United Nations A/79/7/Add.16

General Assembly

Distr.: General
25 October 2024

Original: English

Seventy-ninth session
Agenda items 139, 136 (r) and 148

Proposed programme budget for 2025

Financial reports and audited financial statements, and reports of the Board of Auditors: United Nations Joint Staff Pension Fund

United Nations pension system

United Nations Joint Staff Pension Fund

Seventeenth report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for 2025

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board on its seventy-eighth session (A/79/9); the report of the Chief Executive of Pension Administration and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund on the revised estimates for the Fund: effect of changes in rates of exchange and inflation (A/79/234); the report of the Secretary-General on the investments of the Fund and measures undertaken to increase the diversification of the Fund (A/C.5/79/3); the statement of the Secretary-General on the programme budget implications arising from the recommendations and decisions contained in the report of the Pension Board (A/C.5/79/4); the report of the Board of Auditors on the financial report and audited financial statements of the Fund for the year ended 31 December 2023 (A/79/5/Add.16); and the report of the Chief Executive of Pension Administration and the Representative of the Secretary-General for the investment of the assets of the Fund on the implementation of the recommendations of the Board of Auditors contained in its above-mentioned report (A/79/311). In addition, the Advisory Committee had before it a note by the Secretary-General on the membership of the Investments Committee.

2. During its consideration of the above reports and the note by the Secretary-General, the Advisory Committee met remotely with the Chair of the Pension Board, the Chief Executive of Pension Administration and the Representative of the Secretary-General, who provided additional information and clarification, concluding with written responses received on 26 September 2024.

24-19719 (E) 071124

II. Performance of the Pension Fund in 2023

A. Administrative performance

3. The Pension Board held its seventy-eighth session at the Economic and Social Commission for Asia and the Pacific in Bangkok, from 29 July to 2 August 2024. It is indicated in the report of the Board of Auditors that, during 2023, the number of participants in the Pension Fund increased from 143,612 to 149,848, representing an increase of 4.3 per cent, while the number of periodic benefits in award increased from 83,988 to 86,013, reflecting an increase of 2.4 per cent (A/79/5/Add.16, chap. II, para. 18).

4. The Pension Board indicates that total contributions for 2023 amounted to $3,408.9 million, reflecting an increase of $287.6 million, or 9.2 per cent, compared with 2022. Pension benefits for 2023 of $3,527.4 million reflected an increase of $399.2 million, or 12.8 per cent, compared with 2022. These payments were made by the Pension Fund in 18 currencies in some 190 countries. The Fund had 25 member organizations in 2023 (A/79/9, annexes I, II and XI, chap. IV, paras. 20 and 21; and A/79/5/Add.16, para. 18).

5. The Chief Executive of Pension Administration indicates that more than 90 per cent of initial separation cases continued to be processed within 15 business days in 2023, and that extensive outreach resulted in a historically low number (953) of main benefits suspended in the June 2024 payroll for beneficiaries who had not submitted their 2023 certificate of entitlement. Meanwhile, over 34,000 digital certificates of entitlement had been issued in 2024 as at 16 September 2024 (A/79/9, paras. 27 and 28).

6. The Chief Executive also indicates that the Pension Fund has implemented several initiatives, including: monthly statistical reports to member organizations to follow up on unsubmitted separation documents; an interactive dashboard, accessible by member organizations and the Fund, showing cases in which the Fund has not received all separation documents; and the automatic issuance of pre-retirement letters to participants who are within three months of reaching their normal retirement age or mandatory age of separation (ibid., para. 29).

7. The Board of Auditors was informed that, during 2023, the Pension Administration had recorded receivable write-offs for almost $785,620 compared with $1,479,986 in 2022, as a result of normal business operations in accordance with the established policy on benefit overpayments receivable. There were no write-offs receivable from the Office of Investment Management. There were no write-offs of losses of cash or property in the relevant areas of responsibility (A/79/5/Add.16, chap. II, para. 136)

B. Financial performance

8. The Board of Auditors indicates that, as at 31 December 2023, the total assets of the Pension Fund amounted to $88.76 billion (2022: $78.61 billion) and the total liabilities amounted to $0.52 billion (2022: $0.69 billion). Net assets available for benefits of $88.24 billion (2022: $77.92 billion) represented an increase of $10.32 billion (13.2 per cent) in comparison with the decrease of $13.54 billion in 2022 (ibid., para. 13). The Board also indicates that, during 2023, investments recovered from the underperformance experienced in 2022. The value of total investments of the Fund as at 31 December 2023 amounted to $87.60 billion compared with $77.44 billion as at 31 December 2022, reflecting an increase of $10.16 billion, or 13.1 per cent (ibid., para. 12).

9. Upon enquiry, the Advisory Committee was informed that the significant underperformance experienced by the investments in 2022 was due primarily to a combination of macroeconomic factors and company-specific challenges. The global economy faced a series of uncertainties, including geopolitical tensions, trade disputes and concerns over rising inflation, which had an impact on the financial markets. The Committee was also informed that the Pension Fund's investment approach responded to its long-term return objective, which is to earn the highest possible investment return consistent with the Fund's risk appetite to deliver an investment return that at least meets over the long term (i.e. over 15 year periods and longer) the Fund's assumed real rate of return (i.e. the annual percentage return realized on an investment, which is adjusted for changes in prices due to inflation or other external effects) objective, which was 3.5 per cent in United States dollars for 2023.

10. With regard to the investments, the Board of Auditors indicates that, as at 31 December 2023, the fair value of the Pension Fund's investments was $87.60 billion. The asset class allocation was $45.26 billion (51.23 per cent) in equities, $27.54 billion (31.18 per cent) in fixed income, $7.21 billion (8.16 per cent) in real assets and $7.59 billion (8.59 per cent) in alternative investments (ibid., para. 14 and figure II.I).

11. The Pension Board indicates that in relation to the absolute return goals, the 15-year annualized real rate of return was 4.81 per cent, above the long-term objective of 3.5 per cent. In relation to the relative return goals, as at 31 December 2023, the Pension Fund had achieved its objective over the short-term: it had returned a three-year annualized nominal return of 2.90 per cent, outperforming the benchmark return of 2.63 per cent. The Pension Board also indicates that the total assets of the Fund amounted to approximately $90 billion as at 2 August 2024 (A/79/9, paras. 47 and 85).

12. **The Advisory Committee reiterates its trust that updated information on the market value of the Pension Fund will be presented to the General Assembly at the time of its consideration of the present report, as well on the measures being adopted to mitigate the risks of current market volatility (A/78/7/Add.7, para. 11, and A/77/7/Add.10, para. 9).**

Peer comparison

13. In its resolution 77/258 dated 30 December 2022, the General Assembly encouraged the Pension Fund to continue its efforts to improve the performance of its investments and identify suitable comparators with peers from various countries and provide a comparison thereof in the context of its next report.

14. The Pension Board indicates that the peer comparison requested by the General Assembly is shared with the Assembly and disclosed publicly on the Pension Fund's website in October every year (A/79/9, para. 90 and annex XII, paras. 141 to 150). Upon enquiry, the Advisory Committee was informed that the report, entitled "Investment benchmarking analysis", compared the performance of the Fund with 285 pension funds from around the world, and a peer group of 19 pension funds with assets under management ranging from $48.3 billion to $127.8 billion, with a median of $82.4 billion, and with comparable investments styles over the five-year period comprising 2018 to 2022.

15. **The Advisory Committee trusts that updated information on the Pension Fund's performance in comparison with peers, both in general and by asset category, will be included in its next report (see also A/78/7/Add.7, para. 12, A/77/7/Add.10, para. 8, A/76/7/Add.14, para. 9, A/75/7/Add.18 and A/75/7/Add.18/Corr.1, para. 8, A/74/7/Add.14, para. 14, and A/73/489, para. 18).**

C. Recommendations of the Board of Auditors

16. In its report on the Pension Fund for 2023, the Board of Auditors made 15 recommendations including 6 main recommendations. The Fund accepted all the recommendations. Implementation target dates were set between the third quarter of 2024 and the fourth quarter of 2025 (A/79/311, paras. 5–34 and tables 1 and 2). The following key findings and recommendations of the Board can be highlighted.

1. Key findings and recommendations concerning the Pension Fund

Need to evaluate and improve post resources requests in budget proposals

17. For the Pension Administration and the Office of Investment Management, the Board of Auditors noticed that the approved post resources had increased significantly in the past three years. However, a number of posts in the Professional and higher categories and the General Service and related categories were still vacant since 2022. In this regard, it was observed that new posts were requested each year in the budget proposal even though some posts approved in previous budget periods had not yet been filled (A/79/5/Add.16, chap. II, paras. 20–32).

18. The Board of Auditors recommends that the Pension Fund: (a) evaluate the new posts requested in its budget proposals and incorporate into the next budget proposals an analysis of the vacant posts according to category, grade, year of approval and time since vacancy, among other factors, as well as the effectiveness of the budgeted vacancy rate, so that the governing bodies can have more accurate information at the time when they evaluate and approve the Fund's budget and; (b) continue to fill the vacancies from previous budget periods, taking into account the opportunity provided by vacant posts to address the imbalance in gender and geographical representation without affecting the continuity of operations (ibid., paras. 33 and 34). Upon enquiry, the Advisory Committee was informed that, as at 26 September 2024, there were 23 vacant posts in the Pension Administration (1 P-5, 1 P-4, 3 P-3 and 18 General Service (Other level)) and 11 vacant posts in the Office of Investment Management (1 P-5, 2 P-4, 6 P-3 and 2 General Service (Other level)).

Deficiencies in monitoring of the Fund's budget implementation

19. The Board of Auditors notes that, although the overall budget utilization rate was 99 per cent, expenditures were not aligned with the approved appropriations, i.e. underutilization in some categories was balanced by overutilization in other categories. In this respect, the Board noticed that there were no cross-cutting guidelines at the Pension Fund level that contribute to the monitoring of expenditures and to effective budget implementation that aim to provide timely financial information to decision makers to correct any eventual deviations from the approved resources (ibid., paras. 36–43).

20. The Board of Auditors recommends that the Pension Fund: (a) evaluate its monitoring mechanism on the budget process in order to ensure that it comprehensively addresses all stages of the process, at the Fund-wide level, and thus contributes to strengthening the entity's budgeting; and (b) develop and implement effective measures that strengthen controls around budget monitoring, in particular with respect to significant categories with overexpenditure or underexpenditure (ibid., paras. 44 and 45).

21. **The Advisory Committee still considers that budget accuracy requires an overall effort on the part of the Pension Fund to ensure optimal planning and budgeting (see also A/78/7/Add.7, para. 40).**

2. Key findings and recommendations concerning the Pension Administration

Insufficient disclosure and breakdown of the post resource requirements for offices involved in functional reporting

22. The Board of Auditors observed that in cases related to the workflows of the Pension Entitlements Section and queries managed outside of iNeed by the Client Services Unit, the tasks performed by the Geneva office exceeded those carried out by the New York office. To handle these workflows, the Pension Fund allocated 26 posts in Geneva and 37 in New York for the Pension Entitlement Section, and 11 and 14 posts, respectively, for the Client Services Unit. In addition, the Board reviewed the Fund's budget proposal for 2023 and 2024 and noticed that it did not disclose and break down the information related to the post resources requirements for the Geneva and New York offices and their respective workloads (A/79/5/Add.16, chap II, paras. 77–87).

23. The Board of Auditors recommends that the Pension Administration: (a) document and formalize the mechanism for measuring and distributing the workload for the Geneva and New York offices to clearly define the nature and complexity of records processed by each office and the standards needed for measurement, using the resources and information technology available in the Pension Fund; and (b) disclose and break down separately the post resources requirements for the Geneva and New York offices with their respective workloads in the next budget proposals presented to the governance bodies as important steps towards greater transparency and accountability of its budget (ibid., paras. 88 and 89).

3. Prior recommendations of the Board of Auditors

24. The Board of Auditors verified the status of implementation of previous years' recommendations for the period ended 31 December 2022. Of the 15 outstanding recommendations, the Pension Fund had implemented 9 (60 per cent), while 4 (27 per cent) were under implementation and 2 (13 per cent) were considered to have been overtaken by events (ibid., para. 7 and table II.1). **The Advisory Committee notes that the Fund's implementation rate of the recommendations from previous period has declined from 83 per cent for the period ended 31 December 2021 to 60 per cent for the period ended 31 December 2022 (see also A/79/5/Add.16, chap. II, para. 7, and A/78/5/Add.16, chap. II, para. 7).**

25. The Board of Auditors indicates that as a result of the audits performed from 2018 to 2023, it has issued 128 recommendations and conducted 218 assessments on previous years' recommendations, as indicated in table 1 (A/79/5/Add.16, chap. II, table II.2).

Table 1
Implementation rates of issued recommendations, 2018–2023

Report (audit year)	*Number of audit recommendations issued*	*Number of outstanding audit recommendations as at end of audit period*	*Audit recommendations fully implemented as at end of audited period*	
			(Number)	*(Percentage)*
A/74/5/Add.16, chap. II (2018)	23	38	12	32
A/75/5/Add.16, chap. II (2019)	32	45	33	73
A/76/5/Add.16, chap. II (2020)	28	44	30	68
A/77/5/Add.16, chap. II (2021)	21	41	26	64

Report (audit year)	*Number of audit recommendations issued*	*Number of outstanding audit recommendations as at end of audit period*	*Audit recommendations fully implemented as at end of audited period*	
			(Number)	*(Percentage)*
A/78/5/Add.16, chap. II (2022)	9	35	29	83
A/79/5/Add.16, chap. II (2023)	15	15	9	60
Total/average percentage	**128**	**218**	**139**	**63**

26. The Board of Auditors indicates that most of the 128 recommendations issued during the past six audit periods were related to contributions, benefits management, investment management and census data for actuarial valuations, which were directly linked to the Pension Fund's core business. Other recommendations focused on budget management, information and communications technology, and governance and executive management (ibid., para. 10).

27. In their report, the heads of the Pension Fund considered four recommendations issued by the Board of Auditors for 2020, 2021 and 2022, which were still under implementation as at 16 August 2024. Target implementation dates have been set between the third quarter of 2024 and the third quarter of 2025 (A/79/311, paras. 37–44).

28. **The Advisory Committee concurs with the recommendations of the Board of Auditors and stresses again the importance of the expeditious implementation of the recommendations (see also A/78/7/Add.7, para. 24, A/77/7/Add.10, para. 23, A/76/7/Add.14, para. 17, A/74/7/Add.14, para. 40, A/73/489, para. 31, A/72/7/Add.23, para. 52, and A/71/621, para. 44).**

III. Proposed budget for 2025

Overview

29. The 2025 budget estimates of the Pension Fund amount to $151,745,300 before recosting, representing an increase of $11,955,600, or 8.6 per cent, compared with the appropriation for 2024. The budget submission includes resources for the secretariat of the Pension Board ($1,770,800), the Pension Administration ($72,246,100), the Office of Investment Management ($75,465,800) and audit costs ($2,262,600). In addition, the estimates provide for an amount not to exceed $112,500 for the Emergency Fund (A/79/9, annex XII, table 1).

30. The proposed budget estimates for 2025 after recosting amount to $158,258,200, representing an increase of $6,512,900, or 4.3 per cent, compared with the budget estimates before recosting, as shown in table 2 (A/79/234, table 1).

Table 2
Evolution of financial resources before and after recosting, by office
(Thousands of United States dollars)

	2023 expenditure	2024 appropriation	Change		2025 estimate (before recosting)	Recosting	2025 estimate (after recosting)
			Total	Percentage			
Secretariat of the Pension Board	1 186.0	1 387.2	383.6	27.7	1 770.8	50.9	1 821.7
Pension Administration	65 209.8	70 549.9	1 696.2	2.4	72 246.1	3 104.0	75 350.1
Secretariat of the Pension Fund	56 502.7	62 126.8	4 964.0	8.0	67 090.8	2 770.5	69 861.3
United Nations Staff Pension Committee services, payment from the United Nations Secretariat[a]	8 707.1	8 423.1	(3 267.8)	(38.8)	5 155.3	333.5	5 488.8
Office of Investment Management	56 363.2	65 598.5	9 867.3	15.0	75 465.8	3 584.3	79 050.1
Audit	1 667.4	2 254.1	8.5	0.4	2 262.6	(226.3)	2 036.3
Total	**124 426.4**	**139 789.7**	**11 955.6**	**8.6**	**151 745.3**	**6 512.9**	**158 258.2**

[a] Payment from the United Nations relates to the United Nations Staff Pension Committee services provided by the Pension Fund.

Pension Board secretariat

31. The proposed resources for the Pension Board secretariat for 2025 amount to $1,770,800 before recosting, reflecting a net increase of $383,600, or 26.9 per cent, compared with the appropriation for 2024 (A/79/9, annex XII, table 5).

32. The proposed post resources of $787,300, representing an increase of $115,900, or 17.3 per cent, compared with the appropriation for 2024, would provide for the continuation of three posts (1 D-1, 1 P-5 and 1 General Service (Other level)) and the establishment of one post (P-4) subject to a 50 per cent vacancy rate (ibid., para. 32). The Pension Board indicated that the proposed post of Programme Management Officer (P-4) would address the gap between the current workload and the workload estimated at the time the Pension Board secretariat was established in 2021 under the governance reform package of the Pension Fund (A/79/9, annex III to annex XII). The proposed post changes are summarized in table 3.

33. The Advisory Committee notes from the information provided to the Budget Committee that the deliverables of the Pension Board secretariat planned for 2025 are expected to decrease in both the number of reports to be processed (12 planned by the end of 2024 and 9 planned for 2025) and the number of substantive services for meetings (81 planned by the end of this year and 58 planned for 2025). **The Advisory Committee notes that the workload information provided does not justify the establishment of the post of Programme Management Officer (P-4) at this stage and recommends against it.**

Table 3
Proposed post changes for 2025

Post changes	*Number*	*Level*
Approved for 2024	3	1 D-1, 1 P-5, 1 GS (OL)
Establishment	1	1 P-4
Proposed for 2025	**4**	**1 D-1, 1 P-5, 1 P-4, 1 GS (OL)**

Abbreviation: GS (OL), General Service (Other level).

34. The proposed non-post resources amounting to $983,500 reflect an increase of $267,700, or 37.4 per cent, compared with the appropriation for 2024. The increase primarily reflects increased requirements under contractual services ($103,500), attributed to the cost of one-time temporary external support to the Fund Solvency and Assets and Liabilities Monitoring Committee in 2025 as approved by the Pension Board at its seventy-sixth session ($150,000) and the provision for translation for standing committees ($3,500), partly offset by the removal of resources for the training of the Board on governance matters ($50,000). Additional requirements are also requested under other staff costs ($46,400), a consultant ($51,600), travel of representatives ($27,600), travel of staff ($26,500) and general operating expenses ($12,100) (A/79/9, annex XII, para. 32 (b)).

Pension Administration

35. The proposed resources for the Pension Administration for 2025 amount to $72,246,100 before recosting, reflecting a net increase of $1,696,200, or 2.4 per cent, compared with the appropriation for 2024 (ibid., table 12).

36. The proposed post resources of $38,608,900 before recosting represent an increase of $1,378,900, or 3.7 per cent, compared with the appropriation for 2024 (ibid., tables 12 and 17). These resources would provide for 272 posts, which reflects an increase of 10 posts (5 new posts and 5 conversions). The proposed posts changes are summarized in table 4.

Table 4
Proposed post changes for 2025

Post changes	*Number*	*Level*
Approved for 2024	262	1 ASG, 1 D-2, 4 D-1, 15 P-5, 28 P-4, 43 P-3, 1 P-2/1, 14 GS (PL), 153 GS (OL), 2 LL
Redeployment	–	Redeployment of 1 P-3 and 1 GS (OL) post from Communications Team in Client Services Service to Office of the Chief Executive of Pension Administration
Conversion	5	2 P-3 and 3 GS (OL)
Reassignment	–	Reassignment of 1 GS (OL) post from Team Assistant to Communications Assistant
Establishment	5	1 P-5, 1 P-4, 1 GS (PL), 2 GS (OL)
Proposed for 2025	**272**	**1 ASG, 1 D-2, 4 D-1, 16 P-5, 29 P-4, 45 P-3, 1 P-2/1, 15 GS (PL), 158 GS (OL), 2 LL**

Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

37. Upon enquiry, the Advisory Committee was provided with a table (see table 5), which provides detailed information on the proposed changes, including the recommendations of the Budget Committee of the Pension Fund (A/79/9, annex VIII, paras. 23–35, and annex III.B to annex XII).

Table 5
Additional information on post changes for 2025

	Grade	*Staffing action*	*Management proposal*	*Budget Committee recommendation*
Communications Officer	P-3	Redeployment	1	Supported
Team Assistant/Communications Assistant	GS (OL)	Redeployment	1	Supported
Communications Officer	P-3	Redeployment	(1)	Supported
Team Assistant	GS (OL)	Redeployment	(1)	Supported
Senior Information Systems Officer	P-5	Establishment	1	Supported
Information Systems Officer	P-3	Conversion	1	Supported
Senior Finance and Budget Assistant	GS (PL)	Establishment	1	Supported
Accounting Assistant	GS (OL)	Establishment	1	Supported
Accounting Assistant	GS (OL)	Conversion	2	Supported
Benefits Assistant	GS (OL)	Conversion	1	Supported
Acquisition Planning Officer	P-4	Establishment	1	Supported
Training Officer	P-3	Conversion	1	Supported
Administrative Assistant	GS (OL)	Establishment	1	Supported

Abbreviations: GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

38. **The Advisory Committee expects the Pension Fund to further define clear key performance indicators by function based on actual workload statistics and to establish the link between budget requirements, performance of the Pension Administration and possible efficiencies to be achieved through the new initiatives and the use of technology, as important steps towards greater transparency and accountability of its budget, and to report thereon in the next report (see also A/78/7/Add.7, paras. 79 and 81).**

39. It is proposed that a post of Senior Information Systems Officer (P-5) be established in the Information Management Systems Service (A/79/9, annex III to annex XII). In its previous report, the Advisory Committee recommended against the proposed establishment of a Senior Information System Officer (P-5) post in view of the existing capacity overseeing business intelligence solutions (A/78/7/Add.7, para. 38). **In the absence of new elements, the Advisory Committee recommends again against the proposed establishment of a Senior Information System Officer (P-5) post.**

40. It is proposed that a post of Senior Finance and Budget Assistant (General Service (Principal level)) be established in the Budget Unit (A/79/9, annex III to annex XII). In its previous report, the Advisory Committee recommended against the proposed establishment of a Senior Finance and Budget Assistant post (General Service (Principal level)), taking into consideration the need for further efficiencies based on workload and workforce assessment (A/78/7/Add.7, para. 40). **In the absence of new elements, the Advisory Committee recommends again against the proposed establishment of a Senior Finance and Budget Assistant post (General Service (Principal level)).**

41. The proposed non-post resources for 2025 amount to $33,637,200, which represents an increase of $317,300, or 1.0 per cent, compared with the appropriation for 2024 (A/79/9, annex XII, tables 12 and 17). The information provided to the Advisory Committee indicates that the increase reflects increased requirements under the following objects of expenditure:

(a) Contractual services: an increase of $418,300 reflects additional requirements for new initiatives totalling $3,926,200, including resources for: (i) the implementation of the client relations management system, including systems configuration, project management and technical knowledge, and application developer training ($981,000); (ii) the replacement of financial systems, including system configuration and customization, software licences, production support and enhancement, business process re-engineering, integration middleware, training and change management, and project management support ($1,945,000); (iii) the second phase of the implementation of Kofax project, which entails the implementation of the optical character recognition extraction functionality and benefit election on forms ($104,200); and (iv) external project management support and the implementation of a project management software tool ($896,000). This amount would be offset partially by reduced requirements in relation to technical adjustment ($2,192,800) and other costs ($1,315,100);

(b) Furniture and equipment: an increase of $261,400 mostly reflects increased requirements for information and communications technology software licences ($226,500), subscriptions for legal case management software licences ($21,000) and data catalogue and actuarial valuation licences ($10,000), partly offset by a decreased provision for the replacement of office automation equipment ($13,000);

(c) Travel of staff: an increase of $92,500 mostly reflects: (i) an increase of $60,500 under executive direction and management due to client relations management-related conferences ($8,800), financial suite conferences ($31,700), essential business travel such as management and administrative visits and outreach missions ($16,500), training, conferences and workshops ($500) and the Pension Board session ($3,000); and (ii) an increase of $15,400 under the programme of work related mainly to additional trips to Geneva for management and administrative visits and conferences. Taking into account the increase of $92,500, the proposed requirement for travel of staff for 2025 amounts to $600,900. **The Advisory Committee underscores the need to maximize the use of remote modes of communication in lieu of travel and recommends a reduction of 10 per cent ($60,100) under travel of staff.**

42. The abovementioned increases would be partially offset by reduced requirements under other staff costs ($338,900), consultants ($71,700), general operating expenses (29,800) and supplies and materials ($12,500) (ibid., table 12).

43. With regard to general temporary positions, the Pension Administration is proposing to: (a) convert five positions to posts: one Information Systems Officer (P-3), one Human Resources Officer (P-3), two Accounting Assistants (General Service (Other level)) and one Benefits Assistant; and (b) establish three positions: one Senior Accounting Assistant (General Service (Principal level)), one Accounting Assistant (General Service (Other level)) and one Treasury Assistant (General Service (Other level)). The Pension Administration would then include 18 general temporary assistance positions (A/79/9, annex VIII, table 3, and annex IV to annex XII).

44. Upon enquiry, the Advisory Committee was provided with information on the appropriation and expenditures for the new initiatives from 2022 to 2025, as shown in table 6 (A/79/9, annex XII, table 18).

Table 6
Appropriation and expenditure for new initiatives, 2022–2025
(Thousands of United States dollars)

	2022		*2023*		*2024*		*2025*
	Appropriation	*Expenditure*	*Appropriation*	*Expenditure*	*Appropriation*	*Expenditure*	*Proposed*
Object of expenditure							
Other staff costs	–	–	–	–	975.0	150.8	1 272.1
Consultants and experts	–	–	–	–	74.3	–	117.6
Travel of staff	–	–	–	–	44.4	–	40.5
Contractual services	2 500.0	366.0	–	1 087.3	2 192.8	656.3	3 926.2
Total	**2 500.0**	**366.0**	**–**	**1 087.3**	**3 286.5**	**807.0**	**5 356.4**
New initiative							
Customer relationship management	2 500.0	366.0	–	1 087.3	1 015.3	245.4	1 360.7
Data cleansing	–	–	–	–	415.8	126.5	417.3
Kofax phase 2	–	–	–	–	239.7	–	104.2
Financial system	–	–	–	–	500.0	–	2 331.1
Project support	–	–	–	–	1 115.7	435.1	1 143.1
Total	**2 500.0**	**366.0**	**–**	**1 087.3**	**3 286.5**	**807.0**	**5 356.4**

45. Upon enquiry, the Advisory Committee was informed that the low level of expenditure reported for 2022 was due to the delay in finalizing the client relationship management contract, creating significant budgetary and administrative challenges for the project. Even though the funds were committed in time, the vendor could not deliver any substantial portion of the project before the commitment had to be automatically cancelled in accordance with the Financial Rules. The Pension Fund had to utilize the resources for 2023 to extinguish the liability for work delivered. It is expected that the resources approved for new initiatives for 2024 will not be spent in full for similar reasons, hence the need to carry forward unspent funds for the projects to ensure continuity and prevent further delays in their implementation.

46. For 2025, the Pension Fund requests permission to carry over from one budget period to the next any unspent balances of the estimated $5,356,400 allocated for new initiatives until completion of the relevant projects (ibid., para. 77). **The Advisory Committee concurs with the request to carry over from one budget period to the next any unspent balances of the estimated $5,356,400 allocated for new initiatives for 2025 until completion of the relevant projects. The Committee trusts that detailed breakdowns and updates on the utilization of resources for business optimization and other new initiatives will be provided in future reports as a matter of routine.**

Office of Investment Management

47. The proposed resources for the Office of Investment Management for 2025 amount to $75,465,800 before recosting, reflecting a net increase of $9,867,300, or 15.0 per cent, compared with the appropriation for 2024 (ibid., table 25).

48. The proposed resources for posts amount to $30,610,800 before recosting, reflecting an increase of $3,886,200, or 14.5 per cent, compared with the appropriation for 2024. The resources would provide for 183 posts, representing an

increase of 17 posts (10 new posts and 7 conversions). Table 7 provides information on the proposed post changes.

Table 7
Proposed post changes for 2025

Post changes	*Number*	*Level*
Approved for 2024	158	1 ASG, 1 D-2, 5 D-1, 14 P-5, 37 P-4, 48 P-3, 15 P-2/1, 23 GS (PL), 14 GS (OL)
Reclassification	–	Upward reclassification of 2 P-3 to P-4
Conversion	7	1 P-4, 3 P-3, 2 P-2/1, 1 GS (PL)
Establishment		
Management proposal	21	1 D-1, 6 P-5, 5 P-4, 7 P-3, 2 P-2/1
Not supported by Budget Committee	(3)	1 P-4, 2 P-3
Pension Board proposal for 2025	**183**	**1 ASG, 1 D-2, 6 D-1, 20 P-5, 44 P-4, 54 P-3, 19 P-2/1, 24 GS (PL), 14 GS (OL)**

Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

49. Upon enquiry, the Advisory Committee was provided with a table (see table 8), which includes detailed information on the proposed changes, including the recommendations of the Budget Committee of the Pension Fund (A/79/9, annex III.B to annex XII).

Table 8
Additional information on post changes for 2025

	Grade	*Staffing action*	*Management proposal*	*Budget Committee recommendation*
Deputy Chief Investment Officer	D-1	Establishment	1	Supported
Senior Investment Officer	P-5	Establishment	1	Supported
Investment Officer	P-4	Establishment	1	Supported
Investment Officer	P-4	Establishment	1	Supported
Associate Investment Officer	P-2/1	Establishment	1	Supported
Senior Investment Officer	P-5	Establishment	1	Supported
Senior Investment Officer	P-5	Establishment	1	Supported
Senior Risk Officer	P-5	Establishment	1	Supported
Senior Risk Officer	P-5	Establishment	1	Supported
Risk Officer (Audit Coordination)	P-3	Establishment	1	**Not supported**
Risk Officer (Performance)	P-3	Establishment	1	Supported
Risk Officer (Total Portfolio)	P-3	Establishment	1	Supported
Programme Management Officer (Business Transformation Officer)	P-4	Establishment	1	**Not supported**
Programme Management Officer (Change Management)	P-3	Establishment	1	Supported
Chief of Section, Investment Accounting	P-5	Establishment	1	Supported
Legal Officer	P-4	Establishment	1	Supported
Coordinator, Programme Management	P-3	Establishment	1	Supported
Information Systems Officer	P-3	Establishment	1	Supported

	Grade	Staffing action	Management proposal	Budget Committee recommendation
Associate Information Systems Officer	P-2/1	Establishment	1	Supported
Data Scientist	P-4	Establishment	1	Supported
Programme Management Officer (Corporate Social Responsibility)	P-3	Establishment	1	**Not supported**
Associate Accountant	P-2/1	Conversion	2	Supported
Accountant	P-3	Conversion	3	Supported
Senior Accounting Assistant	GS (PL)	Conversion	1	Supported
Risk Officer	P-4	Conversion	1	Supported
Investment Officer	P-3 to P-4	Reclassification	–	Supported
Investment Officer	P-3 to P-4	Reclassification	–	Supported

50. In its report, the Budget Committee of the Pension Fund did not support the proposed establishment of three posts (1 Programme Management Officer (P-4), 1 Risk Officer (P-3) and 1 Programme Management Officer (P-3) (A/79/9, annex VIII, paras. 52, 54, and 58). **The Advisory Committee concurs with the recommendations of the Budget Committee and therefore recommends against the proposed establishment of one Programme Management Officer (P-4) post, one Risk Officer (P-3) post and one Programme Management Officer (P-3) post.**

51. The Representative of the Secretary-General indicates that, based on the methodology established by an independent study, when comparing the headcount of other funds with a similar size and investment style, using assets under management of $88.3 billion, the Office of Investment Management would need 198 people. Fortunately, the Office managed to do better than the peer median with only 165 staff, which represented 17 per cent fewer staff than its peers. In the 2025 budget request, there was a proposal for resources to reach a headcount of 187. When comparing that request with assets under management of $92 billion, the Office would need a headcount of 199. Even with 187 staff, the Office was still 6 per cent short relative to its peers. Considering that four new post/position requests were not endorsed by the Budget Committee, the Office would have 183 staff, which represented 8 per cent fewer than its peers (A/79/9, para. 40 and annex XII, para. 148).

52. Upon enquiry, the Advisory Committee was informed that, for the entire Pension Fund, requests related to posts and positions are driven by planned operational requirements. Each request is considered based on its own merit, taking into account future needs and planned activities. The Committee was also informed that the bottom-up workforce planning used by the Office of Investment Management involves assessing each unit’s operational needs based on planned activities for the upcoming year. Each team identifies staffing requirements, taking into account the complexity and volume of expected tasks. This approach ensures that the specific needs for portfolio management, risk management, operations and compliance are addressed in a granular manner, allowing for more precise resource allocation.

53. **The Advisory Committee underscores that the benchmarking exercise does not constitute a recruitment target and encourages the Pension Fund to further refine workload planning methodologies to establish scalable solutions reflecting the changing complexities of the asset portfolio while maintaining the requisite level of expertise. The Committee is of the view that the bottom-up workforce planning exercise should be accompanied by the strategic workforce outlook to provide a medium- to long-term perspective with respect to the portfolio management needs.**

54. The proposed non-post resources for 2025 amount to $44,885,000 before recosting, which represents an increase of $5,981,100, or 15.4 per cent, compared with the appropriation for 2024 (A/79/9, annex XII, tables 25 and 30). The information provided indicates that the proposed increase is related mainly to the following objects of expenditure:

(a) Contractual services: an increase of $6,096,000 relates to various contractual services primarily in the areas of information systems ($1,612,600), data management and innovation and change management programmes ($2,262,600) and culture transformation work and coaching ($1,289,000);

(b) Consultants: an increase of $622,400 is mainly related to: (i) data-related expertise such as data governance, data automation and data science ($525,200); (ii) communications ($91,200); and (iii) anti-racism ($67,500); partly offset by decreased estimates for organizational development ($61,500);

(c) General operating expenses: an increase of $458,100 relates mostly to United Nations charges for administrative services ($755,300), offset by decreased facilities maintenance and utility costs ($334,200).

55. **In view of the underexpenditure under contractual services and consultants in 2023, the Advisory Committee recommends a reduction of 10 per cent ($609,600 and $62,200, respectively) to the proposed increases under each of these budget lines.**

56. The above-mentioned increases would be offset in part by reductions under other staff costs ($1,411,600), furniture and equipment ($56,900) and travel of representatives ($43,700).

57. In terms of other staff costs, the proposed reduction is related to the conversion of seven general temporary assistance-funded positions (1 P-4, 3 P-3, 2 P-2/1 and 1 General Service (Principal level)). The Budget Committee recommended against the proposed creation of a Staff Development Officer (P-4) position (A/79/9, annex VIII, table 5). **The Advisory Committee concurs with the recommendation of the Budget Committee.**

Audit

58. The proposed resources for audit for 2025 amount to $2,262,600 before recosting, which represents an increase of $8,500, or 0.4 per cent, compared to the appropriation of 2024 (A/79/9, annex XII, table 35).

59. The proposed post resources of $1,507,700, reflecting an increase of $273,800, or 22.2 per cent, compared with the appropriation for 2024, would provide for the continuation of six posts (1 P-5, 3 P-4, 1 P-3 and 1 General Service (Other level)) and the conversion of one Senior Auditor (P-5) position to a post. The proposed post changes are summarized in table 9.

Table 9
Proposed post changes for 2025

Post changes	*Number*	*Level*
Approved for 2024	6	1 P-5, 3 P-4, 1 P-3,1 GS (OL)
Conversion	1	1 P-5
Proposed for 2025	**7**	**2 P-5, 3 P-4, 1 P-3, 1 GS (OL)**

Abbreviation: GS (OL), General Service (Other level).

60. The proposed non-post resources of $754,900 reflect a decrease of $265,300, or 26.0 per cent, compared with the appropriation for 2024. The decrease results from reduced requirements of $278,900 under other staff costs, stemming from the proposed conversion to a post of one general temporary assistance position of Senior Auditor (P-5) ($273,800) and a decrease in the estimates for after-service health insurance ($5,100), which are partly offset by increases under travel of staff, related mainly to travel costs for the audit of information and communications technology operations in the Geneva office ($10,000) and resources for staff training under contractual services ($3,600) (ibid., para. 177).

United Nations Staff Pension Committee

61. The Secretary-General indicates that the cost of services related to the United Nations Staff Pension Committee provided by the Pension Fund are estimated at $5,488,800 after recosting for 2025. The share of the regular budget in the United Nations portion would amount to $3,342,700. Taking into account that a provision of $5,188,600 is already included under section 1 of the proposed programme budget for 2025, a decrease of $1,845,900 (after recosting) in the appropriation would be required under section 1 of the proposed programme budget for 2025 (A/C.5/79/4, para. 4).

62. Upon enquiry, the Advisory Committee was informed that under article 8 (a) of the Pension Fund's Regulations, the Pension Administration serves as the secretariat of the United Nations Staff Pension Committee, which covers participants from the United Nations Secretariat (including the Office of the United Nations High Commissioner for Refugees and the United Nations Relief and Works Agency for Palestine Refugees in the Near East), the United Nations Children's Fund, the United Nations Development Programme and the United Nations Office for Project Services. For those services, the United Nations reimburses the Fund in accordance with the cost-sharing arrangement, as approved by the General Assembly in resolution 74/263. This arrangement is also reflected in Financial Rule E.4. The Committee was also informed that the other 23 member organizations each have their own staff pension committee and committee secretariat, and they directly cover the expenses of administering the work of those committees and secretariats.

63. **The Advisory Committee notes that the regular budget of the United Nations Secretariat covers the pension committee-related costs for the United Nations Relief and Works Agency for Palestine Refugees in the Near East and the Office of the United Nations High Commissioner for Refugees, and reiterates its trust that more detailed information on the determination of the costs of the United Nations Joint Staff Pension Committee, cost-sharing methodology and actual expenses regarding the work of the Committee will be provided in the next report (see also A/78/7/Add.7, para. 62).**

IV. Governance of the Pension Fund and management of the investments

A. Governance of the Pension Fund

Amendments to the Pension Fund's Regulations and Pension Adjustment System

64. The Pension Board recommends that the General Assembly adopt amendments aimed at simplifying and clarifying the Regulations and Pension Adjustment System of the Pension Fund and update the special adjustment for small pensions (see A/79/9, para. 15 and annexes IV and V).

65. Upon enquiry regarding the simplification amendments, the Advisory Committee was informed that in February 2022 the Pension Board had established a Plan Review Group tasked with reviewing various matters related to the plan. As part of the Group's mandate, the Board requested it to "consider proposals for simplification and clarification of the Regulations, Rules and Pension Adjustment System that facilitate administration of benefits, but do not change the nature of any benefits". To address this element of its mandate, the Group received and considered approximately 50 proposals for simplification amendments submitted by the Pension Administration. The proposals included the removal of obsolete provisions, changes to facilitate understanding and amendments to simplify administration. None of the proposed amendments change the nature of benefits.

66. With regard to the update to the special adjustment for small pensions, the Advisory Committee was informed that the Pension Fund operates two mechanisms for ensuring that retirees can expect a minimum level of benefits under normal retirement: (a) article 28 (e) and (f) of the Fund's Regulations set out a minimum benefit with reference to 10 years' contributory service and flat monetary rates that are increased in accordance with the movement of the United States consumer price index under the Pension Adjustment System; and (b) special adjustment for small pensions under section E of the Pension Adjustment System, according to which benefits from at least 15 years' contributory service and less than a specified threshold as a dollar amount are subject to a graduated uplift. Unlike the minimum benefits under article 28, the special adjustment for small pensions does not have a systematic mechanism to increase the thresholds in line with inflation. The current thresholds were set with effect from 1 April 2016. The proposal is to uplift the special adjustment to allow for inflation experienced since 2016. The special adjustment for small pensions applies to a very small number of beneficiaries.

Membership of the Organisation for the Prohibition of Chemical Weapons

67. The Pension Board recommends that the General Assembly, in accordance with article 3 (c) of the Pension Fund's Regulations, admit the Organisation for the Prohibition of Chemical Weapons (OPCW) for membership in the Fund with effect from 1 January 2025 (A/79/9, para. 11). The Board indicates that such admission is subject to approval by the OPCW Conference of States Parties at its twenty-ninth session in November 2024 and other specific administrative criteria. Upon enquiry, the Advisory Committee was informed that OPCW is a relatively small organization. As at 31 December 2023, it employed 363 staff members, equivalent to about 0.25 per cent of the total number of participants in the Fund. The Committee of Actuaries observed that OPCW admission to the Fund presents no apparent actuarial risk. The Committee was also informed that the admission of a member organization would not have an impact on investment management.

Geographical representation by regional group and gender representation

68. The Advisory Committee was provided with information on geographical representation by regional group in the Pension Administration and the Office of Investment Management as at 31 May 2024, as summarized in table 10.

Table 10
Regional group representation among staff in the Professional and higher categories (Pension Administration and Office of Investment Management)

	Pension Administration		*Office of Investment Management*	
Region	*Number of staff*	*Percentage*	*Number of staff*	*Percentage*
Africa	27	11	11	7
Asia-Pacific	55	23	46	30
Eastern Europe	5	2	5	3
Latin America and the Caribbean	15	6	6	4
Western Europe and others	142	58	87	56
Total	**244**	**100**	**155**	**100**

69. The Advisory Committee was also provided with information on gender representation by level among staff of the Pension Administration and the Office of Investment Management as at 7 June 2024, as shown in tables 11 and 12.

Table 11
Gender representation among staff of the Pension Administration

	Female		*Male*		
Grade	*Number*	*Percentage*	*Number*	*Percentage*	*Total*
ASG	1	100	–	–	1
D-2	–	–	1	100	1
D-1	1	33	2	67	3
P-5	7	47	8	53	15
P-4	8	31	18	69	26
P-3	18	44	23	56	41
P-2	–	–	1	100	1
GS (PL)	10	71	4	29	14
GS (OL)	90	64	50	36	140
LL	2	100	–	–	2
Total	**137**	**56**	**107**	**44**	**244**

Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

Table 12
Gender representation among staff of the Office of Investments Management

Grade	*Female*		*Male*		Total
	Number	*Percentage*	*Number*	*Percentage*	
ASG	–	–	1	100	1
D-2	–	–	1	100	1
D-1	2	40	3	60	5
P-5	6	50	6	50	12
P-4	18	51	17	49	35
P-3	19	40	28	60	47
P-2	10	63	6	37	16
GS (PL)	18	75	6	25	24
GS (OL)	9	64	5	36	14
Total	**82**	**53**	**73**	**47**	**155**

Abbreviations: ASG, Assistant Secretary-General; GS (OL), General Service (Other level); GS (PL), General Service (Principal level).

70. **The Advisory Committee encourages the Pension Fund to continue its efforts to ensure equitable geographical and gender representation at all levels.**

B. Management of investments

71. In his report on the investments of the Pension Fund and measures to increase its diversification (A/C.5/79/3), the Secretary-General provides information on the management of the investments of the Fund during the period from 1 January 2022 to 31 December 2023.

Investment return

72. The Secretary-General indicates that, as at 31 December 2023, the Pension Fund's market value of assets was $88.251 billion, compared with $91.482 billion at the beginning of the biennium. However, as at 31 December 2023, the Fund had successfully exceeded its long-term investment objective of a real rate of return of 3.5 per cent over the past 15, 20, 25, 30 and 50 years. The Fund's nominal return exceeded the return of its policy benchmark in the three-year period ended 31 December 2023 (ibid., para. 4). Upon enquiry, the Advisory Committee was informed that the decline in the market value of the assets over the 2022–2023 biennium was due primarily to negative market valuations in public equities and fixed income in 2022, explained by the drastic increase of interest rates by most central banks around the world. As the situation stabilized, 2023 showed positive results, compensating for most of the negative results from 2022. The Committee was also informed that, in 2024, the positive trend that had started in 2023 remained and that the value of the portfolio as at 30 August 2024 was $95.5 billion, $4 billion above the $91.5 billion at 31 December 2021. According to the information provided, this trend demonstrates that most of the valuation losses experienced by volatility in the markets are not real as long as they are not realized and that as long as the volatility declines, those valuation losses disappear. The Secretary-General provides information on the Fund's real and nominal returns as at 31 December 2023 (ibid., figure I), as shown in table 13.

Table 13
Pension Fund real and nominal returns as at 31 December 2023
(Percentage)

	1 year	*3 years*	*5 years*	*10 years*	*15 years*	*20 years*	*30 years*	*40 years*	*50 years*
United Nations nominal return	13.6	2.9	8.0	5.9	7.5	6.6	7.1	8.6	8.5
United States consumer price index	3.4	5.6	4.1	2.8	2.6	2.6	2.5	2.8	3.9
Real return (adjusted for inflation)	9.9	(2.6)	3.7	3.1	4.8	3.9	4.5	5.7	4.5

Note: Nominal returns are annualized. Figures for nominal returns and consumer price index are geometrically linked. Real returns are calculated using a geometric difference.

Strategic asset allocation

73. The Secretary-General also indicates that, in 2023, the Fund hired an external consultant to perform a comprehensive asset liability management study as part of its quadrennial exercise. The study was conducted based on the actuarial valuation as at 31 December 2021. Following review by the Pension Board of the asset liability management study, the Office of Investment Management started to implement the new strategic asset allocation and its benchmark in February 2024, which was finalized by the end of the first quarter of 2024 (ibid., para. 5). The Secretary-General provides information on the strategic allocation of assets as at 31 December 2023 and in February 2024 (ibid., tables 1.A and 1.B), as summarized in table 14.

Table 14
Strategic allocation of assets as at 31 December 2023 and in February 2024
(Percentage)

Asset class	*Strategic asset allocation weight* 31 December 2023	*Portfolio weight* 31 December 2023	*Strategic asset allocation weight* February 2024
Public equity and private equity	**60**	**60.8**	**50**
Global equities	53	52.2	43
Private equity	7	8.6	7
Real assets	**9**	**8.2**	**10**
Real estate	8	7.7	8.5
Infrastructure	1	0.4	1.5
Fixed income	**29**	**29.0**	**39**
Core fixed income	28	28.0	35
Non-core bonds	1	1.0	4
Cash	**2**	**2.0**	**1**
Total	**100**	**100.0**	**100.0**

Diversification

74. In terms of diversification by asset class, the Secretary-General also indicates that, as at 31 December 2023: global equities were below the policy benchmark (51.5 per cent for the portfolio, compared with 52.2 per cent for the policy benchmark); fixed income represented 30 per cent of the Pension Fund, compared with the policy benchmark weight of 29 per cent; real estate represented 7.7 per cent of the portfolio; the private equity portion of the portfolio was 8.6 per cent; the

infrastructure portion remained marginal at 0.4 per cent; and cash and short-term investments represented 1.7 per cent of the portfolio (ibid., paras. 7 and 8).

75. With regard to diversification by currency, the Secretary-General indicates that, as at 31 December 2023, the Pension Fund's direct investments across all asset classes included 35 currencies; 75.6 per cent of the investments were in United States dollars and 24.4 per cent were in other currencies (ibid., para. 22).

76. With respect to geographical diversification, the Secretary-General indicates that the proportion of the total Pension Fund, based on market value across all asset classes, that is invested in enterprises domiciled in North America increased to 74.86 per cent in December 2023 from 67.82 per cent in December 2021. Investments in enterprises domiciled in Europe decreased to 10.98 per cent from 12.15 per cent. Investment in entities domiciled in Asia and the Pacific increased to 5.44 per cent from 5.11 per cent. Investments in enterprises domiciled in emerging markets decreased to 8.72 per cent from 14.92 per cent. As at 31 December 2023, the Fund had investments in enterprises domiciled in 72 countries and regions, including both direct and indirect investments in both developed and developing countries. Direct and indirect investments in enterprises domiciled in developing countries amounted to $7.705 billion as at 31 December 2023, compared with $13.657 billion as at 31 December 2021 (ibid., paras. 23 and 25).

77. Upon enquiry, the Advisory Committee was informed that the reduced allocation to emerging markets and developing countries during the period was due mainly to the transition to the policy benchmark, reflecting the asset management study conducted in 2021, by taking into account the risk-return profile of the total Pension Fund. The Committee might recall that the 2023 assets liabilities management study, shared with the Committee, showed that the allocation to emerging markets, which became effective in 2024, increased from 6.1 per cent to 8 per cent in emerging markets equities and from 1 per cent to 2 per cent in emerging markets debt in local currency.

78. **The Advisory Committee recalls that the General Assembly has requested the Secretary-General to continue to diversify the Pension Fund's investments among developed, developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, and to ensure that decisions concerning the investments of the Fund in any market are implemented prudently, taking fully into account the four main criteria for investment, namely safety, profitability, liquidity and convertibility (see resolution 77/258, para. 19, and A/C.5/79/3, para. 24). The Committee reiterates its trust that updated information on the investments of the Fund by country and geographical region and by currency and assets will be provided to the Assembly at the time of its consideration of the present report and in the context of the next budget report (see also A/78/7/Add.7, para. 90, and A/77/7/Add.10, para. 66).**

Derivatives

79. The Secretary-General also indicates that, in 2023, the Office of Investment Management began to pilot the trading of a range of derivative instruments in line with General Assembly resolution 75/246, to effectively manage the Pension Fund's investments and address the increasing complexity of the global capital markets environment. In particular, the Office trades to-be-announced securities, which enhance the efficiency of trade execution and broader portfolio management within securitized investments (A/C.5/79/3, para. 10). Upon enquiry, the Advisory Committee was informed that the derivative trading programme was initiated to enhance the portfolio's risk management and trade execution. The pilot phase began with the trading of to-be-announced securities in December 2023. To-be-announced

securities, primarily associated with mortgage-backed securities, were introduced as part of a broader strategy to manage liquidity, mitigate risk and facilitate trading securities. One challenge encountered was the complexity of contractual negotiations, in particular regarding United Nations privileges and immunities. Notwithstanding, securities lending agreements are ready, and operations will start soon and are expected to generate more than $9 million a year. The Committee was also informed on 26 September 2024 that the legal documents to operate forward, known as International Swaps and Derivatives Association agreements, were scheduled to be finalized in the following weeks and to become operational shortly thereafter. These instruments would contribute to improving risk management and trading of the total portfolio. The Committee was further informed that there are no more resources requested for the use of derivatives, except for the conversion of six general temporary assistance-funded positions into posts.

80. Upon enquiry regarding the process to avoid risky investment, the Advisory Committee was informed that the Office of Investment Management employs a multi-step process to avoid risky investments, starting with rigorous due diligence that includes both quantitative and qualitative assessments. Potential investments are evaluated based on financial performance, environmental, social and governance criteria, market conditions and governance structures. Specialized teams are involved in analysing the risk profile of each investment. Once invested, the Office actively monitors the portfolio, utilizing risk management tools such as stress testing, scenario analysis and regular portfolio reviews to ensure that risks are kept within acceptable limits. The Fund’s strict adherence to its investment policy statement, policies, procedures, guidelines and risk limits further safeguards against entering overly risky or speculative investments.

81. **The Advisory Committee reiterates its trust that further information on the viability of using derivative instruments and the result of actual derivative trading to date will be provided to the General Assembly at the time of its consideration of the present report and that related information will also be included in the next report of the Pension Board. The Committee recommends that the use of derivative instruments by the Pension Fund be approved by the General Assembly beyond the pilot phase and reviewed after five years and trusts that adequate procedures are in place to minimize the risks specific to complex financial instruments (see also A/78/7/Add.7, para. 87, A/77/7/Add.10, para. 66, and A/76/7/Add.14, para. 54).**

Impact investment

82. In its resolution 76/246 A, the General Assembly requested the Secretary-General to explore impact investing for part of the portfolio, and in its resolution 77/258 it requested the Secretary-General to continue to explore, in consultation with the Investments Committee and taking into account the observations and suggestions by the Pension Board, impact investing for part of the portfolio, including in developing and emerging markets, such as Africa and Asia and other regions, bearing in mind the real rate of return target.

83. In terms of responsible investment strategy, the Secretary-General indicates that, in 2022 and 2023, the Office of Investment Management exercised its right to vote in nearly all meetings in which it was allowed to do so (over 99 per cent of meetings for both years) and engaged with more than 560 companies globally on 2,730 environmental, social, governance, strategy, risk and communication issues and objectives each year. The Office is on track to reach the 40 per cent carbon reduction target that it set for its equities, corporate bonds and non-listed real estate portfolios (A/C.5/79/3, paras. 36 and 39). Upon enquiry, the Advisory Committee was informed that the impact investing strategy of the Pension Fund is guided by its commitment

to generating measurable social and environmental outcomes alongside financial returns. Given that impact investing is not a portfolio by itself with a target allocation, but an additional characteristic that investments in different assets classes might have, the benchmarks for returns, investment vehicles and risk management mechanisms are exactly the same ones that apply to each asset class. No special treatment is given to this type of investment.

84. **The Advisory Committee trusts that the Pension Fund will provide updated information on impact investment to the General Assembly at the time of its consideration of the present report as well as in the context of the next report of the Pension Board (see also A/77/7/Add.10, para. 69).**

V. Membership of the Investments Committee

85. It is stipulated in article 20 of the Regulations of the Fund that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. Accordingly, the Secretary-General conveyed to the Pension Board and to the Advisory Committee the proposal to reappoint four members as regular members for a three-year term, to appoint one member as a regular member for a three-year term and to appoint one member as an ad hoc member for a one-year term. The Advisory Committee conveyed its views on the proposal in a letter dated 16 October 2024.

VI. Conclusion

86. The recommendations and decisions of the Pension Board that require action by the General Assembly are contained in paragraphs 15 to 19 of its report (A/79/9). The proposed amendments to the Regulations and the Pension Adjustment System of the Pension Fund are contained in annexes IV and V to the same report.

87. **Subject to its observations and recommendations contained in the present report, the Advisory Committee recommends that the General Assembly approve the recommendations of the Pension Board. The Committee trusts that information on the financial implications of its recommendations will be presented to the Assembly at the time of its consideration of the present report.**