

BOARD OF AUDITORS
NEW YORK
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**Opening statement to the Fifth Committee
on the Board of Auditors report on the United Nations Joint Staff Pension for the
year ended 31 December 2018 (UNJSPF) A/74/5/Add.16**

[November 2019]

Mr. Chairman,

Distinguished delegates,

On behalf of the Chairman, Mr. Kay Scheller, President of the German Federal Court of Auditors, and the other Board Members Mr. Rajiv Mehrishi, Comptroller and Auditor General of India, and Mr. Jorge Bermúdez, Comptroller General of the Republic of Chile, I have the honour to introduce the main findings from the Board of Auditors report on the United Nations Joint Staff Pension for the year ended 31 December 2018.

Audit opinion

UNJSPF obtained an unqualified audit opinion, which means that the financial statements present fairly, in all material respects, the Fund's net assets available for benefits as at 31 December 2018 and the changes in net assets, cash flows and financial performance for the year then ended.

Overall conclusion

The Fund has prepared financial statements in accordance with IAS 26 and following the provisions of IPSAS since 2012. The Fund has incorporated the guidance from IAS 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. The Board has noted a continued trend of improvement related to benefit processing, specifically concerning the closing of open entitlement workflows and the implementation of the new client grievance redressal mechanism through the iNeed system.

The Board of Auditors acknowledges ongoing efforts and identified opportunities for the Fund to improve on the investment management side of its operations. The Fund could enhance the analysis and evaluation of environmental, social and governance concerns and the integration of those concerns into investment decision-making within all asset classes. It could also improve the Office of Investment Management alternative assets reporting platform, in order to improve the automation of the alternative investment process.

There is also a need to assess some deficiencies with the Integrated Pension Administration System related to compliance in security and user account management.

The Board identified scope for improvement in the annual reconciliation of contributions. The Fund should perform the reconciliation more than once per year and should take proactive steps, in collaboration with the member organizations, to expedite the receipt of the document required for the calculation and awarding of pension benefits. The Fund should avoid exceptions and allow participants to have up-to-date information on their total contributions as at a specific date.

Financial Position

As at December 2018, the net assets available for benefits in the Fund were \$60.78 billion. This represented a decrease of \$3.59 billion (5.6 per cent) compared with the increase of \$9.88 billion in 2017.

The Fund's return (nominal) for 2018 was negative, at (4.7) per cent, compared with the policy benchmark of (4.89) per cent.

Key findings

Benefits payment management / Reconciliation of contributions:

The information on contributions is kept in the Integrated Pension Administration System for each participant, and it is annually reconciled with the human resources and pensionable remuneration information provided by every member organization at the end of the year.

That reconciliation is carried out by the Fund during the first quarter of the following year, using the detailed schedules provided by the member organizations.

The Board considers that having a single annual reconciliation process means that the exceptions identified cannot be resolved during the conciliation period of the current year and that unresolved exceptions may delay the processing of benefits for separating members. Likewise, it does not allow participants to have updated information on their total contributions as at a specific date. Not all member organizations, however, are willing to commit to a more frequent (e.g., monthly) reconciliation process, as that would require significant resources and responsiveness.

Workflows remain open in the Integrated Pension Administration System owing to missing documents:

The Integrated Pension Administration System is the main tool used by the Fund secretariat to process retirement benefits. To start the separation process, three core documents are needed: a separation personnel action, a separation notification and a payment instruction. The personnel action and notification are issued by the member organization, while the payment instruction is submitted by the participant. Each time the Fund receives one of the three documents, a workflow is opened in the system to start the separation process. Regardless of whether or not the action is a request for retirement, the system will open a workflow.

According to the Strategic Framework of the Fund, the Fund is expected to carry out the effective processing of participants' benefit entitlements. In that respect, the Board observed a notable decrease (74 per cent) in the number of workflows still open owing to the non-receipt of core separation documents, from 16,427 as at December 2017 to 4,300 as at 21 May 2019 (the audit cut-off date).

Considering the way the Integrated Pension Administration System works and the fact that workflows are opened when the Fund receives one of the three core documents, the Board considers that a state of high priority and attention could be granted to cases with open workflows where no documents have been received or where the payment instructions have already been received.

Office of Investment Management / Sustainable investment:

The Fund acknowledges its responsibility to society as part of an international organization committed to social progress by being a founding signatory of the Principles for Responsible Investment and through its association with the United Nations Global Compact and the United Nations Environment Programme Finance Initiative.

The Board noted that the Office did not have complete information as to whether the assets in its portfolio fulfil the criteria to be considered sustainable investments. In addition, the Board noted that the Office also did not yet have evidence regarding the environmental, social and governance analysis considerations that help it to make investment decisions about the purchase of a sustainable portfolio.

In addition, the Board did not obtain evidence of how investment officers incorporate environmental, social and governance concerns into their decision-making process for each asset class.

Although the Office indicates that it is currently incorporating environmental, social and governance indicators into the investment decision-making process through various reports, systems, prototypes and the implementation of a customized equity benchmark to reflect restrictions in tobacco and armament securities, documents and presentations. The Board observed that, in practice, the Office did not have established criteria for sustainable

investment decisions that support what was stated in the presentation on sustainable investing for institutional investors and on its website.

Status of previous recommendations:

The Board followed up on the 38 outstanding recommendations as at 31 December 2017 and noted that 12 (32 per cent) had been fully implemented, 22 (58 per cent) were under implementation and 4 (10 per cent) had been overtaken by events.

This concludes my introductory statement. My colleagues and I would be happy to provide any clarification or additional information that the Committee may require.

Thank you.



Peter Korn
Director of External Audit, Germany
Chairman, Audit Operations Committee