Communique on the United Nations Joint Staff Pension Board
65th Session at FAO, Rome, Italy - 26 July 2018 through 3 August 2018

1. It has not been normal practice for the Pension Board to issue a Communique at the conclusion of its annual session. However, with information on matters considered by the Board not being generally available until the release of the Sessional Report and the Report to the General Assembly, some two months after the Board, and the need of Board Members to report to their constituents in a timely manner, this Communique is being issued.

2. The 65th meeting of the UN Joint Staff Pension Board (the Board) took place at the premises of the Food and Agricultural Organization of the United Nations (FAO) in Rome, Italy, from 26 July through 3 August 2018.

3. MATURITY: The Fund was established almost 70 years ago and presented its first financial statements in 1949. It has all the features of a mature defined benefit plan. The Board is confident that the Fund is actuarially and financially sound. The current strong situation is due largely to the initiatives developed by the Board's 2013 Working Group on sustainability, endorsed by the Board and approved by the General Assembly, together with prudent management practices of the past.

4. INVESTMENT PERFORMANCE: At 31 December 2017, investments of the Fund managed by the Fund's Office of Investment Management (previously IMD) were valued at **US$64.1 billion** (2016: **US$54.4 billion**). On the back of strong markets, the portfolio achieved a nominal investment return of **18.6%**, compared to the Board's 18.1% policy benchmark. Real investment returns meet or exceed the long-term real rate of return of **3.5%** actuarially-required to ensure the Fund's long-term solvency. As required by the General Assembly, the principles of the Fund's investment management strategy continue to be *safety, profitability, liquidity* and *convertibility*.

5. ACTUARIAL BALANCE: The actuarial valuation as of 31 December 2017 indicated a small actuarial **deficit of 0.05%** of pensionable remuneration. As noted by the pro-bono **Committee of Actuaries**, this is the second consecutive actuarial valuation (31 December 2015: **0.16% surplus**) in which the Fund remains very close to actuarial balance. Given margins of error and assumptions in actuarial valuations, these results are substantively in balance. This is what the Board aspires to; since 2003, all actuarial valuations have remained within the margins approved by the Board of plus or minus 2% of pensionable remuneration from the point of actuarial balance. The Board's **Assets and Liabilities Monitoring Committee** confirmed that the Fund continues to be well-funded.

6. NO ROOM FOR COMPLACENCY: The actuarial valuation was underpinned by the very strong 2017 investment returns and greatly increased value of the Fund's investment portfolio, but also by actuarial assumptions predicated on a **0.5%** annual growth in contributing participants. That exceptional 2017 investment return is unlikely to be repeated consistently in the medium-term. Reported participant numbers actually fell **1.2%** in 2017; they may not grow going forward. Actuarial assumptions must be constantly validated. The Board remains alert to ways to mitigate the fall in contributing participants and the declining ratio of participants to beneficiaries.

7. FINANCIAL POSITION: The Board's **Audit Committee** noted that the Fund is in a stable financial and operational position. This is the sixth year in which the Fund has presented annual financial statements under globally-recognized International Public Sector Accounting Standards. The **United Nations Board of Auditors** expressed an unqualified (clean) audit opinion on these financial statements.

8. EXCESS OF BENEFITS OVER CONTRIBUTIONS: An unqualified audit opinion, in essence, provides assurance of no material misstatement in the financial statements, and that the financial statements fairly present the financial situation. That liabilities side of the financial situation shows that benefit expenses of **US$2.673 billion** exceed contributions received by **US$272 million** in 2017 (2016: **US$233 million**). This is a normal feature of a mature fund, whereby investment returns subsidize the increasing deficit resulting from an increased number of retirees. It is not a cause for immediate concern. Nevertheless, as with the decline in active participants (i.e. the number of staff members actively paying into the Fund), from which contributions come, the Board remains alert to ways to mitigate this situation.

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9. BENEFIT PROCESSING AND IPAS IMPLEMENTATION: As is well-known, following the cutover to the Fund's new enterprise resource planning (ERP) system, IPAS (Integrated Pension Administration System), on 3 August 2015, a processing backlog for new separations and survivors and dependents awards emerged. This was because of **(a)** several pre-cutover 'blackout' periods required as part of prudent parallel testing to ensure no interruption in payments to those already receiving benefits; **(b)** post-implementation issues typical of most large ERP implementations; and **(c)** issues with the UN's own new *Umoja* ERP. The Fund also did not mitigate these delays nor communicate effectively with those affected. However, at peak backlog, about **98.5%** of all periodic beneficiaries (those already awarded benefits and those with delayed awards) received their benefits on time.

10. PEAK AND CLEARANCE OF IPAS-IMPLEMENTATION BACKLOG: This processing backlog for new awards from 3 August 2015 onwards peaked in the first half of 2016 at the equivalent of about four months' caseload. The payment backlogs were substantially cleared for all **primary periodic benefits** between late 2016 (for Disability cases) and early 2017 (for others); and for all **secondary periodic benefits** except surviving spouses of participants who died in service by mid-2017. The latter backlog was cleared in the second half of 2017. The backlog for **withdrawal settlements** was cleared in mid-2017. A regular work-in-progress inventory, higher than what is acceptable to the Board, remains but is being addressing and progressively reduced.

11. IPAS GOING FORWARD: IPAS is now operating satisfactorily. There remains room for improvement and it is being upgraded. The Board regrets sincerely the delays separating participants and their survivors or dependents experienced but notes the far greater risk of the collapse of the piecemeal and aged system that IPAS replaced, leaving the Fund potentially unable to function at all.

12. CLIENT SERVICE: The Board welcomed the good progress made in reducing the outstanding number of cases and the decreased processing time as noted by the **UN Board of Auditors**. The year 2017 saw **14,385** awards (2016: **12,322**). The Board took note of various initiatives implemented by the Fund Secretariat to strengthen benefit processing and client services, further to the end-to-end review presented to the Board in 2017. Median processing time stands at **11 to 12 working days** from receipt of all documents allowing award of a benefit. **62%** of all cases in 2017 were processed within 15 working days of receipt of complete documents against the target of 75%. More than **80%** of all cases were processed within one month of receipt of complete documents.

13. GOVERNANCE AUDIT: In addition to usual governance matters, the Board reviewed a report from the United Nations Office of Internal Oversight Services (OIOS), which was requested by the General Assembly to conduct a comprehensive audit of the governance structure and related processes of the Board. This was considered in-depth by the Board, convening an in-session working group representative of the tripartite nature of the Board, as well as the retirees' representatives, the Federation of Associations of Former International Civil Servants. This working group assisted the Board to respond comprehensively to OIOS and each of the report's recommendations, in the light of the Fund's joint and inter-agency nature and the Board's earlier considerations of these matters. This in turn will allow OIOS to consider the Board's views in its report to the General Assembly.

14. REFERRAL TO IAAC: In view of concerns held by the majority of the Board over the methodology of the OIOS audit, the Board decided to refer the matter to the General Assembly's **Independent Audit Advisory Committee (IAAC)**, which is the body charged with evaluating the effectiveness of OIOS interventions. The UNSPC Participants' Representatives – four out of 33 Members - recorded their satisfaction with the audit and their disagreement with referring this matter to the IAAC.

15. SENIOR MANAGEMENT AND SUCCESSION: The Board faced the dual challenge of the extended absence of its Chief Executive Officer (CEO) and impending retirement, on 31 August 2018, of its Deputy CEO (DCEO). It decided to recommend to the Secretary-General the appointment of the current DCEO as Acting CEO from 1 September up to 31 December 2018. At the date of this Communique, the Secretary-General had accepted that recommendation. The Board also formed a **Succession Planning Committee**, the purposes of which, on an ongoing basis, are to **(a)** assist the Board to adopt a long-term strategic approach to succession planning in the senior executive levels of the Fund; and **(b)** further strengthen methodologies for their performance assessment. Taking advantage of this new committee, the Board requested that it identify a suitable candidate for appointment by the Secretary-General as Acting Chief Executive Officer from 1 January 2019 for as long as required.

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16. THE DCEO: Following the current DCEO's advice in late 2017 to the Chair of the 64th Board that he would not seek a second term, the 64th Chair convened an eight-member inter-constituency DCEO Search Panel (the Panel) to work intersessionally. The Panel reported its recommendations to the Board. In view of a number of objections raised by the UNSPC Participants' Representatives, the Board assessed the procedures applied to establish the Panel and found them appropriate. It also found the processes and procedures subsequently followed by the Panel appropriate, noting that it included two members from the UNSPC (including the Assistant Secretary-General for Human Resources Management) and that the UNSPC Participants' Representatives had declined to be represented on the Panel. The Board, in closed session, interviewed the candidates put forward by the Panel and proceeded with making a recommendation to the Secretary-General for the selection of the DCEO.

17. NEW MEMBER ORGANIZATION: The Board made an affirmative recommendation to the General Assembly to admit as a new Member Organization the **Preparatory Commission for Comprehensive Nuclear Test-Ban Treaty Organization**, with effect from 1 January 2019. Once approved by the General Assembly, this will bring the number of contributing Member Organizations to 24, with beneficiaries from 25 current and past Member Organizations.

18. INVESTMENT MANAGEMENT: The responsibility for deciding upon the investments of the assets of the Fund resides with the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on investment policy. The Secretary-General has appointed a full-time Representative (RSG), a position established with effect from 1 January 2015, to oversee the Investments of the Assets of the UNJSPF. The Board welcomed the appointment of the second full-time RSG effective 1 January 2018, and noted the Secretary-General's decision to rename the Investment Management Division (IMD) the **Office of Investment Management (OIM)**, consistent with the level of the post of the RSG. The RSG's report on the management of the investments of the Fund was noted by the Board with appreciation, as was the pro-bono service of the **Investments Committee.**

19. TRANSPARENCY: In the light of multiple instances of Board-confidential information being brought into the public domain, often with misleading commentary, the Board discussed the adequacy of the Declaration of Conflict of Interest for its Members and attendees, adopted in 2015 with the intention that it be signed by all Members and attendees. The discussion sought to clarify what information should be considered confidential and how to balance this imperative with the need for maximum transparency for all stakeholders. It was recalled that in the spirit of transparency and in accordance with global best practice, all OIOS audit reports on the Fund are, after due consideration, made public. These reports include management comments, including those on recommendations where management was not in agreement with the OIOS observation or recommendations.

20. COMMUNICATION: The Board sees it as essential, in future, for adequate resources to be made available to the Fund to ensure a professional communication function, required for proper outreach to its 205,000 stakeholders.

21. WORKING METHODS OF THE BOARD: The Board maintained its long tradition of consensus for decision-making by finding practical and equitable solutions for the vast majority of items before it. Over 95% of all decisions were taken in this manner with the vast majority of Members in agreement. Where a Member or Members disagreed, it was recorded. The Board is pleased to affirm the collegial, professional, positive and forward-looking nature of the majority of the Members, consistent with the practice of the Board.

22. NEXT MEETING: The Board will meet again in **July 2019**, hosted by the United Nations Office in Nairobi. The Board's 2020 regular session will the hosted at the **World Meteorological Organization** in Geneva.

Mr. John Levins	**Ms. Jane B Makori**	**Ms. Theresa Panuccio**	**Mr. Md. Mustafizur Rahman**
Chair, 65th Session	First Vice-Chair	Second Vice-Chair	Rapporteur
Participants	*Governing Bodies*	*Executive Heads*	*Governing Bodies*
FAO/WFP	*UNIDO (Kenya)*	*UN Secretary-General*	*General Assembly (Bangladesh)*

Rome, 30 August 2018