



INTERNAL AUDIT DIVISION

AUDIT REPORT

Audit of the United Nations Joint Staff Pension Fund actuarial process and methodology

Overall results relating to the Fund's actuarial process and methodology were assessed as satisfactory

FINAL OVERALL RATING: SATISFACTORY

10 December 2012

Assignment No. AS2012/800/1

CONTENTS

	<i>Page</i>
I. BACKGROUND	1
II. OBJECTIVES AND SCOPE	2
III. AUDIT RESULTS	3
IV. ACKNOWLEDGEMENT	4
 APPENDIX I Management response	

AUDIT REPORT

Audit of the United Nations Joint Staff Pension Fund Actuarial Process and Methodology

I. BACKGROUND

1. The Office of Internal Oversight Services (OIOS) conducted an audit of the United Nations Joint Staff Pension Fund's (UNJSPF or the Fund) actuarial process and methodology.
2. UNJSPF was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. There are currently 23 member organizations. In accordance with the Regulations adopted by the General Assembly, the Fund is administered by the UN Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. The Pension Board reports to the General Assembly on the operations of the Fund and on the investment of its assets.
3. As of 31 December 2011, the Fund had 120,774 active participants and 65,387 periodic benefits in payment. In 2011, the annual monthly benefit payments by the Fund amounted to \$2.0 billion, representing a 7.7 per cent increase over the prior year, with payments having been made in 15 currencies in some 190 countries.
4. Article 11 of the Fund's Regulations provides that the Board shall have an actuarial investigation made into the service, mortality and benefit experience of the participants and beneficiaries of the Fund and shall determine whether the actuarial bases of the Fund should be modified. Article 12 provides that an actuarial valuation shall be performed at least once every three years by the consulting actuary, and that the actuarial valuation report shall state the assumptions on which the calculations are based, the method of valuation used and the valuation results as well as any recommendations for the Board's appropriate action. The Fund has contracted the services of Buck Consultants, LLC. as the Consulting Actuary to the Board for the preparation of the actuarial valuation studies, which in practice have been conducted every two years, most recently for the valuation date of 31 December 2011. The Consulting Actuary also provides actuarial services and advice to the Chief Executive Officer, the Committee of Actuaries and the Pension Board.
5. The Committee of Actuaries is an advisory body of the Pension Board that provides it with independent professional advice on actuarial questions arising from the operation of the Fund's Regulations. The Committee's responsibilities include, *inter-alia*, review of the actuarial valuation report of the Consulting Actuary and the evaluation of services provided by the Consulting Actuary.
6. Comments provided by the UNJSPF Secretariat are incorporated in *italics*.

II. OBJECTIVES AND SCOPE

7. In accordance with its mandate, OIOS provides assurance and advice on the adequacy and effectiveness of the UNJSPF's internal control system, the primary objectives of which are to ensure (a) efficient and effective operations; (b) accurate financial and operational reporting; (c) safeguarding of assets; and (d) compliance with mandates, regulations, and rules. This audit was conducted to assess the adequacy and effectiveness of the Fund's governance, risk management and control processes in providing reasonable assurance regarding the actuarial process and methodology related to the performance of the Fund's biennial actuarial valuation.

8. This audit was included in the OIOS 2012 programme of work considering: (a) the results of the 2009 comprehensive risk assessment; and (b) the last actuarial audit was conducted by the Board of Auditors during its audit of UNJSPF for the 2000-2001 biennium.

9. OIOS contracted with an independent actuarial auditing firm to conduct the audit of the UNJSPF actuarial process and methodology. The audit was conducted from February to August 2012, and focused on the 31 December 2009 Actuarial Valuation of the UNJSPF.

10. The main objectives of the actuarial audit were to:

- Assess whether UNJSPF actuarial valuations are being performed in accordance with best practices and industry standards;
- Determine whether the data, assumptions and methods employed in the actuarial valuation were accurate, appropriate and reasonable for funding the benefits promised; and
- Verify through a review of sample lives that the data, assumptions and methods were applied accurately in the valuation.

11. The key control tested for this audit was the UNJSPF's risk management and financial forecasting capability – a control that provides reasonable assurance that risks relating to the financing of the Fund's operations are identified and assessed, and that a financial forecasting capability exists to anticipate and plan for any shortfalls. This key control was assessed for the control objectives shown in Table 1, namely (a) efficient and effective operations, (b) accurate financial and operational reporting, and (c) compliance with mandates, regulations and rules. The control objective related to safeguarding of assets was not assessed as this control was not relevant to the scope defined for the audit.

III. AUDIT RESULTS

12. The Fund's actuarial process and methodology, and related risk management and financial forecasting controls examined were assessed as **satisfactory** in providing reasonable assurance regarding the performance of the UNJSPF's 31 December 2009 actuarial valuation.

13. The overall rating is based on the assessment of the key control presented in Table 1 below.

Table 1: Assessment of key control

Business objective	Key control	Control objectives			
		Efficient and effective operations	Accurate financial and operational reporting	Safeguarding of assets	Compliance with mandates, regulations and rules
Performance of the UNJSPF actuarial valuations in accordance with best practices and industry standards	Risk management and financial forecasting capability	Satisfactory	Satisfactory	Not assessed	Satisfactory
FINAL OVERALL RATING: SATISFACTORY					

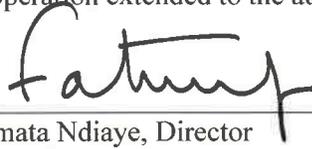
14. Overall, OIOS' actuarial audit concluded that the UNJSPF Consulting Actuary is appropriately addressing all major actuarial functions, and that the Consulting Actuary has employed generally accepted actuarial principles and practices in studying plan experience, selecting assumptions, applying actuarial cost methods, and determining actuarial liabilities, costs and employer contribution rates. Moreover, the actuarial procedures and practices were found to be of a high quality and in compliance with all major aspects of the applicable actuarial standards.

15. The actuarial audit made a number of recommendations to enhance the actuarial valuation methodology and for the Consulting Actuary to provide additional information in its actuarial valuation reports to better comply with Actuarial Standards of Practice. OIOS considers all of the recommendations to be opportunities for improvement and as such, OIOS will not monitor their implementation. Nonetheless, OIOS encourages the Fund to implement the recommended opportunities for improvement to further enhance the efficiency and effectiveness of the actuarial valuation process.

16. *The UNJSPF Secretariat stated that the actuarial audit report was comprehensive and that the Fund has scheduled a meeting with the Fund's Consulting Actuary to review the report in detail and discuss the report's recommendations. The results of the audit will also be presented to the Committee of Actuaries for their advice and comments. Based on this consultative process the Fund will determine the opportunities for improvement that will be implemented.*

IV. ACKNOWLEDGEMENT

17. OIOS wishes to express its appreciation to the Management and staff of the UNJSPF for the assistance and cooperation extended to the auditors during this assignment.



Ms. Fatoumata Ndiaye, Director
Internal Audit Division, OIOS