



**STATEMENT ON BEHALF OF THE GROUP OF 77 AND CHINA
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PERMANENT MISSION OF ECUADOR TO THE UNITED NATIONS ON AGENDA
ITEM 136: PROPOSED PROGRAMME BUDGET FOR THE BIENNIUM 2018 - 2019:
ADMINISTRATIVE EXPENSES OF THE UNITED NATIONS JOINT STAFF PENSION
FUND, AT THE FIFTH COMMITTEE DURING THE MAIN PART OF THE
SEVENTY-SECOND SESSION OF THE UNITED NATIONS GENERAL ASSEMBLY**

(New York, 5 December 2017)

Mr. Chairman,

1. I have the honour to speak on behalf of the Group of 77 and China on agenda item 136: proposed programme budget for the biennium 2018 - 2019, in particular the administrative expenses of the United Nations Joint Staff Pension Fund.

2. The Group of 77 and China wishes to thank the Chair of the United Nations Joint Staff Pension Board, Ms. Annick van Houtte, for introducing the report of the United Nations Joint Staff Pension Board, the Director of the Programme Planning and Budget Division, Mr. Johannes Huisman, for introducing the report of the Secretary General on administrative and financial implications arising from the report of the United Nations Joint Staff Pension Fund Board and the Chair of the Advisory Committee on Administrative and Budgetary Questions, Mr. Carlos Ruiz Massieu, for introducing the related report (A/72/7/Add.23)

Mr. Chairman

3. The Group of 77 and China recalls that 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 other organizations as may be admitted to membership. The prerogative of the General Assembly on matters related to the Fund per the given mandate is therefore reaffirmed.

4. The Group notes that, as at 31 December 2016, the Fund was servicing 23 member organizations with a combined number of 203,050 active participants and beneficiaries consisting of 74,788 retirees and beneficiaries receiving monthly pension payments and 128,262 active participants accumulating pension rights and continuing to be serviced by the Fund. The total assets of the Fund, in 2016, amounted to \$54.73 billion with total liabilities of \$237.64 million, resulting in net assets available for benefits at \$54.49 billion. In the year 2016, the fair value of the investments appreciated by \$2.26 billion while there was a foreign currency loss of \$679.88 million as against \$1.49 billion in 2015.

5. The Group notes that the inflation-adjusted real return on investment in 2016 was 3.1 per cent which was below the stipulated benchmark of 3.5 per cent. Cognizant of the volatile

conditions of the capital markets, the Group wishes to urge the Secretary-General, who oversees the management of the Fund's investments through his appointed representative, to make every effort to meet the 3.5 per cent benchmark return of the investments of the fund while continuing to adopt measures that would strengthen risk management and control processes on the Fund's investing activities.

6. In this regard, the Group will be interested in understanding both the reasons behind the current gap between the return generated and the benchmark return, on the forthcoming informal consultations.

Mr. Chairman,

7. Turning to the proposed budget for the biennium 2018 - 2019, the Group notes that total resource requirements for the Pension Fund would be \$194,664,800 representing an increase of 8% of the appropriation of the previous biennium. Of the above-mentioned amount, \$22,881,900 would be borne by the United Nations by virtue of the cost-sharing arrangement where the regular budget would contribute \$14,552,900 and the balance of \$8,329,000 would be reimbursed to the United Nations by the United Nations Development Programme and the United Nations Children's Fund.

8. It is also noted that an additional appropriation of \$51,700 would be required under section 1, Overall policymaking, direction and coordination, of the proposed programme budget for the biennium 2018-2019. That amount would represent a charge against the contingency fund.

9. The Group wishes to recall the request by the General Assembly in resolution 68/247B that the Secretary-General provides information on the performance of his Representative. Clarity will therefore be sought on the outcome of the annual assessment and any mechanisms developed to evaluate performance.

10. The Group takes cognizance of the fact that managing fund assets of several billions is a complex task, and therefore warrants close attention. The Group urges the Secretary-General through his representative and officers for the investments of the fund's assets to constantly exercise their fiduciary responsibility over the fund's assets. Moreover, considering the high value of the Fund's investment portfolio, the Group is of the view that the Secretary General establishes a comprehensive anti-fraud policy to better address the risk of fraud in the management of the Fund's investments.

11. The Group has taken note of the findings of the Board of Auditors, in particular those related to non-disclosure of different exchange rates applied to currency balances; risks in foreign exchange transactions as well as exchange losses; rate of return on investments; long-term and coherent information technology strategies and implementation of the Integrated Pension Administration System (IPAS).

12. The Group takes special note of the excessive manual interventions within IPAS and urges the Pension Fund to explore possibilities of further automating the system in order to facilitate benefits processing.

Mr. Chairman,

13. We must remember that clients pay us for our thinking, our opinion and our point of view. The effectiveness of a great piece of work will easily outlast the discomfort of a difficult conversation. So challenge and debate is good and healthy within a client / service provider relationship. We must address concerns of clients with a clearly thought out and inclusive approach.

14. With that said, the Group notes the focus for the 2018-19 biennium will be on strengthening the two core functions of the Fund: timely processing of benefits and client servicing through further investment in technology and staffing. We encourage the Fund's plans to continue the approach where it uses flexible resources to address peaks in work load or to deliver special projects, thus avoiding an increase in long-term fixed costs. The Group of G77 and China believes that a continuous effort of innovation and industry would enable the Fund maintain and improve on the processing times achieved in the previous biennium.

15. Also on client service, the Group emphasizes the need to ensure proper focus on this core function of the Fund given the importance and number of clients it services living in over 190 countries and entitled to the same level of service, whether they are located close to the Fund's headquarters or in other countries. The Group hereby notes the Fund's intention to separate Client Services from Operations.

Mr. Chairman,

16. With regard to the implementation of recommendations by the Board of Auditors, the Group of 77 and China notes that of the 26 recommendations up to the year ended 31 December 2015, only 5 (19 per cent) had been fully implemented. The Group wishes to express its disappointment with these statistics and to reiterate the need, devoid of excuses, to expeditiously implement all recommendations of the Board of Auditors in full.

17. The Group wishes to re-affirm the mandate that reports of the Board of Auditors on the Pension Fund are to be transmitted separately, to the General Assembly, through the Advisory Committee while a copy is submitted to the Pension Board in line with the provision of paragraph (g) of General Assembly resolution 74(0) to guarantee accountability and transparency. The Group emphasizes that issues related to the Board of Auditors' reports remain the sole prerogative of the General Assembly, as the Pension Board is a subsidiary organ of the Assembly.

18. With regard to actuarial valuation, the Group notes that there were anomalies in the data supplied to actuaries for making calculations for the 2016 financial statements. It was noted that there were discrepancies in the number of participants shown between the financial statements

and the actuarial report for 2015. There were also discrepancies between the number of benefits of retired participants in the financial statements and the actuarial report for the year in question.

19. Given the important role actuarial valuations play in ascertaining the level of the fund's pension obligations and its corresponding return objectives, the group will seek more clarification from the Secretariat on how such an incident could be avoided in the future.

Mr. Chairman,

20. The Group welcomes the Fund's climate change investments and its positive contribution to the Fund's investment returns within the framework of the Environmental, Social and Governance investments.

21. With regard to investment diversification, the Group also welcomes an increase in the investment of funds in developing countries by 6.2% from 31 December 2015 to 31 December 2016. The Group encourages the furtherance of this trend while, of course, paying due regard to the criteria of safety, profitability, liquidity and convertibility.

Mr. Chairman,

22. In conclusion, the Group wishes to assure you of its readiness to engage in this important agenda item with an objective of realizing a constructive outcome.

I thank you, Mr. Chairman.