STATEMENT TO THE FIFTH COMMITTEE
OF THE UNITED NATIONS GENERAL ASSEMBLY
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New York, 8 November 2013

Mr. Chairman, Distinguished delegates

Thank you for giving me the opportunity to address the Committee as Chairman of the United Nations Joint Staff Pension Board. I am indeed honored to present the report of the Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund, document A/68/303. The report covers the Pension Fund's estimated expenditure and performance report for the biennium 2012-2013, and its proposed budget estimates for 2014-2015. Also included is an ad hoc item requiring consideration of amendments to the Fund's Regulations as of 31 December 2013. Section VI of the report contains the recommended action to be taken by the General Assembly.

The United Nations Joint Staff Pension Fund is a multi-employer defined benefit plan providing pension benefit payments to more than 67,000 retirees and beneficiaries in over 190 countries in 15 different currencies. By 2020, the Fund is expected to have over 85,000 beneficiaries. Annual benefit payments exceed $2 billion. At the end of 2012, the assets of the Fund reached almost $45 billion. Pursuant to the Fund's Regulations, the Pension Fund is administered by the Pension Board, composed of representatives of the 23 member organizations. The 33-member Board has a tripartite composition, consisting of an equal number of representatives from each of its three constituent groups. The Chief Executive Officer, who is also Secretary to the Pension Board, reports to the Board and discharges the Board's responsibility for administrative supervision of the Fund as a whole.

The investment of the assets of the Fund is the responsibility of the United Nations Secretary-General (in accordance with article 19 of the Fund's Regulations). The Secretary-General has delegated his authority and responsibility to act on his behalf in the investment of the assets of the Fund to his Representative.

As explained in the overview of the report, the Fund has experienced an unprecedented growth over the past 15 years: the increase in overall participants has been 68%, or 3.8% per year. As of 31 December 2012, the Fund had almost 190,000 active participants, retirees and beneficiaries. In 2012 alone, the Fund processed roughly 55,000 standard requests from participants, which includes events such as retirements, new affiliations, full withdrawal settlements, estimates, deaths, and transfers. Notwithstanding its heavy workloads, the Fund met its servicing standards in responding to its participants, retirees and beneficiaries within a set 15-day benchmark.

In addition to the dramatic growth in the population being serviced, drivers for change include the increasing longevity of retirees who have specific service needs; a highly volatile financial and economic environment; evolving plan design; and a high level of maturity that requires enhanced solvency management processes. In response, the Fund is continually adapting its processes and procedures, strengthening its internal control process of replacing its current multiple processing and record keeping systems with a single integrated pension administration system (IPAS), which will have standardized hardware and software platforms. This new system will lead to overall improvements in efficiency, effectiveness and quality of service. I am happy to report that this significant project received a satisfactory audit opinion from OIOS. The project continues to be on-time and on-budget and is scheduled for completion by 2015.

In 2012 at its 59th session, the Board determined that it should address the results of the actuarial valuation of the Fund as at 31 December 2011, which showed an actuarial deficit of 1.87 per cent of pensionable remuneration - this is a second consecutive actuarial deficit, following that of 0.38 per cent of pensionable remuneration as at 31 December 2009. The Board also observed a clear downward trend in the results of the last seven actuarial valuations, from a surplus of 4.25% of pensionable remuneration as at 31 December 1999, to a deficit of 1.87% of pensionable remuneration at the end of 2011. Consequently, the Board established a Working Group that, in consultation with the Fund's Consulting Actuary, the Committee of Actuaries, the Investment Committee, the Representative of the Secretary-General for the Investments of the Fund, and the Secretary/CEO, was tasked with considering possible measures to ensure the Fund's long-term sustainability.

The Working Group's conclusions and recommendations were carefully analyzed by the

The details of administrative expenses of the Fund, as contained in the report, are as follows:

2012 – 2013 biennium

In resolution 66/247, the General Assembly approved appropriations for the biennium 2012-2013 totaling $194,100,900. However, total expenditure for the biennium 2012-2013 is now estimated at $185,730,600, resulting in an underexpenditure of $8,370,300 or 4.3 per cent of the total appropriation. Table 1 of the budget document summarizes the total estimated expenditures for the biennium 2012-2013.

2014 – 2015 biennium

The 2014 – 2015 budget as approved by the Board, totals $178,852,500 and includes

- $91,071,700 for administrative costs;
- $84,828,100 for investment costs;
- $2,543,900 for audit costs; and
- $408,800 for Pension Board expenses.

The overall level of resources requested by the Board for the Fund secretariat administrative costs is $88,367,600 before recosting, reflecting a net decrease of $9,552,000, or 9.8 per cent, from the appropriations for the biennium 2012-2013. The decrease in cost from the prior biennium is primarily due to a reduction of $10.9 million from the Fund secretariat's IT sector, of which $6.9 million is related to the finalization of IPAS and $4.0 million due to the AIS significant efficiency saving* .0006 Te to the IP9.7pillioisn, 2 its objectives. The overall level of resources for IMD as approved by the Board for 2014 – 2015 reflects a 10.7 per cent decrease from 2012 – 2013 to $83,373,600, before recosting. However, this decrease is primarily attributable to a change in reporting of external management fees. These fees have been excluded from the 2014-2015 budget proposal, as explained in Annex III of the supplemental document.

In view of the increasing work load associated with the responsibilities of overseeing investments while also performing other full-time duties, the Secretary-General submitted to the Pension Board at its 60th session a recommendation for the appointment of a full time Representative to assist him in the discharge of his fiduciary duties. The Board, having considered the trend in recent actuarial valuations, the increased impact of the value of the assets on the actuarial balance of the Fund and increasing interdependency of assets and liabilities, as well as the importance of achieving the investment return objective (3.5% real investment return), decided to support the Secretary-General's recommendation. The Board further decided that such a position shall be the "expense of the Fund" within the meaning of article 15 of the Fund's Regulations and that the creation of such a position is necessarily associated with a proposed change to the Regulations (new section to article 19 as contained in Section V of the Board's report) which requires consultation with the Board on the appointment of this full time RSG as well as on establishment of minimum qualifications, competencies and performance standards, the same way as has been established for the CEO and his Deputy.

In this regard, it is important to recall that the Pension Board did not consider it necessary to recommend any changes to the existing governance structure of the Fund. It is strongly recommended that the current governance framework and management structure, which are working well, be maintained. That means that the Pension Board continues to administer the Fund, and the Secretary-General continues to decide on the investments of the Fund. The CEO, who is also the Secretary of the Pension Board and accountable to it, has the responsibility for administrative supervision and management of the Fund as a whole to ensure that the Fund operates as an integrated, single inter-agency entity for the ultimate benefit of the Fund's participants and beneficiaries. The RSG, representing the UN Secretary-General, continues to have full responsibility and managerial accountability for the Fund's investments. In view of the most recent reviews of the Fund's governance and management structure (such as the OIOS audit of the UNJSPF Governance Mechanism and the comprehensive organizational review covering both sides of the Fund) which have found that appropriate and effective governance structures are in place, there is no justification for a further review.

You will note that the report of the Pension Board includes both the Board of Auditor's report (Annex VIII) and the Fund's annual financial statements (Annex VII) in accordance with article 14 of the Fund's Regulations, which was amended at the time when the Fund revised its accounting standards. The 2012 financial statements have been prepared for the first time following the ne outstanding audit recommendations, with th

In conclusion, I would like to thank you for the opportunity to present the report of the Pension Board. The CEO, RSG, and the other staff of the Fund are ready to respond to any specific details and to provide any technical explanations that may arise.

Thank you, Mr. Chairman.

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