about conditions that existed at the date of the statement of net assets available for benefits that is received after the reporting period but before the financial statements are signed and that is material to the Fund is incorporated in the financial statements.

103. 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

104. Cash and cash equivalents include:

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Cash at bank – Office of Investment Management	199 937	347 391
Cash at bank – Fund secretariat	171 194	171 557
Cash held by external managers – Office of Investment Management	65 223	45 943
Total cash and cash equivalents	436 354	564 891

Note 5

Financial instruments by category

105. The tables below provide an overview of all financial instruments held by category as at 31 December 2019 and 31 December 2018.²

(Thousands of United States dollars)

	<i>As at 31 December 2019</i>		
	<i>Financial instruments at fair value</i>	<i>Loans and receivables</i>	<i>Other financial liabilities</i>
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	436 354	–	–
Investments			
Equities	42 309 141	–	–
Fixed income	20 412 531	–	–
Real assets	5 201 835	–	–

² Non-financial assets and liabilities other than employee benefits are excluded from the table, as this analysis is required only for financial instruments.

	<i>As at 31 December 2019</i>		
	<i>Financial instruments at fair value</i>	<i>Loans and receivables</i>	<i>Other financial liabilities</i>
Alternatives and other investments	3 626 467	–	–
Contributions receivable	–	64 912	–
Accrued income from investments	–	163 163	–
Receivable from investments traded	–	15 390	–
Withholding tax receivables	–	35 789	–
Other assets	–	21 674	–
Total financial assets	71 986 328	300 928	–
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	–	–	105 970
Payable from investments traded	–	–	27 191
After-service health insurance and other employee benefit liabilities	–	–	103 989
Other accruals and liabilities	–	–	19 352
Total financial liabilities	–	–	256 502

Investments exceeding 5 per cent of net assets

106. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2019.

107. There were no investments representing 5 per cent or more of equities, fixed income or alternatives and other investments as at 31 December 2019. The Fund held a total of \$651.6 million in two real estate funds as at 31 December 2019, which represented 5 per cent or more of investments in the real assets category.

(Thousands of United States dollars)

	<i>Reclassified as at 31 December 2018</i>		
	<i>Financial instruments at fair value</i>	<i>Loans and receivables</i>	<i>Other financial liabilities</i>
Financial assets as indicated in the statement of net assets available for benefits			
Cash and cash equivalents	564 891	–	–
Investments			
Equities	34 401 159	–	–
Fixed income	18 824 833	–	–
Real assets	4 340 466	–	–
Alternatives and other investments	2 743 377	–	–
Contributions receivable	–	55 889	–
Accrued income from investments	–	158 251	–
Receivable from investments traded	–	7 869	–
Withholding tax receivables	–	20 133	–
Other assets	–	18 102	–
Total financial assets	60 874 726	260 244	–

	<i>Reclassified as at 31 December 2018</i>		
	<i>Financial instruments at fair value</i>	<i>Loans and receivables</i>	<i>Other financial liabilities</i>
Financial liabilities as indicated in the statement of net assets available for benefits			
Benefits payable	–	–	102 488
Payable from investments traded	–	–	159 913
After-service health insurance and other employee benefit liabilities	–	–	87 891
Other accruals and liabilities	–	–	12 597
Total financial liabilities	–	–	362 889

Investments exceeding 5 per cent of net assets

108. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2018.

109. There were no investments representing 5 per cent or more of equities, fixed income or alternatives and other investments as at 31 December 2018. The Fund held a total of \$216.8 million in one real estate fund as at 31 December 2018, which represented 5 per cent or more of investments in the real assets category.

Note 6

Fair value measurement

110. 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.

111. 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.

112. The tables below present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2019 and 31 December 2018.

(Thousands of United States dollars)

<i>Fair value hierarchy as at 31 December 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities				
Common and preferred stock	40 686 191	–	–	40 686 191
Funds-exchange traded funds	1 388 880	–	–	1 388 880
Funds-common stock	–	–	138 935	138 935

<i>Fair value hierarchy as at 31 December 2019</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Stapled securities	95 135	–	–	95 135
Total equities	42 170 206	–	138 935	42 309 141
Fixed income				
Government and agency securities	–	18 863 212	–	18 863 212
Asset-backed securities	–	153 402	4 183	157 585
Corporate bonds	–	552 610	42 856	595 466
Municipal/provincial bonds	–	37 873	–	37 873
Commercial mortgage-backed	–	704 655	–	704 655
Funds – corporate bond	–	–	53 740	53 740
Total fixed income	–	20 311 752	100 779	20 412 531
Real assets				
Real estate funds	–	229 906	4 818 178	5 048 084
Infrastructure assets	–	–	137 037	137 037
Timberlands	–	–	16 714	16 714
Total real assets	–	229 906	4 971 929	5 201 835
Alternatives and other investments				
Private equity	–	–	3 562 570	3 562 570
Commodity funds	–	–	63 897	63 897
Total alternatives and other investments	–	–	3 626 467	3 626 467
Total	42 170 206	20 541 658	8 838 110	71 549 974

(Thousands of United States dollars)

<i>Fair value hierarchy as at 31 December 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Equities				
Common and preferred stock	32 402 313	–	–	32 402 313
Funds – exchange-traded funds	1 774 285	–	–	1 774 285
Funds – common stock	–	–	127 585	127 585
Stapled securities	96 976	–	–	96 976
Total equities	34 273 574	–	127 585	34 401 159
Fixed income				
Government and agency securities	–	13 744 842	–	13 744 842
Corporate bonds	–	3 745 133	40 046	3 785 179
Municipal/provincial bonds	–	779 077	–	779 077
Notes, deposits and commercial paper	–	458 049	–	458 049
Commercial mortgage-backed	–	9 040	–	9 040
Funds – corporate bond	–	–	48 646	48 646
Total fixed income	–	18 736 141	88 692	18 824 833

<i>Fair value hierarchy as at 31 December 2018</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Real assets				
Real estate funds	–	247 623	3 942 280	4 189 903
Infrastructure assets	–	–	133 818	133 818
Timberlands	–	–	16 745	16 745
Total real assets	–	247 623	4 092 843	4 340 466
Alternatives and other investments				
Private equity	–	–	2 640 817	2 640 817
Commodity funds	–	–	102 560	102 560
Total alternatives and other investments	–	–	2 743 377	2 743 377
Total	34 273 574	18 983 764	7 052 497	60 309 835

Equities

113. 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.

114. Common stock funds amounting to \$138.9 million as at 31 December 2019 (31 December 2018: \$127.6 million) were valued using a net asset value approach and hence classified under level 3.

Fixed income

115. 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.

116. Corporate bond funds amounting to \$53.7 million as at 31 December 2019 (31 December 2018: \$48.6 million), asset-backed securities of \$4.2 million (31 December 2018: zero), and corporate bonds amounting to \$42.9 million (31 December 2018: \$40.0 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

117. Real assets amounting to \$4,971.9 million as at 31 December 2019 (31 December 2018: \$4,092.8 million), net of carried interest of \$171.9 million (31 December 2018: \$176.9 million), as well as alternatives and other investments amounting to \$3,626.5 million as of 31 December 2019 (31 December 2018: \$2,743.4 million), net of carried interest of \$222.5 million (31 December 2018: \$138.2 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.

118. Two real estate funds amounting to \$229.9 million (31 December 2018: \$247.6 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.

119. There were no transfers between levels for the year ended 31 December 2019.

120. The table below presents the inter-level transfers for the year ended 31 December 2018.

(Thousands of United States dollars)

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
Transfers into				
Fixed income	–	–	43 719	43 719
Equities	–	–	–	–
Real assets	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	–	–	43 719	43 719
Transfers out of				
Fixed income	–	(43 719)	–	(43 719)
Equities	–	–	–	–
Real assets	–	–	–	–
Alternatives and other investments	–	–	–	–
Total	–	(43 719)	–	(43 719)

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

122. The table below presents the movements in level 3 instruments for the period ended 31 December 2019 by class of financial instrument.

(Thousands of United States dollars)

	<i>Equities</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternatives and other investments</i>	<i>Total</i>
Opening balance	127 585	88 692	4 092 843	2 743 377	7 052 497
Purchases	7 941	8 025	1 215 337	977 215	2 208 518
Sales/return of capital	(516)	(308)	(668 870)	(547 301)	(1 216 995)
Transfers (out of)/into level 3	–	–	–	–	–
Net gains and losses recognized in the statement of changes in net assets available for benefits	3 925	4 370	332 619	453 176	794 090
Closing balance	138 935	100 779	4 971 929	3 626 467	8 838 110
Change in unrealized gains and losses for level 3 assets held at period-end and included in the statement of changes in net assets available for benefits	(8 758)	4 370	96 583	444 865	537 060

123. The table below presents the movements in level 3 instruments for the year ended 31 December 2018 by class of financial instrument.

(Thousands of United States dollars)

	<i>Equities</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternatives and other investments</i>	<i>Total</i>
Opening balance	146 906	138 571	3 959 936	2 403 366	6 648 779
Purchases	2 480	1 545	703 952	720 636	1 428 613
Sales/return of capital	(71)	(88 062)	(810 005)	(517 237)	(1 415 375)
Transfers (out of)/into level 3	–	43 719	–	–	43 719
Net gains and losses recognized in the statement of changes in net assets available for benefits	(21 730)	(7 081)	238 960	136 612	346 761
Closing balance	127 585	88 692	4 092 843	2 743 377	7 052 497
Change in unrealized gains and losses for level 3 assets held at period-end and included in the statement of changes in net assets available for benefits	(8 659)	(6 514)	241 785	313 387	539 999

Note 7

Accrued income from investments

124. 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)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Cash and cash equivalents	130	142
Fixed-income securities	101 121	108 180
Dividends receivable on equities	56 820	47 742
Real assets and alternative investments	5 092	2 187
Total accrued income from investments	163 163	158 251

Note 8

Withholding tax receivables

125. Withholding tax receivables as at 31 December 2019 and 31 December 2018 and withholding tax expense for the years ended 31 December 2019 and 31 December 2018 by country are as follows:

Country	For the year 2019			As at 31 December 2019			For the year 2018			As at 31 December 2018		
	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	42	–	(2)	44	–	44	–	134	(134)	–	–	–
Austria	–	–	–	–	–	–	–	29	1	–	–	–
Belgium	625	–	(5)	630	–	630	656	653	3	–	–	–
Brazil	196	–	196	401	(401)	–	363	–	363	416	(416)	–
Canada	12	–	–	12	–	12	–	–	–	–	–	–
Chile	401	434	(58)	38	–	38	431	260	173	13	–	13
China	3 578	587	2 790	14 747	(14 450)	297	3 343	183	3 064	13 206	(13 110)	96
Colombia	8	–	–	8	–	8	–	–	–	–	–	–
Czechia	148	–	–	233	–	233	85	–	–	85	–	85
France	–	–	–	–	–	–	–	226	(7)	–	–	–
Germany	7 531	6 431	206	15 668	–	15 668	8 724	7 715	787	14 774	–	14 774
Greece	–	–	–	111	(111)	–	–	–	–	113	(113)	–
Ireland	–	31	–	–	–	–	32	148	(2)	31	–	31
Japan	4	–	–	4	–	4	–	–	–	–	–	–
Luxembourg	4	–	–	4	–	4	–	–	–	–	–	–
Mexico	–	–	(2)	60	–	60	44	–	(1)	58	–	58
Netherlands	2 198	91	13	3 064	–	3 064	1 800	881	26	970	–	970
New Zealand	–	–	–	–	–	–	2	–	2	–	–	–
Norway	363	–	(2)	365	–	365	–	–	–	–	–	–
Papua New Guinea	–	–	–	19	(19)	–	–	–	–	19	(19)	–
Philippines	107	43	(1)	65	–	65	–	–	–	–	–	–
Russian Federation	1 894	–	451	1 443	–	1 443	1 276	–	1 276	–	–	–
Singapore	44	42	(1)	45	–	45	42	–	–	42	–	42
South Africa	–	–	–	–	–	–	693	673	20	–	–	–
Spain	2 260	2 530	19	248	–	248	2 285	1 950	27	537	–	537
Sweden	–	–	–	30	(30)	–	–	–	–	31	(31)	–
Switzerland	9 166	–	(391)	12 095	–	12 095	9 574	15 968	316	2 538	–	2 538
Turkey	72	–	8	334	(233)	101	51	–	14	298	(261)	37
United Kingdom	1 817	1 393	11	1 365	–	1 365	1 882	2 912	44	952	–	952
Total	30 470	11 582	3 232	51 033	(15 244)	35 789	31 283	31 732	5 972	34 083	(13 950)	20 133

126. In Brazil and some provinces of China, and for certain periods in Greece, Papua New Guinea, Sweden and Turkey, there is no formally established reclamation mechanism in place, and in these cases the Fund's custodians have thus far been unable to file and/or reclaim the taxes withheld. Despite the fact that these Member States have confirmed the Fund's tax-exempt status, the taxes withheld from direct investments in these countries are accrued but continue to be provided for in 2019, unless there is certainty of reclaim in the subsequent years.

127. The table below presents an ageing analysis of withholding tax receivable as at 31 December 2019 and 31 December 2018.

(Thousands of United States dollars)

Country	As at 31 December 2019			As at 31 December 2018		
	Greater than 3 years	Less than 3 years	Tax receivable	Greater than 3 years	Less than 3 years	Tax receivable
Australia	–	44	44	–	–	–
Belgium	–	630	630	–	–	–
Canada	–	12	12	–	–	–
Chile	–	38	38	–	13	13
China	–	297	297	63	33	96
Colombia	–	8	8	–	–	–
Czechia	–	233	233	–	85	85
Germany	–	15 668	15 668	–	14 774	14 774
Ireland	–	–	–	–	31	31
Japan	–	4	4	–	–	–
Luxembourg	–	4	4	–	–	–
Mexico	–	60	60	–	58	58
Netherlands	–	3 064	3 064	–	970	970
Norway	–	365	365	–	–	–
Philippines	–	65	65	–	–	–
Russian Federation	–	1 443	1 443	–	–	–
Singapore	–	45	45	–	42	42
Spain	–	248	248	–	537	537
Switzerland	–	12 095	12 095	–	2 538	2 538
Turkey	–	101	101	–	37	37
United Kingdom	–	1 365	1 365	–	952	952
Total	–	35 789	35 789	63	20 070	20 133

Note 9 Other assets

128. 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 2019	31 December 2018
Prepayments and benefits receivable	14 976	15 184
Property, plant and equipment	3 724	3 941
Intangible assets in use	–	25
United Nations receivables	6 039	2 339
Other receivables	659	579
Total	25 398	22 068

9.1 Prepayments and benefits receivable

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

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Prepayments	4 206	3 267
Advance benefit payments due to payroll conversion	6 345	7 484
Benefits receivable	9 075	8 764
Benefits receivable – provision	(4 651)	(4 331)
Total	14 975	15 184

9.2 Property, plant and equipment

130. An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	<i>Information technology equipment</i>		<i>Leasehold improvements</i>		<i>Total</i>
	<i>In use</i>		<i>In use</i>	<i>Under construction</i>	
Cost					
1 January 2019	1 320	13 963	2 439		17 722
Additions	–	4 661	(2 439)		2 222
Disposals/transfers	(86)	–	–		(86)
31 December 2019	1 234	18 624	–		19 858
Accumulated depreciation					
1 January 2019	1 249	12 532	–		13 781
Depreciation	71	2 368	–		2 439
Disposals/transfers	(86)	–	–		(86)
31 December 2019	1 234	14 900	–		16 134
Net book value, 31 December 2019	–	3 724	–		3 724

	<i>Information technology equipment</i>	<i>Leasehold improvements</i>		<i>Total</i>
	<i>In use</i>	<i>In use</i>	<i>Under construction</i>	
Cost				
1 January 2018	1 347	13 963	190	15 500
Additions	–	–	2 249	2 249
Disposals/transfers	(27)	–	–	(27)
31 December 2018	1 320	13 963	2 439	17 722
Accumulated depreciation				
1 January 2018	1 202	11 511	–	12 713
Depreciation	74	1 021	–	1 095
Disposals/transfers	(27)	–	–	(27)
31 December 2018	1 249	12 532	–	13 781
Net book value, 31 December 2018	71	1 431	2 439	3 941

131. 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

132. 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)

	<i>Intangible assets</i>		<i>Total</i>
	<i>In use</i>	<i>Under construction</i>	
Cost			
1 January 2019	20 980	–	20 980
Additions	–	–	–
Transfers	–	–	–
Disposals	(644)	–	(644)
31 December 2019	20 336	–	20 336
Accumulated amortization			
1 January 2019	20 955	–	20 955
Amortization	25	–	25
Disposals	(644)	–	(644)
31 December 2019	20 336	–	20 336
Net book value, 31 December 2019	–	–	–

(Thousands of United States dollars)

	<i>Intangible assets</i>		<i>Total</i>
	<i>In use</i>	<i>Under construction</i>	
Cost			
1 January 2018	21 722	–	21 722
Additions	–	–	–
Transfers	–	–	–
Disposals	(742)	–	(742)
31 December 2018	20 980	–	20 980
Accumulated amortization			
1 January 2018	18 073	–	18 073
Amortization	3 624	–	3 624
Disposals	(742)	–	(742)
31 December 2018	20 955	–	20 955
Net book value, 31 December 2018	25	–	25

Note 10**Benefits payable**

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

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Withdrawal settlements	59 490	54 842
Lump-sum payments	12 146	19 486
Periodic benefits payable	34 297	27 573
Other benefits payable/adjustments	37	587
Total	105 970	102 488

Note 11**After-service health insurance and other employee benefits**

134. A breakdown of the after-service health insurance and other benefits payable amount shown in the statement of net assets is as follows:

	<i>31 December 2019</i>	<i>31 December 2018</i>
After-service health insurance liability	93 611	80 477
Repatriation grant and related costs	4 977	3 271
Education grant and related costs	381	360
Annual leave	4 686	3 468
Home leave	334	315
Total	103 989	87 891

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

135. 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.

136. The liabilities as at 31 December 2019 were the result of the roll-forward to 31 December 2019 of the end-of-service benefit obligations as at 31 December 2018 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

137. In performing the roll-forward to 31 December 2019, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2019 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2018.

138. 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.

139. For 31 December 2019, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 2.84 per cent for the after-service health insurance scheme
- 2.99 per cent for repatriation benefits
- 2.50 per cent for annual leave

140. For 31 December 2018, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 4.29 per cent for the after-service health insurance scheme
- 4.15 per cent for repatriation benefits
- 4.20 per cent for annual leave

141. For the purpose of comparison, the table below shows the impact on accrued liability based on a 0.5 per cent change in the discount rate.

<i>Discount rate</i>	<i>After-service health insurance</i>	<i>Repatriation benefit</i>	<i>Annual leave</i>
Increase of 0.5 per cent	11 per cent decrease	4 per cent decrease	4 per cent decrease
Decrease of 0.5 per cent	13 per cent increase	4 per cent increase	4 per cent increase

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

	<i>31 December 2019</i>	<i>31 December 2018</i>
United States non-Medicare	5.44 per cent trending down to 3.85 per cent after 13 years	5.57 per cent trending down to 3.85 per cent after 14 years
United States Medicare	5.26 per cent trending down to 3.85 per cent after 13 years	5.38 per cent trending down to 3.85 per cent after 14 years
United States dental	4.66 per cent trending down to 3.85 per cent after 13 years	4.73 per cent trending down to 3.85 per cent after 14 years
Non-United States – Switzerland	3.76 per cent trending down to 2.85 per cent after 8 years	3.89 per cent trending down to 3.05 per cent after 9 years
Non-United States – Eurozone	3.83 per cent trending down to 3.65 per cent after 3 years	3.91 per cent trending down to 3.65 per cent after 4 years

143. The increase in the total after-service health insurance liabilities reported from 31 December 2018 to 31 December 2019 is due primarily to the impact of changing the financial assumptions, in particular the decrease in the discount rates for benefits denominated in United States dollars.

144. Other specific key assumptions used in the calculations on the basis of census data as at 31 October 2018 are outlined below.

After-service health insurance

145. A total of 250 active staff were included in the calculation: 202 United States-based and 44 non-United States-based active staff, plus 4 active staff who participated in dental-only plans. A total of 91 retired staff or their surviving spouses were also included in the calculation: 73 United States-based and 15 non-United States-based retirees or their surviving spouses plus 3 retirees or surviving spouses who participated in dental-only plans. For active staff, the average age was 47 years with 10 years of service. The average age of retirees was 70 years.

Repatriation benefits

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

147. 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.

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

Annual leave

149. 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.

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

Note 12
Other accruals and liabilities

151. The amount shown as other accruals and liabilities in the financial statements can be broken down as follows:

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Accruals for management fees and expenses	14 452	6 933
Restoration payable	3 342	2 869
Operating leases accrual	1 109	2 237
After-service health insurance payable to member organizations	–	6
Audit fee accrual	197	197
Other	252	355
Total	19 352	12 597

Note 13
Investment income

152. 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.

153. 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 by 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)

	2019	2018
Total change in fair value for financial assets designated at fair value	10 009 778	(4 502 075)
Interest income		
Interest income on cash and cash equivalents	11 477	8 670
Interest income on fixed income instruments	507 314	368 046
Total interest income	518 791	376 716
Total dividend income	918 469	912 237
Total income from real assets	78 547	55 510
Transaction costs		
Management fees and other related fees	(129 209)	(111 690)
Small capitalization fund management fees	(11 892)	(12 903)
Brokerage commissions	(14 374)	(14 841)
Other transaction costs	(3 273)	(4 001)
Total transaction costs	(158 748)	(143 435)
Withholding tax	(3 232)	(5 972)
Other investment-related (expenses), income, net	(1 348)	505
Net investment income	11 362 257	(3 306 514)

154. 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 2019 and 31 December 2018.

	2019			2018		
	Market price	Currency ^a	Total change	Market price	Currency ^a	Total change
Equities	8 388 111	72 595	8 460 706	(3 886 905)	(504 519)	(4 391 424)
Fixed income	674 440	(2 336)	672 104	(189 910)	(360 996)	(550 906)
Real assets investments	365 531	5 818	371 349	298 456	(42 080)	256 376
Alternative investments	513 865	(3 556)	510 309	197 327	(11 524)	185 803
Cash, cash equivalents and receivable and payable from investment traded	–	(4 690)	(4 690)	–	(1 924)	(1 924)
Total change in fair value for financial assets designated at fair value	9 941 947	67 831	10 009 778	(3 581 032)	(921 043)	(4 502 075)

^a Change in currency exchange gain/(loss) includes a realized currency exchange loss of \$467.7 million (2018: loss of \$256.0 million) and an unrealized currency exchange gain of \$535.5 million (2018: loss of \$665.0 million).

Note 14
Pension contributions

155. Pension contributions received during the period can be broken down as follows:

(Thousands of United States dollars)

	2019	2018
Contributions from participants		
Regular contributions	884 515	814 410
Contributions for validation	1 006	992
Contributions for restoration	4 860	4 807
	890 381	820 209
Contributions from member organizations		
Regular contributions	1 769 030	1 628 818
Contributions for validation	2 228	2 020
	1 771 258	1 630 838
Other contributions		
Contributions for participants transferred in under agreements	23 013	2 296
Receipts of excess actuarial value over regular contributions	444	236
Other contributions/adjustments	3 760	3 572
	27 217	6 104
Total contributions for the period	2 688 856	2 457 151

156. 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 (ICSC) and the yearly step increase to individual pensionable remuneration received by all participants.

157. During 2019, ICSC revised the pensionable remuneration rates for staff in the Professional and higher categories on two separate occasions, effective 1 January 2019 and 1 February 2019. As a result, the pensionable remuneration rates increased by 7.2 per cent on average for staff in the category compared with the previous revision, effective 1 February 2018.

158. Effective 1 January 2019, the Comprehensive Nuclear-Test-Ban Treaty Organization became the Fund's twenty-fourth member organization, with 285 new participants. Contributions for participants transferred in under agreements include \$18.7 million from 107 Treaty Organization participants who transferred the pension rights for their prior services in the Treaty Organization to the Fund.

Note 15
Pension benefits

159. Pension benefits during the period can be broken down as follows:

(Thousands of United States dollars)

	2019	2018
Withdrawal settlements and full commutation of benefits		
For contributory service of 5 years or less	54 360	47 506
For contributory service of more than 5 years	140 222	134 165
	194 582	181 671
Retirement benefits		
Full retirement benefits	1 308 496	1 335 160
Early retirement benefits	717 656	717 804
Deferred retirement benefits	107 173	104 730
Disability benefits	86 227	80 269
Survivor benefits	259 820	259 848
Child benefits	31 747	32 687
	2 511 119	2 530 498
Other benefits/adjustments		
Payments for participants transferred out under agreements	1 232	2 772
Forfeitures	(1 408)	(42 222)
Other benefits/adjustments	(5 560)	(3 159)
	(5 736)	(42 609)
Total benefit expenses for the period	2 699 965	2 669 560

Note 16
Administrative expenses

160. Administrative expenses in 2019 and 2018 are as follows:

(Thousands of United States dollars)

	2019				
	<i>Fund secretariat</i>	<i>Office of Investment Management</i>	<i>Audit</i>	<i>Pension Board</i>	<i>Total</i>
Established posts (excluding change in the value of the after-service health insurance liability)	19 660	14 604	–	–	34 264
Changes in the value of the after-service health insurance liability	9 114	3 797	222	–	13 133
Other staff costs	4 822	2 262	–	–	7 084
Hospitality	–	3	–	–	3
Consultants	148	105	–	–	253
Travel	435	727	–	–	1 162
Contractual services	8 781	17 261	–	–	26 042
General operating expenses	5 612	740	–	–	6 352

	2019				
	<i>Fund secretariat</i>	<i>Office of Investment Management</i>	<i>Audit</i>	<i>Pension Board</i>	<i>Total</i>
Supplies and materials	51	15	–	–	66
Furniture and equipment	805	514	–	–	1 319
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 409	–	1 409
Pension Board expenses	–	–	–	678	678
Total administrative expenses	49 428	40 028	1 631	678	91 765

(Thousands of United States dollars)

	2018				
	<i>Fund secretariat</i>	<i>Office of Investment Management</i>	<i>Audit</i>	<i>Pension Board</i>	<i>Total</i>
Established posts (excluding change in the value of the after-service health insurance liability)	15 727	12 902	–	–	28 629
Changes in the value of the after-service health insurance liability	(4 548)	(1 469)	(106)	–	(6 123)
Other staff costs	6 426	1 069	–	–	7 495
Hospitality	–	7	–	–	7
Consultants	52	376	–	–	428
Travel	375	706	–	–	1 081
Contractual services	12 645	12 358	–	–	25 003
General operating expenses	5 428	6 016	–	–	11 444
Supplies and materials	17	31	–	–	48
Furniture and equipment	100	216	–	–	316
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 341	–	1 341
Pension Board expenses	–	–	–	450	450
Total administrative expenses	36 222	32 212	1 235	450	70 119

Note 17

Other expenses

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

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Emergency fund expense	38	97
Provision for unrecoverable overpayments of benefits	914	722
Total other expenses for the period	952	819

Note 18**Actuarial situation of the Fund**

(see also note 1.5)

162. 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.

163. 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.

164. 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.

165. 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

166. The significant actuarial assumptions used are the same as those used in the valuation as at 31 December 2019 and are as follows:

- Life expectancy of participants (2017 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions
- Additional assumptions regarding the percentage of benefit commuted and the percentage of participants who are married, among others
- Annual investment return of 6.0 per cent, which serves as the discount rate for liabilities
- Annual rate of 2.5 per cent for cost-of-living increases in pensions

167. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-sixth session, in July 2019. 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

168. The actuarial present value of accumulated plan benefits as of 31 December 2019 is as follows (see note 1.11 for a description of the pension adjustment system):

(Millions of United States dollars)

	<i>If future pension payments are made under the Regulations</i>	
	<i>Without pension adjustments</i>	<i>With pension adjustments</i>
Actuarial value of vested benefits		
Participants currently receiving benefits	26 482	34 703
Vested terminated participants	1 078	1 852
Active participants	16 199	22 136
Total vested benefits	43 759	58 691
Non-vested benefits	902	1 138
Total actuarial present value of accumulated plan benefits	44 661	59 829

Information on participation in Fund

169. The last valuation was provided by the consulting actuaries as at 31 December 2019, on the basis of participation, shown below.

		<i>As at 31 December 2017</i>
Active participants accruing benefits		
Number		119 932
Annual remuneration (millions of United States dollars)		11 467
Average remuneration (United States dollars)		95 613
Inactive participants no longer accruing benefits		
Number		11 651
Annual benefits payable at normal retirement age (millions of United States dollars)		119
Average benefit payable at normal retirement age (United States dollars)		11 298
Retired participants and beneficiaries		
Number		79 975
Annual benefits (millions of United States dollars)		2 455
Average benefit (United States dollars)		30 697

Note 19

Commitments and contingencies

19.1 Investment commitments

170. As at 31 December 2019 and 31 December 2018, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Real estate funds	2 736 907	2 676 748
Private equity	2 912 648	2 809 048
Infrastructure funds	224 881	144 578
Timberland funds	11 270	11 270
Total commitments	5 885 706	5 641 644

171. In the private equity and real estate, infrastructure and timberland investments, funds are drawn down in accordance with the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to: (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement.

19.2 Lease commitments

172. As at 31 December 2019 and 31 December 2018, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	<i>31 December 2019</i>	<i>31 December 2018</i>
Obligations for property leases		
Less than 1 year	5 745	6 003
1–5 years	–	5 532
Greater than 5 years	–	–
Total property lease obligations	5 745	11 535

19.3 Legal or contingent liabilities and contingent assets

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

174. 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 2019 or 31 December 2018.

Note 20

Risk assessment

175. 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).

176. 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.

177. The Fund uses different methods to measure, monitor and manage the various types of financial risks to which it is exposed. These methods are explained below.

20.1 Credit risk

178. 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

179. The Fund is primarily exposed to credit risk in its fixed income asset class. The Fund manages credit risk in line with the authorized 2019 investment policy statement and the relevant benchmarks for fixed-income investments. The benchmarks require the issue or issuer to have been rated by at least one of the following well-known credit rating agencies: S&P Global Ratings, Moody's and Fitch.

180. The tables below summarize the credit ratings obtained from rating agencies (Moody's, S&P Global Ratings or Fitch) for the Fund's fixed-income portfolio as at 31 December 2019 and 31 December 2018. The Fund used the issue ratings of Moody's Investors Service as the primary source for the information shown in the tables. If the issue is not rated, then the Moody's issuer rating is used. If neither the issue nor the issuer is evaluated by Moody's, then ratings for the issue or issuer are obtained from S&P Global Ratings or Fitch.

(Thousands of United States dollars)

Fixed income	31 December 2019					Total
	Aaa/AA to Aa3/AA-	A1/A+ to A3/A-	Baa1/BBB+ to Baa3/BBB-	Ba1/BB+ to B3/B-	Not rated ^a	
Government and agency securities	15 725 534	1 463 835	1 082 996	590 847	–	18 863 212
Asset-backed securities	157 585	–	–	–	–	157 585
Corporate bonds	45 031	479 792	70 643	–	–	595 466
Municipal/provincial bonds	37 873	–	–	–	–	37 873
Commercial mortgage-backed	704 655	–	–	–	–	704 655
Funds – corporate bond	–	–	–	–	53 740	53 740
Total	16 670 678	1 943 627	1 153 639	590 847	53 740	20 412 531
Percentage	81.6	9.5	5.7	2.9	0.3	100.0

^a One security, amounting to \$53.7 million, was a bond fund and, as such, was not evaluated by any credit rating agency.

(Thousands of United States dollars)

<i>Fixed income</i>	31 December 2018					<i>Total</i>
	<i>Aaa/AA to Aa3/AA-</i>	<i>A1/A+ to A3/A-</i>	<i>Baa1/BBB+ to Baa3/BBB-</i>	<i>Ba1/BB+ to B3/B-</i>	<i>Not rated^a</i>	
Government and agency securities	9 905 490	3 012 324	793 255	33 773	–	13 744 842
Corporate bonds	1 172 546	1 971 865	640 768	–	–	3 785 179
Municipal/provincial bonds	671 683	107 394	–	–	–	779 077
Notes, deposits and commercial paper	38 961	419 088	–	–	–	458 049
Commercial mortgage-backed	9 040	–	–	–	–	9 040
Funds – corporate bond	–	–	–	–	48 646	48 646
Total	11 797 720	5 510 671	1 434 023	33 773	48 646	18 824 833
Percentage	62.6	29.3	7.6	0.2	0.3	100.0

^a One security, amounting to \$48.6 million, was a bond fund and, as such, was not evaluated by any credit rating agency.

181. The table below presents a maturity analysis of fixed-income securities as at 31 December 2019 and 31 December 2018.

(Thousands of United States dollars)

<i>Maturity</i>	<i>31 December 2019</i>	<i>31 December 2018</i>
Less than 1 year	959 882	4 367 259
1–5 years	3 150 021	6 252 073
5–15 years	6 119 642	4 662 539
Greater than 15 years	10 182 986	3 542 962
Total	20 412 531	18 824 833

20.2 Liquidity risk

182. 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 manages its liquidity risk by investing the vast majority of its investments in liquid securities.

20.3 Market risk

183. Market risk is the risk of change in the value of plan assets as a result of various market factor movements such as asset price, interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk (VaR) as a parameter to measure the market risk, in addition to standard deviation and tracking risk. VaR is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also includes risk tolerance for investment risks in the investment policy approved by the Representative of the Secretary-General. On the basis of this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

184. 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.

185. 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 times when losses exceed VaR 95.

186. All numbers in the table below are reported for a one-year term horizon. For 2019, the estimated volatility on absolute basis (benchmark not included) of the total Fund was 6.86 per cent, the estimated VaR 95 was 11.32 per cent and the estimated expected shortfall (5 per cent) was 17.45 per cent. A VaR 95 of 11.32 per cent indicates that there is a 95 per cent chance that portfolio losses will not exceed 11.32 per cent over the year. The asset class with the lowest VaR (lowest risk) is cash, followed by fixed income and infrastructure and timberlands, and the asset class with the highest VaR (highest risk) is real estate, followed by commodities, total equity and private equity. The contribution to risk statistics is driven by the risk of the asset class, its weight in the portfolio and its correlation with other assets in the portfolio. Accordingly, for 2019, total equity contributed 86.17 per cent to total Fund risk, while fixed income contributed -0.24 per cent, real estate 7.09 per cent, private equity 6.65 per cent, commodities 0.04 per cent, infrastructure 0.26 per cent and timberlands 0.03 per cent. As at 31 December 2019, equities represented 58.73 per cent of the net assets available for benefits.

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

(Percentage)

Asset class	2019			
	Volatility (standard deviation)	VaR (95%)	Contribution to risk	Expected shortfall (5%)
Total fund	6.86	11.32	100.00	17.45
Total equity	10.17	18.16	86.17	26.08
Fixed income	2.58	4.36	(0.24)	5.65
Cash and short-term	0.16	0.25	0.00	0.34
Real estate	12.83	21.59	7.09	30.42
Private equity	9.88	17.62	6.65	25.48
Commodities	10.41	17.38	0.04	24.76
Infrastructure	9.67	17.52	0.26	25.32
Timberlands	9.67	17.52	0.03	25.32

Note: Figures are reported from MSCI RiskMetrics as at 31 December 2019. Percentages are rounded to the nearest two decimal places; 0.00 indicates a value smaller than 0.01 but not zero.

(Percentage)

Asset class	2018			Expected shortfall (5%)
	Volatility (standard deviation)	VaR (95%)	Contribution to risk	
Total fund	7.39	12.38	100.00	18.94
Total equity	10.96	18.74	82.05	28.64
Fixed income	4.48	7.16	2.76	10.27
Cash and short-term	0.09	0.15	0.03	0.21
Real estate	14.35	23.90	8.45	35.56
Private equity	10.98	18.75	6.30	28.75
Commodities	12.00	19.10	0.12	27.28
Infrastructure	14.11	24.35	0.25	35.21
Timberlands	14.11	24.35	0.04	35.21

Note: Figures are reported from MSCI RiskMetrics as at 31 December 2018. Percentages are rounded to the nearest two decimal places; 0.00 indicates a value smaller than 0.01 but not zero.

188. 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

189. 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.

190. As at 31 December 2019 and 31 December 2018, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2019	31 December 2018
Common and preferred stock	40 686 191	32 402 313
Funds – exchange-traded funds	1 388 880	1 774 285
Funds – common stock	138 935	127 585
Stapled securities	95 135	96 976
Total equity instruments	42 309 141	34 401 159

191. Considering the total Fund risk as 100 per cent, the contribution to risk due to equities is 86.17 per cent (2018: 82.05 per cent) of the total Fund risk, and the rest is contributed by all other asset classes.

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

193. The Fund's equity investment portfolio by industrial sector based on the Global Industry Classification Standard as at 31 December 2019 and 31 December 2018 was as follows:

(Percentage)

Global Industry Classification Standard	31 December 2019		31 December 2018	
	Fund's equity portfolio	Benchmark ^a	Fund's equity portfolio	Benchmark ^b
Financials	16.25	17.29	16.12	17.77
Information technology	17.80	17.69	15.02	15.29
Communication services	8.27	9.01	8.01	9.26
Consumer discretionary	11.82	11.03	10.93	10.68
Consumer staples	6.70	7.48	7.24	7.77
Energy	5.15	5.40	5.57	6.37
Health care	11.85	12.15	12.86	12.49
Industrials	8.33	8.30	8.16	8.51
Materials	4.49	4.90	4.58	5.12
Utilities	2.78	3.43	2.90	3.46
Real estate	2.89	3.32	3.02	3.28
Other	3.67	Not applicable	5.59	Not applicable
Total	100.00	100.00	100.00	100.00

^a Benchmark source: MSCI All Country World Index, customized to exclude tobacco and controversial weapons.

^b Benchmark source: MSCI All Country World Index.

194. On September 28, 2018, a number of changes were made to the Global Industry Classification Standard. The key changes included the expansion of the telecommunication services sector and its renaming as the communication services sector. The new sector combines telecommunications companies with media and entertainment firms formerly classified within the consumer discretionary sector and Internet companies formerly classified within the information technology sector.

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

(Percentage)

	31 December 2019	31 December 2018
North America	56.0	58.4
Europe	17.3	18.4
Asia-Pacific	9.7	11.7
Emerging markets	17.0	10.9
International regions	–	0.6
Total	100.0	100.0

Currency risk

196. The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates owing to changes in currency exchange rates. Management monitors the exposure to all currencies. The unrealized foreign exchange gain/loss is attributable primarily to the fluctuation in currency exchange rates during the period.

197. The Fund does not use hedging to manage its non-United States dollar-denominated currency risk exposure, because the Fund expects currency impact to net out to zero over a full market cycle, as has been the case historically. Currency risk refers to risk due to foreign exchange rate changes.

198. The tables below illustrate the foreign exchange risk exposure of the Fund by class of investments. These summarize the Fund's cash and investments at fair value as at 31 December 2019 and 31 December 2018, respectively. Net financial assets amounting to \$44.4 million in 2019 (2018: net financial liabilities of \$102.6 million), not held at fair value (see note 5) are excluded from this table. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

Currency	As at 31 December 2019					
	Equity	Fixed income	Real assets	Alternatives and others	Cash	Total
United States dollar	35.40	23.95	5.57	4.26	0.56	69.74
Euro	4.88	0.05	0.72	0.69	0.02	6.36
Japanese yen	3.79	–	0.19	–	0.01	3.99
British pound sterling	2.91	–	0.19	0.09	0.00	3.19
Hong Kong dollar	2.63	–	–	–	0.00	2.63
Canadian dollar	1.78	0.03	0.32	–	0.00	2.13
Republic of Korea won	1.11	0.43	–	–	0.00	1.54
Swiss franc	1.51	–	–	–	0.01	1.52
Brazilian real	0.73	0.70	–	–	0.00	1.43
Australian dollar	1.13	0.03	0.24	–	0.00	1.40
Indian rupee	0.79	0.17	–	–	0.00	0.96
Mexican peso	0.27	0.63	–	–	0.00	0.90
Malaysian ringgit	0.15	0.36	–	–	0.00	0.51
South African rand	0.39	0.12	–	–	0.00	0.51
Russian rouble	–	0.50	–	–	0.00	0.50
Swedish krona	0.48	–	–	–	0.00	0.48
Thai baht	–	0.43	–	–	0.00	0.43
Danish krone	0.31	–	–	–	0.00	0.31
Polish zloty	–	0.24	–	–	0.00	0.24
Singapore dollar	0.21	–	–	–	0.00	0.21
Philippine peso	0.10	0.10	–	–	0.00	0.20
Turkish lira	0.06	0.08	–	–	0.00	0.14
Peruvian sol	–	0.10	–	–	0.00	0.10
Czech koruna	–	0.09	–	–	0.00	0.09

<i>As at 31 December 2019</i>						
<i>Currency</i>	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternatives and others</i>	<i>Cash</i>	<i>Total</i>
Hungarian forint	–	0.08	–	–	0.00	0.08
New Israeli shekel	–	0.08	–	–	0.00	0.08
Colombian peso	–	0.07	–	–	0.00	0.07
Chinese yuan (renminbi)	0.07	–	–	–	0.00	0.07
Norwegian krone	0.05	0.00	–	–	0.00	0.05
Chilean peso	–	0.05	–	–	0.00	0.05
Egyptian pound	–	0.04	–	–	–	0.04
Romanian leu	–	0.03	–	–	0.00	0.03
New Zealand dollar	0.02	–	–	–	0.00	0.02
African franc	–	–	–	–	0.00	0.00
Pakistani rupee	–	–	–	–	0.00	0.00
Total	58.77	28.36	7.23	5.04	0.60	100.00

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

(Percentage)

<i>As at 31 December 2018</i>						
<i>Currency</i>	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternatives and other</i>	<i>Cash</i>	<i>Total</i>
United States dollar	34.13	16.62	5.51	3.84	0.86	60.96
Euro	5.04	6.31	0.70	0.64	0.02	12.71
Japanese yen	4.44	4.63	0.22	–	0.01	9.30
British pound sterling	3.06	1.25	0.17	0.03	0.01	4.52
Canadian dollar	1.56	0.60	0.24	–	0.00	2.40
Hong Kong dollar	2.03	–	–	–	0.00	2.03
Australian dollar	1.27	0.26	0.29	–	0.01	1.83
Swiss franc	1.50	–	–	–	0.01	1.51
Republic of Korea won	0.80	0.34	–	–	–	1.14
Swedish krona	0.47	0.14	–	–	0.00	0.61
Indian rupee	0.49	–	–	–	0.00	0.49
Brazilian real	0.38	–	–	–	0.00	0.38
South African rand	0.35	–	–	–	0.00	0.35
Singapore dollar	0.24	0.08	–	–	0.00	0.32
Danish krone	0.25	–	–	–	0.00	0.25
Norwegian krone	0.05	0.18	–	–	0.00	0.23
Mexican peso	0.19	0.02	–	–	0.01	0.22
Malaysian ringgit	0.12	0.05	–	–	–	0.17
New Zealand dollar	0.01	0.11	–	–	0.00	0.12
Thai baht	–	0.08	–	–	0.00	0.08
Czech koruna	–	0.08	–	–	–	0.08
Philippine peso	0.07	–	–	–	–	0.07
Polish zloty	–	0.07	–	–	–	0.07

<i>As at 31 December 2018</i>						
<i>Currency</i>	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternatives and other</i>	<i>Cash</i>	<i>Total</i>
Chilean peso	–	0.06	–	–	0.00	0.06
Turkish lira	0.06	–	–	–	0.00	0.06
Hungarian forint	–	0.03	–	–	–	0.03
Russian rouble	–	0.01	–	–	–	0.01
Pakistani rupee	–	–	–	–	0.00	0.00
African franc	–	–	–	–	0.00	0.00
Total	56.51	30.92	7.13	4.51	0.93	100.00

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

Interest rate risk

199. Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed-interest securities, floating-rate debt instruments, cash and cash equivalents that expose the Fund to interest rate risk.

200. The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference fixed income benchmark. 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.

	<i>2019</i>		<i>2018</i>	
	<i>Fund</i>	<i>Benchmark</i>	<i>Fund</i>	<i>Benchmark</i>
Effective duration	5.00	4.89	6.40	6.96

201. Effective duration is the sensitivity to interest rates. This means if the interest rate changes by 1 per cent, the Fund can lose or gain approximately 5.00 per cent (2018: 6.40 per cent) compared with the benchmark, which can lose or gain approximately 4.89 per cent (2018: 6.96 per cent). This arises primarily from the increase/decrease in the fair value of fixed-interest securities. Floating-rate debt instruments comprise approximately 1 per cent of the total fixed-income investments used for calculating effective duration as at 31 December 2019 and 31 December 2018.

Note 21

Budget information

21.1 Movement between original and final budgets

(Thousands of United States dollars)

	<i>Initial appropriation 2019</i>	<i>2018 budget balance carried forward</i>	<i>Approved increases/ (decreases)</i>	<i>Final appropriation 2019</i>
Fund secretariat	50 221	(3 619)	639	47 241
Office of Investment Management	43 702	7 593	(8 139)	43 156
Audit	1 458	(145)	431	1 744
Pension Board	512	44	326	882
Total	95 893	3 873	(6 743)	93 023

202. In its resolution 72/262 A, the General Assembly approved the initial appropriation for the biennium 2018–2019. The Assembly approved the final appropriation for the biennium in its resolution 74/263.

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

203. Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified into the following:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 3.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for 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 Fund.

(Thousands of United States dollars)

	2019	2018
Actual amount on a comparable basis^a	71 763	79 835
Basis differences		
Asset additions/disposals	(2 222)	(2 249)
Depreciation, amortization and impairment	2 464	4 719
Unliquidated obligations	5 322	(6 846)
Prepayments	(722)	406
Employee benefits	16 087	(6 479)
Other accruals	(927)	733
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	91 765	70 119

^a Actual amount on a comparable basis refers to the actual amounts of the administrative expenditure related to the Pension Fund and does not include the expenditure related to the United Nations.

204. The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- *Depreciation/amortization expense.* Fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated/amortized over their useful lives on an IPSAS basis. Only depreciation/amortization expense is recognized over the useful lives of the asset, whereas the total expense is recognized on a budget basis at the time of acquisition.
- *Expense recognition.* On a budget basis, expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.

- *Employee benefits.* On a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of time of payment. IPSAS therefore recognizes expenses for post-employment benefits such as after-service health insurance, annual leave or repatriation benefits.

Note 22**Funds under management**

205. Funds under management are defined as other United Nations funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

206. Pursuant to General Assembly resolution 2951 (XXVII), establishing the United Nations University (UNU), and Assembly resolution 3081 (XXVIII) and article IX of the Charter of the University (A/9149/Add.2), the Office of Investment Management is providing oversight services for the investments of the United Nations University Endowment Fund that were outsourced to Nikko Asset Management until 20 November 2018 and subsequently to BlackRock Financial Management with a separate custodian bank. Formal arrangements between the Office of Investment Management and the Endowment Fund regarding these services have been agreed upon. Resulting funds are reflected in the accounts of UNU. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately. The costs of the management advisory fees of the Office of Investment Management, amounting to \$50,000 per year, are reimbursed by the Endowment Fund to the Office and recorded as other investment-related income.

Note 23**Related party transactions***Key management personnel*

207. Key management personnel remunerated by the Fund for the years ended 31 December 2019 and 31 December 2018 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)					
2019	4	857	343	204	1 404	–	–
2018	5	1 046	370	245	1 661	–	–

208. Key management personnel in 2018 and 2019 were the Chief Executive Officer (see note 1.2), the Representative of the Secretary-General, the Deputy Chief Executive Officer (vacant for the year 2019), the Director of the Office of Investment Management and the Chief Financial Officer, as they had the authority and responsibility for planning, directing and controlling the activities of the Fund.

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

210. There were no outstanding advances against entitlements of key management personnel as at 31 December 2019 and 31 December 2018.

211. Key management personnel are also qualified for post-employment benefits (see note 11) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel are as follows:

(Thousands of United States dollars)

	<i>As at 31 December 2019</i>	<i>As at 31 December 2018</i>
After-service health insurance	377	1 355
Repatriation grant	163	157
Annual leave	76	118
Total	616	1 630

Other related parties

212. While no transactions occurred with the following parties, they are considered as related parties, and a summary of the Fund's relationship with these parties is provided below.

General Assembly

213. The General Assembly is the highest legislative body for the Pension Fund. It reviews reports submitted by the Pension Board, approves the budgets for the Fund, decides on the admittance of new member organizations to the Fund and amends the Regulations of the Fund.

Member organizations participating in the Fund

214. The member organizations of the Fund (which are international intergovernmental organizations) join the Fund by decision of the General Assembly and, at the time of admission, agree to adhere to the Regulations of the Fund. Each member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the Fund's administration.

United Nations International Computing Centre

215. The United Nations International Computing Centre was established in January 1971 pursuant to General Assembly resolution [2741 \(XXV\)](#). The Centre provides information and communications technology services to partners and users in the United Nations system. As a partner bound by the mandate of the Centre, the Fund would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the Centre, as specified in the Centre's mandate. As at 31 December 2019, there were no known claims having an impact on the Fund. Ownership of assets is with the Centre until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed upon by the Management Committee by a formula defined at that time.

216. The role of the Centre is:

- To provide information technology services on a full cost-recovery basis
- To assist in exploiting networking and computing technology
- To provide information management services
- To advise on questions related to information management
- To provide specialized training

Note 24

Reclassification and comparative numbers

217. Beginning in 2019, the Fund has updated the presentation of the statement of net assets available for benefits by combining the presentation of fixed-income and short-term investments and by presenting, in note 20.1 to the present financial statements, a maturity analysis of fixed-income securities as at 31 December 2019 and 31 December 2018. The change is intended to provide more meaningful information to the users of the financial statements, in line with the 2019 investment policy statement, and to enhance disclosure by presenting all fixed-income instruments together.

218. As a result, certain line items have been amended in the statement of net assets available for benefits and related notes to the financial statements. All comparative figures have been adjusted to conform to the current-year classification. The reclassification has no impact on net assets available for benefits.

219. The net zero effect of combining the short-term investments and fixed income categories on the statement of net assets available for benefits is as follows:

(Thousands of United States dollars)

	<i>Previously reported as at 31 December 2018</i>	<i>Regrouping</i>	<i>After regrouping as at 31 December 2018</i>
Investments			
Short-term investments	2 710 995	(2 710 995)	–
Equities	34 401 159	–	34 401 159
Fixed income	16 113 838	2 710 995	18 824 833
Real assets	4 340 466	–	4 340 466
Alternatives and other investments	2 743 377	–	2 743 377
Total	60 309 835	–	60 309 835

Note 25

Subsequent events

220. As a result of the spread of the coronavirus disease (COVID-19), which, in March of 2020, was declared by the World Health Organization to be a global pandemic, economic uncertainties have arisen that are likely to negatively affect the financial condition, results of operations and cash flows of the Fund.

221. The extent of the impact on the financial performance of the Fund will depend on future developments, including the following, all of which are highly uncertain and cannot be reliably predicted: (a) the duration and spread of the COVID-19 outbreak; (b) the related restrictions and advisories; (c) the effects on financial markets; and (d) the effects on the global economy. In line with most experts, the Fund management believes that the impact of the outbreak will be material on the economy. Some central banks have started to act by reducing interest rates and taking other measures. The duration and impact of the outbreak, as well as the efficacy of the interventions of Governments and central banks, are unknown at the present time. The rapid development and fluidity of the pandemic makes it difficult to reliably estimate the ultimate impact on the financial conditions and results of the Fund in future periods, as at the date of signing the present financial statements.

222. In accordance with IPSAS 14: Events after the reporting date, the COVID-19 pandemic is considered to be a non-adjusting subsequent event; accordingly, no adjustments for events subsequent to 31 December 2019 are reflected in the financial statements. The financial instruments at fair value presented through the statement of changes in net assets have been recognized in accordance with the applicable IPSAS standards. Changes in market prices after the reporting date have not been reflected in asset valuation.

223. 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 2018	New entrants	Transfer		Separations	Adjustments ^a	Participants as at 31 December 2019	Percentage increase/ (decrease)
			In	Out				
United Nations ^b	84 854	7 715	255	255	6 753	453	85 363	0.6
International Labour Organization	3 819	416	30	29	285	12	3 939	3.1
Food and Agriculture Organization of the United Nations	11 163	1 223	82	90	576	42	11 760	5.3
United Nations Educational, Scientific and Cultural Organization	2 479	201	23	20	139	5	2 539	2.4
World Health Organization	10 819	799	66	62	548	18	11 056	2.2
International Civil Aviation Organization	789	52	9	5	83	1	761	(3.5)
World Meteorological Organization	360	46	5	4	32	1	374	3.9
International Atomic Energy Agency	2 734	214	20	34	131	1	2 802	2.5
International Maritime Organization	277	97	5	2	12	–	365	31.8
International Telecommunication Union	726	47	9	2	32	–	748	3.0
World Intellectual Property Organization	1 222	66	14	10	76	–	1 216	(0.5)
International Fund for Agricultural Development	586	61	11	4	40	2	612	4.4
International Centre for the Study of the Preservation and Restoration of Cultural Property	43	2	1	–	1	–	45	4.7
European and Mediterranean Plant Protection Organization	19	3	–	–	2	–	20	5.3
International Centre for Genetic Engineering and Biotechnology	174	5	3	1	6	–	175	0.6
World Tourism Organization	88	3	1	–	3	–	89	1.1
International Tribunal for the Law of the Sea	40	2	–	1	–	–	41	2.5
International Seabed Authority	42	4	4	1	6	–	43	2.4
United Nations Industrial Development Organization	698	40	4	7	22	1	712	2.0
International Criminal Court	1 225	73	12	24	54	2	1 230	0.4
Inter-Parliamentary Union	48	2	–	1	2	–	47	(2.1)
International Organization for Migration	5 951	1 323	27	45	346	13	6 897	15.9
Special Tribunal for Lebanon	438	34	18	17	24	–	449	2.5
Comprehensive Nuclear-Test-Ban Treaty Organization	–	285	15	–	2	(2)	300	Not applicable
Total	128 594	12 713	614	614	9 175	549	131 583	2.3

^a Adjustments are due mainly to corrections of erroneous entries from prior years, which reduce/(increase) the 2019 headcounts. They include adjustments to participant counts dropped from the 2018 closing balances owing to contract adjustments made in 2019, as well as those that, in 2019, were rolled into the closing balances of 2018 owing to contract modifications.

^b United Nations Headquarters, regional offices and all funds and programmes.

Table 2
Benefits awarded to participants or their beneficiaries during the year ended 31 December 2019

Member organization	Number of benefits awarded											Total
	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child benefit	Widow and widower benefit	Other death benefit	Disability benefit	Secondary dependant benefit	Transfer under agreement	
				< 5 years	> 5 years							
United Nations ^a	391	451	336	3 230	2 065	1 073	126	2	102	–	17	7 793
International Labour Organization	33	19	12	165	50	18	3	–	3	–	–	303
Food and Agriculture Organization of the United Nations	83	65	19	273	111	94	15	–	11	–	–	671
United Nations Educational, Scientific and Cultural Organization	30	15	7	63	20	9	2	–	2	–	–	148
World Health Organization	87	61	22	274	71	158	12	–	15	1	1	702
International Civil Aviation Organization	9	9	3	57	4	2	–	–	–	–	–	84
World Meteorological Organization	10	2	–	17	1	4	–	–	2	–	–	36
International Atomic Energy Agency	30	19	11	45	13	11	–	–	12	–	1	142
International Maritime Organization	2	2	–	7	–	–	–	–	2	–	–	13
International Telecommunication Union	7	9	–	9	–	5	2	–	4	–	–	36
World Intellectual Property Organization	21	20	2	25	2	18	–	–	6	–	–	94
International Fund for Agricultural Development	3	16	1	14	3	10	2	–	2	–	–	51
International Centre for the Study of the Preservation and Restoration of Cultural Property	1	–	–	–	–	–	–	–	–	–	–	1
European and Mediterranean Plant Protection Organization	–	1	–	–	–	–	–	–	1	–	–	2
International Centre for Genetic Engineering and Biotechnology	3	3	–	–	–	–	–	–	–	–	–	6
World Tourism Organization	–	–	1	2	–	–	–	–	–	–	–	3
International Seabed Authority	2	1	–	3	–	3	–	–	–	–	–	9
United Nations Industrial Development Organization	3	7	1	8	2	2	1	–	–	–	–	24
International Criminal Court	1	2	8	35	6	–	–	–	1	–	1	54
Inter-Parliamentary Union	1	–	1	–	–	–	–	–	–	–	–	2
International Organization for Migration	18	4	8	259	55	7	–	–	2	–	–	353
Special Tribunal for Lebanon	1	1	–	10	9	1	–	–	2	–	1	25
Comprehensive Nuclear-Test-Ban Treaty Organization	–	1	–	2	–	–	–	–	–	–	–	3
Total	736	708	432	4 498	2 412	1 415	163	2	167	1	21	10 555

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

Table 3
Analysis of periodic benefits for the year ended 31 December 2019

<i>Type of benefit</i>	<i>Total as at 31 December 2018</i>	<i>New</i>	<i>Benefits discontinued, resulting in award of survivor benefit</i>	<i>All other benefits discontinued</i>	<i>Total as at 31 December 2019</i>
Retirement	29 179	736	(267)	(423)	29 225
Early retirement	16 744	708	(170)	(217)	17 065
Deferred retirement	7 847	432	(46)	(131)	8 102
Widow	11 580	141	495	(441)	11 775
Widower	1 055	22	76	(32)	1 121
Disability	1 676	167	(14)	(31)	1 798
Child	10 601	1 415	23	(1 184)	10 855
Secondary dependant	34	1	–	(1)	34
Total	78 716	3 622	97	(2 460)	79 975

Table 4
Status of processable entitlement cases

	<i>Number of cases</i>	
	<i>As at 31 December 2019</i>	<i>As at 31 December 2018</i>
No payment due at all		
Possible re-employment under article 21 of the Regulations of the Fund (cases for closing upon confirmation of re-entry into the Fund)	101	327
No immediate payment due		
Deferred retirement benefit under article 30 of the Regulations of the Fund (payment not due until retirement age or from early retirement age)	499	499
Deferment of choice under article 32 of the Regulations of the Fund (election/payment of benefits deferred by the beneficiary up to 36 months)	3 615	3 717
Total	4 114	4 216
Not ready for payment		
Cases reviewed but withheld because of issues/missing additional proof documents	900	701
For payment (case inventory)		
Cases in progress	86	329
Cases scheduled for review	181	595
Total	267	924
Total processable cases	5 382	6 168

