United Nations

United Nations Joint Staff Pension Board

Report of the United Nations Joint Staff Pension Board

Sixty-seventh session
(16 to 24 July 2020)

General Assembly
Official Records
Seventy-fifth Session
Supplement No. 9
Chapter XI
Governance matters

A. Study on governance

288. Pursuant to General Assembly resolution 74/263, Mosaic Governance Advisors, an independent external entity (consultants) with expertise in pension fund governance matters, presented a comprehensive and objective analysis of the governance of the Fund. The analysis included a comparison of the Fund with best practices applied in international public pension organizations, and recommendations regarding the following:

(a) Governance structure of the Board and its committees;
(b) Board role, responsibilities and practices that were relevant for the proper governance of the Fund;
(c) A transition strategy for the Fund to align with best practices.

289. The consultants informed the Board of their review methodology, which included interviews with Board members, alternates and representatives, using questionnaires for consistency. They attended a meeting of the Governance Working Group to respond to questions from Group members about the review scope and timeline, and reviewed relevant documentation, including the Fund’s Regulations, rules, terms of reference and policies. In addition, the consultants performed research on a group of 15 global pension fund peers and analysed aspects of the Fund governance structure, processes and practices, compared with peer research and their experience with public pension fund best practices.

290. The consultants shared with the Board the views expressed by most of the respondents during the interview process, including similar and differing views, and identified the following themes as needing resolution to create improved and more effective governance for the Fund:

(a) The role and mandate of the Board, its leadership, the Standing Committee and the Bureau;
(b) Agreement on the principles that were important to the governance of a pension fund;
(c) Consensus on the level to which improvement in governance was needed to enhance overall effectiveness.

291. They presented principles of sound pension plan governance that included the following:

(a) A need for those involved in pension fund governance and management to embrace a “financial institution” and “fiduciary first” mindset;
(b) As fiduciaries, the sole focus of the Board is to act in the best interest of all participants, retirees and beneficiaries;
(c) An understanding that strong, well-functioning boards know where they lead, where they oversee, where they partner with management and where they should not be involved.

292. In their report, the consultants compared the Fund governance practices against best practices and provided an overview of the Fund historical context and current state, as applicable, described best practices based on their
knowledge, experience and observations, including peer research, and analysed how the Fund varied from best practices, labelling differences as minimal or significant.

293. The consultants found that the variance between the Fund governance practices and pension fund governance best practices was significant across all categories. The two most important variances noted were that the Board itself appeared to be at a different stage in its life cycle than best practice public pension fund boards, and that the Fund governance structure lacked the clear, modern fiduciary framework typically found in best practice public pension funds. They further noted that if the objective was to align the Fund governance with best practices, changes would be needed to the governance structure and practices.

294. The report of the consultants appears in annex XIV to the present report.

Discussion in the Board

295. Following their presentation, the consultants responded to the Board’s questions. The Board members thanked the consultants for a very comprehensive, high-quality report that had been concluded in a very short period of time.

296. The group of executive heads stated that the recommendations of the report should be carefully reviewed and analysed by the Governance Working Group, with a continued collaboration with the consultants throughout the process. It noted that, when doing so, due regard should be given to the history of the governance of the Fund and other governance mechanisms in the United Nations system, and the Working Group should present to the Board, at its next session, concrete, actionable proposals, based on the recommendations made by the consultants.

297. The group of governing bodies emphasized that the study should be taken seriously by the Board and that it should approach the future evolution of the Fund’s governance in an open, constructive and transparent manner. It noted that the Board needed further time to digest the report and realized the difficulties in providing more detailed comments, given the time constraints and special circumstances due to the COVID-19 crisis, which had hindered the ability to appropriately consult and negotiate with one another. Having said that, the group emphasized that the Board needed to communicate to the General Assembly its willingness to move ahead and not unduly delay the process. Furthermore, it urged that the review of Fund’s governance take into account the participation of the specialized agencies in a concrete manner. The group stated that it was ready to participate constructively and requested that a strategy be developed to proceed with the reform.

298. A member of the group of governing bodies recalled earlier governance reform of the Fund, in particular General Assembly resolution 40/245, in which the Assembly had specifically invited “the competent organs of the member organizations of the UNJSPF to review the size and composition of the Board” and to submit their conclusions to the Assembly. Twelve specialized agencies and the United Nations Staff Pension Committee had provided their comments in 1987 and the seats were increased from 21 to 33. Another representative of the group supported the proposal that the administrations and the governing bodies of the specialized agencies be consulted in advance before any conclusions were made. He commented further that the study did not
sufficiently reflect the staff pension committees in the administration of the Fund. He reminded the Board that the members in the Board were all members of the staff pension committees of their member organizations.

299. The participants’ representatives from the specialized agencies expressed appreciation for the fact that the consultants had had a very inclusive approach to the study and had invited input from all Board members and other stakeholders. They took note of the recommendations, which they characterized as “rich”, but agreed with other constituent groups that they needed more time to digest the report and its recommendations in order to provide any valuable input. They agreed that the report should be further examined by the Governance Working Group, should its mandate be extended. The Working Group should, in their view, continue to work with the consultants in order to achieve the best results. They highlighted that the specialized agencies should continue to have a voice in the process and in the final decision-making.

300. The United Nations participants’ representatives also noted that the report was comprehensive, took on board all views and flagged the kind of risks that had been highlighted for some time. If broadly implemented, that would allow the Board to move towards a best-in-class governance standing in its peer group, which, as the United Nations, was where they hoped to be. The participants’ representatives endorsed the report as a whole, with a few reservations. With regard to the transition board, the 15 members should represent the broad spectrum of views that was present in the Board. To that end, it should follow the same methodology as the 15-member Standing Committee. In the view of the participants’ representatives, the suggestion of the consultants that the electorate of 93, including staff pension committee secretaries, committee members and non-voting representatives and observers, be able to vote would not make sense. In their view, a 15-member Board would allow all members to properly carry out the oversight mandate of a board of directors. They noted that the current Standing Committee could just as easily fulfil that role, and the Regulations of the Fund already provided for the Committee to meet more frequently, not to mention that the Board had agreed that that could happen. The participants’ representatives indicated that, in their view, the Committee could meet four times annually.

301. Concern was indicated by the United Nations participants’ representatives that, while the consultants had called for a collective fiduciary responsibility, it was nevertheless important to ensure that the composition of the Board reflect the current level of participants at the Fund. The United Nations participants’ representative believed that, because all other pension boards were subject to legal oversight and accountability, so it should be for the Board. With regard to who could be elected, they considered that no participant should be prevented from running for the Board of the Fund in which they were participating.

302. A FAFICS representative made the following statement:

Speaking on behalf of the FAFICS delegation, I note that Mosaic has managed to conduct its analysis and produce a report between June 19th 2020 and now, and in just 30 calendar days. This must be a record for the Fund, so congratulations to Rosemarie McClean, CEPA for all the related procurement activities, and to Mosaic for its productivity.

The PowerPoint report by the independent external entity, running to 190 pages, begins well enough from its mandate as laid out in paragraph 8 of GA resolution 74/263, part VIII, faithfully reproduced in the report.
However, additional material beyond the scope of the GA resolution has been added unannounced to the mandate. That additional, unmandated material would expand the scope well beyond the confines of paragraph 8 (a) to 8 (e) to include a new catch-all subparagraph 8 (f) and an associated “Transition Strategy”. It is difficult to see how any transition measures can be contemplated before a destination has been agreed. A transition strategy is premature at this embryonic stage of the process. The mandate for the current study, as approved by the General Assembly, does not call for transition or related strategy.

Before turning to the specifics of the General Assembly mandate, a word on methodology, which we will limit at this point to one aspect only, the selection of peer groups selected for best practice. After careful examination of the peer groups identified by the independent external entity, it is difficult to see how any one of them can be meaningfully benchmarked to the UN Pension Board with its global, multicultural, multi-currency, multilingual profile. Yet a group of largely national peer funds, lacking most of the inherent constraints and requirements for broad representation which the UN system’s global complexity poses and demands, are held up repeatedly as benchmarks for best practice. A collection of national funds, or even a limited multi-national one, would not constitute an appropriate peer group for a global Fund such as that of the UN with its assets, liabilities, participants and pensioners heavily distributed around the world. The attempt to match widely dissimilar peers suggests that adequate account of recognizing and defining the *sui generis*, global nature of the Fund has not been taken in the report.

New paragraph 8 (f) of the mandate beginning with “Any other aspects” has five subsections and covers a code of conduct, succession planning and ethics arrangements, matters already under study by two other working groups of the Board. They seem to be presented as part of the GA mandate for the independent external entity, but they are not, as a close reading of the resolution shows. A code of conduct, succession planning and ethics arrangements are thus at this stage the subject of overlapping recommendations which now come to the Board from two sources, the governance and succession working groups, on the one hand, and Mosaic, the independent external entity, on the other. Moreover, the recommendations by the two Board working groups and those by Mosaic are not identical. The Board will need to clarify this to avoid confusion by integrating, if appropriate, the Mosaic recommendations with those of the working group on three overlapping items.

More importantly, the Board will need to determine what comments, if any, it may wish to give the GA as regards the transition strategy. The strategy, unmandated, goes way beyond resolution 74/263, envisaging a Board of as few as 15 members for a transition to 34 permanent Board members without alternates or others. As presented, the Board transition structure, while tripartite, would have less capacity to reflect geographic and member organization diversity as a direct result of the proposed reduction in numbers. No analysis is presented with regard to this dimension that is quintessentially key to determining the representativeness of a new Board. Views will assuredly differ as to the desirability or otherwise of these changes, which reflect a careful balance or trade-off between political, social, cultural and corporate values. The
Board may wish to comment on these matters to the General Assembly, but it would need much more data and analysis than is currently available from the report. The transition proposal could be further summarized in terms of uncertainty and the loss of all alternates and non-voting members, but the result would be only a partial picture needing to be filled in later. In the meantime, the Board may wish to contemplate whether such a radical rebuild is worth the risk that comes with major change and the unanticipated consequences. This is especially so in the case of the UN Pension Fund, already starting from a base of sound financials, as summarized in recent years of stable actuarial balances, full funding of its liabilities, excellent unqualified audits and solvency. It makes one wonder what can be so wrong with a governance arrangement that delivers these results. The age-old guidance of “if it ain’t broke, don’t fix it” may be more apropos in this case than ever. In the end the answer is a judgment call that is probably more reflective of political values than of technological calculations. FAFICS remains yet to be convinced, but will maintain an open mind as more facts and evidence are produced during debate.

FAFICS will comment briefly regarding 4 of the most important out of the 15 recommendations made by Mosaic, the first, second, fourth and sixth ones. The last of these concerns the use of the word fiduciary in the Fund. Lately, its meaning has been diluted as it is used as a comforter rather than a clarifier and is overdue for clarifying how the Fund discharges its responsibilities. On the first recommendation regarding, among others, consensus versus voting for decision-taking, there is little chance of change here for reasons too intricate to elaborate on beyond referencing GA resolution 41/213. Consensus is now an inextricable part of the DNA of the UN. On recommendation two regarding the redefinition of “fair and equitable”, this is unlikely, given that the Board reaffirmed this definition last year in the Governance Working Group recommendations. The suggestion as regards voting seats for FAFICS does not work for us within current frameworks and cannot be pursued piecemeal.

To sum up, while there are several elements in this report FAFICS can support, we believe it very premature to discuss transition arrangements before we have an agreed destination – one that fully reflects UN diversity requirements which seem to have been lost in the push to shrink the size of the Board. We look forward to further interaction with the Fund secretariat and Mosaic partners, hopefully at a more appropriate pace that allows a full and proper consideration of the proposals. Let me close by thanking Mosaic for the time they gave us and for their careful listening, both today and over the last month.

303. The Chair of the Governance Working Group referred to the conference room paper (attached in annex XIV to the present report), in which the Working Group had summarized its preliminary views on the study and proposed a way forward. The Chair noted that a number of the consultants' recommendations were in line with the current thrust of the Working Group to further review participation at sessions of the Board; clarify and harmonize terms of reference and working methods of committees and working groups of the Board; and develop a code of conduct and appropriate measures to strengthen the integrity and effectiveness of the Board. The Working Group was of the view that the
report and some of its recommendations went beyond the scope defined by the General Assembly, in particular “(c) implementation of a review and rotation scheme for the adjustment of the composition of the Pension Board on a regular basis, to allow eligible member organizations to share rotating seats in a fair and equitable manner”.

304. The Governance Working Group noted that best practices and comparative analysis in the report were informative for the Board but remarked that the unique context and background of the Fund needed to be taken into account. The Working Group concluded that a number of the recommendations altered the fundamental nature, governing principles, size, composition, practices and working culture of the Board. They would entail significant amendments to the Regulations and Rules of the Fund. Therefore, ample time was needed for all Board members and stakeholders to carefully study the recommendations, understand their implications and discern their feasibility. The Working Group recommended specific language for the Board to adopt on the item for the report to the General Assembly.

305. The Board also enquired about the best practices related to term limits, membership of pension fund employees on the Board and the appropriate legal oversight regarding the decisions of the Board.

306. The consultants recognized the challenges in finding comparable pension funds for benchmarking purposes. However, they noted that the Fund was a pension fund and that called for a clear fiduciary mindset, which was the industry practice. They noted that it was important to have a clear line between the management and governance and confirmed that the best practice was not to have pension fund employees as members of the Board: “those individuals who are doing cannot also be overseeing”. The consultants underscored the underlying behavioural and legal standards: while representation and diversity were valued, the Board members “wore only one hat”. That is, as fiduciaries, the Board members were to act in the best interest of all participants, retirees and beneficiaries.

307. With regard to the term limits, the consultants noted that two to three years was a typical term, yet the peer group had limits of two to five. While the operational environment was rapidly changing, the Board should still have a long-term vision, and, for the leadership of the Board, the term should be aligned with the strategic planning cycle. With regard to the legal oversight, the consultants responded that all stakeholders should have appropriate accountability mechanisms: those included the suggested general meeting of the participants, retirees and beneficiaries to provide feedback, as well as the reporting to the General Assembly, as the highest legislative body of the Fund.

308. In response to the suggestion that the Standing Committee be used as a transition board, given that it already had the buy-in from the Board regarding its composition, the consultants responded that it would be better to have a new structure for change. There needed to be a new way of electing members, a new culture and new working methods because that was much more powerful from a change management point of view. The mental break was important to reinforce the change, rather than using prior structures, in particular because there was an ongoing controversy surrounding the authority of the Standing Committee and what issues could be referred to it and whether those decisions were subject to legal review by the United Nations Appeals Tribunal. The smaller executive committee, consisting of the Board Chair, the Vice-Chair and,
possibly, the Chairs of the Board’s committees could provide the needed support and link between the Chief Executive of Pension Administration and the Board when the Board was not in session. The consultants noted that an executive committee concept typically involved no more than five individuals.

309. A member of the group of governing bodies welcomed the recommendations in the report and noted that all elements of governance should be reviewed. He mentioned that governance was an integral part of the pension system and questioned whether the best practices included similar bifurcated structures as the Fund with regard to managing assets and liabilities. He also requested further information on the fiduciary duty and noted that the fiduciary duty was even more important on the investment side. The consultants replied by stating that the investment management and related governance was not within the scope of their mandate. They noted that some peer funds had a similar bifurcated structure, whereas there were also pension funds in which both investments and Pension Administration (operations) were under the same board structure. The consultants emphasized that the fiduciary framework was essential for both sides of a pension fund.

310. The Board expressed its appreciation to Mosaic for its work and reviewed with interest the numerous recommendations made within an extremely short period of time.

311. The Board recalled that, in General Assembly resolution 74/263, the Assembly had requested the Board to submit the report of the external entity, along with the comments of the Board, in the context of the report of the sixty-seventh session of the Board.

312. Considering the length of the report of the external entity that had been submitted to the Board late when it was already in session, to ensure that the numerous conclusions and recommendations contained in the report were carefully considered and analysed within the current legal and governance framework, the Board requested that the Governance Working Group be tasked with the review and analysis of the report, in liaison with Mosaic and in full consultation with the staff pension committees of member organizations, and to present its recommendations at the sixty-eighth session of the Board.

313. The Board took note of the preliminary views of the Governance Working Group.

314. Furthermore, the Board agreed that members of the Governance Working Group should reach out to their constituents during the course of the year in order to obtain regular input, which could be taken into consideration in the Working Group’s deliberations.

315. The Board recommended the following way forward:

(a) Share the conference room paper from the Governance Working Group (as initial reactions from the Working Group shared with the Board), along the report of the sixty-seventh sessions of the Board;

(b) The Governance Working Group should be tasked with reviewing and analysing the Mosaic report as a matter of priority;

(c) The Governance Working Group, taking into account Mosaic’s expertise and experience of best practices in pension funds, may consult with Mosaic in the course of undertaking its review of the Mosaic
recommendations, as appropriate. This would enable the Working Group to validate the assumptions upon which various conclusions and recommendations had been made;

(d) The Governance Working Group should consult with the staff pension committees of member organizations and take their views into consideration;

(c) The Governance Working Group should submit a progress report to a special session of the Board to be held early in 2021;

(f) On the basis of the decision of the Board, the Governance Working Group should submit its recommendations at the sixty-eighth session of the Board, in 2021, with specific and actionable recommendations, together with explanations supporting such recommendations;

(g) The Board should submit more detailed comments on the Mosaic report to the General Assembly in at main part of its seventh-sixth session, in 2021.

B. Report of the Governance Working Group

316. In 2018, at its sixty-fifth session, following the audit of the governance structure and related processes of the United Nations Joint Staff Pension Board conducted by OIOS, the Board established the Governance Working Group to consider the issues of participation, rotation and equitable representation on the Board, as well as other governance topics discussed by the Board and referred to it by the General Assembly in its resolution 73/274.

317. At its sixty-sixth session, the Board considered the first report of the Governance Working Group and adopted most of its recommendations. The Board extended the membership and mandate of the Working Group until its next session and requested it to further study the attendance at the Board of secretaries of staff pension committees and members of the Investments Committee and the Committee of Actuaries; harmonization of the rules of procedure of committees of the Board; the representation of FAFICS at Board sessions; and the development of a code of conduct. The extension of the mandate of the Working Group was supported by the General Assembly in its resolution 74/263.

318. The membership of the Governance Working Group is provided in annex XIII to the present report.

319. The Board appreciated the work of the Governance Working Group. It was noted that there were interlinkages between the work of the Working Group and the governance review by the external entity.

320. On the basis of the work of the Governance Working Group and its discussions and exchanges during the sixty-seventh session of the Board, the Board made the following decisions:

1. General approach

321. The Board supported the mainstreaming of an approach that would maximize ICT-based solutions to ensure the Board's governance between sessions.
2. Attendance of staff pension committee secretaries

322. The Board decided that staff pension committee secretaries may attend Board sessions. Whenever possible, they should follow the proceedings remotely.

3. Harmonization of terms of reference and working methods of the committees of the Board

323. To align with the Board decision regarding the participation of members of the Fund Solvency and Assets and Liabilities Monitoring Committee, the Board decided that only the Chair or one designated representative from other Board committees and working groups may participate in Board sessions to present their respective reports. Whenever possible, they should participate remotely. Other members of those Board committees and working groups could participate in deliberations under relevant agenda items by videoconference.

324. In that respect, the Board decided that the terms of reference of those committees and working groups should be harmonized, to include the following: “The Chair or a selected member of the Committee may attend sessions of the Board as a representative of their respective group. Whenever possible, they should participate remotely”.

325. The Board also requested that terms of reference be developed for subsidiary bodies that did not have them.

326. The Board decided that the Budget Working Group, in particular, be established as a permanent committee.

327. The Board recommended that all its subsidiary bodies be encouraged to utilize videoconferencing to the extent possible to conduct their work.

328. When physical meetings were necessary, the Board recommended applying one system for travel standards and daily subsistence allowance to all members of all subsidiary bodies when travel was paid by the Fund, as well as harmonizing the terms of reference and practices with respect to travel when travel was paid by the Fund.

4. Attendance of members of the Investments Committee and Committee of Actuaries

329. The Board decided that the Chair or one designated representative of the Investments Committee may present the report of the Committee to the Board in person. Whenever possible, they should participate remotely. Other members could participate in the Board deliberations relevant to the Committee by videoconference.

330. The Board further decided that the Chair and Rapporteur of the Committee of Actuaries may attend the Board session in person. Whenever possible, they should participate remotely. Other members could participate in the Board session remotely. The Board agreed that the terms of reference of the Investments Committee and Committee of Actuaries should be amended to reflect the above.

5. Number of representatives of Federation of Associations of Former International Civil Servants
331. The Board decided to defer consideration of the number of FAFICS representatives until the report of the external entity was considered by the Board and the General Assembly.

6. Develop a code of conduct for Board members, with the assistance of the secretariat of the Fund, drawing from the code of conduct of ICSC.

332. The Board agreed that the Regulations Governing the Status, Basic Rights and Duties of Officials other than Secretariat Officials, and Experts on Mission (ST/SGB/2002/9), adopted by the General Assembly by its resolution 56/280, be recognized mutatis mutandis, as the Board’s code of conduct, and reflected as such in the Fund’s rules of procedure without prejudice to the legal status, privileges and immunities of those attending sessions of the Board or any of its committees or working groups.

333. The Board mandated the Governance Working Group to further elaborate appropriate procedures, measures and changes to the Regulations and Rules of the Fund to ensure adherence to the code of conduct, taking into account the suggestions and comments of the Board and General Assembly, as well as results of the independent governance analysis.

7. Other topics

334. The Board requested the Governance Working Group to review the attendance of alternates in the light of the external entity’s report and the lessons learned.

335. The Board agreed to review the number of people travelling with respect to Pension Administration and Office of Investment Management staff to attend Board sessions as part of the Budget Working Group discussion.

336. The Board requested the Governance Working Group to review the proposal to change the Succession Planning Committee to a permanent committee.

337. The Board decided to extend the mandate and membership of the Governance Working Group until its next session.