

Agenda item 142:
UN Pension System

FIFTH COMMITTEE

Report of the United Nations Joint Staff Pension Board (A/71/9)

Statement by Mr. Vladimir Yossifov
Chairman of the United Nations Joint Staff Pension Board

November 2016

Madam Chairperson,
Distinguished Delegates,

As the Chair of the Pension Board, I am honoured to present the report of the 63rd session of the Board, which took place at the International Atomic Energy Agency, Vienna from 14 to 22 July, 2016.

As you know, the United Nations Joint Staff Pension Fund is a defined benefit pension plan providing benefit payments to 72,000 retirees and beneficiaries in over 190 countries and tracking and adjusting periodic benefits in more than 15 different currencies. The Fund has nearly 127,000 active participants employed by the Fund's 23 Member Organizations, including the United Nations and its Funds and Programmes as well as 22 specialized international agencies. The Fund operates under Regulations promulgated by the General Assembly. Pursuant to those Regulations, the Pension Fund is administered by a Board, composed of representatives of its 23 member organizations. At the same time the members of the Board represent the three constituent groups – Governing Bodies and administration of the Member Organizations and participants (staff members). The investment of the assets of the Fund is the responsibility of the United Nations Secretary-General who has delegated this authority to his Representative.

The Report of the Pension Board that is before you, document A/71/9, includes the results of the Fund's thirty-third actuarial valuation as of 31 December 2015 and the investment performance of the Fund during the period 1 January to 31 December 2015, as well as a variety of issues considered by the Board during its sixty-third session. The first part of Chapter II provides a summary of the recommendations and decisions which require action by the General Assembly.

The first three recommendations of the Pension Board are of a technical nature and without financial implications, as follows:

The Board recommends the approval of an amendment to article 41 of the Fund's Regulations to reflect the adoption of the medical standard of "fit for employment" for participation in the Fund;

The Board recommends the approval of a technical amendment to clarify the language of article 24 of the Fund's Regulations;

The Board recommends the approval of an amendment to paragraph 26 of the Fund's Pension Adjustment System to reflect that in cases of reinstatement, a new Local Currency Track benefit would be established as of the date of reinstatement using the 36-month average of exchange rates ending as of that date;

The fourth recommendation of the Pension Board concerns specific temporary actions, aimed to overcome the problems related to the substantial increase in separations from service and the resulting delay in payment of pension benefits to new retirees and to improve the communication and public information capacity of the Fund.

In view of the exceptional situation of a surge in separations and the resulting over 40% increase in the workload of the Funds operations, compared to previous budgetary periods, the Board recommends the approval of additional resources for the current biennium 2016-2017, in the total amount of \$3,228,700. The revised budget for the biennium 2016-2017 would then amount to \$182,307,000.

The increase is related primarily to non-post operational resources for 18 general temporary assistance positions for the creation of a Task Force to urgently address the recent surge in separations, and 2 positions for the coordination and technical support for the end-to-end review of the separation to entitlement process and the much needed support in communications and public information activities of the Fund. This recommendation for temporary assistance for the current biennium 2016-2017 has no impact on the United Nations regular budget.

The second part of Chapter II of the Report summarizes various other decisions and recommendations of the Pension Board that do not require specific action by the General Assembly but, nonetheless, may be of interest to the General Assembly.

33rd Actuarial Valuation of the Fund, as of 31 December 2015

I would like to begin with the 33rd actuarial valuation of the Fund, as of 31 December 2015, which revealed a surplus of 0.16 per cent of pensionable remuneration, an important improvement from the deficit of 0.72 per cent revealed by the 2013 actuarial valuation. The Board took note of the favourable valuation results, and is confident that the Fund is safe and that the Fund's future is secure. This surplus as well as the results of the valuation as of 2013 clearly mark the reversal of the negative trend in actuarial valuation results observed since 1999 to 2011, and highlight the well-functioning governance structure and effective management of the Fund. It also highlights the importance and benefit of the new framework, processes and metrics established in the last few years to properly monitor solvency and define and propose solutions to ensure a healthy solvency situation.

With respect to the Fund's liabilities on a plan termination basis, as of 31 December 2015, the Fund was in a soundly funded position at 141.1 per cent, not taking into account expected cost-of-living adjustments. Taking into account future expected cost-of-living adjustments, the funded ratio is still above 100 per cent at 100.9 per cent. Consequently, in reference to Article

26 of the Fund's Regulations, the Consulting Actuary stated that there is no need for deficiency payments by member organizations.

Administrative Matters

I would also like to highlight the following additional administrative and governance items:

- The Board of Auditors (BOA) issued a “clean” unqualified audit opinion on the Fund's financial statements for the year ending 31 December 2015. This is the fourth consecutive clean audit opinion obtained by the Fund for its financial statements prepared under the International Public Sector Accounting Standards or IPSAS.
- The Pension Board considered and approved the Fund's Financial Rules. It is recalled that in 2014 the General Assembly approved an amendment to article 4 of the UNJSPF Regulations in order to establish clear authority and reference to the Financial Rules, and emphasized the importance of the Pension Board promulgating financial rules that will govern the financial management of the UNJSPF. The Financial Rules were developed by the Pension Fund in close consultation with the United Nations Office of Legal Affairs and were subject to an exhaustive consultative process. The Financial Rules incorporate the comments received from the Fund's external and internal auditors as well as the United Nations Offices of the Controller and Department of Management. These Financial Rules do not change the governance or operations of the Fund. The Financial Rules merely codify the existing practice and provide transparency and a clear and proper legal framework for financial management, thereby reinforcing the Fund's internal control mechanism, as well as regulating pension specific issues, particularly with regard to contributions, benefits and investment processes.
- The Board reviewed the report on the implementation of the Integrated Pension Administration System (IPAS) as well as the results of the post implementation assessment of the IPAS project conducted by an independent specialized consultant. The review concluded that the Fund achieved the fundamental priority of deploying a fully functioning, complete, accurate and consistent payroll (covering 72,000 beneficiaries in 190 countries); and that the Fund managed the project prudently, resulting in a successful introduction of a new system and ways of working significantly reducing operational and IT risks. The new IPAS was implemented quite smoothly and it will also improve considerably the interface and communications with the 23 Member Organizations. Furthermore, it will increase the access to information and on-line services for participants and retirees. The Board took note of the successful implementation of the IPAS project.
- Since the beginning of the year, the Fund has been experiencing a “surge” in incoming new cases, largely due to the higher than normal rate of separations from the downsizing in peacekeeping operations as well as efforts from reporting entities to send more opportunely separation documentation. The Board recognized the adverse impact that the delayed payment of pension benefits is having on some new retirees. Aware of the multiple causes for these delays, the Board supported measures introduced by the Fund to improve caseload

processing and welcomed initiatives to strengthen client services and communications.

- I am pleased to note that the ACABQ in its report has expressed support for many of the very important initiatives already undertaken and proposed to ensure timely processing of benefits. It needs to be emphasized that the Pension Board has carefully analyzed the resource requirements for these additional and crucial activities, and decided to approve additional temporary resources for the biennium 2016-2017 for the establishment of 20 temporary assistance positions to support activities related to the surge, to manage the important end-to-end review and to strengthen the Fund's communications and public information activities. If the current trend continues, the number of new benefit cases received by the Fund this year will exceed by 42 per cent the number of cases received in 2014. This trend is expected to continue into the next years. Processing of the additional 4,000 cases received this year required setting up two additional calculation teams, supported by the Quality Assurance Team.
- Furthermore, considering the negative impacts and situation of miscommunication and misinformation attacks against the Fund in the past two years, the Audit Committee and the Pension Board urged the Fund to define a strong public information and communications strategy which needs to be implemented and coordinated by a specialized communication and public information officer in this field reporting to the Office of the CEO as to be able to understand and respond effectively to structural and cross-cutting topics.
- The position of Senior Management Analyst is required to coordinate and provide technical support the end-to-end review which has been initiated by the Fund together with its member organizations and is supported by the ACABQ in its latest report. It is important to recall that independent risk assessments of the Fund have highlighted understaffing as a critical risk area.
- The measures introduced by the Fund to deal with the "surge" and strongly supported by the Board include the establishment of a Task Force to process withdrawal settlements; creation of a quality assurance team; dedicated survivors' benefit/disability benefit teams; strengthening of reporting; revamping of the Fund's website; implementing a pilot Client Services call center; *in situ* support to missions in Africa; joint end-to-end review of the separation to benefit process in cooperation with member organizations; and introducing the possibility of making a provisional benefit option as an advance payment to new retirees in extraordinary cases where the processing time for establishing their benefit takes longer than three months after all required documents have been received by the Fund.
- The Pension Board will continue to provide support to the management of the Fund and will inform stakeholders and participants of developments regarding shortening of processing times and reductions in delays in receiving separation documentation from Member Organizations. The latest figures of processing of new benefit payments show a remarkable increase of more than 40% compared to processing in 2014 under the old legacy system. This is due to the effective implementation of the new system and to management's actions that allocated temporarily support functions staff to "front office" processing functions.

Other topics

With respect to medical matters, the Board approved that the medical standard for participation in the Fund should be a determination of the member organizations' medical services that staff is "fit for employment" provided the other requirements for participation under article 21(a) of the Regulations have been met. This determination of "fit for employment" would be made by the medical services of the member organization in accordance with its pre-entry medical clearance procedures encompassing the risk-stratified approach.

Among other topics, the members and representatives of the Pension Board expressed their strong displeasure about the persistent dissemination and publication of false allegations and misinformation by some staff union representatives in certain articles and publications that have been published both within the intranet network of the Fund's member organizations as well as the public media. The Pension Board considered these actions very inaccurate, misleading, unnecessary and unfortunate. The deliberate publication of these "fake news" clearly shows the lack of ethics and violates the code of conduct and Staff Rules and throws a shadow not only on the Fund, but also on the UN family of organizations.

Conclusion

In summary, the Pension Board is glad to report that the Fund is in excellent financial and operational condition as a result of hard work, clear priorities, coordinated strategies and actions, as well as effective guidance and oversight at all governance levels.

At the same time, the Fund faces structural as well as external challenges. The Fund is working to address these challenges by strengthening its governance and operations as per the strategies, plans and actions mandated by the Pension Board and General Assembly. However, it is fundamental that together with proper guidance and the approval of goals and strategies the Pension Board and the General Assembly also provide the Fund with the required resources to adequately fulfill its mandate. As the Chairman of the Pension Board I express the strong hope of the members of the Pension Board, that the extraordinary actions recommended by Board in support of the efforts of the Funds management to handle an extraordinary situation of surge in separations will meet the approval of the delegates - members of this Committee.

Madam Chairperson, I am pleased to respond to any questions that may arise with regard to the discussions and recommendations of the Board.

Thank you.