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Programme budget for the biennium 2012-2013

Proposed programme budget for the biennium 2014-2015

Administrative expenses of the United Nations Joint Staff Pension Fund and amendments to the regulations of the Fund

Report of the United Nations Joint Staff Pension Board

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Contents

Summary

The present report contains the revised budget for the United Nations Joint Staff Pension Fund for the biennium 2012-2013, which indicates a reduction in appropriations amounting to $8,370,300. This reduction comprises amounts under expenditures of administrative costs ($1,047,800) and investment costs ($7,432,200), offset partially by increases of $17,200 for audit costs and $92,500 for Board expenses. The revised appropriations for the biennium 2012-2013 would then amount to $185,730,600 divided into: administrative costs ($96,871,800), investment costs ($85,930,900), audit costs ($2,631,000) and Board expenses ($296,900). Of this amount, $20,929,600 is chargeable to the United Nations under the cost-sharing arrangement.

The report also contains budget estimates for the period from 1 January 2014 to 31 December 2015, which amount to $174,784,100 (before recosting) for administrative costs ($88,367,600), investment costs ($83,373,600), audit costs ($2,491,400), Pension Board expenses ($400,000) and extrabudgetary costs ($151,500). The report provides for a total of 234 continuing established posts, 10 temporary posts, 27 new established posts and 1 extrabudgetary post.

Resource requirements

	Resources (thousands of United States dollars)		*Posts*[a]	
Category	*Appropriations 2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Administrative	97 919.6	88 367.6	186	182
Investment	93 363.1	83 373.6	65	89
Audit	2 613.8	2 491.4		
Pension Board	204.4	400.0		
Extrabudgetary[b]	152.9	151.5	1	1
Total	**194 253.8**	**174 784.1**	**252**	**272**

[a] Includes 17 Integrated Pension Administration System temporary posts in 2012-2013 and 10 such posts in 2014-2015.
[b] One extrabudgetary General Service (Other level) post funded by member organizations.

The report also contains recommendations from the Pension Board on changes to the regulations of the Pension Fund effective 1 January 2014. As these specific changes are necessary and time-sensitive, they are being brought to the General Assembly for consideration in a budget year.

Action to be taken by the General Assembly

The Pension Board recommends the following to the General Assembly:

(a) The approval of a reduction in appropriations for 2012-2013 amounting to $8,370,300. The revised appropriations for the 2012-2013 biennium would then amount to $185,730,600, divided into administrative costs ($96,871,800), investment costs ($85,930,900), audit costs ($2,631,000) and Board expenses ($296,900). Of this amount, $164,801,000 would be apportioned to the Fund and $20,929,600 would be directly chargeable to the United Nations under the cost-sharing arrangement;

(b) The approval of a revised estimate for the biennium 2012-2013 amounting to $176,700 for extrabudgetary resources;

(c) The approval of the Pension Fund estimate for the 2014-2015 biennium amounting to $178,852,500, comprising administrative costs ($91,071,700) investment costs ($84,828,100), audit costs ($2,543,900) and Pension Board expenses ($408,800). Of this amount, $157,527,800 would be apportioned to the Fund and $21,324,700 to the United Nations under the cost-sharing arrangement;

(d) The approval of resources for the biennium 2014-2015 amounting to $155,800 for extrabudgetary costs and funded by a number of member organizations;

(e) The approval of an amount not exceeding $200,000 to supplement contributions to the Emergency Fund;

(f) The approval of amendments to article 1 (definition of normal retirement age), article 19 (investment of the assets), article 29 (early retirement benefit) and article 30 (deferred retirement benefit), as contained in annex V.

I. Overview

1. The United Nations Joint Staff Pension Fund 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; the combined number of active participants and beneficiaries in payment as of 31 December 2012 amounted to 188,775.

2. In accordance with the regulations adopted by the General Assembly, the Fund is administered by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. One third of the Board members are chosen by the General Assembly and the corresponding governing bodies of the other member organizations, one third by the executive heads and one third by the participants. The Pension Board reports to the General Assembly on the operations of the Fund and on the investment of its assets; the assets are managed by the Secretary-General after consultation with the Investments Committee and in the light of the observations and suggestions made from time to time by the Pension Board on investment policy. When necessary, the Board recommends amendments to the regulations, which govern, inter alia, the rates of contribution by the participants (currently 7.9 per cent of their pensionable remuneration) and by the organizations (currently 15.8 per cent), eligibility for participation and the benefits to which participants and their dependants may become entitled.

3. The expenses of the Pension Fund are met by the Pension Fund, and expenses incurred by member organizations are met by the organizations. All member organizations of the Pension Fund are required to provide their own Staff Pension Committee; however, the Fund is providing the services of a Staff Pension Committee of the United Nations (including its Funds and Programmes) on behalf of the United Nations. To reimburse the Pension Fund for the expenses incurred in providing these services on behalf of the United Nations, the Pension Fund and the United Nations have agreed on a cost-sharing arrangement. Accordingly, the budget estimates separate total resource requirements between the Pension Fund and the United Nations.

II. Budget estimates for the biennium 2012-2013: performance report

4. Table 1 summarizes the total estimated expenditures for the biennium 2012-2013. In order to make the performance report of the Fund more meaningful, the expenditures for the biennium comprise two distinct elements: (a) actual expenditures for the 18-month period from 1 January 2012 to 30 June 2013; and (b) estimated expenditures for the 6-month period from 1 July 2013 to 31 December 2013.

5. In resolution 66/247, the General Assembly approved appropriations for the biennium 2012-2013 totalling $194,100,900, comprising administrative costs ($97,919,600), investment costs ($93,363,100), audit costs ($2,613,800) and Board expenses ($204,400). Of this amount, $173,412,600 is chargeable directly to the Fund and $20,688,300 being the share of costs borne by the United Nations. In addition, resources amounting to $152,900 were authorized for extrabudgetary costs and funded by a number of member organizations.

Table 1
Revised estimates for the biennium 2012-2013 by object of expenditure

(Thousands of United States dollars)

	Approved appropriation			*Expenditure 1 January 2012-30 June 2013*			*Estimated expenditure 1 July-31 December 2013*			*Increase (decrease) for 2012-2013*			*Proposed final appropriation 2012-2013*		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
	(a)			*(b)*			*(c)*			*(d)=(b)+(c)-(a)*			*(e)=(a)+(d)*		
Administrative costs															
Posts	27 245.5	12 225.3	39 470.8	19 895.5	9 408.7	29 304.2	7 907.9	3 076.1	10 984.0	557.9	259.5	817.4	27 803.4	12 484.8	40 288.2
Temporary posts	3 670.8	–	3 670.8	1 772.7	–	1 772.7	818.9	–	818.9	(1 079.2)	–	(1 079.2)	2 591.6	–	2 591.6
Other staff costs	3 201.5	803.3	4 004.8	2 270.2	555.5	2 825.6	1 143.5	226.9	1 370.5	212.2	(20.9)	191.3	3 413.7	782.4	4 196.1
Consultants	306.7	–	306.7	372.3	–	372.3	–	–	–	65.6	–	65.6	372.3	–	372.3
Travel	1 251.5	–	1 251.5	918.1	–	918.1	303.1	–	303.1	(30.2)	–	(30.2)	1 221.3	–	1 221.3
Contractual services	29 082.7	3 465.9	32 548.6	25 389.4	3 371.8	28 761.2	2 694.2	94.0	2 788.1	(999.2)	(0.1)	(999.3)	28 083.5	3 465.8	31 549.3
Hospitality	4.1	–	4.1	4.6	–	4.6	(0.0)	–	(0.0)	0.5	–	0.5	4.6	–	4.6
General operating expenses	11 241.1	3 175.9	14 417.0	6 901.4	3 055.1	9 956.5	4 320.7	120.8	4 441.5	(19.0)	–	(19.0)	11 222.1	3 175.9	14 398.0
Supplies and materials	135.4	54.5	189.9	72.9	30.1	103.0	70.6	17.7	88.3	8.1	(6.7)	1.4	143.5	47.8	191.3
Furniture and equipment	1 527.4	528.0	2 055.4	481.9	132.2	614.0	1 042.8	402.3	1 445.0	(2.8)	6.4	3.7	1 524.6	534.4	2 059.1
Total	**77 666.7**	**20 252.9**	**97 919.6**	**58 078.9**	**16 553.3**	**74 632.2**	**18 301.8**	**3 937.8**	**22 239.6**	**(1 286.0)**	**238.2**	**(1 047.8)**	**76 380.7**	**20 491.1**	**96 871.8**
Investment costs															
Posts	17 830.9	–	17 830.9	11 570.2	–	11 570.2	4 666.8	–	4 666.8	(1 593.9)	–	(1 593.9)	16 237.0	–	16 237.0
Other staff costs	2 953.2	–	2 953.2	1 785.0	–	1 785.0	1 032.8	–	1 032.8	(135.4)	–	(135.4)	2 817.8	–	2 817.8
Consultants	1 201.7	–	1 201.7	573.5	–	573.5	487.1	–	487.1	(141.1)	–	(141.1)	1 060.6	–	1 060.6
Travel	2 044.0	–	2 044.0	1 038.0	–	1 038.0	428.0	–	428.0	(578.0)	–	(578.0)	1 466.0	–	1 466.0
Contractual services	63 919.2	–	63 919.2	43 142.7	–	43 142.7	15 794.7	–	15 794.7	(4 981.8)	–	(4 981.8)	58 937.4	–	58 937.4
Hospitality	22.5	–	22.5	13.9	–	13.9	8.7	–	8.7	0.1	–	0.1	22.6	–	22.6
General operating expenses	4 512.6	–	4 512.6	3 684.5	–	3 684.5	827.4	–	827.4	(0.7)	–	(0.7)	4 511.9	–	4 511.9
Supplies and materials	163.5	–	163.5	112.9	–	112.9	49.7	–	49.7	(0.9)	–	(0.9)	162.6	–	162.6
Furniture and equipment	715.5	–	715.5	86.0	–	86.0	628.8	–	628.8	(0.7)	–	(0.7)	714.8	–	714.8
Total	**93 363.1**	**–**	**93 363.1**	**62 006.8**	**–**	**62 006.8**	**23 924.1**	**–**	**23 924.1**	**(7 432.2)**	**–**	**(7 432.2)**	**85 930.9**	**–**	**85 930.9**

	Approved appropriation			Expenditure 1 January 2012-30 June 2013			Estimated expenditure 1 July-31 December 2013			Increase (decrease) for 2012-2013			Proposed final appropriation 2012-2013		
	Pension Fund	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*	*Pension Fund*	*United Nations*	*Total*
	(a)			*(b)*			*(c)*			*(d)=(b)+(c)-(a)*			*(e)=(a)+(d)*		
Audit costs															
External audit	659.8	132.0	791.8	645.6	129.1	774.65	–	–	–	(14.3)	(2.9)	(17.2)	645.6	129.1	774.7
Internal audit	1 518.6	303.4	1 822.0	1 111.1	222.2	1 333.4	435.8	87.2	523.0	28.3	6.0	34.3	1 546.9	309.4	1 856.3
Total	**2 178.4**	**435.4**	**2 613.8**	**1 756.7**	**351.3**	**2 108.0**	**435.8**	**87.2**	**523.0**	**14.1**	**3.1**	**17.2**	**2 192.5**	**438.5**	**2 631.0**
Board expenses	204.4	–	204.4	241.8	–	241.8	55.1	–	55.1	92.5	–	92.5	296.9	–	296.9
Total resources	**173 412.6**	**20 688.3**	**194 100.9**	**122 084.2**	**16 904.6**	**138 988.8**	**42 716.8**	**4 025.0**	**46 741.8**	**(8 611.6)**	**241.3**	**(8 370.3)**	**164 801.0**	**20 929.6**	**185 730.6**
Extrabudgetary costs (after-service health insurance system)															
Operational activities	**152.9**		**152.9**	**128.5**	**–**	**128.5**	**48.2**	**–**	**48.2**	**23.8**	**–**	**23.8**	**176.7**	**–**	**176.7**

6. Total expenditure for the biennium 2012-2013 is estimated at $185,730,600, comprising administrative costs ($96,871,800), investment costs ($85,930,900), audit costs ($2,631,000) and Board expenses ($296,900), resulting in an underexpenditure of $8,370,300, or 4.3 per cent of the total appropriation. The projected expenditure of $176,700 for extrabudgetary costs will result in an overexpenditure of $23,800, or 15.5 per cent of the extrabudgetary appropriation.

A. Administrative costs

7. The $96,871,800 estimated administrative costs for the biennium 2012-2013 will result in an underexpenditure of $1,047,800, or 1.1 per cent. The main variance contributing to the underexpenditure is attributable primarily to the Integrated Pension Administration System project (IPAS), offset in part by the overexpenditure itemized below.

8. The main variances are set out below.

Temporary posts — underexpenditure of $1,079,200

9. The underexpenditure of $1,079,200, or 29.4 per cent, is attributable to a refinement of the IPAS project plan, which included (a) a staggered recruitment of the IPAS team in order to better synchronize the needs of the project with the particular set of skills of team members (for example, the hiring of the UNIX Administrator was timed to coincide with the availability of the hardware infrastructure to be deployed to the project); and (b) the compacting of expert functions whenever possible to maximize the individual contribution of project team members.

Consultants — overexpenditure of $65,600

10. The overexpenditure of $65,600, or 21.4 per cent, results from the increased requirements for International Public Sector Accounting Standards (IPSAS) consultancy services during the preparation for IPSAS implementation, effective 1 January 2012, and for ongoing support during the preparation of the Fund's first IPSAS-compliant financial statements for the year 2012.

Hospitality — overexpenditure of $500

11. The slight overexpenditure of $500, or 11.6 per cent, is the result of hosting an event that was originally planned to include fewer participants.

Other staff costs — overexpenditure of $191,300

12. The overexpenditure of $191,300, or 4.8 per cent, is attributable to increased costs of after-service health insurance premiums paid on behalf of former staff members.

Projects undertaken in the biennium 2012-2013

Integrated Pension Administration System initiative

13. During the 2012-2013 biennium, the Fund successfully concluded all pre-implementation activities. Moreover, the Fund: (a) completed the construction

of a comprehensive data dictionary and performing data-cleansing activities; (b) completed the production of the full set of calculation formulas; (c) completed the review of current documentation and procedures with the goal of identifying opportunities for streamlining; (d) completed documentation of re-engineering of the Fund's processes in accordance with the new target operating model and the new operational paradigm; (e) updated the technical documentation for interfaces that exist between the current systems and other entities; (f) created the first set of test libraries; (g) performed a fit/gap analysis to ensure that the selected solution fits the needs of the Fund and to address any gaps that exist early on; and (h) conducted a best practice study to provide guidance on the new contribution process. During the biennium, the Fund also initiated the implementation phase of the project.

14. As at 1 May 2013, 74 of the 376 original business requirements have already been designed, tested and implemented. The implementation of the project continues to progress as planned, and it is expected that the new fully integrated system solution will be operational by the end of 2014.

Member organization information-sharing initiative

15. The member organization information-sharing initiative, now known as the pension interface programme, is a series of projects that establish automated interfaces between participating member organizations and the Fund. The interfaces capture required information about participants employed by member organizations. The scope of the programme includes two main interfaces consisting of the human resources interface and the financial (contribution) interface.

16. Currently, over 80 per cent of human resource data from the participant population is electronically captured via seven different interfaces which are mainframe-based point-to-point solutions, requiring substantial recurring maintenance. This maintenance and support will continue through the implementation of IPAS in 2014. The mainframe is scheduled to be decommissioned upon the successful deployment of the IPAS project. Mainframe-based "legacy" interfaces will be replaced with a new interface solution aligned with the IPAS initiative, which will also require maintenance but at an expected lower rate. There are currently four groups of legacy interfaces: Integrated Management Information System (IMIS) interfaces, agency interfaces, PeopleSoft interfaces and batch status reports.

17. At present, member organizations provide contribution-related information at the individual participant level on an annual basis in a predefined format as part of the Fund's "year-end" process. There are 80 reporting entities, consisting largely of United Nations offices away from Headquarters that report directly from their local offices.

18. From 2013 onward, the Fund intends to collect monthly contributions data from member organizations for individual participants in any format available to the organization. A proof of concept has been successfully developed in cooperation with the United Nations that interfaces with the United Nations financial system (IMIS). Eight United Nations family organizations were included in the proof of concept, representing 25,694 participants. While the process and technology used to collect data from member organizations will vary by organization, it is expected that flexibility by the Fund in accepting data in non-standardized formats will provide the best opportunity for achieving results in the short term and with less infrastructure expense.

B. Investment costs

19. Total expenditure for the biennium 2012-2013 is estimated at $85,930,900, resulting in an underexpenditure of $7,432,200, or 8.0 per cent. The main variances that contribute to the net underexpenditure are set out below.

Travel — underexpenditure of $578,000

20. The underexpenditure of $578,000, or 28.3 per cent, is attributable to a number of factors, including a reduced number of trips in the Investments Section and in the Risk and Compliance Section owing to exigencies of service while vacant posts were being filled and necessary projects were completed, the replacement of travel by videoconferences, combining trips and taking advantage of company visits to New York.

Consultants — underexpenditure of $141,100

21. The underexpenditure of $141,100, or 11.7 per cent, results from the postponement of planned consultancies relating to hedge fund monitoring procedures, a frontier market strategy and socially responsible investments owing to the market environment, which was not supportive of these types of investments.

Posts — underexpenditure of $1,593,900

22. The underexpenditure of $1,593,900, or 8.9 per cent, is attributable mainly to delayed recruitment against vacancies.

Contractual services — underexpenditure of $4,981,800

23. The underexpenditure of $4,981,800, or 7.8 per cent, results primarily in the Investments Section from delays in the procurement of contracts with the public real estate manager and the analytical tools provider as well as the decision to delay contractual arrangements with a hedge funds adviser, until adequate staffing is in place for this asset class ($2,900,000).

24. The remaining underexpenditure falls in the Operations Section and is derived from (a) the successful extension of the existing Northern Trust global custody services contract for developed markets after negotiations failed with a more expensive vendor; and (b) the delay of the new global tax adviser contract that became effective in January 2013.

25. The total underexpenditure has been offset in part by higher payments to small capitalization fund managers as a result of good performance, as these fees are based on the overall market value of the assets they manage.

Other staff costs — underexpenditure of $135,400

26. The underexpenditure of $135,400, or 4.6 per cent, is attributable mainly to decreased requirements for training, offset in part by increased requirements for overtime. In the Investments Section and the Office of the Director, less staff participated in training owing to exigencies of service and staff attended seminars and conferences with no or nominal fees. Unspent funds in the Operations Section results from (a) attending in-house IPSAS training instead of external training; and

(b) reduced participation in back-office operations training owing to exigencies of service.

27. Savings in training were offset in part by increased requirements for overtime in the Operations Section and Information Systems Section, as a result of the implementation of IPSAS and of the ongoing Murex back-office system.

Projects undertaken in the biennium 2012-2013

28. Table 2 shows the status of information technology projects funded and undertaken in the biennium 2012-2013.

Table 2
Status of projects, biennium 2012-2013
(United States dollars)

Project	*Projected/actual completion date*	*Appropriation*	*Estimated expenditure*	*Underexpenditure*
Portfolio accounting and reconciliation	March 2014	1 100 000	1 100 000	–
Data hub system	not applicable	950 000	300 000	(650 000)
Omgeo	December 2012	100 000	86 200	(13 800)
Total		**2 150 000**	**1 486 200**	**(663 800)**

Portfolio accounting and reconciliation system

29. The portfolio accounting and reconciliation system was awarded to Murex North America in April 2010, and the legal contract was signed in February 2011. The project kick-off meeting took place on 16 February 2011. The Investment Management Division finalized the implementation plan of the first phase (processing input trades from Charles River and enrichment/settlement of trades then sent via the Society for Worldwide Interbank Financial Telecommunication (SWIFT)) by 30 December 2012. It is estimated that the project will be completed by 31 December 2014. It is important to note that this project encompasses the conversion to IPSAS for investment activities.

Data hub system

30. As of February 2011, the Investment Management Division had completed the first technical evaluation. The second technical evaluation was performed in the second half of 2012 and the Division will explore future options for data hub development during the next biennium.

Omgeo system

31. The Investment Management Division finalized the implementation of the Omgeo system, an electronic confirmation and affirmation of equity trades, in December 2012.

C. Audit costs

32. Total expenditure for the biennium 2012-2013 is estimated at $2,631,000, resulting in a slight overexpenditure of $17,200 owing to slightly increased general temporary assistance requirements for internal audit ($34,300), offset in part by a decreased requirement for the Board of Auditors costs of $17,200.

D. Board expenses

33. Total expenditure for the biennium 2012-2013 is estimated at $296,900, resulting in an overexpenditure of $92,500 or 45.3 per cent. The overexpenditure is attributable to higher travel costs than anticipated related to the Working Group on Sustainability.

E. Extrabudgetary costs

34. Total expenditure for the biennium 2012-2013 is estimated at $176,700, resulting in an overexpenditure of $23,800, or 15.5 per cent. This is attributable to actual staff salary costs being higher than the budgeted standard salary cost for a General Service (Other level) post.

III. Budget estimates for the biennium 2014-2015: results-based-budgeting frameworks and analysis of resource requirements

A. Introduction

1. Overview

35. The United Nations Joint Staff Pension Fund is a multi-employer defined benefit plan providing retirement, death, disability and related benefits to more than 67,600 retirees and beneficiaries. Currently, some 121,000 active participants from 23 member organizations of the Fund are accumulating pension rights and continue to be serviced by the Fund. The assets of the Fund stood at almost $45 billion at the end of 2012. The Pension Fund is self-administered in accordance with regulations adopted by the General Assembly. The Pension Board is responsible for managing the Fund and reports annually to the General Assembly. The day-to-day operations of the Fund are overseen by the Chief Executive Officer, and the Fund has currently 235 posts, excluding the IPAS temporary posts. A detailed description of the Fund and its day-to-day operations is included in this budget and the accompanying supplement.

36. Fund investments are decided by the Secretary-General, who has delegated this responsibility to his representative, who in turn manages the Fund's Investment Management Division. The Division is responsible for the investment and accounting of the Fund assets with the objective to ensure an adequate level of investment return in line with the Fund's risk tolerance philosophy and the requirements posed by its liabilities.

Long-term objectives

37. In the Fund's 2014-2015 strategic framework, the Fund identified the following as its long-term objectives: (a) strengthening the Fund's operating model; (b) improving the management of risks and internal controls; (c) enhancing information systems; (d) increasing the quality and efficiency of the services provided, including communication and outreach efforts; (e) promoting social and environmental responsibility; and (f) ensuring the sustainability of the Fund at a real rate of return of 3.5 per cent.

Drivers for change

38. The Fund is addressing these objectives in an ever-changing, complex and uncertain environment. The drivers for change include the dramatic growth of the Fund over the past 15 years (from 112,604 participants and beneficiaries in 1998 to 188,775 in 2012, or a 68 per cent increase); an enlarged group of staff members retiring and increased longevity of retirees who have specific service needs; the highly volatile financial and economic environment with changing foreign exchange rates and consumer price indexes (CPIs); the complex and evolving plan design that reflects societal and legislative changes; the high level of maturity of the Fund that requires enhanced solvency management processes to respond to the challenges of the interdependency of assets and liabilities; the global change in information technology systems and technology, coupled with changes in the member organizations of the Fund; and finally, being a defined benefit plan, the Fund needs to provide fixed annual income security to participants during the retirement years independently of the financial market fluctuations. In order to operate effectively and efficiently in this complex environment, the Fund is constantly adapting its processes and procedures, modernizing its information technology systems and strengthening its internal control framework. Also, in order to maintain solvency in this challenging environment, the Fund requires that the Investment Management Division ensures a real rate of return of 3.5 per cent in the long term.

Management response

39. In these circumstances, management must continue to ensure that staffing and organizational structure keeps pace with the growth and operational requirements. In addition, the organizational culture of the Fund needs to adapt to the new uncertainty; it needs to recognize that constant change appears to have become more of a norm than an exception. The Fund needs to respond to the challenges by becoming more agile: it needs to become more responsive, flexible, adaptable and innovative. This all originates from the nature of the business of the Fund, which is essentially that of a financial institution.

40. Management vision for change includes enhancing risk management and the internal control framework; stepping up strategic planning; monitoring and improving operational performance; implementing the IPAS project; and establishing a learning organization with service orientation. To address key person risks, the Fund needs to actively address the vulnerabilities caused by the departure of long-serving, experienced staff with institutional memory, knowledge and understanding of the intricacies of the Fund's unique benefit provisions.

41. While the Fund is going through the paradigm shift brought by IPAS, the second phase of updating and upgrading information systems and modernizing

processes for further productivity and excellence in service should start almost simultaneously. The core function of the Fund secretariat is to pay and administer pension benefits, not only for the current participants and retirees, but for future generations. Therefore, while the goal is constant modernization and an efficiency-driven culture, it should be recognized that, in the future, there will be a need to reconsider the organizational structure to ensure that the Fund can address the continuing increases in the number of clients and their service needs, as well as the ensuing operational needs to meet the pension promise.

42. The core function of the Investment Management Division is to manage the assets of the Fund to provide fixed annual income security to participants during the retirement years independently of the financial market fluctuations. Through strategic guidance and policy setting, the objective of the Division is to ensure the sustainability of the Fund by achieving an optimal, real return of 3.5 per cent in the long term without undue risk. While the Fund secretariat will need to reconsider its organizational structure in the future, the Division needs to strengthen its organizational structure during the current biennium, as the need to immediately mitigate operational risks is imperative to efficiently meet the Fund's long-term objectives.

Redeployments

43. The implementation of IPAS will lead to more efficient use of resources. It will establish an operational set-up and control environment that in the long run will achieve increased operational capacity and significant improvements in service levels. In the present budget proposal, the Fund secretariat is already reducing $10.9 million from its information technology sector, of which $6.9 million is related to the finalization of IPAS and $4.0 million is related to efficiency savings, including a $3.8 million reduction in services provided by the International Computing Centre (ICC). Of this total reduction, $3.4 million is attributable directly to efficiency gains related to IPAS, including $0.8 million related to a reduction of ICC technical support and $2.6 million associated with the decommissioning of the mainframe. These reductions stem from significant streamlining of the operational and information technology environment and are in addition to the future savings to be expected from IPAS. Furthermore, given the pressing need to focus on client services and considering the overall aim to optimize the Fund's existing resources wherever possible, the Chief Executive Officer decided to redeploy a P-5 post (the former Chief of the Financial Services Section) to the Client Services, Records Management and Distribution Section in Operations. Supervisor functions of the former Chief of the Financial Services Section have been assigned to the Chief Financial Officer. Moreover, the Chief Financial Officer's role has also been enhanced by providing additional financial authorities in respect to the Investment Management Division. This also adequately responds to an audit observation from the Board of Auditors as well as recommendations from the Audit Committee. In addition, one General Service (Other level) post was redeployed from the Office of the Chief Executive Officer to the Client Services Section, Operations. This addresses excessive workloads (and a potential "operational bottleneck") in the Records Management Unit ensuring that incoming documentation and cases are opportunely scanned, indexed and routed in the workflow system in order to be opportunely and adequately processed. This will strengthen the Client Services Section and respond to the long-term objective of increasing the quality and

efficiency of services provided to the 188,775 beneficiaries and participants of the Fund.

44. As the needs of the Investment Management Division have changed over the last biennium, the proposal aims to strengthen the current overall structure to mitigate the operational risks that jeopardize the sustainability of the Fund. In line with the proposal to establish a full-time Representative of the Secretary-General for investments, the existing D-2 post in the Division is being redeployed to the Investment Section to oversee the private and public markets. This change is needed in order to keep the Fund current and to take advantage of the complex market environment in which the Division operates.

Missing technical capacity

45. The Fund faces a variety of risks which need to be addressed and managed; among the most critical is the potential failure to meet the pension promise. The Fund's most recent risk assessment study, completed in January 2013, concluded the following:

> The most significant risk to the United Nations Joint Staff Pension Fund is sustainability, namely the ability of the Fund to meet its obligation to its participants. With global life expectancy rising and increasingly volatile investment returns, the issue of sustainability moves front and centre and must continue to be actively managed and monitored.

46. In the present budget proposal, the Fund secretariat's request already considers using the maximum efficiencies possible in the Fund's current structure — to establish an integrated technical capacity, the critical key function currently missing in the organizational structure. By redeploying the current staff from the Office of the Chief Executive Officer (the Special Assistant, the Risk Officer and the Statistician), repositioning the Legal Office and requesting two new posts (1 Chief of Service (D-1) and 1 General Service (Other level)), the Fund secretariat proposes the establishment of a professional, dedicated technical service, distinct from executive direction and management. Such capacity would enhance the Fund's ability to understand and oversee key solvency issues, as well as provide adequate and professional integrated analysis for informed decision-making at the legislative and managerial levels.

47. In this budget proposal, the Investment Management Division is presenting an increase in posts to align with the fundamental need to mitigate operational risks. To strengthen the senior management, the Division is proposing a full-time role for the Representative of the Secretary-General and securing resources at a level geared at fully mitigating the current high operational risks owing to the lack of appropriate resources.

Internal control and supporting procedures

48. The Integrated Pension Administration System will change the way the Fund interfaces with member organizations for the exchange of correct participant data, which is key for the Fund to continue to operate accurately and efficiently.

49. Along with improving its accountability and internal control processes, the Fund has also seen significant changes in its reporting and disclosure processes and requirements during the biennium. Beginning in 2012, the Fund adopted IPSAS,

which will lead to improved internal control and better governance of the Fund as well as enhanced transparency through improved financial statement disclosures.

Investment Management Division financial business application software

50. In the biennium 2010-2011, the Investment Management Division introduced a plan for improving its financial business application software by (a) incorporating investment operations' best practices; and (b) streamlining investment processes such as exception based straight through processing and automated trade settlement instruction enrichment. The new business applications will provide competitive advantage to the portfolio managers by enabling them to make the right investment decisions at the right time to safeguard investments and increase profitability. The financial business application software is being built by integrating several best-of-breed, off-the-shelf, financial market business applications that will enable (a) front-to-back processing of investment transactions, (b) a wide range of real-time reporting and (c) real-time access to accurate market data. The new software will support the dual custodians and independent market record-keeper structure. The financial business application software includes risk management, trade order management, several trade execution platforms, compliance monitoring, secure financial communication, operations, accounting, reconciliation, electronic trade confirmation and affirmation and market data acquisition and dissemination. Most of these individual business applications have been purchased and are in various stages of implementation, and it is expected that the financial business application software will be fully implemented by the end of the biennium 2014-2015.

Results-based budgeting, methodology and terminology

51. The current budget submission follows the results-based budgeting format. Resources have been requested in line with the Fund's programmes, and all justification and supporting information is contained in the supplementary financial information to the proposed budget.

52. The Fund consists of the Fund secretariat and the Investment Management Division. Although the overall resources are requested in totality, the breakdown of post and non-post requirements is presented separately under subsections for the Fund secretariat and the Division.

53. The following factors have been used in the calculation of resources:

(a) The 2012-2013 appropriation for posts was approved at 2010-2011 standard salary costs. The proposed 2014-2015 post requirements, as presented in table 5, have been recosted to 2012-2013 standard salary costs and then recosted again to 2014-2015 rates using version 21 of the New York and Geneva 2012-2013 standard salary cost tables;

(b) Delayed recruitment factors for both New York and Geneva for 2014 and 2015 have been applied to the New York and Geneva 2012-2013 standard salary cost tables, respectively, for continuing Professional posts (92.4 per cent), new Professional posts (50.0 per cent), continuing General Service posts (94.7 per cent) and new General Service posts (65.0 per cent);

(c) The average annual rates of inflation applied for 2014 and 2015 for New York are 2.10 and 2.30 per cent, respectively, and for Geneva are 0.10 and 1.10 per cent, respectively;

(d) The exchange rate applied for 2014 and 2015 for Geneva is 0.921;

(e) Within the framework of the cost-sharing arrangement between the United Nations and the Fund, the ratios of one third and two thirds, respectively, will continue to be applied to the specific elements of administration, with the exception of the cost of posts in the Information Management Systems Service and the Executive Office. On the basis of the ratio of approved 2012-2013 posts for the secretariat (169) to those for the Investment Management Division (65), plus specific project posts (17) and one extrabudgetary post, only 67.1 per cent of the cost of the posts in the Information Management Systems Service and the Executive Office will be subjected to the cost-sharing arrangement.

2. Overall resources requested

54. Human and financial resources requested for the Fund as a whole are given below, along with estimated extrabudgetary resources and details of additional post requirements. The discussions in the Pension Board on the budget estimates for the biennium 2014-2015 as well as the recommendations of the Board's budget working group are contained in annex I.

55. The estimated percentage distribution of resources and the resources requested by component for the Fund are summarized in tables 3 and 4, respectively.

Table 3
Percentage distribution of resources by component

Component	*Regular budget*	*Extrabudgetary*
A. Executive direction and management		
1. Administration	3.9	–
2. Investments	4.1	–
B. Programme of work		
1. Administration	20.3	100.0
2. Investments	28.7	–
Subtotal, B	**49.0**	**100.0**
C. Support		
1. Information technology		
Administration	19.0	–
Investments	11.2	–
2. Administrative support		
Administration	7.3	–
Investments	3.7	–
Subtotal, C	**41.3**	**–**
D. Audit	1.4	–
E. Pension Board	0.2	–
Total	**100.0**	**100.0**

Table 4
Resource requirements by component
(Thousands of United States dollars)

Component	2012-2013	Resource growth: Amount	Resource growth: Percentage	Total before recosting	Recosting	Apportionment: United Nations	Apportionment: Pension Fund	2014-2015 estimate
Regular budget								
A. Executive direction and management								
1. Administration	6 454.8	425.5	6.6	6 880.3	132.3	926.4	6 086.3	7 012.6
2. Investments	7 190.6	(18.1)	(0.3)	7 172.5	140.9	–	7 313.3	7 313.3
B. Programme of work								
1. Administration	35 453.0	40.2	0.1	35 493.1	1 848.2	10 913.3	26 428.1	37 341.3
2. Investments	64 234.6	(14 083.1)	(21.9)	50 151.5	878.0	–	51 029.5	51 029.5
Subtotal, B	**99 687.6**	**(14 042.9)**	**(14.1)**	**85 644.6**	**2 726.2**	**10 913.3**	**77 457.5**	**88 370.8**
C. Support								
1. Information technology								
Administration	44 092.5	(10 890.8)	(24.7)	33 201.7	601.0	5 184.7	28 618.0	33 802.7
Investments	17 909.8	1 685.2	9.4	19 595.0	392.8	–	19 987.8	19 987.8
2. Administrative support								
Administration	11 919.3	873.2	7.3	12 792.5	122.6	3 876.4	9 038.6	12 915.0
Investments	4 028.1	2 426.5	60.2	6 454.6	42.9	–	6 497.5	6 497.5
Subtotal, C	**77 949.7**	**(5 905.9)**	**(7.6)**	**72 043.8**	**1 159.2**	**9 061.1**	**64 142.0**	**73 203.1**
D. Audit	2 613.8	(122.4)	(4.7)	2 491.4	52.4	424.0	2 119.9	2 543.9
E. Pension Board	204.4	195.6	95.7	400.0	8.8	–	408.8	408.8
Total	**194 100.9**	**(19 468.2)**	**(10.0)**	**174 632.7**	**4 219.8**	**21 324.7**	**157 527.8**	**178 852.5**
Extrabudgetary	**152.9**	**(1.4)**	**(0.9)**	**151.5**	**4.3**	**–**	**155.8**	**155.8**

56. As indicated in table 5, the overall decrease in resources requested amounts to $19,468,200 (before recosting), or 10.0 per cent, attributable to decreases in administrative costs ($9,552,000), investment costs ($9,989,500) and audit costs ($122,400), offset by increases in board expenses ($195,600).

57. The decrease in resources of $9,552,000 in administrative costs comprises the net effect of the proposed increase in established posts ($503,900) and the proposed decreases in temporary posts ($2,531,400) and non-post resources ($7,524,500). The decrease in non-post costs is attributable primarily to the reduction in contractual services ($9,997,600), a large portion of which is due to the finalization of the IPAS project in 2014 ($6,555,900) and aforementioned further reductions in ICC services as a result of efficiency gains as well as reductions in furniture and equipment ($304,300). These decreases are offset in part by increases in other staff costs ($1,281,800), consultants ($518,300), travel ($148,500), general operating costs ($813,300) and supplies and materials ($15,500).

58. The decrease in resources of $9,989,500 in investment costs comprises the net effect of the increase in posts ($4,973,000), of which $1,099,900 is attributable to the delayed impact of 7 new posts approved in the biennium 2012-2013, and a decrease in non-post costs of $14,962,500. The decrease in non-post costs is due primarily to a reduction in contractual services ($17,772,300) following the proposal to remove external management fees for small capitalization funds and publicly traded real estate from the Pension Fund administrative budget and a decrease in other staff costs ($464,800), offset by increases in operating expenses owing to rental of premises and reconstruction costs associated with the proposed 24 new posts ($2,513,500), consultants ($257,300), travel ($280,800), hospitality ($1,500), supplies and materials ($10,600) and furniture and equipment ($210,900).

59. The decrease in resources for audit costs, amounting to $122,400, relates to decreased requirements for internal audit ($105,200), primarily as a result of decreased requirements for contractual services, and a decreased requirement for external audit ($17,100), based on actual costs.

60. The increase in resources for Board expenses of $195,600 is attributable primarily to the establishment of a new Assets and Liabilities Monitoring Committee.

Table 5
Financial resource requirements
(Thousands of United States dollars)

Category	2010-2011 expenditure	2012-2013 appropriation	Resource growth: Amount	Resource growth: Percentage	Total before recosting	Recosting[a]: 2010-2011 to 2012-2013	Recosting[a]: 2012-2013 to 2014-2015	Apportionment: United Nations	Apportionment: Pension Fund	Estimate: 2014-2015	Estimate: 2014	Estimate: 2015
Administrative costs												
Posts	36 546.3	39 470.8	503.9	1.3	39 974.6	1 161.8	766.3	12 946.5	28 956.2	41 902.7	20 771.9	21 130.8
Temporary posts	1 275.1	3 670.8	(2 531.4)	(69.0)	1 139.4	(4.2)	57.9	–	1 193.1	1 193.1	1 193.1	–
Other staff costs	4 111.6	4 004.8	1 281.8	32.0	5 286.6	–	84.6	975.6	4 395.6	5 371.2	2 735.4	2 635.8
Consultants	449.2	306.7	518.3	169.0	825.0	–	18.0	–	843.0	843.0	495.2	347.8
Travel	1 163.2	1 251.5	148.5	11.9	1 400.0	–	29.0	–	1 429.0	1 429.0	766.7	662.3
Contractual services	17 497.2	32 548.6	(9 997.6)	(30.7)	22 551.0	–	377.0	2 949.3	19 978.7	22 928.0	14 188.7	8 739.3
Hospitality	8.2	4.1	–	–	4.1	–	0.1	–	4.2	4.2	2.1	2.1
General operating expenses	14 620.0	14 417.0	813.3	5.6	15 230.3	–	171.5	3 454.1	11 947.6	15 401.7	7 563.2	7 838.6
Supplies and materials	362.3	189.9	15.5	8.2	205.4	–	3.7	69.7	139.4	209.1	104.4	104.8
Furniture and equipment	1 516.3	2 055.4	(304.3)	(14.8)	1 751.1	–	38.5	505.5	1 284.1	1 789.7	894.0	895.7
Total	**77 549.4**	**97 919.6**	**(9 552.0)**	**(9.8)**	**88 367.6**	**1 157.5**	**1 546.6**	**20 900.7**	**70 171.0**	**91 071.7**	**48 714.6**	**42 357.1**
Investment costs												
Posts	13 291.3	17 830.9	4 973.0	27.9	22 803.9	(336.0)	553.4	–	23 021.4	23 021.4	11 227.2	11 794.2
Other staff costs	1 249.1	2 953.2	(464.8)	(15.7)	2 488.4	–	58.4	–	2 546.8	2 546.8	1 403.2	1 143.6
Consultants	896.1	1 201.7	257.3	21.4	1 459.0	–	32.6	–	1 491.6	1 491.6	478.3	1 013.3
Travel	1 271.2	2 044.0	280.8	13.7	2 324.8	–	50.9	–	2 375.7	2 375.7	1 297.0	1 078.7
Contractual services	35 579.3	63 919.2	(17 772.3)	(27.8)	46 146.9	–	1 015.4	–	47 162.2	47 162.2	23 492.1	23 670.1
Hospitality	33.5	22.5	1.5	6.7	24.0	–	0.5	–	24.5	24.5	12.3	12.3
General operating expenses	3 785.1	4 512.6	2 513.5	55.7	7 026.1	–	55.2	–	7 081.3	7 081.3	3 172.7	3 908.6
Supplies and materials	98.2	163.5	10.6	6.5	174.1	–	3.8	–	177.9	177.9	88.9	89.1
Furniture and equipment	527.8	715.5	210.9	29.5	926.4	–	20.2	–	946.6	946.6	575.3	371.2
Total	**56 731.6**	**93 363.1**	**(9 989.5)**	**(10.7)**	**83 373.6**	**(336.0)**	**1 790.4**	**–**	**84 828.1**	**84 828.1**	**41 747.0**	**43 081.1**

			Resource growth			Recosting[a]		Apportionment		Estimate		
Category	*2010-2011 expenditure*	*2012-2013 appropriation*	*Amount*	*Percentage*	*Total before recosting*	*2010-2011 to 2012-2013*	*2012-2013 to 2014-2015*	*United Nations*	*Pension Fund*	*2014-2015*	*2014*	*2015*
Audit costs												
External audit	661.2	791.8	(17.1)	(2.2)	774.7	–	–	129.1	645.5	774.7	387.3	387.3
Internal audit	1 416.8	1 822.0	(105.2)	(5.8)	1 716.8	–	52.4	294.9	1 474.4	1 769.2	876.7	892.5
Total	**2 078.0**	**2 613.8**	**(122.4)**	**(4.7)**	**2 491.4**	**–**	**52.4**	**424.0**	**2 119.9**	**2 543.9**	**1 264.0**	**1 279.9**
Board expenses	**204.3**	**204.4**	**195.6**	**95.7**	**400.0**	**–**	**8.8**	**–**	**408.8**	**408.8**	**204.2**	**204.6**
Total resources required	**136 563.3**	**194 100.9**	**(19 468.2)**	**(10.0)**	**174 632.6**	**821.6**	**3 398.3**	**21 324.7**	**157 527.8**	**178 852.5**	**91 929.8**	**86 922.7**
Extrabudgetary costs												
Operational activities	**130.6**	**152.9**	**(1.4)**	**(0.9)**	**151.5**	**–**	**4.3**	**–**	**155.8**	**155.8**	**76.9**	**78.9**

[a] Subject to established procedures of the United Nations.

Table 6
Human resources requirements

Category	Established posts 2012-2013	Established posts 2014-2015	Temporary posts 2012-2013	Temporary posts 2014-2015	Extrabudgetary posts 2012-2013	Extrabudgetary posts 2014-2015	Total 2012-2013	Total 2014-2015
Administrative								
Professional and higher								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	4	5	–	–	–	–	4	5
P-5	9	9	1	1	–	–	10	10
P-4	20	20	7	4	–	–	27	24
P-3	24	25	4	2	–	–	28	27
P-2/1	1	1	–	–	–	–	1	1
Subtotal	**60**	**62**	**12**	**7**	–	–	**72**	**69**
General Service								
Principal level	10	10	–	–	–	–	10	10
Other level	99	100	5	3	1	1	105	104
Subtotal	**109**	**110**	**5**	**3**	**1**	**1**	**115**	**114**
Total administrative	**169**	**172**	**17**	**10**	**1**	**1**	**187**	**183**
Investment								
Professional and higher								
Assistant Secretary-General	–	1	–	–	–	–	–	1
D-2	1	1	–	–	–	–	1	1
D-1	2	4	–	–	–	–	2	4
P-5	10	10	–	–	–	–	10	10
P-4[a]	18	25	–	–	–	–	18	25
P-3[a]	9	19	–	–	–	–	9	19
P-2	–	–	–	–	–	–	–	–
Subtotal	**40**	**60**	–	–	–	–	**40**	**60**
General Service								
Principal level	10	13	–	–	–	–	10	13
Other level	15	16	–	–	–	–	15	16
Subtotal	**25**	**29**	–	–	–	–	**25**	**29**
Total investment	**65**	**89**	–	–	–	–	**65**	**89**
Total Pension Fund	**234**	**261**	**17**	**10**[b]	**1**[c]	**1**[c]	**252**	**272**

[a] Includes one new P-4 post and three new P-3 posts that are proposed as at 1 January 2015.
[b] Includes 10 Integrated Pension Administration System temporary posts to be abolished 1 January 2015.
[c] One extrabudgetary General Service (Other level) post funded by member organizations.

61. As indicated in table 6, the present submission provides for the establishment of 27 additional posts (3 for the Fund secretariat and 24 for the Investment Management Division), the abolishment of 7 temporary posts as at 1 January 2014

and the abolishment of an additional 10 temporary posts as at 1 January 2015 (all posts proposed to be abolished are from the Fund secretariat) as follows:

(a) Provision is made for the Fund secretariat for three additional established posts (1 D-1, 1 P-3, 1 General Service (Other level)). Seven temporary posts are proposed for abolishment as at 1 January 2014 (3 P-4, 2 P-3 and 2 General Service (Other level)). The secretariat also proposes the abolishment of the remaining 10 temporary posts as at 1 January 2015 (1 P-5, 4 P-4, 2 P-3 and 3 General Service (Other level)), for a total abolishment of 17 temporary posts;

(b) Provision is made for the Investment Management Division for 24 additional established posts (1 Assistant Secretary-General, 2 D-1, 7 P-4, 10 P-3, 3 General Service (Principal level) and 1 General Service (Other level)).

62. The additional posts requested are summarized in table 7.

Table 7
Summary of post requirements

Section	*Action*	*Post*	*Number*	*Category*
Administration				
Programme of work				
Risk Management and Legal Service	New post	Chief of Service	1	D-1
	New post	Team Assistant	1	General Service (Other level)
Financial Services Section	New post	Accountant	1	P-3
Investments				
Executive direction and management	New post	Representative of the Secretary-General	1	Assistant Secretary-General
	New post	Special Assistant to the Representative of the Secretary-General	1	P-4
	New post	Administrative Assistant to the Representative of the Secretary-General	1	General Service (Other level)
Programme of work				
Investments Section	New post	Director Private Markets	1	D-1
	New post	Investment Officer	5	P-4[a]
	New post	Investment Officer	6	P-3[b]
	New post	Trade Execution Officer	1	P-3
	New post	Senior Investment Assistant	1	General Service (Principal level)

Section	Action	Post	Number	Category
	New post	Senior Trade Execution Assistant	1	General Service (Principal level)
Risk and Compliance Section	New post	Compliance Officer	1	P-3
Operations Section	New post	Chief Operating Officer	1	D-1
	New post	Accountant	1	P-4
	New post	Finance Officer	1	P-3
	New post	Senior Accounting Assistant	1	General Service (Principal level)
Program Support				
Information Systems Section	New post	Data Security Administrator	1	P-3[c]

[a] One P-4 post recommended to be approved as at 1 January 2015.
[b] One P-3 post recommended to be approved as at 1 January 2015.
[c] Post recommended to be approved as at 1 January 2015.

B. Administrative costs

1. Overview

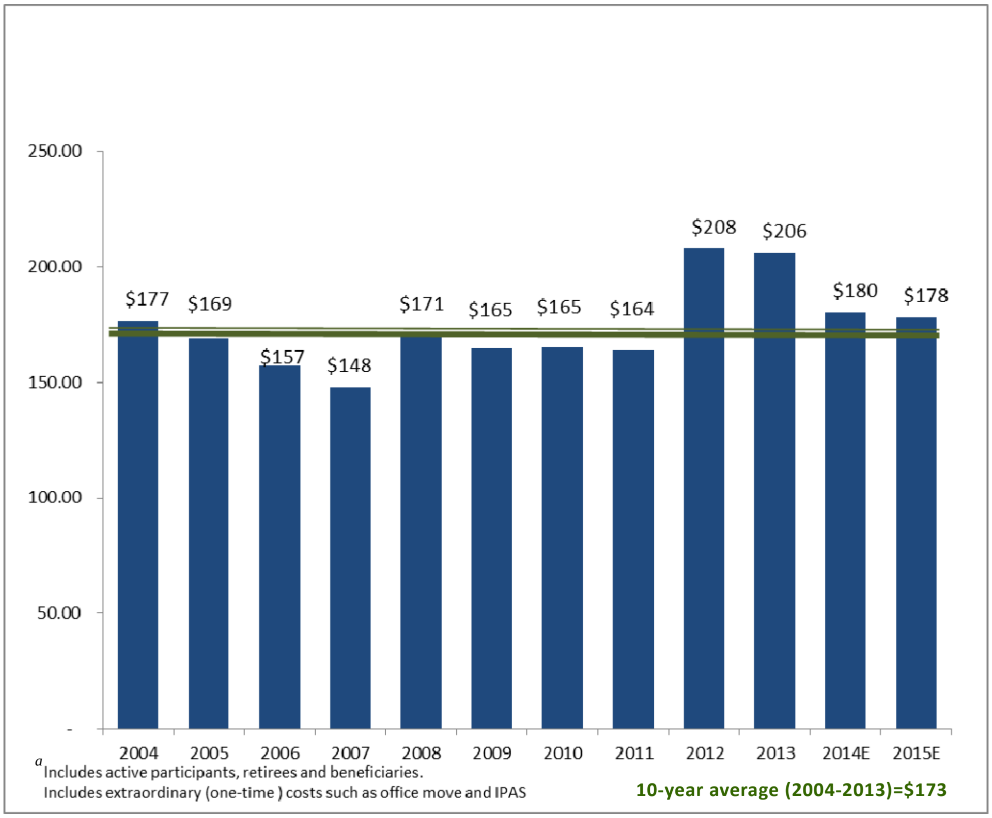
63. The United Nations Joint Staff Pension Fund operates under the authority of the Pension Board and aims to provide pension related services to 188,755 participants, retirees and beneficiaries working or residing in 190 countries in the best conditions of security, performance, responsibility and accountability and in full compliance with the highest standards of efficiency, competence and integrity. In meeting its mission and long-term goals, the Fund is facing multiple challenges, including a global scope of payments, growing and ageing beneficiary population, administrative intricacies of managing a complex plan design, multifaceted governance processes, demographic changes (increased longevity), volatility of foreign exchange rates and inflation, which lead to aberrant conditions that require study under the Pension Adjustment System of the Fund, and so on. At the same time, change and new approaches offer opportunities to review and modernize the Fund’s processes, structure and modus operandi as well as to bring about efficiency, transparency and enhanced service standards. A historical summary of the Fund’s administrative cost per participant over the past 10 years and for the proposed budget for the biennium 2014-2015 is shown in the figure below.

64. The administrative costs in the figure represent all the costs incurred by the Fund for its regular work of collecting and pooling contributions, calculating and processing entitlements, managing the payroll and payments (to more than 67,700 beneficiaries living in 190 countries), providing client services (more than 20,000 enquires and requests per year), managing risks, maintaining the records, processing the accounts and servicing the governing bodies of the Fund. The costs are expressed in current United States dollars.

65. It may be observed that there is a relatively level cost per participant throughout the period (at around $173). The drop in cost in 2014-2015 (as set out in the budget proposal) compared with the cost in 2012-2013 reflects the completion of the IPAS project and important efficiency gains derived from the new integrated system solution. The projected cost per participant for 2014-2015 is actually almost equal to the inflation adjusted cost per participant in 2004. The projected 2015 cost per participant of $178 is slightly above the inflation adjusted average for the past 10 years (ending 31 December 2013) of $173 per participant (which includes atypically low costs for the biennium 2006-2007).

Cost per participant, 2004-2015, adjusted for inflation[a]

(United States dollars)



Notes: Investment management related costs are excluded. Also excluded are costs associated with the services provided by the Fund to the United Nations Staff Pension Committee. Inflation has been assumed to be equal to the United States CPI urban all goods rate. The annual adjusted costs were determined by halving the biennial adjusted figures.

66. In addition, it should be noted that the 2014-2015 cost per participant already has absorbed an increase in the Geneva office owing to the exchange rate difference between the United States dollar and the Swiss franc (which have an approximate impact of $2.1 million in the biennium 2014-2015, considering the observed movement in the United States dollar-Swiss franc foreign exchange rate since the end of 2008 and is equivalent to approximately $5 per participant, which if excluded would place the 2014-2015 cost per participant nearly at the 10-year average).

67. The lower cost per participant during the biennium 2006-2007 reflects the delay in increasing operational staffing levels to meet the very significant increase in volume experienced during that period (23 per cent increase in total number of participants, retirees and beneficiaries). The Fund experienced significant operational challenges in 2006 and 2007 to try to meet the rapidly increasing transactional volume of new entrants, separations and retirements, benefits estimates and the like. The comprehensive risk assessment report presented to the Pension Board at its fifty-third session, in 2006, clearly identified understaffing as a high risk and stated commenting that understaffing was causing delays in processing. The Pension Board and General Assembly recognized this serious problem and subsequently approved staffing increases to support the Fund's continually increasing work volume. A "normalized" 10-year annual cost (after adjusting for the delay in building staffing levels) would be closer to $177 per participant.

68. The Pension Fund is a maturing Fund, which means that while the growth in new active participants is beginning to slow, the number of retirees is expected to continue to increase as well as the demand for different services (such as request for guardianship arrangements, changes in payment instructions, two-track estimates, etc.). Hence, the Fund anticipates a heavier workload in the coming years.

69. It is noted that there is still a decrease in the projected 2014-2015 administrative cost per participant (compared with the "running rate" of 2012-2013), even though the Fund expects an increase in workload. This is attributable directly to the fundamental changes in the operational paradigm and model owing to the implementation of IPAS, which will significantly contribute to the operational capacity of the Fund. As IPAS is implemented, substantial efficiency gains are expected to occur at all levels of operation. Also as a result of the implementation of IPAS, the budget proposal for the biennium 2014-2015 includes efficiency gains in the order of $3.4 million from the decommissioning of the Fund's mainframe computer and by reducing significantly the level of required contractual services from ICC.

70. The overall level of resources for administrative costs amounts to $88,367,600 before recosting, reflecting a net decrease of $9,552,000, or 9.8 per cent, from the appropriations for the biennium 2012-2013. The net decrease, as shown in table 9, can be summarized as follows:

(a) Executive direction and management: the net increase of $425,500 consists of increases in non-post costs attributable to after-service health insurance premiums ($551,800), other staff costs ($140,100), consultants ($350,000), travel ($148,500) and contractual services ($148,400), offset in part by an overall decrease in post requirements ($913,300), owing primarily to the outward redeployment of one P-5 post, one P-4 post and one P-3 post to the newly established Risk Management and Legal Service and the redeployment of one General Service (Other level) post to operations, and taking into account the inward redeployment of one P-3 post from operations;

(b) Programme of work: the increase of $40,200 is the net result of increased established post requirements of ($1,417,100), which are attributable to the establishment of three new posts (1 D-1, 1 P-3 and 1 General Service (Other level)) and the inward redeployment of one P-5 post, one P-4 post, one P-3 post and one General Service (Other level) from executive direction and management, as well as increases in other staff costs and consultants, offset in part by the outward redeployment of one P-3 post to executive direction and management, reductions in temporary posts ($1,710,700) and contractual services ($451,100) following the implementation of the IPAS project in 2014 and a slight reduction in bank fees;

(c) Programme support: the decrease of $10,017,500 is attributable mainly to the implementation of the IPAS project in 2014, as well as very significant efficiency savings that will be realized under contractual services following the implementation of IPAS, offset in part by increases in rent costs for both the New York and Geneva premises.

71. The estimated distribution of resources is shown in table 8 and resource requirements by component in table 9.

Table 8
Percentage distribution of resources by component: administrative costs

Component	*Regular budget*	*Extrabudgetary*
A. Executive direction and management	7.8	–
B. Programme of work (operations, financial services, risk management and legal service)	40.2	100.0
C. Programme support		
1. Information Management Systems Service	37.6	–
2. Executive Office	14.5	–
Subtotal, C	**52.0**	**–**
Total	**100.0**	**100.0**

Table 9
Resource requirements by component: administrative costs
(Thousands of United States dollars)

Component	*2012-2013 appropriation*	*Resource growth*		*Total before recosting*	*Recosting*	*Apportionment*		*2014-2015 estimate*
		Amount	*Percentage*			*United Nations*	*Pension Fund*	
Regular Budget								
A. Executive direction and management	6 454.8	425.5	6.6	6 880.3	132.3	926.4	6 086.3	7 012.6
B. Programme of work (operations, financial services, risk management and legal services)	35 453.0	40.2	0.1	35 493.1	1 848.2	10 913.3	26 428.1	37 341.3
C. Support								
1. Information Management Systems Service	44 092.4	(10 890.8)	(24.7)	33 201.6	601.1	5 184.7	28 618.0	33 802.7
2. Executive Office	11 919.3	873.2	7.3	12 792.5	122.6	3 876.4	9 038.6	12 915.0
Subtotal, C	**56 011.6**	**(10 017.5)**	**(17.9)**	**45 994.1**	**723.7**	**9 061.1**	**37 656.7**	**46 717.8**
Total	**97 919.6**	**(9 551.9)**	**(9.8)**	**88 367.6**	**2 704.2**	**20 900.7**	**70 171.0**	**91 071.7**
Extrabudgetary	**152.9**	**(1.4)**	**(0.9)**	**151.5**	**4.3**	**–**	**155.8**	**155.8**

2. Executive direction and management

Resource requirements (before recosting): $6,880,300

72. The Chief Executive Officer is responsible for managing the Pension Fund, under the authority of the Pension Board, to provide related services to the member organizations and to 188,755 participants, retirees and beneficiaries around the world.

73. In providing the services, the Chief Executive Officer must ensure that a framework is in place to ensure full implementation of the Fund's work programme through overall policy-setting, direction, supervision and management of the Fund. Moreover, the Office of the Chief Executive Officer will continue to organize and service the meetings of the Pension Board, the Standing Committee, the Audit Committee, the Committee of Actuaries, the joint sessions between the Investment Committee and the Committee of Actuaries, as well as other working groups and subcommittees of the Board, as required.

74. The Chief Executive Officer must ensure that the Fund is in position to continuously and accurately weigh its actuarial costs, to assess and manage risk, to adapt the plan design and to adjust its processes and procedures to accommodate the ever changing environment in which the Fund operates. This involves better use of technology, process standardization and application integration, which will largely be accomplished through the implementation of IPAS, envisaged to be completed by 2014. IPAS will enhance services provided to clients, reduce risks of errors and diminish reliance on the knowledge of a select few. Concurrently, the change management efforts have to be strengthened, as the organization will shift in the operational paradigm from a "case-driven" to a "process-driven" approach. The Chief Executive Officer will advance a results-based, efficiency-driven and change-embracing culture by promoting and implementing initiatives that create a learning organization by improving knowledge management and knowledge generation as well as augmenting in-house training and staff development.

75. In addition, the Office of the Chief Executive Officer will continue to lead several important Fund-wide governance mechanisms for human resources management, risk management, business continuity/disaster recovery, information technology, new accounting standards and asset-liability management. These mechanisms are increasingly important, given that the bifurcated governance structure of the Fund may lead to significant risks, affect the overall effectiveness and prevent optimal results, unless there is a constant and high degree of coordination, consultation and information sharing between the secretariat and the Investment Management Division.

76. Mindful of the Fund's maturing nature and current volatile operating environment, regular asset liability management is crucial to manage the Fund's assets and liabilities as an integrated whole. Furthermore, the importance of the stability in pension design is critical; all future benefit changes should be carefully and comprehensively studied to ensure that they are technically sound and reflect the governing principles, as recommended by the Committee of Actuaries in 2010.

77. In line with the strategic framework for the biennium 2014-2015, the Office of the Chief Executive Officer will place strong emphasis on strengthening strategic planning and monitoring and improving the performance management framework, including enhancements to coincide with the implementation of IPAS. An effective

results-based culture will be promoted by ensuring that all line supervisors share management's expectations and goals, include risk management in their daily operations and regularly report on operational performance, measuring performance against specific and appropriate indicators. In particular, tailored performance metrics and benchmarks will continue to be developed to support the measurement and monitoring of the effectiveness and efficiency of the Fund in its different processes. This will contribute to better communication with all stakeholders. Additional enhancements and regular maintenance of the Fund's knowledge management system will provide for better sharing and retention and allow a more standard and efficient use of information, experience and knowledge.

Table 10
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To ensure the efficient administration of the Fund and full implementation of the Fund's programme of work in compliance with the regulations and rules of the Fund and with decisions and guidelines issued by the Pension Board and the General Assembly

Expected accomplishments	**Indicators of achievement**
1. Effective management of the Fund's programme of work	1.1. 100 per cent of the Board and General Assembly decisions and mandates implemented by deadline
	Performance measures
	2010-2011: 100 per cent
	Estimate 2012-2013: 100 per cent
	Target 2014-2015: 100 per cent
	1.2. Full compliance with the Fund's policies and procedures
	Performance measures
	2010-2011: 100 per cent
	Estimate 2012-2013: 100 per cent
	Target 2014-2015: 100 per cent
2. Effective substantive, technical and procedural support to the Pension Board, committees and working groups	2.1. No negative feedback from the Pension Board, Standing Committee, United Nations Staff Pension Committee, Committee of Actuaries, Audit Committee and working groups about support provided
	Performance measures (number of complaints)
	2010-2011: no complaints
	Estimate 2012-2013: no complaints
	Target 2014-2015: no complaints

3. Effective management of Fund-wide governance mechanisms for human resources, risk management, business continuity/recovery, information technology, IPSAS, asset-liability management and IPAS	3.1. Quarterly meetings held and all decisions implemented by deadlines *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent
4. Improved communication with the Fund's supervisory bodies and diverse constituent base	4.1. Information on the Fund's key activities, operational statistics, actuarial and investment performance shared with supervisory bodies on a regular basis *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent 4.2. Increased number of website visits *Performance measures* 2010-2011: 46 per cent increase in usage Estimate 2012-2013: 15 per cent increase in usage Target 2014-2015: 15 per cent increase in usage

External factors

78. Executive direction and management is expected to achieve its objective and expected accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); and (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly.

Other outputs

79. During the biennium, the following outputs will be delivered:

(a) Servicing of intergovernmental and expert bodies: two Pension Board sessions, three meetings of the Committee of Actuaries and approximately four working groups; one joint session of the Committee of Actuaries and the Investments Committee; six meetings of the Audit Committee;

(b) Drafting of documents: approximately 100 papers and technical notes for submission to the Pension Board, Committee of Actuaries and Working Groups and

15 notes to the Audit Committee in addition to the technical and administrative servicing of its sessions;

(c) Preparation and presentation of the Pension Board's annual report to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee;

(d) Coordination, preparation and dissemination to key stakeholders the annual report of the Fund and the Chief Executive Officer's annual letter to all participants, retirees and beneficiaries;

(e) Other substantive activities:

(i) Efficient oversight and administration of the internal governance mechanisms in such areas as the implementation of IPAS; business continuity and disaster recovery; enterprise-wide risk management; information technology; and asset liability management;

(ii) Fund-specific human resources management and policy development: efficient succession planning for retiring staff; advance planning to avoid vacancies arising from the retirement of staff and to encumber other vacant posts within five months of the vacancy being announced; development of in-house training, mentoring and staff development; and striving for administrative simplicity and efficiency that takes into account the Fund's mandate and overall fiduciary obligations;

(iii) Enhancement of the knowledge management system and knowledge generating reporting and staff training for increased and efficient use of the system;

(iv) Intelligent and focused performance reporting and analysis using the Fund's information technology systems and business-intelligent tools.

Table 11
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	2 830.8	1 917.5	8	5
Non-post	3 624.0	4 962.8		
Total	**6 454.8**	**6 880.3**	**8**	**5**

80. The amount of $6,880,300 will provide for five posts (1 Assistant Secretary-General, 1 D-2, 1 P-4, 1 P-3 and 1 General Service (Principal level) and non-post resources of $4,962,800 for the Administration as a whole. The reduction of $913,300 in post resources is the net result of the outward redeployment of three posts to the newly established Risk Management and Legal Service (1 P-5, 1 P-4 and 1 P-3) and the outward redeployment of one General Services (Other level) post to operations, offset in part by the inward redeployment of one P-3 post from programme of work. Non-post resources have increased by $1,338,800 as a result of increases in other staff costs ($691,900) owing primarily to increases in after-service

health insurance premiums of $551,800, increases in travel ($148,500), consultants ($350,000) and contractual services for actuarial services ($148,400).

3. Programme of work

Resource requirements (before recosting): $35,493,100

81. The programme of work includes the operations and the financial services of both the New York and Geneva offices, together with the newly established Risk Management and Legal Service.

Operations and financial services

82. Operations and the financial services of both the New York and Geneva offices are responsible for the core functions of the Fund, including, but not limited to, the determination of eligibility to participate and the affiliation of new participants into the Fund, along with the record keeping of historical personal and financial data, collection and recording of contributions paid into the Fund, calculation and set-up for payment of all pension entitlements, the payment of subsequent pension benefits (approximately 67,600 monthly periodic payments amounting to over $2.1 billion per annum), all related accounting activities and the preparation of financial statements. This programme is also responsible for the client servicing functions in respect to the Fund’s some 188,755 active participants, retirees and other beneficiaries. While operations focuses on the integrity of the calculation, which once established remains valid for the lifetime of the retiree and any eligible survivor, financial services focuses on the integrity of the payment.

Operations

83. Operations comprises the Pension Entitlements sections and the Client Services, Records Management and Distribution work units in both the New York and Geneva offices. The Chief of Operations is responsible for the management and direction of the service in accordance with the goals set out in the strategic framework of the Fund and for ensuring adherence to the regulations and rules of the Fund and its pension adjustment system, while duly operating within specific quality management, internal control and communications policies. Operations expects to process some 40,600 new participants, separations and transfers in and out of the Fund during the biennium 2014-2015. It also expects to process some 6,000 pension benefits after initial separation from service, which are among the most complex and thus time-consuming benefits to process (i.e., death after service, survivor benefits sometimes involving multiple spouses residing in various locations, residual settlements; deferred benefits into payment, two-track cases that sometimes involve reversion to the United States dollar track; benefits payable to surviving divorced spouses, surviving spouse annuities, special measure cases, etc.). In addition to over 520,000 benefit estimates provided through the Fund’s website, Operations also expects to provide during the biennium 2014-2015 some 5,100 individual benefit estimates that often involve personal consultations. The growing numbers as well as the ageing of the Fund’s retirees will call for greater care and attention to unique needs that only a “state of the art” client-servicing section would be able to provide. Operations will therefore continue strengthening its client servicing capabilities, including its overall workflows and document management and distribution functions. During the biennium, the service also expects to

dispatch, track and record upon receipt over 106,000 certificates of entitlement in the first mailing and 12,000 in the second mailing and to scan more than 1.3 million documents (2.5 million pages) into the Fund's content management system. Additionally, and exceptionally during the bienniums 2012-2013 and 2014-2015, Operations will be heavily involved in the implementing, testing and signing-off on all related and respective operational processes as part of the overall IPAS implementation project. It is important to safeguard a seamless transition to the new pension administration system and address immediate "unknowns" after the implementation of IPAS. This requires intensified, systematic training and staff development, which, owing to the need to understand and apply the Fund's complicated benefit provisions, can only be conducted in-house. It also requires adequate levels of resources to address important change management, knowledge transfer and quality control issues.

Table 12
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To ensure that all eligible participants, retirees and other beneficiaries are serviced in accordance with the regulations, rules and pension adjustment system of the Fund, while fully adhering to the communications, quality management and internal control policies as outlined in the Fund's management charter

Expected accomplishments	Indicators of achievement
1. Effective processing of Pension Fund benefit entitlements	1.1. Increased percentage of withdrawal settlements, retirement benefits and other benefits processed within 15 business days
	Performance measures for processing full withdrawal settlements, periodic retirement benefits and lump-sum commutation benefits
	(Benchmark: 15 business days)
	2010-2011: 75 per cent of cases completed within 15 business days
	Estimate 2012-2013: 77 per cent of cases completed within 15 business days
	Target 2014-2015: 77 per cent of cases completed within 15 business days
2. Enhanced quality of client-oriented services to the Pension Fund clientele	2.1. Increased percentage of incoming correspondence through mail and e-mail responded to within 15 business days
	Performance measures
	(Benchmark: 15 business days)
	2010-2011: 88 per cent of queries responded to within 15 business days

	Estimate 2012-2013: 88 per cent of queries responded to within 15 business days Target 2014-2015: 88 per cent of queries responded to within 15 business days
3. Improved communication	3.1. Increased number of briefings and seminars for participants, beneficiaries, staff pension committees and counterparts in Finance and Human Resources staff of participating organizations *Performance measures* 2010-2011: not applicable Estimate 2012-2013: 70 Target 2014-2015: 75

External factors

84. Operations is expected to achieve its objectives on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); and (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly. Recognition must therefore be given to the critical juncture in the evolution of the Fund that is outside its control. Recognition must also be given to the additional workload required of all staff especially in technical and substantive areas in the implementation and stabilization of the IPAS project during the biennium 2014-2015, which is the most ambitious and complex operational and information technology initiative in the Fund's history. The Fund is experiencing rapid growth in the population it services. At the same time, improvements in longevity are resulting in the ageing of the Fund's clientele, which in turn often requires more extensive consultations and other special client servicing needs.

Outputs

85. During the biennium 2014-2015, it is anticipated that the following outputs will be delivered by operations:

(a) Process an estimated 18,700 withdrawal settlements and retirement benefits during the biennium;

(b) Process an estimated 6,000 other benefits after initial retirement benefit (i.e., survivor, child, two-track benefits, etc.);

(c) Determination of eligibility and affiliation of some 19,300 new participants into the Fund;

(d) Dispatch, tracking and recording of some 106,000 certificates of entitlement in the first mailing, plus 12,000 in the second mailing;

(e) Respond to an estimated 39,000 enquiries by mail and e-mail;

(f) Provision of services to an estimated 10,000 walk-in clients;

(g) Continuation of tasks such as data cleansing and quality management, documentation of procedures, algorithms and subsequent testing and sign-off on new processes (and 700 embedded calculations) as part of the Fund's transition to the IPAS platform;

(h) Efficient recording, monitoring and enhancement of the controls of its client interfaces;

(i) Review and assessment of a client relationship management system within the new IPAS system and consideration of a possible additional and/or enhanced system;

(j) Review and development of enhanced training materials for workshops and seminars that are to be provided to Fund staff (in both the New York and Geneva offices), participants, retirees and other beneficiaries, as well as to the Staff Pension Committee secretariats and other human resources staff of the member organizations;

(k) Enhancement of the controls and a redesign of the certificate of entitlement form, with further efforts to streamline the overall certificates of entitlement process;

(l) Enhancement and continued development of performance data for both internal requirements and the various oversight bodies;

(m) Enhancement of outreach capabilities through seminars and training to be provided to participants, retirees and other beneficiaries, Staff Pension Committee secretariats, various subcommittees (including both advisory and working groups) and members of the Board.

Financial services

86. The Financial Services Section provides comprehensive services through its Payments, Accounts and Cashier units and is accountable for all financial, accounting and disbursement operations of the Fund. The Fund's financial transactions amount to more than $4 billion to $8 billion every biennium (considering both benefit payments and contribution collections). Every month, the Fund processes approximately 67,600 periodic benefit payments in 15 currencies and effects payments to retirees and other beneficiaries residing in over 190 countries. Every quarter, the Fund calculates the adjustment to the benefit payment of beneficiaries who elected the two-track feature (comparative feature). The Fund adjusts the benefit payments to cost-of-living increases in accordance with the pension adjustment system. The Section is also responsible for producing accurate and timely financial statements for the Fund as a whole, including the Investment Management Division, and for liaising and coordinating with both internal and external auditors with regard to the financial aspects of the Fund. In 2012, the Fund implemented International Public Sector Accounting Standards, increasing the transparency and disclosure of the financial reporting process significantly.

Table 13
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To ensure the timely, accurate and secure payment of benefits and full accountability for all financial, accounting and disbursement operations of the Fund

Expected accomplishments	Indicators of achievement
1. Effective management of benefit payments	1.1. Timely, accurate and secure payment of Pension Fund periodic benefit payments *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent payments in 190 countries and in 15 currencies
	1.2. Timely, accurate and secure payment of Pension Fund non-periodic benefit payments *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent
2. Enhanced accuracy and consistency of contribution recording	2.1. All participant records verified within six weeks of receipt of year-end schedule *Performance measures* (Verify records for all participants within six weeks of receipt of year-end schedule) 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent
3. Enhanced transparency of financial reporting, improved information for internal control and governance purposes	3.1. Timely provision of financial statements (draft statement issued by 15 April of the following year) *Performance measures* 2010-2011: Not met owing to significant changes in the United Nations system accounting standards accounting policies for financial instruments Estimate 2012-2013: By due date Target 2014-2015: By due date

3.2. Unqualified audit opinion by Board of Auditors on financial statements prepared under IPSAS

Performance measures

2010-2011: Unqualified audit opinion

Estimate 2012-2013: Unqualified audit opinion

Target 2014-2015: Unqualified audit opinion

3.3. Absence of significant adverse audit findings on financial services

Performance measures

2010-2011: No significant adverse audit findings on financial services

Estimate 2012-2013: No significant adverse audit findings on financial services

Target 2014-2015: No significant adverse audit findings on financial services

External factors

87. Financial services is expected to achieve its objectives and expected accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly; and (e) member organizations submit contribution information periodically and on time. Recognition must also be given to the additional workloads required from all staff, especially in technical and substantive areas in the implementation and stabilization of the IPAS project during the biennium 2014-2015, which is the most ambitious and complex operational and information technology initiative in the Fund's history.

Outputs

88. During the biennium 2014-2015, the following outputs will be delivered:

(a) With regard to payments to pensioners:

(i) Timely receipt of payments (67,600 monthly periodic payments in 190 countries and 15 currencies);

(ii) Reduction of banking fees to the Fund;

(iii) Reduction or elimination of bank charges to pensioners wherever possible;

(b) Preparation of IPSAS-compliant financial statements and associated documents;

(c) Reduction in the number of outstanding audit observations between reports on the areas under supervision and technical accounting issues;

(d) Initiate the transition to monthly reconciliation of contribution information submitted by selected member organizations;

(e) Initiate the implementation of a statement of internal control;

(f) Full reconciliation for all remitting entities to be produced in the specified time frame of six months following the submission of the year-end schedules;

(g) Full reconciliation of the data held in the master separation file records to payroll history records for the annual and biennial close;

(h) Presentations and training on contribution-related participant reconciliation exceptions issues in New York and Geneva and with large reporting entities;

(i) Bank reconciliations for all accounts to be completed on a monthly basis in a timely manner;

(j) Timely adherence to any updated banking requirements regarding payments to pensioners.

Risk Management and Legal Service

Enhanced capacity to manage and monitor the solvency and risk management of the Fund

89. The Fund faces a variety of risks that need to be addressed and managed; among the most critical is the potential failure to meet the pension promise. As presented in the strategic framework for the biennium 2014-2015, approved by the Pension Board in July 2012, the Fund has identified risk management and an improved internal control framework as one of its long-term objectives. The Whole Office Review conducted in 2008 identified that a technical service within the Fund was missing and recommended the establishment of a technical team, which would provide the Fund with continuity in its technical expertise (including asset-liability management, plan design, trend analysis, etc.), policy analysis and risk-monitoring capabilities. The capacity has been built partially: the Pension Board approved the Risk Management Officer post (P-4) in 2009. However, some key functions of the team are still missing.

90. In the light of the growing importance of adequately and professionally responding to the challenges of the interdependency of assets and liabilities, and to ensure the long-term sustainability of the Fund, through the opportune identification and management of its risks and by carefully analysing and technically assessing policies, a new structure is proposed to establish an integrated, unified technical capacity in the Fund. A fully integrated technical team — a professional and dedicated service distinct from executive direction and management — would assist the Board in identifying, defining and implementing new sustainability policies as well as ensure that the Fund is administered in compliance with its enterprise-wide risk management policy and with the decisions, mandates and guidance issued by the Pension Board and the General Assembly.

91. Cognizant of the global financial and economic environment, the Fund has significantly downsized its previously requested level of resources for this critical

missing technical service, as was projected in the Fund's medium-term human resources strategic plan in 2010. Particularly, requests for a Technical Evaluation Officer (P-4), a Knowledge Management Officer (P-3), a Policy Officer (P-3), as well as the reclassification of the Chief of the Legal Office from P-5 to D-1 and a Legal Assistant (General Service (Other level)) (New York) have been eliminated. Instead, the new technical Service would be created by redeploying existing resources and combining current functions and capacity in order to achieve synergies and gain significant efficiencies. A consolidated Risk Management and Legal Service would therefore require the following changes: redeployment of the Special Assistant to the Chief Executive Officer (P-5), the Risk Management Officer (P-4) and the Statistician (P-3) and the absorption of the Legal Office (2 P-5 posts, 1 P-4 post and 1 General Service (Other level) post). Only two new posts are proposed and requested: Chief of Service at the D-1 level and a Team Assistant (General Service (Other level)). This proposal already considers utilizing to the extent possible the Fund's current structure and at the same time establishing the required integrated technical capacity to avoid critical risks and to properly address key technical activities.

92. The new Service would address the current vacuum of coordinated technical functions in the Fund, bringing together in an integrated manner legal, actuarial, operational and risk areas. It would provide the Fund with continuity and coherence in technical expertise, policy analysis and risk monitoring capabilities and would enhance compliance functions. The Service would be technical in nature and advisory in its functional role, established to monitor and advise on the Fund's long-term funding and sustainability. In addition, it would support the technical activities required for effective and efficient coordination between the assets and liabilities areas and collaborate closely with the Investment Management Division on all matters related to asset-management studies. The establishment of a professional, dedicated Service would enhance the capacity to understand and oversee key solvency issues of the Fund at the legislative (Pension Board) and managerial level, as well as provide adequate and professional analysis for informed decision-making, taking into account the long-term nature of the entity. The Service would ensure that all plan design issues and proposals are properly analysed and assessed and that recommendations are made to streamline and simplify the provisions of the pension scheme, which — especially at its current size, with its complex plan design and maturity in the current financial and economic environment — faces important risks that need to be appropriately addressed.

93. The Service would develop doctrine, disseminate policy and provide technical expertise on plan design and risk management issues, liaise with oversight mechanisms, as well as improve compliance functions, by facilitating consistent and uniform interpretation and application of the regulations and rules of the Fund and provisions of the pension adjustment system and by ensuring the conformity of internal policies and procedures with legal obligations and best practices. The Service will consist of two sections, the Risk Management and Technical Analysis Section and the Legal and Compliance Section.

Risk Management and Technical Analysis Section

94. This newly established Section will include the existing risk management and statistical functions of the Fund and add technical expertise in plan design, including in actuarial matters. In line with the objectives of the strategic framework, the Section will research, analyse, advise and coordinate relevant plan design issues with an aim to ensure continuity and cohesiveness among the various constituents of the Fund and to minimize complexity in overall plan design as well as to simplify and streamline the regulations.

95. The Section will provide the Chief Executive Officer and the Pension Board with a formal and permanent specialized structure for dealing with its periodic actuarial valuation processes and facilitate its newer requirement for carrying out periodic asset-liability modelling studies. The Section would also work closely with the Investment Management Division to coordinate both risk management and sustainability policies, which are key elements to assure that the long-term objectives of the Fund are met.

96. The Section advises and counsels the Chief Executive Officer and the Pension Board, as well as its various committees and working groups, in the long-term strategic planning, the management of risks from an integrated perspective and implementation of pension policy issues, including liaising with and representing the Chief Executive Officer in dealings with internal and external oversight mechanisms, the consulting actuary and the members of the Committee of Actuaries to ensure that any proposed changes to the plan design are sound from a risk management and actuarial point of view and that all actuarial assumptions, projections, potential risks and costs are taken into account. The Section will ensure the adoption of enhanced integrated risk management methods and tools that allow the Fund effectively to identify and assess the changes in the overall risk profile and to develop and adopt measures to address risks identified.

Legal and Compliance Section

97. The Legal and Compliance Section continues to provide unified legal service for the Fund’s management and operations in the New York and Geneva offices. It is responsible for strengthening the compliance functions and facilitating consistent and uniform interpretation and application of the regulations and rules of the Fund and the provisions of the pension adjustment system. The Section will provide substantive, procedural and administrative support to the Standing Committee (appeals) of the Pension Board as well as to the United Nations Staff Pension Committee (disability cases). The Section will continue to support the Fund’s operations by providing legal services and assistance to all sections and offices in the secretariat of the Fund. The Section also serves participants and retirees and/or their legal representatives in regard to the application of the regulations and rules of the Fund in individual cases. Furthermore, the Section, together with the Risk Management and Technical Analysis Section, conceptualizes plan design issues and initiates the implementation of new provisions and modifications to existing ones, while taking into account the past provisions, the Fund’s legislative history, as well as the acquired rights of participants and former participants of the Fund.

Table 14
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To enhance the long-term sustainability of the Fund

Expected accomplishments	Indicators of achievement
1. Effective management of risks and improved internal control	1.1. Percentage of risk treatment plans of high risk that are not implemented by agreed deadline *Performance measures* 2010-2011: less than 5 per cent Estimate 2012-2013: less than 5 per cent Target 2014-2015: less than 5 per cent
	1.2. 100 per cent of critical audit recommendations implemented by agreed date of implementation *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent
2. Improved uniformity and consistency in the application of the regulations and rules of the Fund and its pension adjustment system through enhanced quality of legal advice given to the Chief Executive Officer and other senior management of the Fund, as well as the Pension Board and the Standing Committee	2.1. Percentage of requests for review and appeals where the Fund's position has been upheld either by the Standing Committee or the Appeals Tribunal *Performance measures* 2010-2011: 90 per cent Estimate 2012-2013: 90 per cent Target 2014-2015: 100 per cent
3. Sound solvency review and actuarial processes	3.1. Validation and confirmation that the Fund's solvency and actuarial processes are technically sound through the 2015 asset liability management study *Performance measures* 2010-2011: valuation results independently confirmed by the 2011 asset liability management study Estimate 2012-2013: not applicable Target 2014-2015: valuation results independently confirmed by the 2015 asset liability management study

External factors

98. The Risk Management and Legal Service is expected to achieve its objectives and accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly; (c) the Fund's committees, Pension Board, member organizations, oversight mechanisms, operational staff and management will seek its advice and services; and (d) advice and assistance is sought in a timely manner and clients present sufficient and timely information for analysis and support and will be guided by the advice rendered. Recognition must also be given to the additional workloads required from all staff especially in technical and substantive areas in the implementation and stabilization of the IPAS project during the biennium 2014-2015, which is the most ambitious and complex operational and information technology initiative in the Fund's history.

Outputs

99. During the biennium 2014-2015, the following outputs will be delivered:

(a) Enterprise-wide risk management:

(i) Assist in defining and proposing risk management strategies with a focus on ensuring the Fund's long-term sustainability: definition of a strategy for the management of emerging risks and definition of risk treatment and response plans for the medium- and high-level risks identified and monitoring of the implementation of the agreed strategies;

(ii) Preparation of risk analysis reports: conduct of a detailed analysis of the Fund's risks, consolidation of risk information for the whole Fund and development of reports on the risk profile and providing support for the implementation of risk mitigation strategies, namely quarterly reports to the Enterprise-wide Risk Management Working Group and the Audit Committee and annual report to the Pension Board;

(iii) Development of risk management tools and methods, including the periodic updating of the risk management manual, the creation and maintenance of the Fund's risk register and risk map and provision of assistance with the periodic dissemination of risk information across the secretariat to enhance the risk management culture;

(iv) Interface with internal and external oversight mechanisms: forging of collaborative solutions with internal and external auditors for the opportune and effective identification and management of risks and the evaluation of the control environment, acting as a liaison with those oversight mechanisms for the provision of information, the execution of audit examinations, the preparation of responses to audit reports and monitoring of the implementation of audit recommendations;

(b) Liaison on actuarial matters, management of asset-liability study:

(i) Provide statistical and actuarial support as well as technical documentation to the Chief Executive Officer, Pension Board, Committee of Actuaries, member organizations and, within the Fund's confidentiality policies, outside entities;

(ii) Support and coordinate all matters associated with actuarial funding and reporting, specifically manage the Fund's actuarial valuation process and communication of valuation results, both internally and externally;

(iii) Liaise with the consulting actuary regarding actuarial costings, the submission of participant data and other matters as they arise within the framework of the contract between the Fund and the consulting actuary;

(iv) Provide substantive, technical and administrative servicing of the meetings of the Committee of Actuaries (3 instances), including the preparation of reports and documentation;

(v) Manage the Fund's asset liability management study from the secretariat side in close coordination with staff of the Investment Management Division: successful completion of bidding processes; assessing, reporting and developing an implementation plan of recommendations;

(vi) Research, analyse and draft notes regarding plan design and funding and sustainability matters, including proposals to rectify current or potential anomalies owing to shortfalls in the current design;

(vii) Work with other sections of the Fund regarding the monitoring of the two-track feature of the pension adjustment system;

(c) Legal and compliance services:

(i) Provide advice on questions relating to interpretation and application of the regulations and rules of the Fund and pension adjustment system and the provision of operational support in respect of administrative policies and procedures;

(ii) Provide advice on and, as appropriate, supervision and oversight of the review, negotiation and drafting of agreements and other legal instruments with member organizations and other international and intergovernmental organizations;

(iii) Provide advice and prepare documentation regarding institutional and operational modalities, legal submissions and other legal documents; preparation of respondent's answers to the United Nations Appeals Tribunal in cases concerning pension matters (10 instances);

(iv) Prepare legal publications or communications to Fund participants/ beneficiaries, pension secretariats and administrations of member organizations, including the relevant material for the Fund's website;

(v) Service the meetings of the United Nations Staff Pension Committee and the Standing Committee, including streamlining and modernizing information-sharing, by the electronic dissemination of documents through Web-based Quick Places and the other knowledge management tools of the Fund:

a. Provide advice on rules of procedure, interpretation and implementation of resolutions and Pension Board/Committee decisions;

b. Provide substantive, technical and administrative servicing of the meetings of the Standing Committee (2 instances), including the preparation of approximately 12 requests for review and appeals; analyse legal issues; and prepare reports and documentation;

c. Provide substantive, technical and administrative servicing of the meetings of the United Nations Staff Pension Committee (4 instances); prepare applications for disability benefits (approximately 140 new adult cases, 40 child cases and approximately 190 review cases and 2 appeals cases); and prepare reports and documentation;

(vi) Codify and systematically disseminate the jurisprudence of the Standing Committee and Administrative Tribunal cases as well as other legal reference files, opinions, policy decisions and guidelines;

(vii) Liaise with member organizations of the Fund, their staff pension committees and other international organizations on issues related to legal questions in pension schemes.

Table 15
Resource requirements

	Resources (thousands of United States dollars)		*Posts*[a]	
Category	*2012-2013*[b]	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	29 984.6	29 691.0	140	142
Non-post	5 468.4	5 802.1	–	–
Subtotal	**35 453.0**	**35 493.1**	**140**	**142**
Extrabudgetary	152.9	151.5	1	1
Total	**35 605.9**	**35 644.7**	**141**	**143**

[a] Includes 12 temporary posts in 2012-2013 and 8 temporary posts in 2014.
[b] The 2012-2013 appropriation and posts include the posts of the Legal Office that were formerly reflected under programme support.

100. The amount of $35,493,100 will provide for 134 established posts (4 D-1, 6 P-5, 11 P-4, 14 P-3, 1 P-2, 8 General Service (Principal level) and 90 General Service (Other level)) including the posts of the Legal Office that were formerly reflected under programme support; 8 temporary posts (3 P-4, 2 P-3 and 3 General Service (Other level)); and non-post requirements of $5,802,100. The decrease in post resources of $293,600 is the net effect of the proposed establishment of three new posts (1 D-1 and 1 General Service (Other level) in the newly established Risk Management and Legal Service and 1 P-3 in the Financial Services Section); the inward redeployment of three posts from Executive Direction and Management (1 P-5, 1 P-4 and 1 P-3) to the Risk Management and Legal Service; and the inward redeployment of one General Service (Other level) post from executive direction and management to operations; offset in part by the outward redeployment of one post at the P-3 level from operations to executive direction and management; and the abolishment of four temporary posts in 2014 (3 P-4 and 1 General Service (Other level)) and of all remaining temporary posts (3 P-4, 2 P-3 and 3 General Service (Other level)) as at 1 January 2015. The increase in non-post resources of $333,700 relates to increases for other staff costs ($650,200) and consultants ($168,300), offset in part by reductions under contractual services that related

mainly to the finalization of IPAS in 2014 ($451,100) and a decrease in general operating expenses owing to a reduction in the provision for bank fees ($33,700).

101. Extrabudgetary resources in the amount of $151,500 are also proposed for one General Service (Other level) post. At its 186th meeting, the Standing Committee reviewed a note on the after-service health insurance premium deduction programme undertaken by the Fund. As a result, these extrabudgetary resources were approved and funded by participating member organizations at no cost to the Fund.

4. Programme support

Information Management Systems Service

Resource requirements (before recosting): $33,201,600

102. Under the guidance of the Pension Fund governance model for information and communications technology, the Information Management Systems Service is responsible for the Fund's information systems and communication technologies, coordinating the implementation of strategic decisions taken by the Information Technology Executive Committee, establishing training plans for information and communications technology staff and providing the necessary tools for supporting knowledge exchange and cooperative work.

103. The Service is responsible for the provision of overall computing, office automation, software/systems design, development and implementation of technology-driven solutions, hardware support and software maintenance, telecommunications, shared infrastructure services, including support of the Investment Management Division, supervision and technical leadership of information technology operations in the Geneva office of the Fund, management of resources, infrastructure and conference room support. As the processes get simplified, streamlined and harmonized, the emphasis shifts to state of the art information technology systems that enable enhanced knowledge management as well as knowledge generation. While efficiency gains are realized through IPAS, the Fund will further invest and change its attention to information technology systems and business intelligence tools that facilitate focused information, reports and analysis.

Table 16
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To facilitate the achievement of the operational and strategic goals of the Fund through the efficient and effective use of information and communications technology

Expected accomplishments	Indicators of achievement
1. Improved information technology services	1.1. Percentage of information technology systems at satisfactory level of support (upgrades) *Performance measures* 2010-2011: 95 per cent Estimate 2012-2013: 95 per cent Target 2014-2015: 95 per cent

2. Increased information security	2.1. Percentage increase in level of compliance, for the defined deliverables in accordance with the International Standardization Organization (ISO) security standards *Performance measures* 2010-2011: 90 per cent Estimate 2012-2013: 90 per cent Target 2014-2015: 90 per cent
3. Improved sharing of electronic information with member organizations, participants, beneficiaries and other clients	3.1. Percentage of participants having human resources information delivered electronically *Performance measures* 2010-2011: 80 per cent Estimate 2012-2013: 80 per cent Target 2014-2015: 80 per cent 3.2. Percentage of participants having financial information delivered electronically *Performance measures* 2010-2011: 20 per cent Estimate 2012-2013: 30 per cent Target 2014-2015: 60 per cent

External factors

104. The Information Management Systems Service is expected to achieve its objectives and accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) there are no significant changes in the Fund’s operating environment (such as political conflicts or natural disasters); (c) the evolution of technology is in line with expectations; and (d) stakeholders fulfil their responsibilities and obligations and extend their full cooperation in attaining the objectives of the information and communications technology strategy.

Outputs

105. During the biennium 2014-2015, the following outputs will be delivered:

(a) Enterprise operations services:

(i) Translating the organization’s functional and operational requirements into the effective and efficient acquisition and implementation of information and communications technology architecture for the proposed IPAS initiative with a focus on improving the management of information and the efficiency of the Fund’s information technology operations;

(ii) *Policies*. Ensuring that all information and communications technology services delivered by the Information Management Systems Service meet the expectations of the Fund's Information Technology Executive Committee and relevant industry standards to the extent possible (e.g., Information Technology Infrastructure Library); enforcing network security in line with International Organization for Standardization security standard ISO-20002 for the Fund's information and communications technology infrastructure;

(iii) *Communications*. Provision of backbone communications services, including Internet, private leased lines, telecommunication devices and equipment, and the required communication lines that are used for connecting the various offices of the Fund including the Fund secretariat, the Geneva office, the Investment Management Division and the newly established information technology infrastructure hosting arrangement with ICC; upgrading the New York backbone network infrastructure with robust capabilities to support users with diverse requirements for high-speed mission-critical data, voice and video traffic to the desktop;

(iv) *Information and communications technology infrastructure services*. Multishift operations, management and maintenance of information and communications technology Infrastructure Services such as server management, middleware management and data backup in New York, New Jersey and Geneva to support the operations of the Fund. Monitoring applications, equipment, network loads and traffic from the command centre to prevent the failure of services;

(v) Other services provided include: infrastructure architecture services; user support/help desk; messaging; database administration; system programming data warehouse support; and management reporting;

(b) Enterprise applications services:

(i) *Development*. Enhance systems that improve productivity and efficiency by reducing manual processing of benefits; enhance participant and beneficiary processing that relate to banking, accounting system and workflow interfaces;

(ii) *Enterprise systems maintenance*. Maintain and configure enterprise systems for core business applications, including: pension administration, accounting and content management. Ensure that mission-critical business systems (e.g., Content Management and Lawson) remain current with vendor updates, releases and upgrades until they are replaced by the IPAS solution;

(iii) *Maintenance of member organization information-sharing*. Provision and maintenance of member organization information-sharing for the data collection of human resources and financial information, maintenance of custom interfaces and systems programmes to enhance human resources and financial data collection with various enterprise resource planning interfaces used by various organizations, maintenance of electronic file transfer interfaces to securely support the sharing and translation of information;

(iv) Other services include: quality standardization; change management; service level and delivery agreements; and production control.

(c) Enterprise security services:

(i) *Information security*. Periodic security risk assessments of technological structures and operations of Pension Fund offices in New York and Geneva and securing the network using various security tools including firewalls, anti-spam and anti-virus solutions;

(ii) *Identity management*. Provide the ability to centrally manage the provisioning and deprovisioning of identities and consolidate the proliferation of identity repositories;

(iii) *Disaster recovery*. Formulate, adopt and implement a multi-year disaster recovery strategy to support Pension Fund business continuity requirements;

(d) *Contract management services*: plan, lead and participate in vendor relationship and procurement activities, including those with technology partners, contractors and outsourcers.

Table 17
Resource requirements

	Resources (thousands of United States dollars)		*Posts*[a]	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	8 607.5	7 786.8	31	28
Non-post	35 484.9	25 414.8	–	–
Total	**44 092.4**	**33 201.6**	**31**	**28**

[a] Includes five temporary posts in 2012-2013 and two temporary posts in 2014.

106. The amount of $33,201,600 will provide for the continuation of 26 established posts (1 D-1, 2 P-5, 6 P-4, 10 P-3, 1 General Service (Principal level) and 6 General Service (Other level)); two temporary posts (1 P-5 and 1 P-4); and non-post resources of $25,414,800. The decrease for posts of $820,700 is the result of the abolishment of three temporary posts as at 1 January 2014 (2 P-3 and 1 General Service (Other level)) and of the remaining two temporary posts (1 P-5 and 1 P-4) as at 1 January 2015. The decrease in non-post resources of $10,070,100 is attributable to a decrease in resources allocated for IPAS contractual services ($6,055,900) and other reductions owing to anticipated efficiency gains following the implementation of IPAS, including other non-IPAS contractual services ($3,639,000); other staff costs ($60,400); and supplies and materials and information technology equipment ($314,900).

Executive Office

Resource requirements (before recosting): $12,792,500

107. The Executive Office provides the administrative and programme support necessary for the implementation of the activities of the Fund. It assists the Chief Executive Officer and the Director of the Investment Management Division in the preparation of the biennial budget submission and provides the relevant support services for the efficient utilization of human and financial resources. It also provides general administration and facilities management services.

Table 18
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To facilitate the achievement of the operational and strategic goals of the Fund through efficient and effective administrative and programme support.

Expected accomplishments	Indicators of achievement
1. Timely recruitment and placement of best qualified candidates	1.1. Reduction in the average number of working days a post remains vacant
	Performance measures
	2010-2011: 336 days
	Estimate 2012-2013: 250 days
	Target 2014-2015: 180 days
	1.2. Increased percentage of women at the Professional and higher and above for appointments of one year or more
	Performance measures
	2010-2011: 40 per cent as at 31 December 2011
	Estimate 2012-2013: 41 per cent as at 31 December 2012
	Target 2014-2015: 50 per cent
2. Improved skills and competencies of staff by internal and external training	2.1. Increased production of bespoke learning courses available
	Performance measures
	2010-2011: 2 courses
	Estimate 2012-2013: 8 courses
	Target 2014-2015: 8 courses
	2.2. Increased staff participating in and successful completion of learning and career development programmes
	Performance measures
	2010-2011: 763 attended
	Estimate 2012-2013: 950 attended
	Target 2014-2015: 1,045 attended

3. Improved management and monitoring of the Fund's administrative budget	3.1. Reduce unliquidated obligations and cancellation of prior-period obligations as a percentage of final appropriations *Performance measures* 2010-2011: 2 per cent Estimate 2012-2013: 2 per cent Target 2014-2015: 1.9 per cent
4. Enhanced quality and timeliness of facilities and property services	4.1. Decreased working days lost due to downtime of building facilities *Performance measures* 2010-2011: zero Estimate 2012-2013: zero Target 2014-2015: zero

External factors

108. The Executive Office is expected to achieve its objective and expected accomplishments on the assumption that (a) the required human and financial resources are made provided; and (b) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters).

Outputs

109. During the biennium 2014-2015, the following outputs will be delivered:

(a) Human resources management:

(i) Provision of policy advice to all staff on all issues relating to human resources management;

(ii) Management of tracking data of job openings for hiring managers to support recruitment targets;

(iii) Report on electronic performance appraisal system compliance data to directors;

(iv) Interviews scheduled for all INSPIRA and temporary vacancy announcement recruitment;

(v) Coordination of processes related to staff-management relations (rebuttal panels, etc.);

(b) Staff training and career development:

(i) Development of Fund-specific courses and the facilitation of knowledge transfer for a learning management system platform in coordination with the Information Management Systems Service;

(ii) Training courses on Fund premises;

(iii) Induction of all new staff into the Fund;

(iv) Provision of career development advice;

(c) Administration:

(i) Provision of day-to-day administrative support to the staff of the Fund;

(ii) Maintenance of the staffing table;

(iii) All General Service and Professional personnel actions meet payroll each month;

(iv) Staff contracts renewed two months prior to expiration by alerting supervisors for recommendations;

(v) Individual staff cases of benefits and entitlements analysed in accordance with United Nations Staff Regulations and Rules and action any change or update to individual benefits and entitlements;

(vi) Provision of certified business travel to the Fund staff and associated personnel;

(vii) Arranging travel for United Nations members of the Pension Board and members of the Audit Committee and Committee of Actuaries and the staff of the Fund;

(viii) Maintenance of time and attendance records;

(d) Finance and budgetary control:

(i) Provision of guidance to programme managers on, and completion of the Fund's biennial and revised budgets;

(ii) Issuance and revision of allotments;

(iii) Certification of all expenditures;

(iv) Monitoring and reporting expenditure to programme managers on a monthly basis;

(v) Provision of advice and guidance on the application of the Financial Regulations and Rules to programme managers;

(vi) Control of the administrative budget, including verification of invoices prior to payment;

(vii) Completion of schedule I (Status of appropriations in relation to administrative expenses) of the Fund's annual financial statement;

(viii) Reconciliation of administrative expenses between the Fund and United Nations Secretariat;

(e) All aspects of facilities and property management.

Table 19
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	1 718.6	1 718.6	7	7
Non-post	10 200.7	11 073.9	–	–
Total	**11 919.3**	**12 792.5**	**7**	**7**

110. The amount of $12,792,500 provides for the continuation of seven posts (1 P-5, 2 P-4 and 4 General Service (Other level)) and for non-post requirements for the administration as a whole in the amount of $11,073,900. The increase in non-post resources of $873,200 is attributable to an increase in general operating costs ($847,000) owing mainly to increases in the rental costs for both the New York and Geneva premises of $800,900, and an increase in supplies and materials ($26,200) (see table 19).

C. Investment costs

1. Overview

111. The Investment Management Division assists the Secretary-General, under the authority delegated by the Representative of the Secretary-General in accordance with article 19 of the regulations of the United Nations Joint Staff Pension Fund, in the management of the investment of the Fund's assets. It is responsible for the day-to-day management of those assets, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation, policies and regulations and rules of the Fund. Its mandate is to generate the total amount of portfolio returns required to meet the liability demands of the Fund while staying under the Fund's risk threshold. The Division ensures that performance and portfolio risk analysis reports are accurate and up to date and arranges for the maintenance of appropriate and accurate accounts on the Fund's investments. The main sections of the Division are the Office of the Representative of the Secretary-General, the Investment Section, the Risk and Compliance Section, the Operations Section and the Information Systems Section.

112. The overall level of resources for the Investment Management Division amounts to $83,373,600 before recosting, reflecting a net decrease of $9,989,500, or 10.7 per cent, compared with the appropriations for the biennium 2012-2013. The net decrease, as shown in table 21, can be summarized as follows:

(a) Executive direction and management: the decrease of $18,100 comprises the net effect of increases in posts attributable to three additional posts (Assistant Secretary-General, P-4 and General Service (Other level)), offset in part by the outward redeployment of the existing D-2 post to the Investment Section; and a decrease in non-post costs comprising decreases for consultants ($306,400) and other staff costs ($64,600), offset in part by increased requirements for travel ($266,100) and hospitality ($1,500);

(b) Programme of work: the decrease of $14,083,100 comprises the net effect of an increase in posts of $4,643,700 attributable to 20 additional posts (15 in the Investment Section, 4 in the Operations Section and 1 in Risk and Compliance) and the inward redeployment of one post at the D-2 level from executive direction and management; and a decrease in non-post resources of $18,726,800. The decrease in non-post resources is attributable primarily to decreases in contractual services ($18,443,700) following the proposal to remove external management fees for small capitalization funds and publicly traded real estate from the Fund's administrative budget and a decrease in other staff costs ($277,300) and consultants ($20,300), offset in part by increases in travel ($14,500);

(c) Programme support: the increase of $1,685,300 for the Information Systems Section is attributable to an increase in posts of $244,000 related to one additional post (1 P-3) and increases in non-post resources of $1,441,400 owing to increases in consultants ($584,000), travel ($300), contractual services ($671,400), operating expenses ($336,800) and supplies and materials ($10,700), offset in part by decreases in other staff costs ($122,800) and information technology equipment ($39,000). The increase of $2,426,500 for Administrative support is attributable mainly to increases in rental costs and reconstruction to accommodate the proposed 24 new posts.

113. The estimated distribution of resources is shown in table 20, and resource requirements by component are shown in table 21.

Table 20
Percentage distribution of resources by component

Component	*Regular budget*
A. Executive direction and management	8.6
B. Programme of work	
1. Investments	39.3
2. Risk and compliance	3.2
3. Operations	17.61
Subtotal, B	**60.2**
C. Support	
1. Information Systems Section	23.5
2. Administrative support	7.7
Subtotal, C	**31.2**
Total	**100.0**

Table 21
Resource requirements by component
(Thousands of United States dollars)

Component	*2012-2013 appropriation*	*Resource growth*		*Total before recosting*	*Recosting*	*Apportionment*		*2014-2015 estimate*
		Amount	*Percentage*			*United Nations*	*Pension Fund*	
A. Executive direction and management	7 190.6	(18.1)	(0.3)	7 172.5	140.9	–	7 313.3	7 313.3
B. Programme of work								
1. Investments	50 378.7	(17 604.4)	(34.9)	32 774.3	565.9	–	33 340.2	33 340.2
2. Risk and compliance	2 629.2	35.0	1.3	2 664.2	24.7	–	2 688.9	2 688.9
3. Operations	11 226.7	3 486.3	31.1	14 713.0	287.4	–	15 000.4	15 000.4
Subtotal, B	**64 234.6**	**(14 083.1)**	**(21.9)**	**50 151.5**	**878.0**	–	**51 029.5**	**51 029.5**
C. Support								
1. Information	17 909.8	1 685.2	9.4	19 595.0	392.8	–	19 987.8	19 987.8
2. Administrative	4 028.1	2 426.5	60.2	6 454.6	42.9	–	6 497.5	6 497.5
Subtotal, C	**21 937.9**	**4 111.8**	**18.7**	**26 049.7**	**435.6**	–	**26 485.3**	**26 485.3**
Total	**93 363.1**	**(9 989.5)**	**(10.7)**	**83 373.6**	**1 454.5**	–	**84 828.1**	**84 828.1**

2. Executive direction and management

Resource requirements (before recosting): $7,172,500

114. The Representative of the Secretary-General sets forth the framework under which the sections of the Investment Management Division establish their strategies and priorities to ensure that the Division carries out its mandate, while guaranteeing the best possible conditions of security, performance, responsibility and accountability and ensuring full compliance with the highest standards of efficiency, competence and integrity. The Representative of the Secretary-General promotes the controlled, efficient and effective management of the assets of the Fund through a workplan designed to reflect the long-term goals and priorities of the Division and of the Fund as a whole. The Representative of the Secretary-General leads the Division's cooperation with the Fund's Audit Committee, the United Nations Board of Auditors and the Office of Internal Oversight Services (OIOS). The Chief Risk Officer, Chief Investment Officer, Chief Operating Officer and Chief Financial Officer (double reporting) report to the Representative of the Secretary-General.

115. The Office of the Representative of the Secretary-General is responsible for supporting the activities of the Representative and providing strategic and policy analysis, legal and administrative support to the Division as a whole. The Office also serves the Investments Committee and coordinates the Division's participating in and reporting to all other committees established by the Pension Board.

Table 22
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To facilitate the achievement of the Fund's investment goals through strategic guidance and policy setting

Expected accomplishments	Indicators of achievement
1. Sound guidelines on asset allocation ranges, strategic and tactical allocations and other investment strategies; risk management policies; operational framework and information systems infrastructure	1.1. Outperformance of Fund's investments vis-à-vis benchmark *Performance measures* 2010-2011: Fund underperformed both 2011 and 2012 Estimate 2012-2013: 100 per cent (Fund outperformed in 2012) Target 2014-2015: 100 per cent (outperformance in both 2014 and 2015)
2. Provision of legal advice in respect of various types of investments and contracts	2.1. Percentage of negotiated transactions that have been formally approved *Performance measures* 2010-2011: not applicable Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent
3. Enhanced substantive and technical support to the work of the Investments Committee	3.1. 10 efficiently managed and well-run meetings with no negative feedback from members of the Investments Committee and other participants *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent

External factors

116. The objective and accomplishments are expected to be achieved on the assumption that (a) all stakeholders will be supportive of the efforts of and will extend their full cooperation to the Investment Management Division and (b) there are no significant shortfalls in funding for the implementation of the mandates established by the General Assembly and the Pension Board.

Outputs

117. During the biennium 2014-2015, the following outputs will be delivered:

(a) A regularly updated and implemented investment policy that ensures forcefully implemented investment strategy in accordance with the guidance received by the Investments Committee;

(b) Legal review and negotiation of approximately 20 private equity investment transactions, 10 hedge fund investment transactions, 20 real estate investment transactions, 10 real asset investment transactions and 50 contracts for various products and services, in collaboration with the Office of Legal Affairs and the Fund's external legal counsel;

(c) Four Investments Committee meetings are organized annually. The Pension Board, the Advisory Committee on Administrative and Budgetary Questions, the Fifth Committee and other relevant parties are provided with accurate reports on investments.

Table 23
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	2 449.8	2 535.1	9	11
Non-post	4 740.8	4 637.4	–	–
Total	**7 190.6**	**7 172.5**	**9**	**11**

118. The amount of $7,172,500 provides for 11 posts (1 Assistant Secretary-General, 1 P-5, 3 P-4, 1 General Service (Principal level) and 5 General Service (Other level)) and non-post resources of $4,637,400. The increase for posts of $85,300 is the net effect of three proposed new posts (namely a full-time Representative of the Secretary-General at the level of Assistant Secretary-General, a Special Assistant at the P-4 level and 1 General Service (Other level) Administrative Assistant) and the outward redeployment to the Investments Section of the current Director of the Investment Management Division post (D-2), which will be renamed as the Chief Investment Officer. The decrease in non-post costs of $103,400 comprises decreased requirements for consultants ($306,400) and other staff costs ($64,600), offset in part by increases for travel ($266,100) and hospitality ($1,500).

3. Programme of work

Investment Section

Resource requirements (before recosting): $32,774,300

119. The Investment Section, led by the Chief Investment Officer, is divided into Public and Private investment units and is responsible for achieving the optimal investment return for the Fund while avoiding undue risks. The Public and Private investment units consist of a total of nine organizational entities: North American equity, European equity, Asia-Pacific equity, global emerging markets, fixed

income, real assets, alternative investments, trade execution and management of external specialty funds. The primary functions involve monitoring current portfolios, keeping abreast of and tracking developments in the financial markets and making and carrying out investment decisions. The fulfilment of these functions involves the preparation of financial analyses, attendance at meetings and conferences and travel to various countries to meet analysts and companies' management. A secondary function is contributing to the elaboration of reports to all the governing bodies.

120. The tasks of the Investment Section for 2014-2015 include (a) to meet the long-term objective of an annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index; (b) to achieve consistent outperformance of the policy benchmark by the Fund's investments; (c) to maintain a risk level commensurate with target investment returns; and (d) to reduce currency risks and country risks through sound diversification.

Table 24
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: The long-term objective is to achieve an optimal, real return for the Fund without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility approved by the General Assembly

Expected accomplishments	Indicators of achievement
1. A long-term annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index	1.1. Total Fund return against the Fund's objective over a 10-year period
	Performance measures
	2010-2011: outperformed the real return target of 3.5 per cent in the long-term horizon, including the past 10, 20 and 50 years
	Estimate 2012-2013: based on preliminary numbers, the Fund performed 3.5 per cent in real terms over a 10-year period ended December 2012, exceeding the Fund's return target
	Target 2014-2015: outperform the long-term target of an annualized real rate of return of 3.5 per cent
2. Consistent outperformance of the Fund's investments relative to the policy benchmark, which is 60 per cent in equity, 31 per cent in fixed income, 6 per cent in real estate and 3 per cent in cash	2.1. Total return against the policy benchmark over a 5-year period
	Performance measures
	2010-2011: outperformed the benchmark (1.74 per cent versus 1.57 per cent) over a 5-year period ended December 2011

	Estimate 2012-2013: based on preliminary numbers, the Fund performed 12.6 per cent in nominal terms in 2012, outperformed the 60/31 benchmark return of 11.9 per cent Target 2014-2015: outperform the policy benchmark in the medium-term horizon
3. Reduction of currency risk and country risk by sound diversification	3.1. Number of currencies invested in *Performance measures* 2010-2011: the Fund directly invested in 22 currencies as of December 2011, together with indirect investments through the funds Estimate 2012-2013: the Fund directly invested in 24 currencies as at 31 December 2012 Target 2014-2015: further refine the allocation of the Fund's assets by currency as appropriate 3.2. Number of countries invested in: 2010-2011: the Fund invested in more than 39 countries, including emerging markets, in international/regional institutions and in investment trusts as of December 2011 Estimate 2012-2013: the Fund directly invested in 42 countries, including emerging markets. In addition, the Fund had broader investments through international/regional institutions and in investment trusts as at 31 December 2012 Target 2014-2015: further refine the allocation of the Fund's assets by country as appropriate
4. Diversification of investments into alternative asset classes, including private equity, infrastructure, commodities, timber, agriculture and hedge funds of funds	4.1. Allocation of alternative asset classes invested in as a percentage of the total Fund *Performance measures* 2010-2011: by the end of 2011, the Fund had committed approximately $455 million in 6 private equity funds Estimate 2012-2013: non-discretionary private equity advisor was retained in May 2012. By the end of 2013, the Investment Management Division will have finalized the selection of a non-discretionary hedge fund and hedge fund of funds adviser. As of the end of 2013, the Division expects to have made commitments to approximately 25 to 30 managers

	Target 2014-2015: going forward, the Fund expects to make 10 to 15 new private equity and hedge fund and hedge fund of funds investments per year. To measure the Fund's private equity programme returns, the Division is finalizing an appropriate benchmark. The Division is recommending that the Fund measures its private equity programme returns against two benchmarks based on industry best practices. The first measure includes opportunity cost, the long-term performance of the private equity portfolio as a whole as measured against the MSCI World Index plus 200 basis points. Investors often look for 200 basis points over a public benchmark to justify the illiquid and long-term nature and risk profile of private equity investing. The index should be calculated on a public market equivalent basis to reflect the portfolio's actual cash flows. The second measure is based on relative performance of the private equity portfolio, which compares the performance of the private equity portfolio overall and individual investments against the median of other representative alternative investments. Benchmarking for the Fund's hedge fund and hedge fund of funds investments will be discussed with the hedge fund adviser and will be presented in detail at a later stage
5. Achievement of best execution in security trades and efficient implementation of the investment strategy	5.1. Average transaction costs against industry benchmarks *Performance measures* 2010-2011: not applicable Estimate 2012-2013: 90 per cent Target 2014-2015: 100 per cent
6. Enhanced capacity of staff in issues related to the investments and portfolio managements	6.1. Percentage of staff who attend at least 1 relevant conference or seminar *Performance measures* 2010-2011: 100 per cent of investment staff participated in or attended an investment-related seminar, meeting, conference or training Estimate 2012-2013: 100 per cent of investment staff attending investment-related conferences, seminars or training courses Target 2014-2015: each staff member attending at least 1 seminar or conference

External factors

121. The objective and accomplishments are expected to be achieved consistently on the assumption that (a) all stakeholders will be supportive of the efforts of and will extend their full cooperation to the Investment Management Division, (b) there are no significant shortfalls in funding for the implementation of the mandates established by the General Assembly and the Pension Board and (c) the financial markets such as global equity, global fixed income, real estate and foreign exchange will move in the direction of the long-term assumptions.

Outputs

122. During the biennium 2014-2015, the following outputs will be delivered:

(a) A positive total return exceeding the Fund's objective, which is a long-term annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index;

(b) A positive total Fund return exceeding the policy benchmark, which is 60 per cent in equity, 31 per cent in fixed income, 6 per cent in real estate and 3 per cent in cash;

(c) The maintenance of a well-diversified portfolio, in terms of both currencies and countries, in order to reduce currency risk and country risk;

(d) Successful implementation of the alternative asset class suited to the Fund objective when market conditions are favourable for the Fund to earn a return premium exceeding what could be earned from investments in publicly listed equities;

(e) The enhancement of the professionalism and in-depth knowledge of staff, who will help to improve the performance of the Fund through participation in conferences and seminars that are directly related to investments and portfolio management.

Table 25
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	8 974.3	12 508.6	31	47
Non-post	41 404.4	20 265.7	–	–
Total	**50 378.7**	**32 774.3**	**31**	**47**

123. The amount of $32,774,300 provides for 47 posts (1 D-2, 2 D-1, 7 P-5, 14 P-4, 12 P-3, 6 General Service (Principal level) and 5 General Service (Other level)) and non-post resources of $20,265,700. The increase for posts of $3,534,300 relates to the proposed 15 new posts (1 D-1, 4 P-4, 6 P-3 and 2 General Service (Principal level) as of 1 January 2014 and 1 P-4 and 1 P-3 as of 1 January 2015), the inward redeployment of 1 post (D-2) from executive direction and management (currently the Director of the Investment Management Division post (D-2) and the title will be converted to Chief Investment Officer) and the delayed impact of 4 new posts

approved in 2012-2013 ($632,500). The decrease in non-post requirements of $21,138,700 is attributable mainly to a decrease in contractual services ($21,263,900) following the proposal to remove external management fees for small capitalization funds and publicly traded real estate from the Fund's administrative budget, offset in part by proposed increases for consultants ($113,900), travel ($10,800) and other staff costs ($500).

Risk and compliance

Resource requirements (before recosting): $2,664,200

124. Under the leadership of the Chief Risk Officer, the Risk and Compliance Section is responsible for identifying, measuring and managing all aspects of risks to which the Fund is exposed. In addition, in terms of compliance, it is mandated to implement adequate monitoring and control processes covering the Fund's investments. Its function comprises two subfunctions: risk management and compliance.

Table 26
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To establish risk targets to control and monitor compliance with various risk controls related to market risk, operational risk, credit risk, and legal and reputational risk

Expected accomplishments	Indicators of achievement
1. Effective oversight of the risks involved in the Fund's investment decisions	1.1. Positions exceeding the risk targets
	Performance measures
	2010-2011: not applicable
	Estimate 2012-2013: 100 per cent
	Target 2014-2015: 100 per cent
2. Risk management framework established	2.1. 100 per cent integration of risk analytics into portfolio construction and risk-adjusted performance reported on each portfolio
	Performance measures
	2010-2011: not applicable
	Estimate 2012-2013: 100 per cent
	Target 2014-2015: 100 per cent
	2.2. Percentage of implemented risk controls
	Performance measures
	2010-2011: not applicable
	Estimate 2012-2013: 100 per cent
	Target 2014-2015: 100 per cent

3. Compliance with Investment Management Division's compliance policies and procedures	3.1. Percentage of investment transactions in compliance with policies and standard operating procedures *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent 3.2. 100 per cent (full compliance) recording of personal trading, reporting of hospitality events and gifts returned *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent 3.3. Percentage of audit recommendations implemented and closed by agreed deadline *Performance measures* 2010-2011: 100 per cent Estimate 2012-2013: 100 per cent Target 2014-2015: 100 per cent

External factors

125. The Risk and Compliance Section is expected to achieve its objective and accomplishments on the assumption that all external parties will be supportive of the efforts of and will extend full cooperation to the Section. Other external factors include:

(a) More volatile equities markets;

(b) More volatile currencies market with large swings, requiring extensive quantitative analysis capacity for the use of index-linked tools for offsetting risks;

(c) More credit risk from sovereign countries;

(d) Operating in inflationary and/or deflationary environments simultaneously in various geographies;

(e) More international trade barriers;

(f) Changes in benchmarks if there are shifts in macroeconomic trends;

(g) Sudden underfunding of risks due to depreciation in base currency (United States dollar), causing funds to reach historical highs, while being potentially underfunded as use of the two-track feature increases and as liabilities increase in other currencies;

(h) Run on commodities;

(i) High unemployment becomes the "new normal" on a sustained basis in developing economies;

(j) Sovereign countries default on their loans.

Outputs

126. During the biennium 2014-2015, the following outputs will be delivered:

(a) The maintenance of policies and standard operating procedures, namely, standard operating investment policies and procedures, the Risk Management Manual, the compliance policy and corresponding manual and policies concerning ethics and personal securities, gifts and hospitality;

(b) The completion of quarterly compliance reviews of the Fund's investment operations to ensure the effective management of the Fund's compliance risks;

(c) The administration of certification of acknowledgement, trade order pre-clearances, report of personal securities, hospitality log and mandatory leave;

(d) The organization of training programmes pertaining to investment compliance and code of ethics (total of two on-site division-wide programmes);

(e) Coordination for full compliance with the annual United Nations financial disclosure programme;

(f) The preparation of periodic reports to the Audit Committee of the Pension Board (total of eight presentations);

(g) Acting as a focal point for planned internal and external audits of the Board of Auditors and OIOS and for queries from the Ethics Office.

Table 27
Resource requirements

	Resources (thousands of United States dollars)		*Posts*	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	1 919.7	2 163.7	7	8
Non-post	709.5	500.5	–	–
Total	**2 629.2**	**2 664.2**	**7**	**8**

127. The amount of $2,664,200 provides for eight posts (1 D-1, 3 P-4, 1 P-3, 2 General Service (Principal level) and 1 General Service (Other level)) and non-post resources of $500,500. The increase for posts of $244,000 reflects the proposal for one additional post (P-3) as at 1 January 2015 and the delayed impact of one new post approved in 2012-2013 ($165,100). The decrease in non-post resources of $209,000 is the result of decreases in consultants ($129,400), other staff costs ($52,300) and contractual services ($27,300).

Operations

Resource requirements (before recosting): $14,713,000

128. The Operations and Information System Sections are both led by the proposed new Chief Operating Officer. Under the leadership of the Chief Operating Officer, the Operations Section of the Investment Management Division is responsible for post-trade investment operations, accounting and reconciliation and the financial reporting of all investment transactions and related activities of the Fund. It is also responsible for matching and settling all investment trades and foreign-exchange transactions in a timely and accurate fashion as well as employing industry-standard solutions for straight-through and exception processing. In addition, it ensures that all investment activities, such as trades, foreign-exchange transactions, income collection, maturities, tax collection and corporate actions, are properly recorded in accordance with IPSAS, which was adopted by the Fund for the preparation of financial statements, complete with adequate internal controls and audit trail. Furthermore, the Section is responsible for the production of daily cash projections, enabling the Investment Section to manage cash for all of the currencies utilized by the Division for investment purposes. The Section works closely with the Investment Officers (front office) and the brokers to match trade details and resolve issues prior to settlement. It also works closely with the custodians for trade and foreign-exchange settlements, the investigation of interest claims on failed trades, income collection, maturities, tax collection and corporate actions. It also works closely with the independent master record keeper for the daily reconciliation of cash and holdings, the fair market valuation of the Fund's investments and the monthly IPSAS general ledger feed. Thereafter, the Section prepares the annual financial statements and related disclosures for the investments of the Fund for consolidation and review by the Fund's Chief Financial Officer. The Section works closely with the Information Systems Section to assist in the implementation of more efficient processes, ensuring internal controls, while enhancing the various computerized investment activities of the Division and minimizing manual intervention.

Table 28
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To ensure the security of the Fund's investments and increase transparency in the financial reporting thereof

Expected accomplishments	Indicators of achievement
1. Improved efficiency and security of the post-trade investment operations for broker matching, trade settlement and reconciliation	1.1. Increased percentage of trades processed straight through SWIFT to the custodians *Performance measures* (Equities and fixed income only) 2010-2011: 50 per cent Estimate 2012-2013: 98 per cent Target 2014-2015: 99 per cent

	1.2. Maintenance of a loss-free record in safeguarding financial resources *Performance measures* 2010-2011: zero Estimate 2012-2013: zero Target 2014-2015: zero
	1.3. Discrepancies in positions/holdings and cash resolved in 1 day or less on average *Performance measures* 2010-2011: 2 days Estimate 2012-2013: 1 day Target 2014-2015: 1 day
2. Improved integrity of financial data	2.1. Submission of the Division's IPSAS-compliant financial statements to the Fund's Chief Financial Officer by 15 March *Performance measures* 2010-2011: 13 April 2012 (with cost adjustments to equities and real estate following recommendation by the Chief Financial Officer) Estimate 2012: 31 March 2013 (first IPSAS-compliant financial statements) Estimate 2013: 15 March 2013 Target 2014-2015: 15 March each year
	2.2. Unqualified audit opinion from the Board of Auditors on financial statements *Performance measures* 2010-2011: unqualified audit opinion 2012-2013: unqualified audit opinion Target 2014-2015: unqualified audit opinion
	2.3. No significant adverse audit findings related to the Fund's investment operations *Performance measures* 2010-2011: no significant adverse audit findings 2012-2013: no significant adverse audit findings Target 2014-2015: no significant adverse audit findings

External factors

129. The Operations Section is expected to achieve its objectives on the following assumptions:

(a) The successful establishment of the middle office to provide adequate segregation of duties after the trade is executed by the front office and prior to settlement;

(b) The successful implementation of the Murex back-office enhancements to provide straight-through processing of real assets and alternative and other investments which are still being processed manually;

(c) The successful implementation of the Murex corporate action and nostro management modules in order to produce more accurate daily cash projection reports, which are still being reconciled manually with the global custodians. This will replace the current Wilshire/Abacus system;

(d) The successful contract negotiations and transition of assets with the new global custodian for developed markets;

(e) The successful implementation of the in-house reconciliation and portfolio accounting modules in Murex, which will provide automated reconciliation of cash and holdings on a daily basis between the Investment Management Division and global custodians and the master record keeper and the accounting thereof;

(f) The successful implementation of securities lending and collateral management and the monitoring and accounting thereof.

Outputs

130. During the biennium 2014-2015, the following outputs will be delivered:

(a) The settlement of all securities trading including real assets, alternative and other investments and currency-exchange transactions on settlement or value date using SWIFT;

(b) The automated reconciliation of securities/positions/holdings and cash, including income (dividends, interest and cash distributions), maturities and corporate actions on a daily exception basis;

(c) A more accurate daily cash projection report that would necessitate less reconciliation issues;

(d) All assets are transferred and accounted for and re-registered with the new custodian for developed markets and the satisfactory performance of the two custodians and the independent master record keeper in the delivery of custodial and master record-keeping reports and services;

(e) Proper, timely and efficient monitoring, accounting and controls of securities lending and collateral management activities are established.

Table 29
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Post	2 029.6	2 895.0	10	14
Non-post	9 197.1	11 818.0	–	–
Total	**11 226.7**	**14 713.0**	**10**	**14**

131. The amount of $14,713,000 provides for 14 posts (1 D-1, 1 P-5, 1 P-4, 3 P-3, 3 General Service (Principal level) and 5 General Service (Other level)) and non-post resources of $11,818,000. The increase for posts of $865,400 reflects the proposal for four additional posts (1 D-1, 1 P-4, 1 P-3 and 1 General Service (Principal level) and the delayed impact of one new post approved in 2012-2013 ($137,200). The increase in non-post resources of $2,620,900 is the net effect of increases in contractual services ($2,847,500) and travel ($3,600), offset in part by reductions in other staff costs ($225,400) and consultants ($4,800).

Information Systems Section

Resource requirements (before recosting): $19,595,000

132. The Operations and Information System sections are both led by the proposed new Chief Operating Officer. Under the leadership of the Chief Operating Officer, the Information Systems Section of the Investment Management Division is responsible for information and communications technology strategy of the Division, which aims at implementing best-in-class investment applications, equipping portfolio and risk managers with rapid access to the actionable financial data needed to implement effective investment models and make effective decisions to accomplish the investment profitability, liquidity, convertibility and safety.

133. The modernization of the business applications will facilitate effective management of growth and further diversification of the invested assets. Modern applications will reduce investment operational risks by (a) enabling the secure and efficient management of a significant increase in the volume of transactions, (b) providing a clear audit trail that exposes all trade and transaction data, (c) supporting exception-based processing and (d) supporting investment reports following industry standards such as IPSAS and the Global Investment Performance Standards.

Table 30
Objectives for the biennium, expected accomplishments and indicators of achievement

Objective of the Organization: To implement strategic business applications and information system infrastructure supporting front-to-back investment operation processes

Expected accomplishments	Indicators of achievement
1. Execution of the Investment Management Division information and communications technology strategy and implementation of the strategic business applications and information system infrastructure	1.1. Exception-based processing of investment transactions enabled. Percentage of transactions processed straight through and number of investment tactics enabled *Performance measures*: percentage of transactions processed straight through and number of investment tactics enabled 2010-2011: 90 per cent 2012-2013: 95 per cent Target 2014-2015: 95 per cent 1.2. Standardization and modernization of investment processes supported. Percentage of business processes standardized *Performance measures* 2010-2011: 85 per cent 2012-2013: 95 per cent Target 2014-2015: 99 per cent 1.3. Risk and compliance management enabled. Number of risk and compliance tools supported *Performance measures* 2010-2011: 2 2012-2013: 3 Target 2014-2015: 3
2. Increased quality, security and availability of the Investment Management Division financial, operation and static data	2.1. The investment data validated and reconciled in timely manner. Percentage of dependable investment reports produced *Performance measures* 2010-2011: 75 per cent 2012-2013: 75 per cent Target 2014-2015: 100 per cent

2.2. High availability of information technology services. Percentage of potential information technology operation risk

Performance measures

2010-2011: less than 5 per cent

2012-2013: less than 1 per cent

Target 2014-2015: less than 1 per cent

External factors

134. The Information Systems Section is expected to achieve its objective and expected accomplishments on the assumption that: (a) the procurement and legal processes are completed within the expected time frame; (b) stakeholders fulfil their responsibilities and extended their full cooperation in attaining the objectives of the information and technology strategy of the Investment Management Division to facilitate the Division’s business; and (c) the Information Management Systems Service supports the consolidated information and communications technology infrastructure in a timely manner.

Outputs

135. During the biennium 2014-2015, the following outputs will be delivered:

(a) Mission critical systems of the Investment Management Division are implemented;

(b) Data hub, foreign exchange and fixed income investment executions systems are implemented;

(c) Exception-based processing of investment transactions achieved and programme and basket trading are supported;

(d) Trade order management, operations, accounting, reconciliation, interbank messaging (SWIFT) systems are implemented and supported;

(e) Investment processes are documented;

(f) Standardization and streamlining of business processes are facilitated;

(g) Compliance system is supported and compliance monitoring is facilitated;

(h) Investment decision-making process is enabled;

(i) Investment Management Division data hub and automatic data feed are implemented;

(j) Data validation and reconciliation are supported;

(k) The Division’s information and communications technology infrastructure is strengthened;

(l) Security policies and disaster recovery are implemented and supported;

(m) Business continuity is enabled.

Table 31
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2012-2013	2014-2015 (before recosting)	2012-2013	2014-2015
Post	2 457.5	2 701.5	8	9
Non-post	15 452.2	16 893.6	–	–
Total	**17 909.7**	**19 595.0**	**8**	**9**

136. The amount of $19,595,000 provides for nine posts (1 P-5, 4 P-4, 3 P-3 and 1 General Service (Principal level)) and non-post resources of $16,893,600. The increase for posts of $244,000 relates to the proposed additional post (1 P-3) as at 1 January 2015 and the delayed impact of one new post approved in 2012-2013 ($165,100). The increase in non-post resources of $1,441,400 is attributable to increases for consultants ($584,000), contractual services ($671,400), travel ($300), general operating expenses ($336,800) and supplies and materials ($10,700), partially offset by decreases for other staff costs ($122,800) and information technology equipment ($39,000).

Administrative support

Resource requirements (before recosting): $6,454,600

Table 32
Financial resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	2012-2013	2014-2015 (before recosting)	2012-2013	2014-2015
Non-post	4 028.1	6 454.6	–	–
Total	**4 028.1**	**6 454.6**	**–**	**–**

137. The amount of $6,454,600, representing an increase of $2,426,500, provides for non-post resources for the Division as a whole. The increase is attributable primarily to increased rental and premises costs ($2,187,700) and furniture and equipment ($249,900) associated with accommodation for the proposed 24 new posts, offset in part by a reduction for rental and maintenance of equipment ($11,000).

D. Audit costs

Resources requested (before recosting): $2,491,400

138. The distribution of resources is shown in table 33.

Table 33
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
External audit	791.8	774.7	–	–
Internal audit	1 822.0	1 716.8	–	–
Total	**2 613.8**	**2 491.4**	**–**	**–**

139. The amount of $2,491,400 covers the estimated requirements for external audit ($774,700), as requested by the Board of Auditors and for internal audit ($1,716,800), as requested by the Office of Internal Oversight Services.

1. External audit

Resource requirements (before recosting): $774,700

140. Provision is made in the amount of $774,700 for the costs associated with the Board of Auditors and apportioned to the Fund by the secretariat of the Board of Auditors.

2. Internal audit

Resource requirements (before recosting): $1,716,800

141. The amount of $1,716,800, representing a decrease of $105,200, provides for the continuation of five general temporary assistance posts (1 P-5, 2 P-4, 1 P-3 and 1 General Service (Other level)) and non-post resources comprising consultants, travel of staff, contractual services, training, communications, operating expenses, supplies and material and furniture and equipment.

E. Board expenses

Resources requested (before recosting): $400,000

Table 34
Resource requirements

	Resources (thousands of United States dollars)		Posts	
Category	*2012-2013*	*2014-2015 (before recosting)*	*2012-2013*	*2014-2015*
Board expenses	204.4	400.0	–	–

142. The General Assembly, in section IV of its resolution 61/240, authorized Board expenses, comprising the administrative costs of Board sessions, the Chair’s travel expenses and the travel expenses of working groups, to be included in the Fund’s budget and charged against administrative expenses.

143. The amount of $400,000, representing an increase of $195,600, covers the estimated requirements for Board expenses and comprises travel costs for the Chair

to attend the meetings of the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee, travel and actuarial costs for the newly established Assets and Liabilities Monitoring Committee, as well as administrative expenses of the sixty-first and sixty-second sessions, to be held in July 2014 and July 2015, respectively.

IV. Emergency Fund

144. The General Assembly, in section V of its resolution 66/247, authorized the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund for the biennium 2012-2013 by an amount not exceeding $200,000.

145. It is proposed that the Pension Board recommend to the General Assembly that it authorize the Board to supplement contributions to the Emergency Fund for the biennium 2014-2015 by an amount not exceeding $200,000.

V. Amendments to the regulations of the Pension Fund

Benefit provisions

146. During its sixty-seventh session, the General Assembly supported the recommendation of the Pension Board to increase the normal retirement age to 65 for new staff who became participants in the Fund on and after 1 January 2014, but only in coordination with a similar increase in the mandatory age of separation, which the Assembly also subsequently approved at its resumed session in the spring of 2013 in consideration of the report of the International Civil Service Commission on the matter. Therefore, the Pension Board is recommending that the regulations of the Fund be changed to implement this decision, as included in annex V (art. 1).

147. In coordination with the change in normal retirement age and based on the considerations and recommendations of the Pension Board's working group on sustainability, the Board is also recommending changes to the Fund's regulations regarding early retirement for consideration by the Assembly, as included in annex V (arts. 29 and 30). The specific recommended changes are noted below, which, when coupled with the increase in the normal retirement age, represent a reduction in the required contribution rate to the Fund of 1.16 per cent of pensionable remuneration:

(a) In the case of future increases in the normal retirement age, continuation of the 7-year difference between the earliest age for eligibility for an early retirement benefit and normal retirement age. The specific recommendation is to increase the eligibility for early retirement to age 58 for participants whose normal retirement age is 65;

(b) Modification of the factors used to reduce the pension payable to early retirees to account for the additional payments made prior to normal retirement age. Currently, for the majority of early retirees, the pension benefit is reduced by 6 per cent for each year the benefit begins prior to normal retirement age. However, if a participant has 25 to 30 years of contributory service at separation, the benefit is reduced by only 3 per cent (1 per cent if the participant has 30 or more years) for each of the first 5 years the benefit begins before normal retirement age (and 6 per cent per year thereafter).

148. Based on the recommendation of the working group on sustainability, the Pension Board is proposing that the reductions for participants with 25 years or more of contributory service be increased from 3 per cent to 4 per cent for each of the first 5 years the benefit begins before normal retirement age, effective for new participants who enter the Fund on or after 1 January 2014. The Board is also recommending elimination of the 1 per cent reduction factor for contributory service of 30 years or more.

149. The main factors that the working group on sustainability took into consideration when studying the early retirement factors for new staff were cost (since the mandate of the working group was to consider sustainability); equity (both intragenerational and intergenerational) and human resources management (the need for reduced factors for longer serving staff).

Investment of the assets

150. The Representative of the Secretary-General presented the Secretary-General's long-term vision and strategy for the investments of the assets of the Fund to the Pension Board's budget working group, which is discussed in annex I. The budget working group and the Pension Board supported the proposals of the Representative of the Secretary-General, which addressed concerns about the existing thin senior management structure of the Investment Management Division and the fact that there were areas of understaffing in the Division that needed to be addressed as a matter of urgency with a view to reducing risk and increasing the capacity of the Division to generate the required long-term real rate of return of 3.5 per cent. In that context, the budget working group and subsequently, the Pension Board, supported the establishment of a full-time Representative of the Secretary-General for the investments of the assets of the Fund at the level of Assistant Secretary-General, subject to approval by the General Assembly. The Pension Board is also recommending that this position be an "expense of the Fund" within the meaning of article 15 (a) of the regulations of the Pension Fund, thus requiring amendment to article 19 of the regulations, as contained in annex V.

151. Further, it is noted that the Rules of Procedure of the Fund are to be amended by the Board to include annexes setting out the minimum qualifications, competencies and performance standards for the Chief Executive Officer/Secretary, for the Deputy Chief Executive Officer and for the full-time Representative of the Secretary-General. The minimum qualifications, competencies and performance standards for the Chief Executive Officer/Secretary and for the Deputy Chief Executive Officer/Secretary shall be promulgated by the Board, and the minimum qualifications, competencies and performance standards for the Representative of the Secretary-General shall be promulgated by the Secretary-General after consultation with the Board.

VI. Action to be taken by the General Assembly

152. **The Pension Board recommends that the General Assembly approve:**

(a) **A reduction in appropriations for 2012-2013 amounting to $8,370,300. The revised appropriations for the biennium 2012-2013 would then amount to $185,730,600, divided into administrative costs ($96,871,800), investment costs ($85,930,900), audit costs ($2,631,000) and Board expenses**

($296,900). Of this amount, $164,801,000 would be apportioned to the Fund and $20,929,600 would be directly chargeable to the United Nations under the cost-sharing arrangement;

(b) **A revised estimate for the biennium 2012-2013 amounting to $176,700 for extrabudgetary resources;**

(c) **The Pension Fund estimate for the biennium 2014-2015 amounting to $178,852,500, comprising administrative costs ($91,071,700) investment costs ($84,828,100), audit costs ($2,543,900) and Pension Board expenses ($408,800). Of this amount, $157,527,800 would be apportioned to the Fund and $21,324,700 to the United Nations under the cost-sharing arrangement;**

(d) **The proposal to remove external management fees for small capitalization funds and publicly traded real estate from the administrative budget of the Fund to be paid from the principal of the Fund and disclosed in the financial statements;**

(e) **Resources for the biennium 2014-2015 amounting to $155,800 for extrabudgetary costs funded by a number of member organizations;**

(f) **An amount not exceeding $200,000 to supplement contributions to the Emergency Fund;**

(g) **Amendments to article 1 (definition of normal retirement age), article 19 (investment of the assets concerning creation of a full-time post at the level of Assistant Secretary-General for the Representative of the Secretary-General for the investment of the assets of the Fund), article 29 (early retirement benefit) and article 30 (deferred retirement benefit) as contained in annex V.**

VII. Summary of follow-up action taken to implement requests and recommendations of the Advisory Committee on Administrative and Budgetary Questions and the Board of Auditors

A. Advisory Committee on Administrative and Budgetary Questions

(A/67/525)

Request/recommendation	*Action taken to implement request/recommendation*
(a) The Committee welcomes the establishment of the working group on sustainability and looks forward to reviewing its proposals, and it urges the Pension Board to ensure that the working group takes into consideration all possible measures to strengthen the actuarial position of the Fund (para. 7).	The report of the working group on sustainability was presented to the Board at its sixtieth session, in July 2013. Specific recommendations by the Board, as a result of the working group's report, requiring consideration by the General Assembly at its sixty-eighth session, are included in the present report of the Pension Board.

Request/recommendation	Action taken to implement request/recommendation
(b) The Advisory Committee is nevertheless concerned that, while the long-term objectives of the Fund are still largely being met, the Fund has underperformed against the policy benchmark for three consecutive fiscal years, which has contributed to the current actuarial deficit of the Fund. The Committee recommends that, given the magnitude of the unrealized losses that were reported by the Board of Auditors, the Representative of the Secretary-General for the Investments of the Fund and the Investment Management Division should take appropriate measures to better monitor the investments of the Fund as a matter of priority (para. 11).	Since June 2010, the Fund has benefited from improved and more diversified investments, including the implementation of private equity, infrastructure and a broader range of real estate investments. Since October 2011, with the implementation of RiskMetrics, a risk management software system, there has been a closer monitoring of the investments of the Fund. In the fiscal year ending 31 March 2013, the Fund returned 8.2 per cent and outperformed the policy benchmark return of 7.8 per cent by 40 basis points. The Fund also met its long-term investment objective.
(c) The Advisory Committee encourages further investment in emerging markets and developing countries, as appropriate, in order to strengthen diversification (para. 14).	The Investment Management Division continued to seek investment opportunities in emerging markets and developing countries. In particular, it increased the number of emerging and frontier market countries represented in the portfolio by 74 per cent, representing 40 countries through the purchase of the frontier markets exchange trade fund. The Division also added to the exposure in currently held Africa and Middle East funds. The Director will visit additional frontier markets to gain further diversification.
(d) While the Advisory Committee does not object to the use of two distinct biennium periods for reporting on the operations and on the investments of the United Nations Joint Staff Pension Fund, it is of the view that the reports of the Fund would benefit from the consistent application of select and relevant performance indicators. The Committee requests that the Fund present comprehensive financial information in the reports, in addition to key indicators of performance for the operations and investments of the Fund, in a format that facilitates comparison with prior financial periods, and ensure that the Committee is provided with up-to-date and accurate information on performance during its consideration of the reports (para. 16).	Following the successful completion of IPSAS implementation and the unqualified opinion the Fund received on its first IPSAS-compliant 2012 financial statements, the Fund is now reporting the fair value of its investments, which is consistent with performance reporting. Owing to this request of the Advisory Committee, the Fund will submit its performance reporting as at 31 December of each year going forward in addition to the more up-to-date information as provided for the fiscal year.
(e) The Advisory Committee welcomes the implementation of IPSAS by the Fund with effect from 1 January 2012 and requests the Secretary-General to ensure that the related Board of Auditors' recommendations are fully implemented and that the lessons learned from IPSAS implementation by the Fund are shared throughout the Secretariat (para. 18).	The Fund fully implemented IPSAS as at 1 January 2012, as documented in its financial statements for the year ending 31 December 2012. Further, the Fund received an unqualified opinion from the Board of Auditors on these financial statements. Lessons learned from the Fund's IPSAS implementation, specifically from the early adoption of IPSAS 28-30 in the United Nations system will

Request/recommendation	Action taken to implement request/recommendation
	be presented by the Fund in a dedicated session at the United Nations IPSAS task force meeting on 30 September 2013. The Fund also closed all but eight audit observations raised by the Board. The eight remaining audit observations are currently under implementation.
(f) The Advisory Committee requests that the Fund implement the recommendations of the Board of Auditors regarding the security of information systems without delay (para. 19).	The Fund has implemented all recommendations of the Board of Auditors regarding the security of information.
(g) The Committee has no objection to the course of action proposed by the Board concerning the proposed transfer agreements (para. 22).	The General Assembly approved the agreements at its sixty-seventh session.
(h) The Committee has no objection to the proposed revisions to the Fund's regulations and the pension adjustment system (para. 23).	The General Assembly approved the proposed revisions at its sixty-seventh session.
(i) The Advisory Committee concurs with the recommendation of the Board that the General Assembly approve the proposed amendment, which provides for the recovery of financial losses caused by staff members having defrauded participating organizations (para. 24).	The General Assembly approved the proposed revisions at its sixty-seventh session.
(j) The Advisory Committee considers that the course of action proposed by the Pension Board would mitigate the actuarial deficit of the Fund and has no objection to increasing the normal retirement age for participants in the Fund to the age of 65. The Advisory Committee stresses, however, that an increase in the mandatory age of separation may have consequences with respect to the management of human resources in the Organization in such areas as the ageing of its personnel, productivity, mobility, gender balance, geographical distribution and the rejuvenation of the Secretariat, which may also affect its ability to meet mandated human resources objectives. The Committee takes note of the endorsement by the International Civil Service Commission of the proposal to increase the mandatory age of separation to 65 for new entrants to the system, and encourages the General Assembly to take into consideration the policy implications of an increase in the mandatory age of separation for human resources management in participating organizations (para. 28).	During its sixty-seventh session, the General Assembly supported the Pension Board's recommendation to increase the normal retirement age to 65 for new staff on and after 1 January 2014, but only in coordination with a similar increase in the mandatory age of separation, which the Assembly also subsequently approved at its resumed session in the spring of 2013 in consideration of the report of the International Civil Service Commission on the matter. Therefore, the Pension Board is recommending to the General Assembly at its sixty-eighth session that the Fund's regulations be changed to implement this decision, effective 1 January 2014.

Request/recommendation	*Action taken to implement request/recommendation*
(k) The Advisory Committee looks forward to receiving the Secretary-General's proposal regarding the funding of end-of-service and post-retirement liabilities (para. 32).	The Pension Board, at its sixtieth session, in 2013, took note that the Fund's after-service health insurance and other end-of-service and post-retirement liabilities are netted from the Fund's overall assets and may be considered as having been fully funded in economic terms, from the time the initial liability was recognized in the Fund's financial statement for the biennium ending 31 December 2009. The Board approved the Fund's plan to continue to recognize the after-service and post-retirement benefit liabilities in its financial statements and continue to manage the assets of the Fund without segregating any portion to match the Fund's end-of-service and post-retirement benefit liabilities.

B. Board of Auditors

(A/67/9, annex X)

Request/recommendation	*Action taken to implement request/recommendation*
The Board's main recommendations are that:	
(a) The Investment Management Division analyse trends that have resulted in investment losses to assess the effectiveness of investment managers in managing their portfolios; and make available to investment managers, as part of their routine investment review, the historical costs of investments when they make trade decisions so that they are able to assess the cost against market value and to make informed decisions on whether or not to hold or sell the instruments (para. 26);	Complete. All trades must be supported by proper due diligence and a sound basis. The Division monitors realized and unrealized losses on each position. The event when realized losses exceed 25 per cent and unrealized losses exceed 25 per cent, will trigger an examination of the due diligence process and the continued basis for still holding the investment (in the case of unrealized losses).
(b) The Fund finalize its process to formalize arrangements with the United Nations University Endowment Fund and the United Nations Library Endowment Funds, and keep the Pension Board and General Assembly appraised of the process (para. 32);	In July 2012, the Director of the Investment Management Division submitted to the United Nations University (UNU) Endowment Fund a draft memorandum of understanding to be entered into between the UNU Endowment Fund and the Division/Pension Fund. The purpose of the draft memorandum of understanding is to formalize the administrative arrangements between the UNU Endowment Fund and the Division/Pension Fund. In October 2012, the Director of the Division met with representatives of the UNU Endowment Fund in Tokyo to discuss the draft memorandum of understanding. The Division is awaiting formal comments from the UNU Endowment Fund on the draft memorandum of understanding.

Request/recommendation	Action taken to implement request/recommendation
	The Representative of the Secretary-General has authorized the liquidation of the assets of the United Nations Library Endowment Fund account with Fiduciary Trust Company International, the external fund manager and custodian, in June 2013, the proceeds of which will be converted to euros for transfer to the euro cash account at the United Nations Treasury's cash pool. The United Nations Treasury and the United Nations Accounts Division will then assume the management of the United Nations Library Endowment Fund funds. As at 30 July 2013, two tranches have been transferred with the remaining balance to be transferred by mid-September 2013.
(c) The Fund fully reconcile the financial statements to a trial balance drawn from their general ledger and ensure that this is supported by reconciliations or working papers for all major line items on the financial statements. Supporting schedules should be prepared to support management's review of the accuracy of the statements (para. 39);	Complete. The Fund has improved the set of working papers for all line items in the financial statements. The documentation for the opening balances has been prepared and submitted to the Board of Auditors for review.
(d) The Fund develop comprehensive year-end closure instructions to support the preparation of accurate financial statements (para. 41);	The Fund developed a procedures manual for the preparation and review of the financial statements for the Investment Management Division and the secretariat for its first-time closing of year-end financial statements under IPSAS, as at 31 December 2012. During the audit of the 2012 financial statements, the Board of Auditors requested the merging of these two procedure manuals, which had been addressed by the Fund in May 2013.
(e) The Fund, in the context of the role of the Chief Financial Officer, review the financial reporting structure to ensure that financial reporting responsibilities are clear and well supported by adequate delegations (para. 44);	Financial reporting responsibilities have been fully delegated to the Chief Financial Officer on the secretariat side. Preliminary discussions were held by the Chief Financial Officer with the Representative of the Secretary-General. Furthermore, one additional post requested in the 2014-2015 budget proposal will allow for the further delineation and segregation of responsibilities in the financial reporting process, as recommended by the external and internal auditors.
(f) The Fund review its criteria for determining the provision for taxes withheld and enhance its follow-up or collection procedures for foreign taxes withheld (para. 49);	Complete. With the implementation of IPSAS, taxes withheld will be reviewed annually with regard to recoverability. Any amount deemed unrecoverable would be provided for in the financial statements. Effective 7 January 2013, the Division has hired the services of KPMG as its global tax adviser to assist in its tax recovery actions with the ultimate goal of establishing relief at source in most, if not all, jurisdictions.

Request/recommendation	Action taken to implement request/recommendation
(g) The Fund issue guidance clarifying the identification and accounting treatment of taxes by the Fund (para. 51);	Complete. The Division, together with its IPSAS consultants (PricewaterhouseCoopers), has developed a white paper on the accounting treatment of taxes withheld on the Fund's investments, issued on 16 November 2011. The accounting policy was accepted by the Board of Auditors.
(h) The Fund implement adequate strategies to manage the areas identified as needing attention in its implementation of IPSAS, in particular the finalization of the data-cleansing exercise, the preparation of opening balances and dry-run financial statements (para. 57);	Complete. The methodology for IPSAS opening balances has been established for all IPSAS implementation areas. A dry run for the IPSAS financial statements was conducted.
(i) The Fund consider training initiatives to develop the expertise required to support the implementation of IPSAS (para. 58);	Complete. The Pension Fund has implemented a training plan for IPSAS. The documentation has been provided to the auditors.
(j) The Fund reconcile monthly contributions from member organizations and follow up on unreconciled items in a timely manner; establish systems to verify the accuracy of the information provided by the member organizations prior to year-end closing; ensure that reconciliations are performed and verified before financial statements are issued; and work with member organizations to significantly reduce the number of participant reconciliation exceptions in a timely manner and increase the proportion that have been reconciled at year end (para. 67);	Under IPAS and the new interface project, the Fund will load information provided by member organizations (monthly) and run a series of predefined validations, checks and edits. Member organizations will review and correct discrepancies. The Fund will conduct spot checks, perform trend analysis and analysis of variances to detect either isolated potential discrepancies or systemic problems and will request information when needed (to ensure that the regulations and rules are being followed). In addition, the Fund will implement the internal control statement approach to ensure that the member organizations and reporting entities have adequate controls to generate and submit clean data (and follow the Fund's regulations and rules).
(k) The Fund implement improved controls and procedures to ensure that amounts outstanding are recovered in a timely manner (para. 73);	Complete. The monitoring of deceased retirees/ beneficiaries is done through the certificate of entitlement process, which involves significant time and resources. The Fund is exploring ways to streamline this process as part of the Integrated Pension Administration System (IPAS) project. The Fund sent a communication to all Associations of Former International Civil Servants reminding the importance of notifying the Fund immediately of any deaths. Management has also highlighted this issue in the Chief Executive Officer's annual letter and will develop a new tool to measure the effectiveness of the certificate of entitlement process by tracking the certificate of entitlements sent and returned, as well as the benefits suspended owing to non-receipt of a returned certificate of entitlement.

Request/recommendation	*Action taken to implement request/recommendation*
(l) The Fund apply article 46 of its regulations and rules by adjusting benefits payables related to all amounts that are due for forfeiture (para. 77);	Complete. The Fund currently uses Lawson to compile the report. The procedure is extremely time-consuming. Process will be streamlined with IPAS.
(m) The Fund raise a provision for retirement benefit for participants who have submitted documents for retirement and whose entitlements have been established in terms of the rules of the Fund; and consider alternative means to expedite the calculation of the provision (para. 82);	Complete. The provision for benefit payable liabilities was raised and the related reports provided to the auditors.
(n) The Fund secretariat develop an ageing tool to analyse its benefits payable (para. 86);	Complete. The Fund reviewed and analysed its benefits payables as part of the implementation of IPSAS as at 1 January 2012.
(o) The Investment Management Division perform information technology risk assessments; and develop an information technology risk register that includes action plans to mitigate identified risks (para. 94);	Complete. The Information Systems Service performs information technology risk assessment of the division and developed risk registers for the entire information technology and specific risk registers for projects under implementation.
(p) The Fund review the system domain policy settings to ensure that they reflect best practices; monitor the audit trail reports on the system domain policy settings on a regular basis; and enable the Windows operating system security auditing features to allow the tracking and logging of security events (para. 98);	Complete. The Fund implemented the required system domain policy settings.
(q) The Investment Management Division enforce policy settings on the Windows operating system, requiring all users to use passwords when logging on to the system; and to change passwords regularly; and allocate the responsibility for monitoring the policy changes on the Windows operating system to a staff member (para. 101);	Complete. Pursuant to this recommendation, the Information Systems Service developed and implemented a security policy, approved by the Director of the Division.
(r) The Fund implement a formal process, standards and procedures to ensure that alerts regarding the most recently discovered security vulnerabilities are received and measures to address them implemented in a timely manner; and implement controls to ensure that the appropriate security updates, patches and hot fixes are installed on the Fund's Windows operating systems (para. 105);	Complete. Microsoft Patch Management has been enabled. All server patches are deployed on a monthly basis. All work station patches are deployed via a request for change followed by updates that are pushed and timed based on status.
(s) The Fund develop, approve and implement user account management standards, procedures and processes for the Windows operating system, Pensys, the Lawson accounting system and Charles River application system; and ensure compliance	Complete. IPAS will be the future solution but in the interim, the Information Management Systems Service has established partial directory consolidation using SSO with Active Directory acting as the master credential repository.

Request/recommendation	*Action taken to implement request/recommendation*
with and adherence to the approved user account management standards, procedures and processes (para. 110);	
(t) The Fund implement procedures to regularly review the privileges of users and group memberships to ensure that no unnecessary privileges or rights have been granted (para. 115);	Complete. The requested review procedures have been implemented.
(u) The Investment Management Division review all the users to ensure that each one has a unique username on the Windows operating system to allow accountability to be enforced at that level (para. 117);	Complete. Pursuant to this recommendation, the Information Systems Service developed and implemented a security policy, approved by the Director of the Division.
(v) The Fund address the incompatible functions at both the Division and the secretariat information technology environments (para. 124);	Complete. The Fund secretariat has streamlined the requirements of quality assurance function by writing a segregation of duties policy that assigns tasks associated with analysis/development and move-to-production to two different individuals. Furthermore, a system modification plan has been put in place to manage and monitor this process.
(w) The Fund develop a funding plan for end-of-service liabilities for consideration by its governing body (para. 135);	At its sixtieth session, in 2013, the Pension Board took note that the Fund's after-service health insurance and other end-of-service and post-retirement liabilities are netted from the Fund's overall assets and may be considered as having been fully funded in economic terms, from the time the initial recognition of the liability was recognized in the Fund's financial statement for the biennium ending 31 December 2009. The Board approved the Fund's plan to continue to recognize the after-service and post-retirement benefit liabilities in its financial statements and continue to manage the assets of the Fund without segregating any portion to match the Fund's end-of-service and post-retirement benefit liabilities. The Fund will continue to separately account for the end-of-service and post-retirement benefit liabilities.
(x) The Fund consider revision of its policy for the valuation of annual leave liability in its implementation of IPSAS (para. 139);	The Fund will monitor the discussions between the United Nations IPSAS team and the Board of Auditors in this matter and re-evaluate its policy accordingly.
(y) The Fund regularly reconcile the results of its count procedures to the asset register in a timely manner (para. 145);	The Fund performs a 100 per cent physical inventory check and reconciles with the asset register on an annual basis.
(z) The Fund resolve its current inability to access the ProcurePlus asset register with the Central Support Services of the United Nations (para. 146);	Complete. Effective 8 April 2013, the Fund gained proper access to ProcurePlus.

Request/recommendation	*Action taken to implement request/recommendation*
(aa) The Fund consider wider post advertisement mechanisms to attract suitable qualified candidates; and expedite the filling of key management positions (para. 149);	The Fund will continue to advertise vacant posts in the appropriate medium and will fill posts expeditiously while taking into consideration the requirements of the post.
(bb) The Fund reconcile balances or transactions in accordance with the OnTime system with IMIS (para. 152).	Complete. OnTime is used as a mechanism for staff to request leave while IMIS is the official record of leave. The Fund reconciles the two systems on an ongoing basis, with staff members endorsing their leave balances three times per year.

Annex I

Discussions in the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2012-2013 and on the budget estimates for the biennium 2014-2015

Revised budget estimates for the biennium 2012-2013

1. The Board approved the requested reduction to the budget estimates for the biennium 2012-2013 amounting to $8,370,300, compared with the initial appropriation of $194,100,900. The final revised appropriations for the biennium 2012-2013 would then amount to $185,730,600, of which $20,929,600 is chargeable to the United Nations under the cost-sharing arrangement.

Budget estimates for the biennium 2014-2015

2. The budget estimates proposed by the Fund for the biennium 2014-2015 provided for expenditures of $180,484,600 (before recosting), as compared with a total of $194,100,900 for the biennium 2012-2013. The budget submission was presented for administrative costs ($88,474,200), investment costs ($89,199,600), audit costs ($2,491,400) and Board expenses ($319,400). In addition, the estimates provided for one extrabudgetary post for processing after-service health insurance contributions in the amount of $151,500 and an amount not to exceed $200,000 for the Emergency Fund.

Administrative costs

3. The proposed budget under administrative costs totalled $88,474,200 before recosting, representing a reduction of 9.6 per cent compared with the original appropriation for the biennium 2012-2013.

4. The request included three proposed additional posts and one proposed reclassification, as set out below:

Section	*Action*	*Post*	*Number of posts*	*Category*
Executive direction and management	Reclassification	Policy and Analysis Officer	1	P-4 to P-5
Programme of work				
Risk Management and Legal Service	New post	Chief of Service	1	D-1
	New post	Team Assistant	1	General Service (Other level)
Financial Services Section	New post	Accountant	1	P-3

Investment costs

5. The proposed budget under investment costs totalled $89,199,600 before recosting, representing a reduction of 4.5 per cent compared with the original appropriation for the biennium 2012-2013.

6. The request included 30 proposed additional posts, including the establishment of a full-time Representative of the Secretary-General at the level of Assistant Secretary-General, and 3 reclassifications, as set out below:

Section	*Action*	*Post*	*Number of posts*	*Category*
Executive direction and management	New post	Representative of the Secretary-General	1	Assistant Secretary-General
	New post	Strategy and Analysis Director	1	D-2
	New post	Special Assistant to the Representative of the Secretary-General	1	P-5
	New post	Administrative Assistant to the Representative of the Secretary-General	1	General Service (Other level)
Programme of work				
Investments Section	New post	Director Private Markets	1	D-1
	New post	Investment Officer	5	P-4
	New post	Investment Officer	8	P-3
	New post	Trade Execution Officer	1	P-3
	New post	Senior Investment Assistant	1	General Service (Principal level)
	New post	Senior Trade Execution Assistant	1	General Service (Principal level)
Risk and Compliance Section	Reclassification	Senior Compliance Officer	1	P-4 to P-5
	New post	Compliance Officer	1	P-3
Operations Section	New post	Chief Operations Officer	1	D-1
	New post	Accountant	1	P-4
	New post	Finance Officer	1	P-3
	New post	Senior Accounting Assistant	1	General Service (Principal level)
	Reclassification	Senior Accounting Assistant	2	General Service (Other level) to General Service (Principal level)
Programme Support				
Information Systems Section	New post	Data Management Officer	1	P-3
	New post	Data Security Administrator	1	P-3
	New post	Information Security Officer	1	P-3
	New post	Administrative Assistant	1	General Service (Other level)

Audit costs

7. The Fund requested a total of $2,491,400 before recosting for external ($774,700) and internal ($1,716,800) audit costs, representing a net reduction of 4.7 per cent compared with the original appropriation for the biennium 2012-2013.

Board expenses

8. Board expenses in the amount of $319,400 before recosting were requested to cover the costs of two Board sessions and travel expenses of the Chair and a provision for a working group. This amount represented an increase of 56.2 per cent compared with the original appropriation for the biennium 2012-2013.

Extrabudgetary funding

9. Extrabudgetary costs amounting to $151,500 before recosting were requested for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme.

Emergency Fund

10. An amount not to exceed $200,000 was requested to supplement the Emergency Fund.

Budget working group

11. Comments and recommendations made by the budget working group and endorsed by the Board are set out below.

12. In accordance with the decision of the Board at its fifty-ninth session (see A/67/9, para. 349), the budget working group began its work on 11 July 2013.

13. The final composition of the working group was as follows:

Mr. G. Kuentzle (United Nations), representing governing bodies

Mr. V. Yossifov (World Intellectual Property Organization), representing governing bodies

Mr. H. Kozaki (United Nations), representing governing bodies (alternate)

Mr. A. Ba (International Telecommunication Union), representing executive heads

Mr. D. Thatchaichawalit (United Nations), representing executive heads

Ms. Y. Mortlock (International Organization for Migration), representing executive heads (alternate)

Ms. K. Bruchmann (World Health Organization), representing participants

Mr. B. Fitzgerald (World Intellectual Property Organization), representing participants

Mr. R. Eggleston (Federation of Associations of Former International Civil Servants), representing pensioners

Mr. T. Teshome (Federation of Associations of Former International Civil Servants), representing pensioners

14. The working group had before it documents relating to the revised budget estimates for the biennium 2012-2013 and budget estimates for the biennium 2014-2015 and accompanying supplementary information and benefited from the valuable interactions with the members of the secretariat and Investment Management Division.

Performance report for the biennium 2012-2013

15. The working group considered the budget estimates of the biennium 2012-2013 and the proposed revised final 2012-2013 appropriations. It recommends approval of the performance report.

Budget estimates for the biennium 2014-2015

16. The working group commended the secretariat and the Investment Management Division for the well-prepared documentation and for its efficient and collaborative support in preparing the following budget recommendation.

17. In particular, the working group expressed its gratitude to the Chief Executive Officer and the Representative of the Secretary-General, and their staff, for being available to discuss the budget proposal in detail, and for their clear and open responses.

18. In considering the budget estimates for the biennium 2014-2015, the working group took note of the long-term objectives of the Fund. In particular, it was guided by focusing on areas of the Fund that would reduce the overall risk to the Fund's assets and enhance the Fund's capacity to ensure its sustainability through the achievement of the 3.5 per cent long-term real investment return.

19. In its deliberations, the working group also took into account relevant comments made by the Audit Committee, the external and internal auditors, the Investments Committee and the working group on sustainability.

20. The working group was aware of the growing complexity of the Fund as it pertained to its global scope, plan design, governance and administrative procedures, and the possible consequences for future budgetary requirements.

21. The working group welcomed the active management approach adopted both by the Chief Executive Officer and the Representative of the Secretary-General as well as their efforts to drive innovation and change in all areas of the Fund in a collaborative fashion. In that context, it was apprised of the need for increased administrative flexibility, in particular in the area of recruitment of staff and retention of experienced staff, with a view to speeding up processes, aligning them with the requirements of the Fund and thus supporting ongoing efforts to reduce overall risk, increase budgetary efficiency and improve performance.

22. The working group took note of the synergies that had been created to date through the cooperation of the Information Management Systems Service and the Information Systems Section and was convinced that existing efforts should be stepped up with a view to realizing further substantial efficiency gains.

23. The working group did not support any of the reclassifications of posts at this stage. It recommended that job classification should be reviewed on a preliminary basis regarding classifiable levels before submitting budget proposals.

Resource proposals

Administration

24. The working group highly welcomed the managerial initiatives of the Chief Executive Officer as well as his efforts to manage with existing resources and to generate maximum efficiencies from the implementation of the IPAS system. It took note with appreciation of the Chief Executive Officer's assurances that implementation of IPAS was proceeding in time and on budget. It also commended the Chief Executive Officer for his emphasis on client orientation.

Posts and non-post resources

25. Having reviewed the posts and general temporary assistance positions and following dialogue with representatives of the Secretariat, the working group proposed the following:

New posts

Section	*Post*	*Number*	*Category*
Administration			
Programme of work			
Risk Management and Legal Service	Chief of Service	1	D-1
	Team Assistant	1	General Service (Other level)
Financial Services Section	Accountant	1	P-3

General temporary assistance positions

Section	*Position*	*Category*	*Period*
Executive direction and management	Administrative Assistant	General Service (Other level)	24 months
	Administrative Assistant	General Service (Other level)	24 months
Programme of work			
Operations	Information Management Officer	P-3	24 months
	Benefits Assistant — Pension Entitlement Section	General Service (Other level)	24 months
	Benefits Assistant — Pension Entitlement Section (Geneva)	General Service (Other level)	24 months
	Benefits Assistant — Pension Entitlement Section (Geneva)	General Service (Other level)	24 months
	Benefits Assistant — Pension Entitlement Section (Geneva)	General Service (Other level)	24 months
	Benefits Assistant — Client Services, Records Management and Distribution	General Service (Other level)	24 months
	Benefits Assistant — Client Services, Records Management and Distribution	General Service (Other level)	24 months

Section	Position	Category	Period
	Benefits Assistant — Client Services, Records Management and Distribution	General Service (Other level)	24 months
Risk Management and Legal Service	Legal Officer	P-3	24 months
	Legal Assistant (Geneva)	General Service (Other level)	24 months
Programme support			
Information Management Systems Service	Systems Analyst — Performance Management System	P-3	24 months
	Network Engineer	P-3	12 months

26. The working group proposed a reduction of overall travel resources to $1.4 million, including up to $80,000 for the travel for four Federation of Associations of Former International Civil Servants representatives to attend the sessions of the Board, with the understanding that there would not be any impact on technical support provided to participants and retirees. All other non-post items are supported. A summary of proposed administrative resources follows:

Total administrative resources

(Thousands of United States dollars, before recosting[a])

Posts	39 974.6
Temporary posts	1 139.4
Other staff costs	5 286.6
Consultants	825.0
Travel	1 400.0
Contractual services	22 551.0
Hospitality	4.1
General operating expenses	15 230.3
Supplies and materials	205.4
Furniture and equipment	1 751.1
Total	**88 367.6**

[a] Subject to the established procedures of the United Nations.

Investment Management Division

27. The working group strongly supported the overall vision and strategy of the Representative of the Secretary-General as it emerged from the budget documentation as well as from her statements made during the deliberations of the group. It shares the Representative's concern about the existing thin senior management structure of the Investment Management Division and her view that areas of understaffing in the Division needed to be addressed as a matter of urgency with a view to reducing risk and increasing the capacity of the Division to generate the required long-term real rate of return of 3.5 per cent.

28. In that context, the working group supported the establishment of a full-time Representative of the Secretary-General for the investments of the Fund at the level of Assistant Secretary-General, subject to modalities to be decided by the Board, as discussed by the Board in consideration of the report by the working group on sustainability.

29. The working group was assured by the Representative of the Secretary-General that the proposed build-up in staffing could generate compensatory savings in the area of contractual services (e.g., non-discretionary advisers). It was looking forward to such economies, which should be shown in the next performance report.

30. The working group would welcome in future budget proposals clearer articulation of the Division's investment strategy and related impact of position requests to financial performance in order to facilitate understanding and decision-making on post and non-post requests.

31. The working group supported the proposal to move external management fees for small capitalization funds and publicly traded real estate from the administrative budget of the Fund, as these were investment costs. It would like to point out, however, that this removal should not be seen as savings. It took note that, under IPSAS, these costs would be shown in the financial statements and thus would still be made transparent to the Board.

32. The working group also recommended that a critical review of the efficiency, use and interoperability of all business application architecture and licences used by the Division be undertaken with a view to avoiding any redundancies and to better aligning with the needs of the Investment Section.

Posts and non-post resources

33. Having reviewed the posts and general temporary assistance positions and following dialogue with representatives of the Investment Management Division, the working group proposed the following:

New posts

Section	*Post*	*Number*	*Category*	*Effective date*
Executive direction and management	Representative of the Representative of the Secretary-General	1	Assistant Secretary-General	
	Special Assistant to the Representative of the Secretary-General	1	P-4	
	Administrative Assistant to the Representative of the Secretary-General	1	General Service (Other level)	
Programme of work				
Investments Section				
External managers	Investment Officer	1	P-4	
Private market	Director, Private Markets	1	D-1	
Real assets	Investment Officer	1	P-4	1 January 2015
	Investment Officer	1	P-3	

Section	Post	Number	Category	Effective date
Alternate investments	Investment Officer	1	P-4	
	Investment Officer	1	P-3	
	Senior Investment Assistant	1	General Service (Principal level)	
Public market				
Global emerging markets	Investment Officer	1	P-3	1 January 2015
Trade execution	Trade Execution Officer	1	P-3	
	Senior Trade Execution Assistant	1	General Service (Principal level)	
Fixed income	Investment Officer	2	P-4	
North America	Investment Officer	3	P-3	
Risk and Compliance Section	Compliance Officer	1	P-3	1 January 2015
Operations Section	Chief Operating Officer	1	D-1	
	Accountant	1	P-4	
	Finance Officer	1	P-3	
	Senior Accounting Assistant	1	General Service (Principal level)	
Information Systems Section	Data Security Administrator	1	P-3	1 January 2015

General temporary assistance positions

Section	Position	Category	Period
Executive direction and management	Legal Officer (in Office of Legal Affairs)	P-4	12 months
	Administrative Assistant	General Service (Other level)	24 months
Programme of work			
Risk and Compliance Section	Team Assistant	General Service (Other level)	24 months
Operations Section	Associate Finance Officer	P-2	24 months
	Senior Accounting Assistant	General Service (Principal level)	24 months
	Finance Assistant	General Service (Other level)	24 months
Information Systems Section	Programme Management Officer	P-4	24 months
	General (to cover peak workload periods)	P-3	12 months

34. The working group supported all non-post resources subject to the following modifications:

(a) Executive direction and management — the working group supported resources at the maintenance level (reduction of $434,400) for contractual services (external legal counsel);

(b) Investment Section — reduction of $200,000 for consultants (hedge fund monitoring procedure); reduction of $50,000 for contractual services (external manager database);

(c) Risk and compliance — the amount for consultants was not supported. The amount for travel was approved at maintenance level (reduction of $45,600);

(d) Information Service Section — reduction of $584,000 for consultants (data hub); reduction of $2,000,000 for contractual services (data hub); provision of $650,000 (reduction of $180,000) for furniture and equipment.

35. The recommendations as explained above for the Investment Management Division are summarized below:

Total investment resources

(Thousands of United States dollars, before recosting[a])

Posts	22 803.9
Other staff costs	2 488.4
Consultants	1 459.0
Travel	2 324.8
Contractual services	46 146.9
Hospitality	24.0
General operating expenses	7 026.1
Supplies and materials	174.1
Furniture and equipment	926.4
Total	**83 373.6**

[a] Subject to the established procedures of the United Nations.

Audit expenses

36. The working group supports the requested audit costs.

Pension Board expenses

37. The working group supported the amount of $400,000, which includes expenses for the meetings of the Assets and Liabilities Monitoring Committee, which should be held in conjunction with the meetings of the Investments Committee, the Committee of Actuaries or the Pension Board. This amount also includes up to $50,000 for actuarial expenses, and the costs for regular expenses of the Board.

Extrabudgetary funding

38. The working group supported the resources for one General Service (Other level) staff to be funded by member organizations participating in the scheme.

Discussion in the Board

39. During the opening of this agenda item, the Under-Secretary-General for the Department of Management, United Nations, highlighted that the issue of strengthening the Investment Management Division was extremely important and noted that the proposal of the current Representative of the Secretary-General reflects the long-standing concerns of the former leadership of investments, in particular regarding the heavy workload associated with the responsibilities of overseeing investments while also performing other full-time duties.

40. The Facilitator of the working group introduced the report of the group and expressed his gratitude to the Chief Executive Officer, the Representative of the Secretary-General and their staff for their budget proposals and support during the deliberations. The Facilitator also thanked the members of the budget working group for their valuable contributions and noted that the group had worked constructively and with a spirit of consensus. When reporting the decisions of the working group, he noted that the proposal from the Fund secretariat was reasonable and the group had supported most of the resources requested. With regards to the Investment Management Division, the group shared the view of the Representative of the Secretary-General that the Division currently had a thin management structure and supported the establishment of a full-time Representative of the Secretary-General, subject to modalities to be agreed by the Board. The Group also shared the view of the Representative of the Secretary-General that some sections in the Division were understaffed, particularly in the Investment Section. With regards to non-post resources, the group did not support several items, including the data hub project for the Information Systems Section of the Division. The group expressed the view that prior to embarking on such a large endeavour, the Fund should review existing information technology infrastructure in the Division to determine if any efficiency gains could be achieved, noting that this could be a task to be carried out under the responsibility of the new Chief Operating Officer. The group stated that none of the requests for reclassification had been approved and noted that perhaps in future Board sessions, requests for reclassification could be submitted after the appropriate administrative procedures had been followed. With regards to Board expenses, the Facilitator noted that a provision had been included for the new Assets and Liabilities Monitoring Committee, noting that Committee members should adhere to the United Nations Secretariat rules for standard travel entitlements.

41. The Board expressed its support for the proposal of the budget working group. The executive heads noted that implementation of the new strategy presented by the Representative of the Secretary-General, including recruitment, should not have any detrimental effect on attainment of long-term investment objectives or any indicators of achievement as contained in the strategic framework. The participants' group noted that the clarity of the budget was unprecedented and encouraged that these standards would be adhered to in future proposals. They acknowledged that while the Representative of the Secretary-General had a large challenge ahead of her, they believed that her vision was achievable and through her commitment and drive, she would succeed. The working group noted that support to the additional resources was related to expected investment performance in the future. It was particularly concerned about attaining the investment objective of a real return of 3.5 per cent in the long term, and stressed that the recruitment against the proposed new posts should be fast-tracked and completed expediently.

42. The Board also welcomed the proposal for increased internal control accompanying the request for additional resources in the Division and commended the clear vision presented by the Representative of the Secretary-General.

Human resources policies — updated memorandum of understanding with the Office of Human Resources Management of the United Nations

43. In response to the concerns expressed regarding United Nations human resources policies and procedures, including the recruitment process, the Board supported the review and update of the current memorandum of understanding with the Office of Human Resources Management of the United Nations in order to find a more flexible method of recruiting staff that might best serve the needs of the Fund. This flexibility was needed to ensure the ability of the Fund to hire, develop and promote the best qualified candidates and thereby preserve the efficiency of its operations. In addition, the Board emphasized the importance of the Fund to be able to dedicate appropriate staffing resources to ensure that the recruitment of the proposed new posts was completed in a timely manner.

44. The Chief Executive Officer noted that the current memorandum of understanding between the Fund and the Office of Human Resources Management had been concluded in 2000 and emphasized that it was time to review the memorandum of understanding again closely, in order to adapt to the new realities of the Fund. The Chief Executive Officer noted that while the memorandum of understanding established the delegation of authority to the Chief Executive Officer in selecting candidates for posts and promotions in the Pension Fund, it needed to be updated to ensure appropriate human resources management, including recruitment and other policies, for the Fund, perhaps along the lines of the delegated authority granted to the United Nations Children’s Fund (UNICEF), the United Nations Development Programme (UNDP) and the International Civil Service Commission (ICSC).

45. The Representative of the Secretary-General thanked the budget working group and the Board for their support and pledged to recruit the staff needed in line with the proposed new posts as quickly as possible, with the support of the Office of Human Resources Management. She also stated that a revised memorandum of understanding with the Office highlighting flexibility for the Fund would help enormously and that she would ensure timely follow-up with the Office to expedite the recruitment against the new posts.

46. **The Board requested the Chief Executive Officer and the Representative of the Secretary-General to review and, if necessary and appropriate, update the current memorandum of understanding with the Office of Human Resources Management, with a view to ensuring that the Fund’s human resources management was in line with its operational and investment needs**. Such a review could take into account the modalities along the lines of the delegated authority granted to the United Nations Children’s Fund, the United Nations Development Programme and the International Civil Service Commission. In considering the report of the working group on sustainability, the Board took note of the principles of the “carte blanche” document submitted by the Chief Executive Officer, and considered the possible risks arising from the constraints of following United Nations human resources policies and procedures, owing to the specialized nature of the Fund. The Board further noted that an updated memorandum of

understanding would assist the Fund in attaining its goals on a more efficient manner consistent with a financial institution.

Position of the full-time Representative of the Secretary-General

47. After considering the Secretary-General's recommendation that a full-time Representative of the Secretary-General be appointed by the Secretary-General, the Board supported the proposed decision by the Board on the appointment of a full-time Representative of the Secretary-General, which was approved by the Board as follows:

> **"The Board supports the Secretary-General's recommendation for the appointment of a full-time Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund. Further, as set forth in the Board's decision regarding the proposed programme budget for the Fund, the Board has decided that the position of Assistant Secretary-General for full-time Representative of the Secretary-General shall be an 'expense of the Fund' within the meaning of article 15 (a) of the Regulations of the United Nations Joint Staff Pension Fund. In taking that decision, the Board also decides as follows:**
>
> "(i) Article 19 of the regulations of the United Nations Joint Staff Pension Fund shall be amended to include a new subsection (c) to read as follows:
>
> **"'(c) In order to assist the Secretary-General in carrying out his or her responsibilities under these regulations for deciding upon the investment of the assets of the Fund, the Secretary-General shall appoint, after consultation with the Board, a full-time Representative for the Investment of the Assets of the United Nations Joint Staff Pension Fund'.**
>
> "(ii) The rules of procedure of the Fund will be amended to include annexes setting out the minimum qualifications, competencies and performance standards for the Chief Executive Officer/Secretary, for the Deputy Chief Executive Officer and for the Representative of the Secretary-General. The minimum qualifications, competencies and performance standards for the Chief Executive Officer/Secretary and for the Deputy Chief Executive Officer/Secretary shall be promulgated by the Board, and the minimum qualifications, competencies and performance standards for the Representative of the Secretary-General shall be promulgated by the Secretary-General after consultation with the Board. The Board and the Secretary-General, as the case may be, may promulgate updated versions of such qualifications, competencies and performance standards from time to time as necessary and appropriate."

48. **The Board also agreed that, in order to expedite the process of appointing the full-time Representative of the Secretary-General as soon as possible following approval by the General Assembly and after 1 January 2014 to correspond with the effective date of the regulation change, it should be consulted, exceptionally, by e-mail.**

Recommendations and decisions of the Board

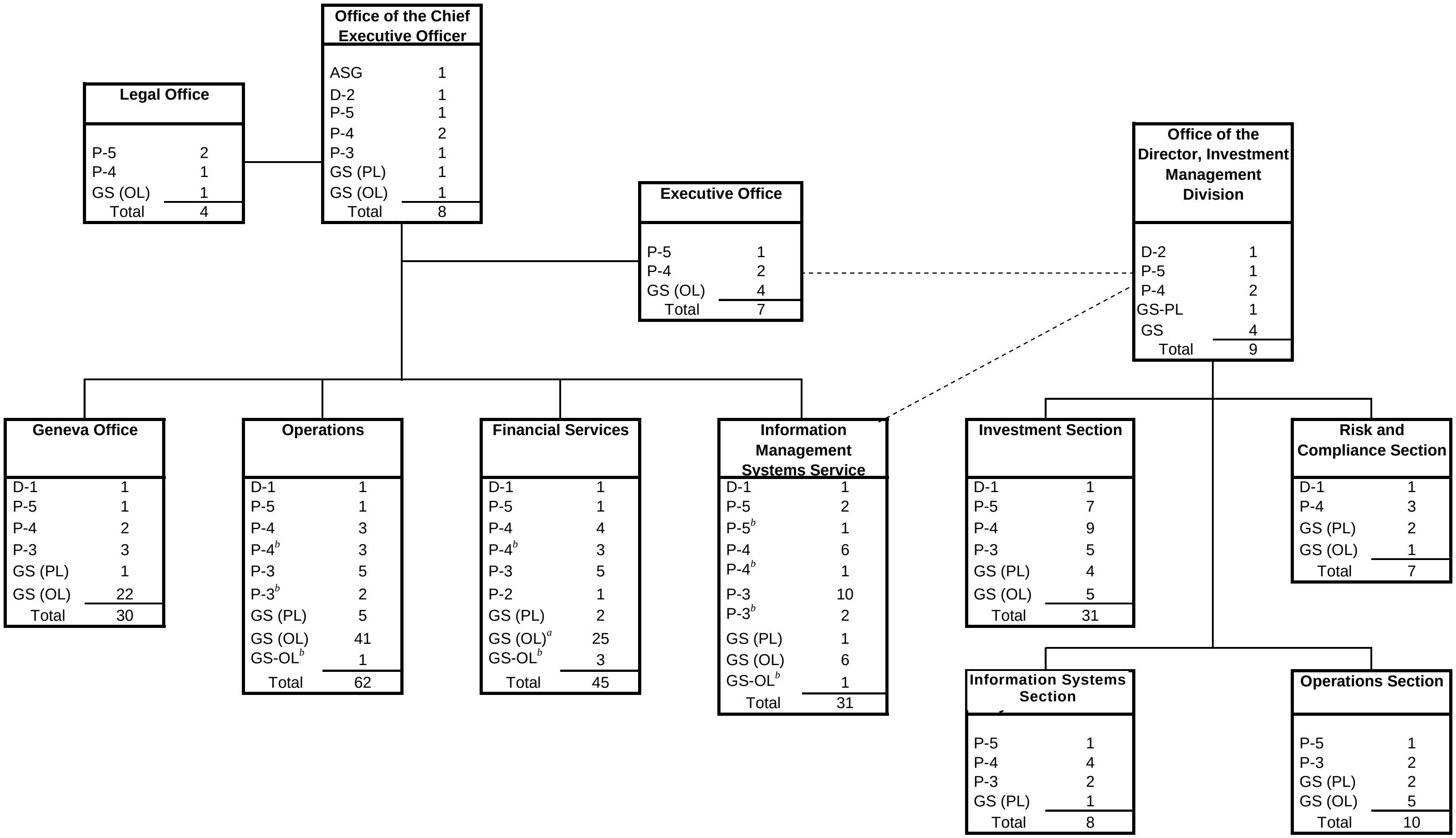
49. **Based on the recommendations of the working group, the Pension Board approved, for submission to the General Assembly, the proposed budget estimates amounting to $178,852,500, comprising administrative costs ($91,071,700), investment costs ($84,828,100), audit costs ($2,543,900) and Board expenses ($408,800). This amount would be apportioned $157,527,800 to the Fund and $21,324,700 to the United Nations under the cost-sharing arrangement.**

50. **In addition, the Board approved resources amounting to $155,800 from extrabudgetary funding for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme and an amount not to exceed $200,000 for the Emergency Fund.**

51. **The Board also approved the proposed amendment to article 19 of the Regulations of the Fund and to changes to the rules of procedure of the Fund in accordance with paragraph 47 above.**

Annex II

Approved organization chart for the United Nations Joint Staff Pension Fund for the biennium 2012-2013



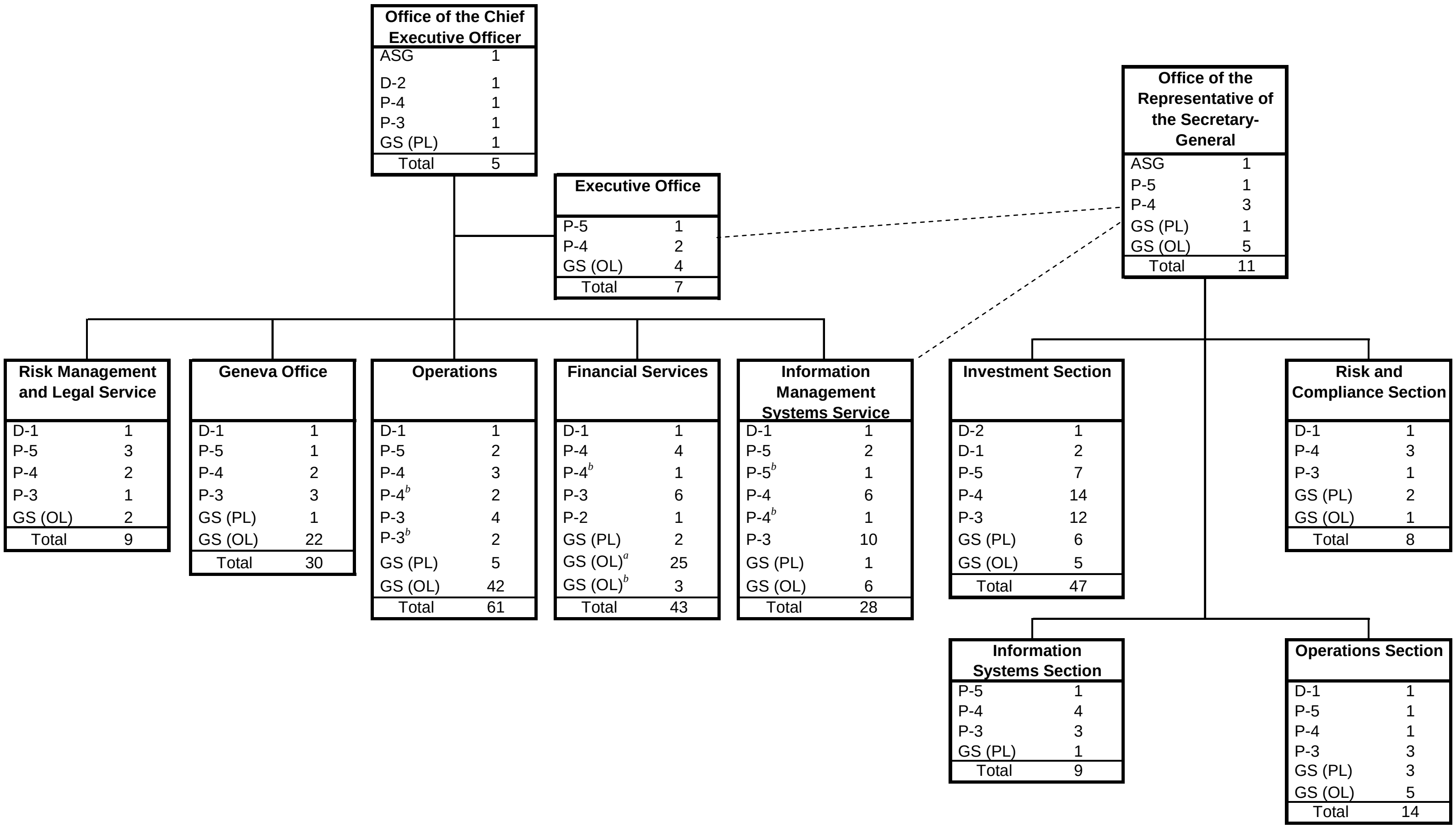
Abbreviations: ASG, Assistant Secretary-General; GS, General Service; OL, Other level; PL, Principal level.

[a] One extrabudgetary General Service (Other level) post is funded by member organizations.

[b] Temporary posts authorized for the Integrated Pension Administration System project.

Annex III

Proposed organization chart for the United Nations Joint Staff Pension Fund for the biennium 2014-2015



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

[a] One extrabudgetary General Service (Other level) post is funded by member organizations.

[b] Temporary posts authorized for the Integrated Pension Administration System project.

Annex IV

Number of participants in the United Nations Joint Staff Pension Fund by member organization as at 31 December 2012

Member organization	*Number of participants*																	
	1995	*1996*	*1997*	*1998*	*1999*	*2000*	*2001*	*2002*	*2003*	*2004*	*2005*	*2006*	*2007*	*2008*	*2009*	*2010*	*2011*	*2012*
United Nations[a]	44 059	43 869	43 864	43 751	44 958	50 126	54 953	56 287	57 541	59 542	64 092	68 853	74 575	79 933	82 576	85 617	85 289	86 190
International Labour Organization	2 823	2 632	2 599	2 620	2 612	2 650	2 747	2 863	3 044	3 221	3 330	3 261	3 366	3 572	3 642	3 741	3 697	3 644
Food and Agriculture Organization of the United Nations	5 735	5 540	5 435	5 387	5 340	5 315	5 344	5 447	5 648	5 822	5 918	5 774	5 735	5 722	6 011	6 145	6 243	6 081
United Nations Educational, Scientific and Cultural Organization	2 561	2 667	2 588	2 650	2 629	2 452	2 414	2 437	2 517	2 528	2 508	2 469	2 526	2 553	2 602	2 632	2 651	2 520
World Health Organization	6 125	5 965	5 935	6 180	6 409	6 817	7 375	8 181	8 966	9 498	9 932	10 072	10 157	10 435	11 029	10 986	10 774	10 391
International Civil Aviation Organization	820	826	852	852	841	867	873	883	863	863	826	806	795	775	784	791	777	778
World Meteorological Organization	333	316	312	314	327	329	322	310	303	287	302	334	332	319	315	309	307	308
General Agreement on Tariffs and Trade[b]	476	538	529	542	7	4	3	1										
International Atomic Energy Agency	2 146	2 057	2 053	2 075	2 068	2 076	2 125	2 168	2 207	2 217	2 261	2 278	2 273	2 229	2 245	2 307	2 363	2 447
International Maritime Organization	315	324	323	310	315	325	330	340	344	351	343	338	337	320	323	313	312	308
International Telecommunication Union	908	885	905	921	965	953	967	1 006	971	875	871	854	843	823	831	830	822	834
World Intellectual Property Organization	611	672	712	807	955	1 033	1 106	1 189	1 240	1 206	1 166	1 130	1 134	1 139	1 154	1 156	1 161	1 173
International Fund for Agricultural Development	302	295	298	332	338	344	383	435	462	488	506	502	519	526	534	540	549	556
International Centre for the Study of the Preservation and Restoration of Cultural Property	29	31	29	32	35	37	33	36	34	39	39	40	38	37	36	34	32	34
European and Mediterranean Plant Protection Organization	10	11	11	12	12	12	12	11	11	11	11	12	12	13	13	13	14	13

Member organization	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
	Number of participants																	
United Nations Industrial Development Organization	1 455	1 163	1 064	921	851	810	813	821	786	791	783	753	759	779	825	826	775	769
International Centre for Genetic Engineering and Biotechnology		136	138	141	142	145	145	150	152	162	171	173	177	191	194	190	189	183
World Tourism Organization		70	72	74	78	79	79	83	88	95	90	99	100	95	95	95	98	97
International Tribunal for the Law of the Sea			18	20	25	27	30	33	34	34	36	36	36	38	34	34	37	36
International Seabed Authority			3	30	28	31	28	34	34	28	30	29	29	32	31	32	31	32
International Criminal Court[c]										298	431	578	719	809	865	908	974	936
Inter-Parliamentary Union[d]											37	40	45	45	48	49	45	46
International Organization for Migration[e]													2 059	2 419	3 134	3 261	3 263	3 326
Special Tribunal for Lebanon[f]															259	329	371	396
Total participants	**68 708**	**67 997**	**67 740**	**67 971**	**68 935**	**74 432**	**80 082**	**82 715**	**85 245**	**88 356**	**93 683**	**98 431**	**106 566**	**112 804**	**117 580**	**121 138**	**120 774**	**121 098**
Total member organizations	**16**	**18**	**20**	**20**	**20**	**20**	**20**	**20**	**19**	**20**	**21**	**21**	**22**	**22**	**23**	**23**	**23**	**23**

[a] The number of United Nations participants for 2006 was revised downward by 2, from 68,855 to 68,853.
[b] The General Agreement on Tariffs and Trade withdrew from the United Nations Joint Staff Pension Fund as from 31 December 1998.
[c] The International Criminal Court became the twentieth organization member of the Fund as at 1 January 2004.
[d] The Inter-Parliamentary Union became the twenty-first member as at 1 January 2005.
[e] The International Organization for Migration became the twenty-second member as at 1 January 2007.
[f] Special Tribunal for Lebanon became the twenty-third member as at 1 January 2009.

Annex V

Recommendations to the General Assembly for amendments to the regulations of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Article 1 **Definitions**		
(n) "*Normal retirement age*" shall mean age 60, except that it shall mean age 62 for a participant whose participation commences or recommences on or after 1 January 1990.	(n) "*Normal retirement age*" shall mean age 60, except that it shall mean age 62 for a participant whose participation commences or recommences on or after 1 January 1990 **but before 1 January 2014, and age 65 for a participant whose participation commences or recommences on or after 1 January 2014.**	To reflect the decision of the Pension Board to increase the normal retirement age to 65 for staff members whose participation in the Fund commences or recommences on or after 1 January 2014.
Article 19 **Investment of the assets**	**Article 19** **Investment of the assets**	
(a) The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy.	(a) The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy.	*No change*
(b) The Secretary-General shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.	(b) The Secretary-General shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board.	*No change*

[a] Proposed additions appear in boldface type and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
	(c) In order to assist the Secretary-General in carrying out his or her responsibilities under these regulations for deciding upon the investment of the assets of the Fund, the Secretary-General shall appoint, after consultation with the Board, a full-time Representative for the Investment of the Assets of the United Nations Joint Staff Pension Fund.	To reflect the Pension Board's decision to establish a full-time Representative for the Investment of the Assets of the Fund.
Article 29 **Early retirement benefit**		
	Participation in the Fund has commenced or recommenced prior to 1 January 2014:	
(a) An early retirement benefit shall be payable to a participant whose age on separation is at least 55 but less than the normal retirement age and whose contributory service was five years or longer.	(a) An early retirement benefit shall be payable to a participant whose age on separation is at least 55 but less than the normal retirement age and whose contributory service was five years or longer.	*No change*
(b) The benefit shall be payable at the standard annual rate for a retirement benefit, reduced for each year or part thereof by which the age of the participant on separation was less than the normal retirement age, at the rate of 6 per cent a year, except that:	(b) The benefit shall be payable at the standard annual rate for a retirement benefit, reduced for each year or part thereof by which the age of the participant on separation was less than the normal retirement age **(60 or 62)**, at the rate of 6 per cent a year, except that:	
(i) If the contributory service of the participant was 25 years or longer but less than 30 years, reduced by 2 per cent a year in respect of the period of contributory service performed before 1 January 1985, and 3 per cent a year in respect of the period of such service performed as from 1 January 1985; or	(i) If the contributory service of the participant was 25 years or longer but less than 30 years, **the standard annual rate would be** reduced by 2 per cent a year in respect of the period of contributory service performed before 1 January 1985, and 3 per cent a year in respect of the period of such service performed as from 1 January 1985; or	

Existing text	*Proposed text*	*Comments*
(ii) If the contributory service of the participant was 30 years or longer, reduced by 1 per cent a year; provided however that the rate in (i) or (ii) above shall apply to no more than five years.	(ii) If the contributory service of the participant was 30 years or longer, **the standard annual rate would be** reduced by 1 per cent a year; provided however that the rate in (i) or (ii) above shall apply to no more than five years.	
	Participation in the Fund has commenced or recommenced on or after 1 January 2014:	
	(c) An early retirement benefit shall be payable to a participant whose age on separation is at least 58 but less than the normal retirement age and whose contributory service was five years or longer. **(d) The benefit shall be payable at the standard annual rate for a retirement benefit, reduced for each year or part thereof by which the age of the participant on separation was less than the normal retirement age (65), at the rate of 6 per cent a year, except that:** **(i) if the contributory service of the participant was 25 years or longer, the standard annual rate would be reduced by 4 per cent a year; and** **(ii) the rate in (i) above shall apply to no more than five years.**	Changes reflect the Pension Board's decision to amend the provisions concerning early retirement eligibility (from 55 to 58 years) and to increase the early retirement reduction factors (from 2 or 3 per cent to 4 per cent for contributory service of 25 years or longer and eliminate the 1 per cent reduction factor for contributory service of 30 years or longer) for staff members whose participation in the Fund commences or recommences on or after 1 January 2014.
(c) The benefit may be commuted by the participant into a lump sum to the extent specified in article 28 (g) for a retirement benefit.	(e) The benefit may be commuted by the participant into a lump sum to the extent specified in article 28 (g) for a retirement benefit.	*No change*

Existing text	Proposed text	Comments
Article 30 **Deferred retirement benefit**		
(a) A deferred retirement benefit shall be payable to a participant whose age on separation is less than the normal retirement age and whose contributory service was five years or longer.	(a) A deferred retirement benefit shall be payable to a participant whose age on separation is less than the normal retirement age and whose contributory service was five years or longer.	*No change*
(b) The benefit shall be payable at the standard annual rate for a retirement benefit and shall commence at the normal retirement age, or, if the participant so elects, at any age not less than 55, provided that in such event it shall be reduced in the same manner and under the same conditions as specified in article 29 (b).	(b) The benefit shall be payable at the standard annual rate for a retirement benefit and shall commence at the normal retirement age, or, if the participant so elects, **at any time** ~~age not less than 55~~ **once the participant becomes eligible to receive an early retirement benefit from the Fund**, provided that in such event it shall be reduced in the same manner and under the same conditions as specified in article 29 ~~b~~.	To reflect the change when the participant becomes eligible for early retirement benefit (from age 55 or 58) in accordance with change in article 29 above.
(c) The benefit may only be commuted by the participant into a lump sum if the rate of the benefit at the normal retirement age is less than $1,000. Such commutation shall be equivalent to the full actuarial value of the benefit.	(c) The benefit may only be commuted by the participant into a lump sum if the rate of the benefit at the normal retirement age is less than $1,000. Such commutation shall be equivalent to the full actuarial value of the benefit.	*No change*

Annex VI

Amendments to the administrative rules of the United Nations Joint Staff Pension Fund[a]

Existing text	*Proposed text*	*Comments*
Introduction		
	(g) *"Commencement or recommencement of participation"* within the meaning of article 1 (n) (normal retirement age) refers to participation, or a new participation, in the Fund under article 21 of the regulations and section B of the administrative rules. The normal retirement age is determined by the date the participant began his or her contributory service as a participant with the Fund, regardless of the effective date of his or her appointment with his/her employing organization. Therefore, if a staff member is appointed by a member organization of the Pension Fund before 1 January 1990 or 1 January 2014, as applicable, but his or her participation in the Fund under the regulations of the Fund only commences or recommences on or after 1 January 1990 but before 1 January 2014, or on or after 1 January 2014, the normal retirement age of the participant is 62 or 65, respectively. Validation of prior non-contributory service under article 23, and/or restoration of prior contributory service under article 24 does not change the date of participation in the Fund and, therefore, does not alter the normal retirement age of the participant.	The new administrative rule clarifies that the *appointment date* of the staff member by the employing organization and the *participation date* in the Fund are not necessarily the same. The normal retirement age (60, 62 or 65) is defined by the commencement or recommencement date of *participation* in the Fund under the regulations of the Fund.

[a] Proposed additions appear in boldface type and proposed deletions are indicated by strikethrough.

Existing text	*Proposed text*	*Comments*
Section B **Participation**		
B.1		*No change*
B.2	.	*No change*
B.3 The participant shall be responsible for providing the information in rule B.2 above and for notifying the organization of any changes which occur therein; the participant may be required to submit documentary or other proof of such information to the organization or the secretary of the committee. No change in the records relating to the date of birth of a participant or his or her prospective beneficiaries shall be accepted after the date of the participant's separation.	B.3 **(a)** The participant shall be responsible for providing the information in rule B.2 above and for notifying the organization of any changes which occur therein; the participant may be required to submit documentary or other proof of such information to the organization or the secretary of the committee. No change **shall be accepted after the date of the participant's separation in respect of** ~~in the~~ records ~~relating~~ pertaining to the following: (a) the date of birth of a participant or that of each of his or her prospective beneficiaries; or **(b) the report of his or her prospective beneficiaries.** ~~shall be accepted after the date of the participant's separation.~~	To clarify the meaning of the ruling in order to reflect the current practice of the Pension Fund.
	(b) In accordance with article 25 (e), failure by a member organization to correctly report the personal status of a participant of the Pension Fund prior to his or her separation or death in service that is attributable to the member organization, shall result in additional actuarial costs to the member organization in an amount sufficient to meet the additional obligations to be borne by the Fund arising from such an omission or mistake. In all cases, where there is a retroactive correction to the personal status of a participant after his or her separation from service, the actuarial value of a child's benefit payable and/or surviving spouse's benefit will be calculated and the	To reflect the decision of the Pension Board to strengthen the responsibility and establish clear accountability of the member organizations of the Pension Fund with regard to reporting the personal status of Pension Fund participants to the Fund.

Existing text	*Proposed text*	*Comments*
	member organization shall be fully liable to compensate the Fund for all of the additional actuarial costs for the Pension Fund benefit that shall be paid to the applicable beneficiary or beneficiaries.	
Section J Computation and Payment of Benefits		
J.1		*No change*
J.2 (a)		*No change*
J.2 (b) In the case of a participant who separates on or after 31 December 1984, or whose deferred retirement benefit commences after 31 December 1984, payment of the periodic benefit should be made monthly in arrears. Payment of the periodic benefits of all other participants and of their beneficiaries shall be made monthly in advance.	J.2 (b) ~~In the case of a participant who separates on or after 31 December 1984, or whose deferred retirement benefit commences after 31 December 1984, payment of the periodic benefit should be made monthly in arrears.~~ Payment of the periodic benefits of ~~all other~~ participants and of their beneficiaries shall be made monthly in **arrears** ~~advance~~.	To reflect the Pension Board's decision to simplify the payroll of the Pension Fund in the context of the implementation of the Integrated Pension Administration System (IPAS) in 2014. The transitional measures to harmonize the payroll were approved by the Pension Board at its sixtieth session and the effective date of the new administrative rule in respect of all participants and their beneficiaries will be the implementation date of IPAS.

Annex VII

Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2012

The present annex includes the financial statements, related schedule and statistical tables of the United Nations Joint Staff Pension Fund for the year ended 31 December 2012. The documentation consists of the following items:

A. Letter of transmittal to the United Nations Joint Staff Pension Board

B. Financial statements and schedule

Statement I. Statement of net assets of the Fund available for benefits as at 31 December 2012 and 1 January 2012

Statement II. Statement of changes in net assets of the Fund available for benefits as at 31 December 2012

Schedule 1. Statement of comparison of budget and actual amounts in relation to administrative expenses for the year 2012

C. Notes to the financial statements for the year ended 31 December 2012

Appendix	Statistics on the operation of the Fund for the year ended 31 December 2012
Table 1	Number of participants as at 31 December 2012
Table 2	Benefits awarded to participants or their beneficiaries as at 31 December 2012
Table 3	Analysis of periodic benefits as at 31 December 2012

A. Letter of transmittal to the United Nations Joint Staff Pension Board

The United Nations Joint Staff Pension Fund (UNJSPF) was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan governed by the United Nations Joint Staff Pension Board. The Chief Executive Officer of the Fund also serves as the Secretary of the Board. The Representative of the Secretary-General for the Investments of the UNJSPF has been delegated the responsibility for the management and accounting of the investments of the Fund. Further information about the governance of the Fund is provided in note 1 to the financial statements.

Risk management

The Fund has implemented a well-developed governance structure, management process and internal and external oversight mechanisms to adequately identify, assess, manage, monitor and report the risks inherent to its operations. In 2006, the Fund adopted its first enterprise-wide risk management policy aimed at implementing a framework with a comprehensive and integrated approach to risk management. During its fifty-ninth session, in July 2012, the Pension Board updated the enterprise-wide risk management policy to align the risk management process with the long-term objectives of the Fund, define a risk catalogue for the Pension Fund and further clarify the risk management process and certain roles and responsibilities. The approach to enterprise-wide risk management adopted by the Fund reflects the nature of its operations and development, as well as its specific requirements, and incorporates risk management best practices developed by the Committee of Sponsoring Organizations of the Treadway Commission.

The Fund's risk management framework includes the following components:

- A well-developed governance structure and management process that adequately review the performance and operational activities of the Fund;
- The Audit Committee of the Pension Board, which includes independent experts and oversees the Fund's internal auditors and considers the scope and recommendations of the external auditors;
- Approved policies, guidelines, terms of reference and charter;
- An adequately funded ratio;
- Periodic actuarial reviews that assess the Fund's ability to meet its long-term financial obligations and test demographic, financial and other assumptions;
- Periodic comprehensive asset-liability management studies;
- Enterprise risk assessment reports prepared by independent consulting firms;
- An effective enterprise-wide risk management working group;
- Established risk management functions.

In executing its risk management policy, UNJSPF develops and maintains systems of internal control and support procedures. The systems of internal control are designed to provide reasonable assurance that assets are safeguarded; that transactions are properly recorded, authorized and are in accordance with the regulations and rules of the Fund and the pension adjustment system of the Fund and its investment policies, and with the decisions of the Pension Board and the General Assembly; and that there are no material misstatements in the financial statements.

The internal control framework includes a multitiered corporate governance structure and financial, administrative and operational controls, such as segregation of duties, periodic reconciliation of accounts, controls embedded in the Fund's information systems.

Management's responsibility for financial reporting

The financial statements of the Fund are prepared by management and submitted for approval to the Pension Board. The Chief Executive Officer and the Representative of the Secretary-General for the management and administration of the investments of the Fund are responsible for the integrity and reliability of the financial statements. The Chief Financial Officer reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities and certifies the financial statements in coordination with them. The financial statements have been prepared in accordance with the

International Public Sector Accounting Standards (IPSAS) issued by the International Public Sector Accounting Standards Board. They include certain amounts based on management's judgements and best estimates, where deemed appropriate. The significant accounting policies used are disclosed in note 4 to the financial statements.

The Audit Committee assists the Pension Board in discharging its responsibility to approve the annual financial statements. The Committee consists of two independent expert members and up to six members elected by the Pension Board, as well as a member representing retired staff members in receipt of pensions from the Fund. The Committee meets regularly with management and the internal and external auditors to discuss the scope and findings of audits and other work they may be requested to perform from time to time, to review financial information and to discuss the adequacy of internal controls. The Committee reviews and discusses the financial statements with management and the external auditors and provides observations and recommendations to the Pension Board.

The United Nations Board of Auditors, the external auditors of UNJSPF, have conducted an independent examination of the financial statements, in accordance with IPSAS, performing such tests and other procedures as they consider necessary to express an opinion in their report. The external auditors have full and unrestricted access to management and to the Audit Committee to discuss any findings related to the integrity and reliability of the Fund's financial reporting and the adequacy of its internal control systems.

(*Signed*) Sergio B. **Arvizú**
Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Maria Eugenia **Casar**
Representative of the Secretary-General for the
investments of the United Nations Joint Staff Pension Fund

(*Signed*) Karl-Ludwig W. **Soll**
Chief Financial Officer
United Nations Joint Staff Pension Fund

4 June 2013

B. Financial statements and schedule

Statement I

Statement of net assets of the Fund available for benefits as at 31 December 2012 and 1 January 2012

(Thousands of United States dollars)

	Notes	*31 December 2012*	*1 January 2012*
Assets			
Cash and cash equivalents	5	1 227 333	1 958 492
Investments	6		
Short-term investments		49 079	–
Equities		27 370 793	23 351 360
Fixed income		12 352 135	12 185 082
Real assets		2 357 835	1 991 585
Alternatives and other investments		1 314 058	196 195
		43 443 900	**37 724 222**
Contributions receivable		25 417	34 119
Accrued income from investments	8	176 749	177 835
Receivable from investments traded		33 113	6 957
Withholding tax receivable	9	13 980	9 115
Other assets	10	31 925	25 693
Total assets		**44 952 417**	**39 936 433**
Liabilities			
Benefits payable	11	54 800	53 176
Payable from investments traded		51 188	1 314
After-service health insurance and other employee benefit payable	12	58 195	48 860
Other accruals and liabilities	13	29 165	23 897
Total		**193 348**	**127 247**
Net assets available for benefits		**44 759 069**	**39 809 186**

Statement II

Statement of changes in net assets of the Fund available for benefits as at 31 December 2012

(Thousands of United States dollars)

	Notes	*31 December 2012*
Investment income	14	
Net appreciation (depreciation) in fair value of investments		3 898 576
Interest income		442 007
Dividend income		668 176
Income from real assets		38 545
Income from alternative and other assets		11 044
Foreign currency gains and (losses)		120 447
Less: transaction costs and management fees		(86 801)
		5 091 994
Contributions	15	
From participants		724 514
From member organization		1 435 039
Other contributions		3 805
		2 163 358
Other income	16	5 116
Benefit payments	17	
From withdrawal settlements and full commutation benefits		122 235
From retirements benefits		2 104 557
Other benefits		1 091
		2 227 883
Administrative expenses	18	
Administrative expenses		67 815
Small capitalization fund management fees		6 795
		74 610
Other expenses	19	3 970
Withholding tax expense		4 122
Change in net assets available for benefits		**4 949 883**

Schedule 1

Statement of comparison of budget and actual amounts in relation to administrative expenses for the year 2012

(Thousands of United States dollars)

	Initial appropriation 2012			*Actuals on a comparable basis 2012*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
A. Secretariat administrative expenses										
Established posts	**15 458.3**	**6 112.6**	**21 570.9**	**14 559.8**	**6 145.7**	**20 705.5**	**(898.5)**	**33.1**	**(865.4)**	**-4**
Other staff costs	**1 435.4**	**400.9**	**1 836.3**	**1 470.3**	**391.2**	**1 861.5**	**34.9**	**(9.7)**	**25.2**	**1**
Consultants	**152.9**		**152.9**	**372.3**	**–**	**372.3**	**219.4**	**–**	**219.4**	**143**
Travel of staff	363.0		363.0	368.5	–	368.5	5.5	–	5.5	2
Committee of actuaries and audit committee	260.9		260.9	233.2	–	233.2	(27.7)	–	(27.7)	-11
Travel	**623.9**	**–**	**623.9**	**601.7**	**–**	**601.7**	**(22.2)**	**–**	**(22.2)**	**-4**
Training	**169.1**		**169.1**	**77.2**		**77.2**	**(91.9)**	**–**	**(91.9)**	**-54**
International Computing Centre services	6 431.2	1 367.0	7 798.2	6 539.8	933.4	7 473.2	108.6	(433.6)	(325.0)	-4
Contractual services	8 091.1	360.9	8 452.0	6 877.2	488.6	7 365.8	(1 213.9)	127.7	(1 086.2)	-13
Contractual services	**14 522.3**	**1 727.9**	**16 250.2**	**13 417.0**	**1 422.0**	**14 839.0**	**(1 105.3)**	**(305.9)**	**(1 411.2)**	**-9**
Hospitality	**2.0**		**2.0**	**3.6**	**–**	**3.6**	**1.6**	**–**	**1.6**	**80**
Rental and maintenance of premises	3 140.6	1 570.4	4 711.0	5 808.3	3 029.2	8 837.5	2 667.7	1 458.8	4 126.5	88
Rental and maintenance of equipment	36.1		36.1	33.0	–	33.0	(3.1)	–	(3.1)	-9
Communications services	573.2		573.2	317.1	–	317.1	(256.1)	–	(256.1)	-45
Operating expenses	178.8	4.2	183.0	279.3	0.1	279.4	100.5	(4.1)	96.4	53
Bank charges	1 528.5		1 528.5	1 194.6	–	1 194.6	(333.9)	–	(333.9)	-22
General operating expenses	**5 457.2**	**1 574.6**	**7 031.8**	**7 632.3**	**3 029.3**	**10 661.6**	**2 175.1**	**1 454.7**	**3 629.8**	**52**
Supplies and materials	64.4	25.7	90.1	53.8	24.6	78.4	(10.6)	(1.1)	(11.7)	-13
Furniture and equipment	761.4	263.2	1 024.6	262.5	101.1	363.6	(498.9)	(162.1)	(661.0)	-65
Supplies furniture and equipment	**825.8**	**288.9**	**1 114.7**	**316.3**	**125.7**	**442.0**	**(509.5)**	**(163.2)**	**(672.7)**	**-60**
Total	**38 646.9**	**10 104.9**	**48 751.8**	**38 450.5**	**11 113.9**	**49 564.4**	**(196.4)**	**1 009.0**	**812.6**	**2**
B. Investment administrative expenses										
Established posts	**8 915.6**	**–**	**8 915.6**	**7 577.3**	**–**	**7 577.3**	**(1 338.3)**	**–**	**(1 338.3)**	**-15**
Other staff costs	**1 217.5**	**–**	**1 217.5**	**1 083.9**	**–**	**1 083.9**	**(133.6)**	**–**	**(133.6)**	**-11**
Consultants	**822.4**	**–**	**822.4**	**310.1**	**–**	**310.1**	**(512.3)**	**–**	**(512.3)**	**-62**

	Initial appropriation 2012			*Actuals on a comparable basis 2012*			*Variance*			
	UNJSPF	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*UNJSPF*	*United Nations*	*Total*	*Percentage*
Travel of staff	770.8	–	770.8	390.8	–	390.8	(380.0)	–	(380.0)	-49
Investment committee	248.1	–	248.1	265.6	–	265.6	17.5	–	17.5	7
Travel	**1 018.9**	**–**	**1 018.9**	**656.4**	**–**	**656.4**	**(362.5)**	**–**	**(362.5)**	**-36**
Training	**282.8**	**–**	**282.8**	**110.5**	**–**	**110.5**	**(172.3)**	**–**	**(172.3)**	**-61**
Electronic data processing and other contractual services	6 567.5	–	6 567.5	4 324.8	–	4 324.8	(2 242.7)	–	(2 242.7)	-34
External legal consultants	1 528.5	–	1 528.5	1 226.9	–	1 226.9	(301.6)	–	(301.6)	-20
Investment reference services	–		–	0.2	–	0.2	0.2	–	0.2	–
Advisory and custodial services	21 828.0	–	21 828.0	28 909.0	–	28 909.0	7 081.0	–	7 081.0	32
Contractual services	**29 924.0**	**–**	**29 924.0**	**34 460.9**	**–**	**34 460.9**	**4 536.9**	**–**	**4 536.9**	**15**
Hospitality	**11.2**	**–**	**11.2**	**5.6**	**–**	**5.6**	**(5.6)**	**–**	**(5.6)**	**-50**
Rental and maintenance of premises	1 912.8	–	1 912.8	3 390.8	–	3 390.8	1 478.0	–	1 478.0	77
Rental and maintenance of equipment	18.3	–	18.3	13.4	–	13.4	(4.9)	–	(4.9)	-27
Communications services			–	–		–	–		–	
Operating expenses	323.0	–	323.0	137.4	–	137.4	(185.6)	–	(185.6)	-57
General operating expenses	**2 254.1**	**–**	**2 254.1**	**3 541.6**	**–**	**3 541.6**	**1 287.5**	**–**	**1 287.5**	**57**
Supplies and materials	81.5	–	81.5	70.7	–	70.7	(10.8)	–	(10.8)	-13
Furniture and equipment	356.7	–	356.7	84.8	–	84.8	(271.9)	–	(271.9)	-76
Supplies, furniture and equipment	**438.2**	**–**	**438.2**	**155.5**	**–**	**155.5**	**(282.7)**	**–**	**(282.7)**	**-65**
Total	**44 884.7**	**–**	**44 884.7**	**47 901.8**	**–**	**47 901.8**	**3 017.1**	**–**	**3 017.1**	**7**
C. Audit expenses										
External audit	**328.9**	**65.8**	**394.7**	**–**	**0.0**	**0.0**	**(328.9)**	**(65.8)**	**(394.7)**	**-100**
Internal audit	**755.3**	**150.9**	**906.2**	**780.0**	**156.0**	**936.0**	**24.7**	**5.1**	**29.8**	**3**
Total	**1 084.2**	**216.7**	**1 300.9**	**780.0**	**156.0**	**936.0**	**(304.2)**	**(60.7)**	**(364.9)**	**-28**
D. Board expenses	**101.9**		**101.9**	**162.8**	**–**	**162.8**	**60.9**	**–**	**60.9**	**60**
Total administrative expenses	**84 717.7**	**10 321.6**	**95 039.3**	**87 295.1**	**11 269.9**	**98 565.0**	**2 577.4**	**948.3**	**3 325.7**	**3**

The purpose of schedule 1 is to compare budget to actual amounts on a comparable basis, that is, actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actual on a comparable basis are therefore also on a modified cash basis, the total for actual costs on a comparable basis does not agree to the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis. A reconciliation of the differences is provided in note 22.

Explanation of significant differences (> +/-10 per cent) between budget and actuals on a comparable basis

Fund secretariat administrative expenses

Consultants: the overutilization results from increased requirements for IPSAS consultancy services during the preparation for IPSAS implementation and for ongoing support during the preparation of the first test-run IPSAS-compliant financial statements.

Training: the underutilization is the result of fewer training opportunities being taken than anticipated in 2012 and the postponement of some training activities to 2013. In particular, some training within the Information Management Systems Service has been postponed to 2013 in order to optimally structure the training plan for development of skills required to support the upcoming implementation of the Integrated Pension Administration System and all the related information technology systems.

Hospitality: the slight overutilization is the result of hosting an event that was originally planned to include fewer participants.

General operating expenses: the overall overutilization is related mainly to the full obligation of the rental and other maintenance contracts for the biennium in January 2012. The underutilization of communications costs in 2012 is attributable to the cancellation of Verizon Internet broadband access in June 2012. These Internet access services are now being provided by the International Computing Centre. The underutilization of bank charges is a result of the difficulty in predicting bank charges 100 per cent accurately, as they are transaction based.

Supplies and materials: the underutilization is attributable to lower requirements than anticipated for supplies and materials in 2012.

Furniture and equipment: the underutilization is related mainly to the IPAS project, which has been the driving factor of the decision-making on some critical systems that were planned to be installed in 2012, such as the e-mail consolidation of the Pension Fund and the Investment Management Division and the document management system. As a result, procurement of the majority of information technology equipment is planned for the second year of the biennium. In addition, the videoconference upgrade has been postponed to 2013, as it was dependent on the premises lighting upgrade that was completed in 2012.

Investment administrative expenses

Established posts: the underutilization is attributable mainly to delays in recruitment of staff against seven new posts.

Other staff costs: the underutilization is attributable mainly to positions funded under general temporary assistance, such as legal and administrative assistants being postponed to 2013. General temporary assistance positions in the Information Systems Section have also been deferred to 2013 owing to delays in procuring and implementing some of the projects related to the restructuring of the systems of the Division, in particular Murex and the data hub.

Consultants: the underutilization results from the postponement of planned consultancies for hedge fund monitoring procedures, frontier market strategy and sociable responsible investments owing to the market environment, which was not supportive of those types of investments in 2012. In addition, the global fixed income benchmark study has been replaced by a more thorough and comprehensive benchmarking study that will include all asset classes, including fixed income, and is scheduled to take place in 2013. A consultancy on tail risk strategies is also scheduled to take place in 2013. In addition, the Investment Management Division has commissioned an update of the 2008 whole officer review study to take place in 2013.

Travel: the underutilization in travel of staff is attributable to a number of factors, including a reduced number of trips in the Investments Section and in the Risk Management and Compliance Section owing to exigencies of service while vacant posts were being filled and necessary projects were completed. In addition, travel on due diligence for alternative investment was not as extensive as planned owing to the decision not to initiate hedge fund investments and less than anticipated travel in relation to private equity investments. Some of the anticipated travel was replaced by videoconferences and other reductions resulted from combining trips and taking advantage of company management visits to New York.

Training: the underutilization is attributable to savings gained from (a) attending in-house IPSAS training instead of external training; and (b) fewer staff going on external back-office operations training owing to exigencies of service. Savings have also been achieved through staff participating in seminars and conferences with either no or nominal fees and from some external training being replaced with training provided by the United Nations. Some of the planned training for 2012 has been postponed to 2013.

Contractual services: the underutilization of electronic data processing and other contractual services results from delays in negotiating several data service provider contracts and subsequent delays in fee payments. The Murex implementation has also been delayed and payments have been deferred to 2013. The data hub request for proposals has been put on hold owing to other priorities. The underutilization related to external legal services results from the need for those services being dependent on the number of new real asset and alternative investments. A number of new investments and related contract negotiations were initiated in 2012 but are being finalized in 2013. The overutilization of advisory and custodian services results from the good performance of small capitalization managers, whose fees are based on the market value of the assets under management. The variance is also attributable to increases in new contracts for master record keeper and custodian services.

Hospitality: the underutilization is the result of fewer participants in hospitality events than anticipated.

General operating expenses: the overall overutilization relates mostly to the obligation of lease and premises costs for the full year in January 2012, offset in part by lower expenditure than expected on rental and maintenance of photocopiers.

Supplies and materials: the underutilization is the result of supplies and materials in stock being used in 2012. In 2013, the stock of supplies and materials will need to be replenished to accommodate existing and new staff.

Furniture and equipment: the underutilization results from the postponement of procurement of some furniture for the Division's new premises on the 30th floor to 2013, and from identifying savings in the procurement of some office furniture. In addition, the purchase of new computers and additional printers is scheduled for 2013.

Audit expenses

The underutilization relates to external audit and reflects the fact that the Board of Auditors had not yet invoiced the Pension Fund for the audit costs incurred in 2012.

C. Notes to the financial statements for the year ended 31 December 2012

1. Description of the plan

The following is only a brief description of the United Nations Joint Staff Pension Fund (UNJSPF). The regulations and rules of the Fund are available at the Fund's website (www.unjspf.org).

1.1 General

The Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple-employer defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund based on pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see note 4.5).

The Fund is governed by a Pension Board which is made up of: (a) 12 members appointed by the United Nations Staff Pension Committee, four of whom are elected by the General Assembly, four from those appointed by the Secretary-General and four from those elected by the participants in service in the United Nations; and (b) 21 members appointed by the staff pension committees of the other member organizations in accordance with the Rules of Procedure of the Pension Fund, seven of whom are chosen by the bodies of the member organizations corresponding to the General Assembly, seven from those appointed by the chief administrative officers of the member organizations and seven from those chosen by the participants in service.

1.2 Administration of the Fund

The Fund is administered by the United Nations Joint Staff Pension Board (the "Board"), a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.

The Chief Executive Officer of the Fund, who also serves as Secretary of the Pension Board, is appointed by the Secretary-General on the recommendation of the Pension Board.

The Chief Executive Officer is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the regulations and rules of the Fund and the pension adjustment system. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for: the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries and other related bodies; representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. The Chief Executive Officer is also responsible for providing a range of administrative functions to ensure the smooth functioning of the Investment Management Division.

The management of the investments of the Fund is the fiduciary responsibility of the Secretary-General, in consultation with the Investments Committee. The Secretary-General shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Board. Prior to 18 February 2013, the Assistant Secretary-General of the Office of Central Support Services of the United Nations had been designated as the Representative of the Secretary-General with responsibility for the management and accounting of the investments of the Fund. Following his retirement, the Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller of the United Nations has been designated as the Representative of the Secretary-General.

The Chief Financial Officer, who reports to the Chief Executive Officer and to the Representative of the Secretary-General in their respective substantive responsibilities, is responsible for formulating financial policy for the Fund, reviewing budgetary, financial and accounting operations of the Fund and ensuring that an adequate financial control environment is in place to protect the Fund's resources and to guarantee the quality and reliability of financial reporting. In addition, the Chief Financial Officer is responsible for setting the rules for the collection, from the different information systems and areas of the Fund, of the financial and accounting data necessary for the preparation of the Fund's financial statements, to which full access is provided. The Chief Financial Officer ensures that the financial statements are in compliance with the Fund's regulations and rules, the accounting standards adopted by the Fund and the decisions of the Pension Board and the General Assembly. The Chief Financial Officer also certifies, together with the Chief Executive Officer and the Representative of the Secretary-General, the Fund's financial statements.

1.3 Participation in the Fund

Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer or upon completion of six months service without an interruption of more than 30 days. As of 31 December 2012, the Fund had over 121,000 active contributors (participants). Member organizations/agencies include the United Nations Secretariat, UNICEF, UNDP and UNHCR as well as the various specialized agencies such as WHO, ILO, IAEA, ICAO and UNESCO (see appendix for a complete list of member organizations). There are currently more than 67,600 periodic benefits in payment being made to individuals in some 190 countries. The annual pension payments, which total approximately $2.2 billion, are paid in 15 different currencies.

1.4 Operation of the Fund

Participant and beneficiary processing and queries are handled by the operations area of the Fund, at offices located in New York and Geneva. All of the accounting for operations is handled in New York by the centralized Financial Services Section, which also manages receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

The Representative of the Secretary-General is assisted by the staff of the Investment Management Division where investments are actively traded and processed, and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

Article 12 of the regulations of the United Nations Joint Staff Pension Fund (JSPB/G.4/Rev.18) provides that the Pension Board shall carry out an actuarial valuation of the Fund at least once every three years. Currently the Fund is performing actuarial valuations every two years. Article 12 also provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, and the recommendations, if any, for appropriate action (see note 19 for the summary of the actuarial situation of the Fund as of the most recent actuarial valuation (31 December 2011)).

1.6 Retirement benefit

Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of his or her life. “Normal retirement age” means age 60 for participants whose service commenced prior to 1 January 1990 and age 62 for participants whose service commenced or recommenced on or after 1 January 1990. On 12 April 2013, the General Assembly decided to support the recommendation of the United Nations Joint Staff Pension Board to raise the mandatory age of separation to age 65 years for new staff of member organizations of the United Nations Joint Staff Pension Fund, effective no later than 1 January 2014.

The standard annual rate of retirement benefit for a participant who enters the Fund on or after 1 January 1983 is the sum of:

(a) 1.5 per cent of final average remuneration multiplied by the first five years of contributory service;

(b) 1.75 per cent of final average remuneration multiplied by the next five years of contributory service;

(c) 2 per cent of final average remuneration multiplied by the years of contributory service in excess of 10, but not exceeding 25; and

(d) Years of contributory service in excess of 35 and performed as from 1 July 1995, by 1 per cent of the final average remuneration, subject to a maximum total accumulation rate of 70 per cent.

The standard annual rate of retirement benefit for a participant who entered the Fund prior to 1 January 1983, is 2 per cent of final average remuneration multiplied by contributory service not exceeding 30 years, plus 1 per cent of final average remuneration multiplied by such service in excess of 30 years, not exceeding 10 years.

The maximum benefit to participants at the equivalent level of Under-Secretary-General or Assistant Secretary-General is the greater of 60 per cent of pensionable remuneration at the date of separation or the maximum benefit that would be payable, at that date, to a participant at the D-2 level (who has been at the top step for the preceding 5 years).

The minimum annual rate of retirement benefit is the smaller of $1,003 or one thirtieth of final average remuneration, multiplied by contributory service not exceeding 10 years. The annual rate of the benefit is not less than the smaller of $300 or the final average remuneration of the participant.

"Final average remuneration" means the average annual pensionable remuneration of a participant during the 36 completed months of highest pensionable remuneration within the last 5 years of contributory service.

A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive (a) if the retirement benefit is $300 per annum or more, a lump sum not greater than the larger of one third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level), or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than $300 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

An early retirement benefit is payable to a participant whose age on separation is at least 55 but less than the normal retirement age and who has 5 years or more of contributory service at separation.

The early retirement benefit is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between retirement date and normal retirement age, except that: (a) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year, and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year; provided however that the rate in (a) or (b) applies to no more than 5 years.

The early retiree may elect to receive a lump sum on the same terms as for a retirement benefit.

Separation from service prior to eligibility for early retirement

A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has 5 years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at or after age 55 on the same terms as for an early retirement benefit.

The participant may elect to receive a lump sum equal to the full actuarial value of the benefit if the benefit at normal retirement age is less than $300 per annum. Effective 1 April 2000, the option for a participant to elect to receive a lump sum equal to his or her contributions if the benefit at normal retirement is at least $300 per annum, was eliminated.

A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives his or her own contributions increased by 10 per cent for each year of contributory service in excess of 5 years, to a maximum increase of 100 per cent.

1.7 Disability benefit

A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant has reached at least normal retirement age at the time of disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit to which the participant would have been entitled if he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on the account of the participant, than the smaller of $2,541 or the final average remuneration of the participant.

1.8 Survivor's benefit

A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement or disability benefit at the date of his or her death or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child's benefit

A child's benefit is payable to each child under the age of 21 of a participant who is entitled to a retirement, early retirement or disability benefit or who has died in service, while the child remains under 21. The benefit may also be payable in certain circumstances to a child that is over the age of 21, such as when the child is found to have been incapacitated for substantial gainful employment. The child benefit for each child is generally one third of any retirement or disability benefit due to a participant or that would have been due in the case of a participant who died in service, subject to certain minimum amounts and also limited in maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Pension adjustment system

The provisions of the Fund's pension adjustment system provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the United States dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its United States dollar amount, as determined under the regulations and rules of the Fund and the pension adjustment system, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (the two-track system).

The "real" value of a United States dollar amount is that amount adjusted over time for movements of the United States consumer price index, while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the consumer price index in the recipient's country of residence.

1.11 Funding policy

As a condition of participation in the United Nations Joint Staff Pension Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan. Present participants' accumulated contributions at 31 December 2012 were $725 million, including interest credited (at an interest rate of 3.25 per cent per year in accordance with article 11 (c) of the regulations of the Fund).

The member organizations' funding policy is to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The member organizations' contributions are also expressed as a percentage of the participants' pensionable remuneration as defined in article 54 of the regulations of the Fund. The member organizations' contribution rate is currently 15.8 per cent; these contributions to the Fund totalled $1,435 million during calendar year 2012. When combined with the participants' contributions and expected investments returns, total funding is estimated to be sufficient to provide for all employees' benefits by the time they retire.

The assets of the Fund are derived from:

(a) The contributions of the participants;

(b) The contributions of the member organizations;

(c) The yield from the investments of the Fund;

(d) Deficiency payments, if any, under article 26; and

(e) Receipts from any other source.

1.12 Plan termination terms

Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Board, following application for termination by a member organization or continued default by an organization in its obligations under the regulations of the Fund.

In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date, pursuant to an arrangement mutually agreed between such organization and the Board.

The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under the regulations of the Fund, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency.

Each member organization shall contribute to this sum an amount proportionate to the total contributions which each paid under article 25 of the regulations of the Fund during the three years preceding the valuation date.

The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.13 Changes in funding policy and plan terminations terms during the reporting period

There were no changes in the funding policy and plan termination terms during the reporting period.

2. General information

2.1 Basis of the presentation and adoption of IPSAS

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards (“IPSAS”) as issued by the International Public Sector Accounting Standards Board. The Pension Fund has adopted IPSAS as at 1 January 2012.

In 2006, the General Assembly supported the decision of the High-level Committee on Management of the Chief Executives Board for Coordination that United Nations organizations would adopt IPSAS. The Pension Board, at its fifty-seventh session in July 2010, decided to adopt IPSAS as the accounting standards for the Fund as at 1 January 2012 for the financial statement period ending 31 December 2012. This also specifically included the adoption of the International

Financial Reporting Standards (IFRS) International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans. While the Standard provides accounting guidance, it also offers direction on the presentation of financial statements as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As the Pension Fund has incorporated the guidance in IAS 26 into its financial policies, its financial statements presentation is based on this guidance. Additional information is presented where requested by IPSAS standards as for instance IPSAS 24, Presentation of budget information in financial statements. As required by this standard, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis (schedule I) and a reconciliation of actual and actual on a comparable basis (note 22). While IPSAS 24 states that the actual amounts on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is attributable to the fact that the Fund does not include a cash flow statement in its financial statements and because the Fund's budget is limited to the administrative expenses incurred in a biennium.

The adoption of IPSAS has required changes to be made to the accounting policies previously followed by the Pension Fund. This also includes the preparation of financial statements on an annual basis, compared with the previous biennial basis.

The adoption of the new accounting policies has resulted in changes to the assets and liabilities recognized in the statement of net assets available for benefits. The resulting changes are reported in the net assets available for benefits at the beginning of the year and broken down in detail in note 3. The net effect of the changes brought about by the adoption of IPSAS in the opening net asset balance at 1 January 2012 amounted to an increase of $4.6 billion.

On the basis of IPSAS 1.151, the Fund has decided not to disclose detailed comparative financial information in its 2012 financial statements.

The Fund has also chosen to early adopt the following standards: IPSAS 28, Financial instruments: presentation; IPSAS 29, Financial instruments: recognition and measurement; and IPSAS 30, Financial instruments: disclosures. The effective date for the standards is 1 January 2013, but early adoption is recommended.

The financial statements are presented in United States dollars and all values are rounded to the nearest thousand United States dollars, except where otherwise indicated.

2.2 IPSAS transitional provisions

On 1 January 2012 (the adoption date), the Fund adopted IPSAS, as issued by the International Public Sector Accounting Standards Board, and is therefore subject to the transitional provisions included in the individual standards.

IPSAS 1, Presentation of financial statements. Comparative information is not required in respect of the financial statements to which accrual accounting is first adopted in accordance with the standards. As such, these financial statements do not present comparative information for periods prior to the adoption date. As mentioned above, the Fund makes use of this available exemption.

IPSAS 13, Leases. The standard prescribes compliance upon first adoption of accrual accounting, which for the Fund is 1 January 2012. The Fund consequently applies all requirements starting on that date.

IPSAS 17, Property, plant and equipment. Entities are not required to recognize property, plant and equipment for five years following the adoption of IPSAS. When recognized, entities shall recognize fixed assets at cost or fair value. The Fund has decided to not take advantage of the five-year grace period and has included all of its fixed assets at cost in its IPSAS opening balance sheet.

IPSAS 21, Impairment of non-cash generating assets. The transitional provisions in this standard allow entities to apply the standard prospectively. The Fund has decided to do so and reviewed its non-cash generating assets for impairment for the first time as part of the 2012 closing process.

IPSAS 28, Financial instruments: presentation. The transitional provisions in this standard require full retrospective application, which the Fund complies with, subject to IPSAS 1.151.

IPSAS 29, Financial instruments: recognition and measurement. In line with IPSAS 28, IPSAS 29 also has to be applied retrospectively. In addition, IPSAS 29 provides the opportunity upon first-time adoption to designated financial instruments at fair value, which the Fund is making use of.

IPSAS 30, Financial instruments: disclosures. Paragraph 52 grants companies an exemption to disclose comparative information for risk disclosures required by the standard upon first-time adoption. As the Pension Fund is making use of the exemption stated in IPSAS 1.151 not to disclose comparative data, it is indirectly using the exemption offered in IPSAS 30 and will not disclose comparative information for its risk disclosures.

IPSAS 31, Intangible assets. The transitional guidance provided in IPSAS 31 allows companies to apply the standard prospectively rather than retrospectively. However, the Fund has decided not to apply this transitional provision, and instead to apply the standard retrospectively.

2.3 Standards, interpretations, and amendments issued but not yet effective

The Fund is not aware of any standards issued that are not yet in effect that would apply to the Fund.

2.4 Other general information

The Fund compiles its own financial statements, which consist of data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper, collected and reconciled from source data provided by the Investment Management Division, global custodians and fund managers. For its administrative expenses, the Fund utilizes United Nations systems (IMIS) to record and compile its administrative expense activity. The information provided by IMIS is provided on a modified cash basis and subsequently reworked to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the United Nations Staff

Pension Committee, are reimbursed by the United Nations under the terms of a cost-sharing arrangement. Consequently, the Fund has decided to reflect the reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting in accordance with IPSAS requirements.

3. Transition to the International Public Sector Accounting Standards

The Fund transitioned to IPSAS on 1 January 2012 and in doing so performed an opening balance sheet exercise to transition the 2011 closing United Nations system accounting standards balance sheet to the full accrual amounts necessary for the opening 2012 IPSAS balance sheet.

The Fund determined that the United Nations system accounting standards balance sheet should be adjusted as follows:

(Thousands of United States dollars)

Principal of the Fund under the United Nations system accounting standards	**35 206 870**
Adjustment for fair valuation of the Fund’s investments	4 615 883
Adjustment for accrued income from investments	8 522
Adjustment for withholding taxes	679
Adjustment for other assets	5 811
Adjustment for benefits payable	(15 205)
Adjustment for after-service health insurance and other benefits payable	(546)
Adjustment for other accruals and liabilities	(12 828)
Net assets available for benefits under IPSAS	**39 809 186**

Details of the significant adjustments are as follows:

Adjustment for fair valuation of the Fund’s investments

Under the United Nations system accounting standards, recognition and measurement of all investments were done on cost basis. With the adoption of IPSAS, all investments are now being fair valued, with the movement in fair value being reflected in the statement of changes in net assets available for benefits. The above adjustment reflects the move from cost to fair value, including the foreign currency impact.

(Thousands of United States dollars)

Equities investments	3 791 027
Fixed income investments	603 054
Real assets investments	229 128
Alternative and other investments	(7 326)
Adjustment for fair valuation of the Fund’s investments	**4 615 883**

Adjustment for accrued income from investments

Under IPSAS, all distributions of income declared prior to 31 December 2011 but received in 2012 from real assets and alternative investments have been accrued in the opening balance as at 1 January 2012.

4. Significant accounting policies

4.1 Cash and cash equivalents

Cash and cash equivalents are held at nominal value and include cash on hand, cash held with external managers, and short-term highly liquid time deposits held with financial institutions with maturities of three months or less from date of acquisition.

4.2 Investments

4.2.1 Classification of investments

All investments of the Fund are designated at fair value through surplus and deficit. Consequently, the Fund's investments are carried and reported at fair value on the statement of net assets available for benefits with changes in fair value recognized in the statement of changes in net assets available for benefits. Purchases and sales of securities are recorded on a "trade date basis". The designation and classification of the investments are carried out at initial recognition and reassessed at each reporting date.

Any transaction costs arising as part of an investment trade designated at fair value are expensed and recognized in the statement of changes in net assets.

The Fund splits its investments into the following categories:

- Short-term investments (include fixed income investments maturing more than three months but less than one year from date of acquisition — those with a maturity of less than three months from the date of acquisition are classified as cash and cash equivalents)
- Equities (include exchange-traded funds (ETFs), common stock and stapled securities)
- Fixed income (fixed income investments maturing more than a year from acquisition date)
- Real assets (include investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (include investments in minimum volatility ETFs and risk control strategy investments, private equity funds and commodity funds)

4.2.2 Valuation of financial instruments

The Fund uses the established and documented process of its master record keeper for determining fair values, which is reviewed and validated by the Fund at reporting date. Fair value is based on quoted market prices, where available. If these are not available, valuation techniques are used.

Investments in commingled funds, private equity and private real estate investment funds are usually not quoted in an active market and therefore may not have a readily determinable fair market value. However, the fund managers generally report investments of the funds on a fair value basis. Therefore, the Fund determines fair value using the net asset value (NAV) information as reported by the investee fund managers in the latest available unaudited quarterly capital account statements. Where the fourth quarter capital account statements are not received by the time the Fund's financial statements are prepared, the fair value is calculated based on the third quarter NAV reported by the investee fund managers adjusted by any cash flows in the fourth quarter. For financial assets and liabilities not valued at fair value, the carrying value approximates fair value.

Interest and dividend income

Interest income is recognized on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents, short-term and fixed income investments.

Dividend income is recognized on ex-dividend date when the right to receive payment is established.

4.2.3 Treatment of income distribution on real assets and alternative investments

Income distributed from unitized funds and real estate investment trust funds (REITs) are treated as income in the period in which they are earned.

4.2.4 Receivable/payable from/to investments traded

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits, respectively. These amounts are recognized at the amounts expected to be paid or received to settle the balances. Return of capital under real assets and alternative fund investments declared prior to year end for which the underlying transaction is waiting to be settled, is also included under receivable from investments traded.

A provision for impairment of receivable from investments traded is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, the probability that the broker will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the receivable from investments traded is impaired.

4.3 Tax status and withholding tax receivables

In many jurisdictions, the Fund is exempt from withholding tax. This is primarily a result of the fact that pension funds are in general exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds but recognize that the Pension Fund is part of the United Nations and hence is exempt from national taxation of Member States on its direct investments in accordance with Article 105 of the Charter of the United Nations and article II, section 7 (a), of the 1946 Convention on the Privileges and Immunities of the United Nations. While some Member States grant relief at source for the Fund's income from investments, others withhold taxes at the time dividends are paid. In such instances, the Fund's custodian banks file claims to the governmental taxing authorities for a refund on behalf of the Fund. Although these Member States have confirmed the Fund's tax-exempt status, some countries, including Brazil, China, Greece and Turkey have no formal tax reclamation mechanism in place. The Fund's global custodians and/or subcustodians have thus far been unable to file and/or reclaim the taxes withheld. The Fund continues its efforts to inform the representatives of such jurisdictions about its tax-exempt status with the objective of accelerating the implementation of tax reclamation procedures. Taxes withheld on direct investments in the jurisdictions cited above are accrued and fully provided for in 2012.

The Fund measures its withholding tax receivable at the amount deemed recoverable.

The Fund is not able to reliably measure the value of the additional tax exemption over other pension funds as a result of being part of the United Nations and therefore does not present the value of this additional benefit on the face of the statement of changes in net assets available for benefits. Such presentation would increase other income and withholding tax expense in the same amount and would neither affect investment income nor the change in net assets available for benefits.

For the purposes of disclosure, the tax balances are recorded under "withholding tax receivable" in the statement of net assets available for benefits. Any amount considered to be unrecoverable is taken to the statement of changes in net assets available for benefits and is included under withholding tax expense.

4.4 Critical accounting estimates

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of financial instruments

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation techniques. Where valuation techniques (e.g., models) are used to determine fair values, they are validated and periodically reviewed and modified as required. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

Fair value of financial instruments not quoted in an active market may also be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgement on the quantity and quality of pricing sources used. Where no market data are available, the Fund may price positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

Where valuation techniques (e.g., models) are used to determine fair values, they are validated and periodically reviewed and modified as required.

Models use observable data, to the extent practicable. However, areas such as credit risk (both the Fund and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The determination of what constitutes "observable" requires significant judgement by the Fund. The Fund considers observable data to be market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding tax. Given the wide range of international investments, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

Impairment

Annual review to assess potential impairment is another area where the Fund exercises significant judgement. For 2012, there was no impairment on the investment portfolio or on any other assets of the Fund.

Bad debt provision for the Fund's non-investment-related receivables

A provision is established to properly reflect the accurate position of the accounts receivable, for all overpayments of pension benefits that are two years or older as of the respective year-end date of the financial statements. The provision amounts to $2.4 million against the total overpayments of pension benefits of $5.1 million as at 31 December 2012.

For information on assumptions used for actuarial purposes, see disclosure note 19.

4.5 Contributions

Contributions are recorded on an accrual basis. Participants and their employing member organizations are required to contribute 7.9 per cent and 15.8 per cent, respectively, of their pensionable remuneration to the Fund. Each month the Fund accrues a receivable amount for contributions expected. When contributions are received, the receivable is offset. Contributions are due to be paid by member organizations by the second business day of the month following the month to which the contributions relate. The contributions vary based on changes in the number of participants, in the distribution of participants, in pensionable remuneration rates as a result of cost-of-living increases determined by ICSC, and in the yearly grade step-increase to the individual pensionable remuneration received by all participants.

4.6 Benefits

Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

4.7 Accounting for non-United States dollar denominated currency translations and balances

Non-United States dollar denominated currency transactions are translated using the spot exchange rate between the functional currency and the non-United States dollar denominated currency at the date of the transaction.

At each reporting date, non-United States dollar denominated monetary items are translated using the closing spot rate. As no official closing spot rate is published on a global basis, the Fund uses various sources for the determination of the closing spot rate (e.g., the United Nations Operations Rate of Exchange, or spot rates provided by external organizations). The exchange rates used do not differ materially. Exchange differences arising on the settlement of these monetary items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the change in net assets available for benefits in the period in which they arise.

4.8 Leases

All of the Fund's leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

4.9 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses. All assets acquired for a cost of $20,000 and above will be capitalized. The Fund reviews this threshold annually for reasonableness. The Fund owns no land or buildings.

Depreciation is provided for property, plant and equipment over their estimated useful life using the straight-line method. The estimated useful lives for property, plant and equipment classes are as follows:

Class	*Estimated useful life, in years*
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audiovisual equipment	4

Leasehold improvements are recognized as assets and valued at cost and are depreciated over the lesser of seven years or the lease term. Impairment reviews are undertaken if indicators of impairment exist.

4.10 Intangible assets

Intangible assets are capitalized if their cost exceeds the threshold of $20,000, with the exception of internally developed software, where the threshold is $50,000. The capitalized cost of internally developed software excludes those costs related to research and maintenance. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is recognized over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life, in years*
Software acquired externally	3
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

4.11 Emergency Fund

Participants wishing to avail themselves of the Emergency Fund apply to the Fund. After review and authorization, approved amounts are paid to the participant. The appropriation is recorded when the authorization is approved by the General Assembly. Payments are charged directly against the appropriation account, and any unexpended balance reverts to the Fund at the end of the year. Current expenditure for the biennium is reported in the statement of changes in net assets available for benefits.

4.12 Provisions and contingent liabilities

Provisions are made for future liabilities and charges where the Fund has a present legal or constructive obligation as a result of past events and it is probable that the Fund will be required to settle the obligation.

Other commitments, which do not meet the recognition criteria for liabilities, are disclosed in the notes to the financial statements as contingent liabilities when their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events that are not wholly within the control of the Fund.

4.13 Employee benefits

Among certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

After-service health insurance, the repatriation grant and the death benefit are classified as defined benefit schemes and accounted for as such.

The employees of the Fund are themselves participating in the United Nations Joint Staff Pension Fund. While the Fund is a defined benefit scheme, it has been classified as a multi-employer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the plan. The Fund, in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 25. The Pension Fund's contributions to the plan during the financial period are recognized as expenses in the statement of financial performance.

4.14 Reconciliation of budget information

The Fund's budget is prepared on a modified cash basis and the financial statements on an accrual basis.

The General Assembly approves the biennial budget for the administrative expenses of the Fund. Budgets may be subsequently amended by the General Assembly or through the exercise of delegated authority.

As required by IPSAS 24, schedule I, Statement of comparison of budget and actual amounts in relation to administrative expenses for the year 2012, provides a comparison of budget and actual on a comparable basis. The comparison includes: the original and final budget amounts; the actual amounts on the same basis as the corresponding budgetary amounts; and an explanation of material differences (> +/-10 per cent) between the actual and budget amounts.

Note 22 provides a reconciliation of actual amounts presented on the same basis as the budget and actual amounts included in the IPSAS financial statements.

4.15 Related party transactions

Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

The following parties are considered related parties for the Pension Fund:

(a) Key management personnel: Chief Executive Officer; Representative of the Secretary-General; Deputy Chief Executive Officer; Director of Investment Management Division; Chief Financial Officer;

(b) General Assembly;

(c) 23 member organizations participating in the Fund;

(d) International Computing Centre.

A summary of the relationship and transactions with the above parties is given in note 24.

4.16 Subsequent events

Any information that is received after the reporting period but before the financial statements are issued about conditions that existed at the balance sheet date is incorporated in the financial statements.

In addition, any event that occurs after the balance sheet date but before the financial statements are published that is material to the Fund will be disclosed in the notes to the financial statements.

5. Cash and cash equivalents

Cash and cash equivalents can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012	*1 January 2012*
Cash on hand	1 192 047	1 937 300
Cash held by external managers	35 286	21 192
Total	**1 227 333**	**1 958 492**

6. Financial instruments by category

The following tables provide an overview of all financial instruments held, by category:[a]

(Thousands of United States dollars)

As at 31 December 2012	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	1 227 333	–	–
Investments			
Short-term investments	49 079	–	–
Equities	27 370 793	–	–
Fixed income	12 352 135	–	–
Real assets	2 357 835	–	–
Alternative and other	1 314 058	–	–
Contributions receivable		25 417	–
Accrued income from investments		176 749	–
Receivable from investments traded		33 113	–
Financial assets included in other assets			–
Other assets		20 477	–
Total financial assets	**44 671 233**	**255 756**	**–**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	–	–	54 800
Payable from investments traded	–	–	51 188
After-service health insurance and other employee benefit payable	–	–	58 195
Other accruals and liabilities	–	–	29 165
Total financial liabilities	**–**	**–**	**193 348**

[a] Non-financial assets and liabilities are excluded from the table, as this analysis is required only for financial instruments.

And as at 1 January 2012:

(Thousands of United States dollars)

As at January 2012	*Financial instruments at fair value*	*Loans and receivables*	*Other financial liabilities*
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	1 958 492	–	–
Investments			
Short-term investments	–	–	–
Equities	23 351 360	–	–
Fixed income	12 185 082	–	–
Real assets	1 991 585	–	–
Alternative and other	196 195	–	–
Contributions receivable		34 119	–
Accrued income from investments		177 835	–
Receivable from investments traded		6 957	–
Financial assets included in other assets			–
Other assets		20 930	–
Total financial assets	**39 682 714**	**239 841**	**–**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	–	–	53 176
Payable from investments traded	–	–	1 314
After-service health insurance and other employee benefit payable	–	–	48 860
Other accruals and liabilities	–	–	23 897
Total financial liabilities	–	–	**127 247**

Investments exceeding 5 per cent of net assets

There were no investments representing 5 per cent or more of net assets available for benefits as of December 2012.

In addition, there were no investments representing 5 per cent or more of equities and fixed income class as at 31 December 2012. The Fund invested a total of $150.2 million in one real estate fund as of December 2012, which represented 5 per cent or more of real asset class. The Fund also invested in three minimum volatility and risk control investments, for a total of $862.7 million, and one commodity fund, amounting to $93.2 million as of December 2012, which represented 5 per cent or more of the alternative and other investments category.

7. Fair value measurement

IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized based on the priority of the inputs to the valuation technique. Level 1 includes those securities where unadjusted quoted prices are available in active markets for identical assets or liabilities. Level 2 includes those securities where inputs other than quoted prices included within level 1 are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 includes those securities where inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level of information that is significant to the fair value measurement. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level-3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The following tables set out the fair value hierarchy of the Fund's financial investments (by class) measured at fair value at 31 December 2012 and 1 January 2012:

(Thousands of United States dollars)

Final hierarchy disclosure as at 31 December 2012

	Level			
	1	*2*	*3*	*Total*
Short-term investments		49 079		**49 079**
Equities				
Common and preferred stock	25 438 781	15 026	59 346	25 513 153
Funds — exchange-traded funds	1 632 623			1 632 623
Funds — common stock			189 618	189 618
Stapled securities	35 399			35 399
Total equity securities	**27 106 803**	**15 026**	**248 964**	**27 370 793**
Fixed-income securities				
Government and agencies securities		9 208 565	624 304	9 832 865
Corporate bonds		1 758 532	133 031	1 891 563
Municipal provincial bonds		419 293		419 293
Commercial mortgage-backed		143 681		143 681
Funds — corporate bond			43 937	43 937
Guaranteed fixed-income		20 792		20 792
Total fixed-income securities		**11 550 863**	**801 272**	**12 352 135**

Final hierarchy disclosure as at 31 December 2012				
	Level			
	1	*2*	*3*	*Total*
Real assets				
Real estate funds	40 119		2 003 163	2 043 282
Real estate investment trusts	283 955			283 955
Infrastructure assets			30 598	30 598
Total real assets	**324 074**	**–**	**2 033 761**	**2 357 835**
Alternatives and other investments				
Minimum volatility and risk control investments	612 756		249 998	862 754
Private equity			255 763	255 763
Commodity funds			195 541	195 541
Total alternatives and other investments	**612 756**	**–**	**701 302**	**1 314 058**
Total	**28 043 633**	**11 614 968**	**3 785 299**	**43 443 900**

Final hierarchy disclosure as at 1 January 2012				
	Level			
	1	*2*	*3*	*Total*
Equities				
Common and preferred stock	22 465 547		303 293	22 768 840
Funds — exchange-traded funds	456 183			456 183
Funds — common stock			126 337	126 337
Total equity securities	**22 921 730**	**–**	**429 630**	**23 351 359**
Debt securities				
Government and agencies securities		9 196 452	724 261	9 920 713
Corporate bonds		1 622 898	51 750	1 674 648
Municipal provincial bonds		367 377		367 377
Commercial mortgage-backed		137 539		137 539
Funds — corporate bond			38 543	38 543
Guaranteed fixed-income		46 262		46 262
Total debt securities	**–**	**11 370 528**	**814 554**	**12 185 082**
Real assets				
Real estate funds	51 245		1 709 967	1 761 212

Final hierarchy disclosure as at 1 January 2012				
	Level			
	1	*2*	*3*	*Total*
Real estate investment trusts	218 244			218 244
Infrastructure assets			12 129	12 129
Total real assets	**269 489**	**–**	**1 722 096**	**1 991 585**
Alternatives and other investments				
Minimum volatility and risk control investments	–	–	–	–
Private equity			95 890	95 890
Commodity funds			100 305	100 305
Total alternatives and other investments	**–**	**–**	**196 195**	**196 195**
Total	**23 191 219**	**11 370 528**	**3 162 475**	**37 724 222**

Depository receipts amounting to $59.4 million (January 2012: $303.3 million) are classified under level 3 under equities, as they are priced through institutional bids that are considered to be estimated prices. Specifically, such prices are generally estimated through an American Depository Receipts internal pricing model of the pricing vendors.

Common stock funds amounting to $189.6 million (January 2012: $126.3 million) are valued using a net asset value (NAV) approach and hence classified under level 3.

The vast majority of the fixed-income securities' prices are not obtained from an active market directly, which would lead to a classification as level 1, but instead prices are obtained through brokers' bids, which are indicative quotes and therefore classified as level 2.

Index-linked non-United States government bonds amounting to $624.3 million (January 2012: $724.3 million) are classified as level 3, as their value is based on brokers' bid evaluations adjusted for indexing, which is generally uncorroborated market data.

Corporate bonds amounting to $133.1 million (January 2012: $51.2 million) are considered to be level 3. Inputs for the prices of these investments, while available from third-party sources, are not as well defined as other prices from third-party sources and, consequently, the Fund has decided to classify such investments as level 3.

Real assets amounting to $2,033.7 million (January 2012: $1,722.1 million) as well as alternative and other investments amounting to $701.3 million (January 2012: $196.2 million) are classified under level 3, as they are priced using the net asset value (NAV) methodology for which the Fund is unable to corroborate or verify using observable market data. In addition, limited options are available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

The following table sets out the significant transfers between levels for the year ended 31 December 2012.

(Thousands of United States dollars)

Transfers for the year ended 31 December 2012				
	Level			
	1	*2*	*3*	*Total*
Transfers into:				
Equities	290 581		59 346	349 927
Debt securities		42 384		42 384
Total	**290 581**	**42 384**	**59 346**	**392 311**
Transfers out of:				
Equities	(59 346)		(290 581)	(349 927)
Debt securities			(42 384)	(42 384)
Total	**(59 346)**	**–**	**(332 965)**	**(392 311)**

The transfers out of level 3 into levels 1 and 2 are attributable to continued improvement in the liquidity of the markets trading such investments and higher transaction volumes for the underlying securities. This led to securities being priced by multiple vendors and hence more observable data being available.

The transfers out of level 1 into level 3 are attributable to less liquidity in the markets transacting the underlying securities and consequently fewer pricing sources being available.

The following table sets out the movements in level-3 instruments for the period ended 31 December 2012, by class of financial instrument.

(Thousands of United States dollars)

	Equities	*Fixed income*	*Real assets*	*Alternative and others investments*	*Total*
Opening balance	429 630	814 554	1 722 096	196 195	3 162 475
Purchases	60 308	–	428 483	542 691	1 031 482
Sales/return of capital	(66 941)	–	(298 772)	(33 123)	(398 836)
Transfers out of level 3	(231 235)	(42 384)	–	–	(273 619)
Net gains and losses recognized in the statement of changes in net assets available for benefits	57 202	29 102	181 954	(4 461)	263 797
Closing balance	**248 964**	**801 272**	**2 033 761**	**701 302**	**3 785 299**
Change in unrealized gains and losses for level-3 assets held at the period end and included in statements of changes in net assets available for benefits	87 599	29 102	427 800	(3 935)	540 566

8. Accrued income from investments

Accrued income from investments is income earned that has yet to be received from the Fund's investments during the financial period. Accrued income from temporary investments is mainly from interest earned on cash balances.

(Thousands of United States dollars)

	Accrued income from investments	
Investments	*31 December 2012*	*1 January 2012*
Cash and cash equivalents	20	299
Fixed-income securities	137 864	139 451
Dividends receivable on equities	34 589	34 627
Real assets and alternative investments	4 276	3 458
Total	**176 749**	**177 835**

9. Withholding tax receivables

The outstanding balances of withholding income taxes as at 31 December 2012 and 1 January 2012 can be broken down as follows:

Country	Currency	Denominated in local currency				Foreign exchange effect 31 Dec. 2012	Equivalent in	Tax amounts deemed not recoverable	Recoverable withholding tax amount
		Prior to 2011	*2011*	*2012*	*Total as at 31 Dec. 2012*		*Thousands of United States dollars*		
Austria	Euro	–	36 338	18 785	55 123	0.758495	73	–	73
Brazil	Brazilian real	1 248 066	69 461	143 901	1 461 427	2.047500	714	714	–
China	Hong Kong dollar	17 169 353	11 092 128	13 068 448	41 329 929	7.750850	5 332	5 332	–
Germany	Euro	–		4 797 677	4 797 677	0.758495	6 325	–	6 325
Greece	Euro	95 553	–		95 553	0.758495	126	126	0
Malaysia	Malaysian ringgit		308 398		308 398	3.058000	101	–	101
Netherlands	Euro	–		112 193	112 193	0.758495	148	–	148
Russian Federation	United States dollar			90 090	90 090	1.000000	90	–	90
Singapore	Singapore dollar	51 781	–		51 781	1.221500	42	–	42
South Africa	South African rand			5 954 730	5 954 730	8.484400	702	–	702
Spain	Euro				–	0.758495	–	–	–
Sweden	Euro	26 819	–		26 819	0.758495	35	–	35
Switzerland	Swiss franc	–		5 050 043	5 050 043	0.915350	5 517	–	5 517
	Euro	–	8 405	5 675	14 080	0.758495	19	–	19
Turkey	Turkish lira	665 552	428 429	369 422	1 463 403	1.784700	820	820	–
United Kingdom of Great Britain and Northern Ireland	Pound sterling	–	78 769	268 124	346 893	0.615195	564	–	564
	Euro	–		276 270	276 270	0.758495	364	–	364
Total amount outstanding							**20 972**	**6 992**	**13 980**

Country		Denominated in local currency				Foreign exchange effect 31 Dec. 2011	Equivalent in	Tax amounts deemed not recoverable	Recoverable withholding tax amount
		Prior to 2010	2010	2011	Total as at 31 Dec. 2011		Thousands of United States dollars		
Austria	Euro	–	–	36 338	36 338	0.770327	47	–	47
Belgium	Euro	–	–	–	–	0.770327	–	–	–
Brazil	Brazilian real	412 199	835 867	142 523	1 390 589	1.865250	745	745	–
China	Hong Kong dollar	8 237 921	8 931 432	11 092 128	28 261 481	7.766600	3 638	3 638	–
Germany	Euro	–	–	3 730 615	3 730 615	0.770327	4 843		4 843
Greece	Euro	56 297	39 256	–	95 553	0.770327	124	124	–
Japan	Yen	–			59 646 971	76.940000	775	–	775
Malaysia	Malaysian ringgit	1 157 658	831 728	308 398	2 297 784	3.170000	725	–	725
Netherlands	Euro	–		144 382	144 382	0.770327	187	–	187
Singapore	Singapore dollar	51 781		–	51 781	1.296650	40	–	40
Sweden	Euro	36 767	–	–	36 767	0.770327	48	–	48
Switzerland	Swiss franc	–	–	1 769 068	1 769 068	0.935100	1 892	–	1 892
	Euro	–	–	8 405	8 405	0.770327	11	–	11
Turkey	Turkish lira	385 149	280 403	428 429	1 093 981	1.888600	579	579	–
United Kingdom of Great Britain and Northern Ireland	Pound sterling	–		156 723	156 723	0.643459	244		244
	Euro	–		234 007	234 007	0.770327	304		304
Total amount outstanding							**14 202**	**5 087**	**9 115**

10. Other assets

The other asset balance included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012	*1 January 2012*
Prepaid benefits and benefits receivable	17 074	17 518
Property, plant and equipment	5 093	3 265
Intangible assets	439	858
Intangible assets under development	5 916	640
United Nations receivables	3 148	2 992
Other receivables	255	420
Total	**31 925**	**25 693**

10.1 Prepaid benefits and benefits receivables

An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2012	*1 January 2012*
Prepaid benefits	13 805	14 729
Prepayments	560	678
Benefits receivable	5 123	4 602
Benefits receivable — provision	(2 414)	(2 491)
Total	**17 074**	**17 518**

10.2 Property, plant and equipment

An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	Information technology equipment	*Leasehold improvements*	***Total***
Cost	4 197	8 109	**12 306**
1 January 2012			
Additions	581	2 771	**3 352**
Disposal	–	–	**–**
31 December 2012	4 778	10 880	**15 658**

	Information technology equipment	Leasehold improvements	Total
Depreciation	2 889	6 152	**9 041**
1 January 2012			
Additions	610	914	**1 524**
Disposals	–	–	**–**
31 December 2012	3 499	7 066	**10 565**
Net book value			
1 January 2012	**1 308**	**1 957**	**3 265**
31 December 2012	**1 279**	**3 814**	**5 093**

The leasehold improvements included above relate to the Fund's improvements to its offices in New York.

10.3 Intangible assets

The intangible asset amount included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	Software	*Software under development*	***Total***
Cost			
1 January 2012	1 774	640	**2 414**
Additions	–	5 276	**5 276**
Disposal	–	–	**–**
31 December 2012	1 774	5 916	**7 690**
Depreciation			
1 January 2012	916	–	**916**
Additions	419	–	**419**
Disposals	–	–	**–**
31 December 2012	1 335	–	**1 335**
Net book value			
1 January 2012	**858**	**640**	**1 498**
31 December 2012	**439**	**5 916**	**6 355**

The costs incurred for the customization of the software development in progress relate to the Murex implementation project and the IPAS interface project.

11. Benefits payable

The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012	*1 January 2012*
Withdrawal settlements	16 319	16 122
Lump-sum payments	16 278	15 058
Periodic benefit payable	20 564	20 515
Other benefits payable	1 639	1 481
Total	**54 800**	**53 176**

12. After-service health insurance and other employee benefits

A breakdown of the after-service health insurance and other benefits payable amount shown in the statement of net assets is as follows:

(Thousands of United States dollars)

	31 December 2012	*1 January 2012*
After-service health insurance actuarial liability	53 962	44 868
Repatriation grant and related costs	1 897	1 773
Education grant and related costs	249	241
Death benefit	110	102
Annual leave	1 760	1 673
Home leave	217	203
Total	**58 195**	**48 860**

After-service health insurance, annual leave, and repatriation grants liability

The Pension Fund provides its employees who have met certain eligibility requirements with the following after-service and end-of-service benefits:

- Health-care benefits after they retire. This benefit is referred to as after-service health insurance;
- Repatriation benefits to facilitate the relocation of expatriate staff members;
- Annual leave benefits provide staff members with periods of time off from work at full pay for personal reasons and for the purposes of health, rest and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days.

The obligations as at 31 December 2012 were calculated based on census data as at 31 December 2011, provided to the actuary by the Fund, and:

- Health insurance premium and contribution data provided by the United Nations;

- Actual retiree claims experience under health insurance plans;
- Estimated travel and shipment costs and annual leave balances reported by the United Nations in the census data;
- Various economic, demographic and other actuarial assumptions;
- Generally accepted actuarial methods and procedures.

The key assumptions in the calculation of after-service liabilities are the discount rate and health-care trends. For all calculations for the year 2012, the discount rate used was 4.5 per cent. For amounts due at 31 December 2012 and thereafter, the discount rate used is 4.0 per cent. For comparison purposes, the table below shows the percentage change owing to a 1 per cent change in the discount rate.

	Impact on accrued obligations		
Discount rate	*After-service health insurance*	*Repatriation benefit*	*Annual leave*
5.0 per cent	18 per cent decrease	9 per cent decrease	6 per cent decrease
3.0 per cent	24 per cent increase	11 per cent increase	7 per cent increase

Other specific key assumptions used in the calculations as at 31 December 2012 were as follows:

After-service health insurance

(a) One hundred and eighty-nine active staff were included in the calculation: 159 United States-based and 30 non-United States. Fifty-seven retired staff or their surviving spouses were included in the calculation: 51 United States-based and 6 non-United States. In addition, six active staff and two retirees or their surviving spouses that participate in dental only plans were included. For active staff, the average age was 45.2 years, with 10.4 years of service. The average age of retirees was 67.9 years;

(b) A major assumption in the calculation is the health-care cost trend rate. For all medical plans, the rate trends from 8.0 per cent in 2012-2013, down to 4.5 per cent in 2027 and later years. For the United States Medicare plan, the rate trends from 7.0 per cent. In the short-term, the downward trend is at slightly different rates until 2021-2022, when the trend is the same for all plans. For United States dental plans, the rate trends down from 5.0 per cent to 4.5 per cent during the same time period;

(c) The primary purpose of the trend assumption is to determine the best estimate of the long-term costs of the Fund's after-service health insurance plans. Therefore, the focus is on establishing a reasonable pattern of trend rates over many years, with less concern about attempting to predict the short-term fluctuation in costs;

(d) Past experience with the cost of the various United States after-service health insurance plans was considered when determining the near-term trend rates. Also considered were recent changes in United States health-care laws, which are expected to come into effect over the next several years. All United States retirees are required to participate in Medicare if eligible as at 1 January 2011, with the exception of those retirees that were 75 years or older as of that date. Medical costs for United States Medicare plans are expected to rise at slower rates than non-Medicare plans, as Medicare limits the amounts that providers can charge to Medicare beneficiaries.

Repatriation benefits

(a) Staff members who are appointed as international staff are eligible for the payment of a repatriation grant after one year of active service outside his or her country of nationality as long as the reason for separation is not summary dismissal or abandonment of post;

(b) The amount ranges from 2 to 28 weeks of salary depending on the category of employment and years of service of the eligible staff. Travel and shipment of personal effects may also be authorized to the recognized country of home leave;

(c) For the current calculation, 52 eligible staff, with an average salary of $80,918, were considered.

Annual leave

(a) Staff are entitled to accrue annual leave from the date of their appointment. Staff members who, upon separation from service, have accrued leave will be paid up to a maximum of 60 days if on a fixed-term appointment or up to 18 days on a temporary appointment. Payment amount is calculated at 1/261 of applicable salary amounts for each unused annual leave day;

(b) For the current calculation, 222 active staff, with an average salary of $95,205, were considered.

13. Other accruals and liabilities

The amount shown as other accruals and liabilities in the financial statements can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012	*1 January 2012*
After-service health insurance payable to member organizations	5 408	4 911
Restoration payable	4 304	6 002
United Nations payable	14 988	8 142
Operating leases rent accrual	3 451	3 772
Audit fee accrual	581	194
Other	433	876
Total	**29 165**	**23 897**

14. Investment income

The following table summarizes the Fund's income from investments net of transaction costs recognized during the period. Any transaction costs that can be allocated to a single transaction or trade are netted off against investment income. Examples are broker commissions, other transaction costs and management fees. In 2012, any management expenses charged to the income statements of real estate and private equity funds were recorded separately as management expenses in the Fund's statement of changes in net assets and included under transactions costs. It should be noted that management fees paid to small capitalization investment managers amounting to $6.8 million are reported under administrative expenses.

(Thousands of United States dollars)

	31 December 2012
Change in fair value for assets designated at fair value	
Short-term investments	132
Equities	3 376 804
Fixed income	267 865
Real estate investments	241 785
Alternative investments	11 990
Subtotal	**3 898 576**
Changes in foreign exchange gain and losses	120 447
Net foreign exchange gain	**120 447**
Interest income	
Interest income on cash and cash equivalents	2 255
Interest income on fixed income instruments	439 752
Subtotal	**442 007**
Dividend income	668 176
Subtotal	**668 176**
Income from real assets	**38 545**
Income from alternatives and other assets	**11 044**
Total income for the year	**5 178 795**
Transaction costs	
Management fees and other related fees	(62 311)
Brokerage commissions	(17 414)
Other transaction costs	(7 076)
Subtotal	**(86 801)**
Net investment income	**5 091 994**

15. Contributions

Contributions received in the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012
Contribution from participants	
Regular contributions	716 387
Contribution for validation	1 135
Contribution for restoration	6 992
	724 514
Contributions from member organizations	
Regular contributions	1 432 774
Contribution for validation	2 265
	1 435 039
Other contributions	
Contributions for participant transferred in under agreements	3 239
Receipts of excess actuarial value over regular contributions	804
Other contributions/adjustments	(238)
	3 805
Total	**2 163 358**

The contribution income varies based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and the yearly step-increase to individual pensionable remuneration received by all participants.

16. Other income

Other income earned in the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012
Forfeitures of pension benefits	2 695
Class action proceeds	1 261
Notional interest income	1 110
United Nations University management fees	50
Total	**5 116**

17. Benefit payments

Benefit payments in the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012
Withdrawal settlements and full commutation of benefits	122 235
Full retirement benefits	1 105 249
Early retirement benefits	618 326
Deferred retirement benefits	88 040
Disability benefits	55 957
Survivor's benefits	212 273
Child's benefits	24 712
Total, retirement benefits	**2 104 557**
Payments for participants transferred out under agreements	1 201
Other benefits/adjustments	(110)
Total, other benefits	**1 091**
Total	**2 227 883**

18. Administrative expenses

Expenses incurred in the period are as follows:

(Thousands of United States dollars)

	Administrative expenses	*Investment expenses*	*Audit fees*	*Board expenses*	*Total*
Established posts	21 866	9 683			31 549
Other staff costs	1 482	1 084			2 566
Consultants	308	196			504
Travel	546	622			1 168
Training	81	111			192
Contractual services[a]	9 104	20 707			29 811
Hospitality	4	6			10
General operating expenses	4 391	1 645			6 036
Supplies and materials	50	68			118
Furniture and equipment	661	304			965
Audit costs			1 601		1 601
Board expenses				90	90
Total for the period	**38 493**	**34 426**	**1 601**	**90**	**74 610**
[a] Small capitalization fund management fees included in contractual services		6 795			6 795
Total		**27 631**			**67 815**

19. Other expenses

Other expenses incurred in the period can be broken down as follows:

(Thousands of United States dollars)

	31 December 2012
Emergency fund expense	89
Notional interest expense	3 626
Other expenses and claims	255
Total	**3 970**

20. Actuarial situation of the Fund

(see also note 1.5 above)

The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service staff have rendered, as of the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

Benefits payable under all circumstances — retirement, death, disability, and termination of employment — are included to the extent they are deemed attributable to service staff have rendered as of the valuation date.

The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries and the amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

The Fund is applying the guidance included in IAS 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

Key assumptions

The significant actuarial assumptions used in the valuation as at 31 December 2011 were:

- Life expectancy of participants (2007 United Nations mortality tables adjusted for forecast improvements in mortality);
- Age-specific retirement and turnover assumptions;
- Annual investment return of 7.5 per cent, which serves as the discount rate for liabilities;
- Annual rate of 4 per cent for cost-of-living increases in pensions.

These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its fifty-eighth session, in July 2011. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits.

Statement of accumulated benefits

The actuarial present value of accumulated plan benefits as at 31 December 2011 is as follows (all amounts are in millions of United States dollars, see note 1.10 above for the description of the pension adjustment system):

	If future pension payments are made:	
	Under the regulations without pension adjustments	*Under the regulations with pension adjustments*
	(millions of United States dollars)	
Actuarial value of vested benefits		
Participants currently receiving benefits	18 441	27 397
Vested terminated participants	162	313
Active participants	10 097	15 630
Total vested benefits	**28 700**	**43 340**
Non-vested benefits	1 092	1 631
Total, actuarial present value of accumulated plan benefits	**29 792**	**44 971**

Information on participation in the United Nations Joint Staff Pension Fund

The last valuation was provided by the consulting actuaries as at 31 December 2011 based on participation set out below. The participation in the plan developed as follows:

	Values as of 31 December 2011
Active participants	
Number	120 774
Annual remuneration (in millions of United States dollars)	9 917
Average remuneration (in United States dollars)	82 113
Retired participants and beneficiaries	
Number	65 387
Annual benefit (in millions of United States dollars)	1 924
Average benefit (in United States dollars)	**29 425**

21. Commitments and contingencies

21.1 Investment commitments

As at 31 December 2012, the Fund is committed to the following:

(Thousands of United States dollars)

	31 December 2012
Real estate funds	735 436
Private equity	701 217
Infrastructure funds	68 661
Total commitments	**1 505 314**

In the private equity and real estate partnership investments, funds are drawn down only under the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement. Investment commitments are drawn down and recorded by the Fund when the contractual terms of the fund agreement have been met.

21.2 Lease commitments

(Thousands of United States dollars)

	31 December 2012
Obligations for property leases	
Under 1 year	5 253
1-5 years	21 918
Beyond 5 years	13 741
Total property leases obligations	**40 912**

21.3 Legal or contingent liabilities and contingent assets

There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

22. Risk assessment

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk.

The Fund's investment risk management programme seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. The United Nations Investment Committee provides advice to the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Investment Committee advises on long-term policy, asset allocation and strategy, diversification by type of investments, currencies and economic sector and any other matters which, in the view of the Committee, should be brought to the attention of the Secretary-General or on which the latter may deem the advice of the Committee to be desirable.

The Fund uses different methods to measure, monitor and manage the various types of risk to which it is exposed; these methods are explained below.

22.1 Credit risk

Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligors face. Ensuring adequate control over credit risk and effective risk management is critical to the long-term success of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards;
- Establishing limits for amounts and concentrations of credit risk and monitoring and implementing a review process for credit exposure;
- Ensuring adequate controls over credit risk.

The Fund is primarily exposed to credit risk in its debt securities. The Fund's policy to manage this risk is to invest in debt securities that have an investment grade by at least one well-known rating agency, S&P, Moody's or Fitch. As of December 2012, more than 85 per cent of the debt portfolio was rated between Aa3 and A1. The Fund may also invest in unrated assets only when exemption has been granted by the Representative of the Secretary-General.

The analysis below summarizes the credit quality of the Fund's debt portfolio at 31 December 2012, as provided by Moody's rating agency.

(Thousands of United States dollars)

	Aa3 to A1	*Baa3 to Baa1*	*Not rated*	*Total*
Commercial mortgage-backed	86 382	–	57 299	143 681
Corporate bonds	1 447 013	283 100	161 451	1 891 564
Funds — corporate bond	–	–	43 937	43 937
Government agencies	2 378 540	40 434	60 573	2 479 547
Government bonds	5 621 786	354 309	258 813	6 234 908
Government mortgage-backed securities	–	–	246 289	246 289
Guaranteed fixed income	20 792	–	–	20 792
Index-linked government bonds	696 909	175 215	–	872 124
Municipal/provincial bonds	419 293	–	–	419 293
Total	**10 670 715**	**853 058**	**828 362**	**12 352 135**

All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is made only once the broker has received payment.

Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

Non-rated bonds are reviewed by the Representative of the Secretary-General and are also subject to compliance review on a quarterly basis.

22.2 Liquidity risk

Liquidity risk is the risk of not meeting cash requirements for the Fund obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

The Fund's long-term cash flow requirements are reviewed quarterly, together with the strategic and tactical asset allocation during the meetings of the Investments Committee. In addition, it is reviewed by the Investment Management Division as part of its weekly investment rebalancing meetings.

22.3 Market risk

Market risk is the risk of change in the value of plan assets owing to various market factor movements, including interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk (VaR) as a parameter to measure the market risk, in addition to standard deviation and tracking risk. Value at risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also has overall risk tolerance defined by the most recent asset liability management study. Based on this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

Value at risk as a single number summarizes the portfolio's exposure to market risk as well as the probability of an adverse move or in other words, level of risk. The main purpose of VaR is to assess market risks that result from changes in market prices. There are three key characteristics of VaR: (a) the amount (in percentage or dollar terms), (b) the time horizon (in this case, one year) and (c) the confidence level (in this case, 95 per cent). When reported as 95 per cent confidence, VaR(95) number (in percentage or in dollar terms) indicates that there is 95 per cent chance that portfolio losses will not exceed the given VaR(95) number (percentage or dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5 per cent of the times when the losses exceed VaR(95). The Fund also reports contribution to the risk. Considering the risk of the whole Fund as 100 per cent, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100 per cent). VaR(95) is not additive owing to diversification effect.

The table below depicts four important aspects of risks. It shows volatility or standard deviation in percentage, followed by VaR(95) for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class is contributing to the total Fund risk. Clearly, total Fund risk is 100 per cent and each of the asset class below indicates the contribution to the risk. Expected shortfall at 5 per cent (because the Fund is indicating VaR at 95 per cent), indicates average value or expected value of losses for the 5 per cent of the times when losses exceed VaR(95).

All numbers in the chart below are annualized using historical simulation.

Asset class	*Volatility (standard deviation)*	*VaR (95 per cent)*	*Contribution to risk*	*Expected shortfall (5 per cent)*
Total fund	16.03	24.44	100.0	39.53
Total equity	21.89	33.70	88.54	54.08
Minimum volatility equities	5.26	5.67	0.16	14.74
Fixed income	6.10	9.07	3.38	13.25
Cash and short term	7.19	11.52	0.56	16.08
Real estate	30.99	49.08	5.90	75.77
Private equity	30.72	51.36	0.90	76.39
Commodities	20.97	34.64	0.45	51.42
Infrastructure	30.09	50.36	0.11	75.11

Note: Figures are reported from MSCI RiskMetrics as at 28 December 2012. Risk setting for the present report is a 5-year lookback period, 1-day sampling frequency using historical simulation. Minimum volatility risk statistics are based on less than one year of data.

Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments — for example, equity securities — are denominated in currencies other than the United States dollar, the price initially expressed in non-United States dollar denominated currency and then converted into United States dollars will also fluctuate because of changes in currency exchange rates.

At 31 December 2012, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

Common and preferred stock	25 513 154
Funds — equities exchange trade fund	1 632 623
Funds — common stock	154 236
Stapled securities	35 399
Unit Trust Equity	35 381
Total equity instruments	**27 370 793**

Considering the total Fund risk as 100 per cent, the contribution to risk due to price risk is 80.19 per cent. For the total price risk, equities contributed 86.30 per cent to the total Fund price risk and the rest is contributed by all other asset classes.

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximize the returns derived for the level of risk to which the Fund is exposed.

2012 (General industry classification standards)	Fund's equity portfolio (Percentage)	Benchmark
Financials	18.32	21.11
Information technology	13.86	12.14
Consumer discretionary	11.08	10.73
Industrials	9.69	10.38
Energy	10.21	10.58
Health care	9.79	9.30
Consumer staples	9.04	10.37
Materials	6.92	7.61
Telecommunication services	3.22	4.33
Utilities	2.40	3.45
Others	5.46	–
Total	**100.00**	**100.00**

The following table presents an analysis of the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (based on counterparty's place of primary listing or, if not listed, the place of domicile).

	2012 (Percentage)
North America	53.1
Europe	20.4
Asia Pacific	14.1
Emerging markets	12.3
Total	**100.0**

Currency risk

The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates due to changes in currency exchange rates. Management monitors the exposure to all currencies.

The Fund does not use hedging to manage its non-United States dollar denominated currency risk exposure. Currency risk refers to risk due to foreign exchange rate changes.

The table below illustrates the foreign exchange risk exposure of the Fund by class of investments:

(Percentage)

Equities	53.18
Fixed-income bonds	40.72
Cash and short term	4.15
Other classes	1.95
Total	**100.0**

The table below summarizes the Fund's cash and investments at fair value as at 31 December 2012, which are denominated in a currency other than the United States dollar. Assets held in exchange-traded funds or externally managed specialty funds are shown as United States dollar assets.

Currency	*Equity instruments*	*Fixed-income instruments*	*Real assets*	*Alternative and others*	*Short-term investments*	*Cash*
	(Percentage)					
United States dollar	32.92	11.79	4.22	2.89	–	0.79
Euro	4.99	4.86	0.32	0.06	–	0.34
Pound sterling	4.77	1.57	0.19	–	–	0.03
Yen	4.66	1.10	0.16	–	–	0.39
Canadian dollar	2.71	1.16	0.2	–	–	0.12
Australian dollar	1.91	1.27	0.19	–	–	0.09
Hong Kong dollar	2.17	–	–	–	–	–
Won	1.01	0.22	–	–	–	0.23
Swiss franc	1.65	–	–	–	–	0.01
Swedish krona	0.81	0.7	–	–	–	0.20
Malaysian ringgit	0.33	0.64	–	–	–	0.05
Zloty	–	1.54	–	–	–	–
Brazilian real	0.95	0.18	–	–	–	0.28
Norwegian krone	0.03	1.17	–	–	–	–
Mexican peso	0.47	0.87	–	–	–	0.03
Singapore dollar	0.41	0.30	–	–	0.11	–
South African rand	0.61	0.14	–	–	–	–
Indian rupee	0.43	–	–	–	–	0.08
Turkish lira	0.20	–	–	–	–	0.02
New Zealand dollar	0.02	0.15	–	–	–	0.02
Danish krone	0.12	–	–	–	–	–
Czech koruna	–	–	–	–	–	0.07
Colombian peso	0.06	–	–	–	–	–
Total assets	**61.27**	**27.65**	**5.28**	**2.94**	**0.11**	**2.75**

Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed-interest securities that expose the Fund to fair value interest rate risk. The Fund also holds a limited amount of United States dollar-denominated floating rate debt, cash and cash equivalents that expose the Fund to cash flow interest rate risk.

The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Total Aggregate Bond Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

	Fund	*Benchmark*
	Percentage	
Effective duration	4.23	6.04

Effective duration is the sensitivity to interest rate. This means if the interest rate goes up by 1 per cent, the Fund can lose 4.23 per cent compared with the benchmark, which can lose 6.04 per cent. This primarily arises from the increase/decrease in the fair value of fixed interest securities, with a small proportion arising from the decrease/increase in interest income on cash and cash equivalents.

23. Budget information

23.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2012	*Authorized transfers*	*Approved increases/ decreases*	*Final appropriation 2012*
Administrative costs	48 752	–	–	48 752
Investment costs	44 885	–	–	44 885
Audit costs	1 301	–	–	1 301
Board expenses	102	–	–	102
Total	**95 040**	**–**	**–**	**95 040**

23.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified into the following:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 4.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Pension Fund for the purposes of comparison of budget and actual amounts;

(c) Entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for the Pension Fund.

(Thousands of United States dollars)

Actual amount on a comparable basis	**87 295**
Basis differences	
Asset additions/disposals	(8 628)
Depreciation and amortization	1 943
Unliquidated obligations	(15 473)
Prepayments	86
Employee benefits	9 340
Other accruals	47
Actual amount for administrative expenses in the statement of changes in net assets available for benefits	**74 610**

The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- Depreciation expense: fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated over their useful lives on an IPSAS basis. Only depreciation expense is recognized over the useful lives of the asset whereas the total expense is recognized on a budget basis at the time of acquisition.

- Expense recognition: on a budget basis expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.

- Employee benefits: on a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of time of payment. IPSAS therefore recognizes expenses for post-employment benefits, such as after-service health insurance, annual leave or repatriation benefits.

24. Funds under management

Funds under management are defined as other United Nations funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

24.1 United Nations Library Endowment Fund

In accordance with Secretary-General's bulletin SGB/76, dated 28 November 1947, establishing the rules for the administration of the United Nations Library Endowment Fund, the Investment Management Division is providing oversight services for the investments of the Library Endowment Fund that are currently outsourced to Fiduciary Trust Company International. Formal arrangements between the Division and the Endowment Fund regarding these services have not been agreed upon. Resulting funds are reflected in the accounts of the Endowment Fund. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately with separate custodial arrangements.

24.2 United Nations University Endowment Fund

Pursuant to General Assembly resolution 2951 (XXVII) of 11 December 1972, establishing the United Nations University, Assembly resolution 3081 (XXVIII) and article IX of the Charter of the United Nations University (A/9149/Add.2), the Investment Management Division is providing oversight services for the investments of the United Nations University Endowment Fund that are currently outsourced to Nikko Asset Management Co., Ltd., with a separate custodian bank. Formal arrangements between the Division and the Endowment Fund regarding these services have not been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately. The cost of the management advisory fees amounting to $50,000 per year are reimbursed to the Division by the Endowment Fund and recorded as other income.

25. Related party transactions

Key management personnel

(Thousands of United States dollars)

	Number of individuals	*Compensation and post adjustment*	*Entitlements*	*Pension and health plans*	*Total remuneration*	*Outstanding advances against entitlements*	*Outstanding loans*
Key management personnel remunerated by the Fund	4	781	98	175	1 053	–	–

Key management personnel are the Chief Executive Officer, the Deputy Chief Executive Officer, the Director of the Investment Management Division, the Chief Financial Officer and the Representative of the Secretary-General, as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund. The Representative of the Secretary-General is not remunerated by the Pension Fund and hence is not disclosed in the above table.

The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as the representation allowance and other allowances, assignment and other grants, the rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

There are no outstanding advances against entitlements of key management personnel as at 31 December 2012.

Key management personnel are also qualified for post-employment benefits (note 11) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel as at 31 December 2012 are as follows:

(Thousands of United States dollars)

After-service health insurance	1 404
Repatriation	99
Annual leave	97
Death benefit	3
Total	**1 603**

Other related parties

While no transactions occurred with the following parties, they are considered as related parties and a summary of the Fund's relationship with these parties is as follows:

United Nations General Assembly

The United Nations General Assembly is the highest legislative body for the Fund. It reviews reports submitted by the Pension Board, approves the budgets for the Fund, decides on new member organizations of the Fund and amends the regulations of the Fund.

Twenty-three member organizations participating in the Fund

The member organizations of the Fund (international and intergovernmental organizations) join the Fund by decision of the General Assembly and at the time of admission agree to adhere to the regulations of the Fund. Each member organization of the Fund has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the administration of the Fund.

International Computing Centre

The United Nations International Computing Centre (ICC) was established in Geneva in 1971 as an interorganization facility, providing a wide range of information technology and communications services, on a cost-recovery basis, to its users worldwide. ICC is governed by a management committee representing the organizations to which ICC provides services.

The role of ICC is to:

- Provide information technology services on a full cost-recovery basis;
- Assist in exploiting networking and computing technology;
- Provide information management services;
- Advise on questions related to information management;
- Provide specialized training.

26. Subsequent events

As noted in footnote 1.4, following the retirement of the previous Representative of the Secretary-General for the investments of the Fund, the Secretary-General designated the Assistant Secretary-General for Programme Planning, Budget and Accounts, and Controller of the United Nations as the Representative of the Secretary-General. The designation was effective 19 February 2013.

At the time of issuance of the financial statements, management of the Fund is not aware of other reportable events after the reporting date, according to IPSAS 14.

Appendix

Statistics on the operations of the United Nations Joint Staff Pension Fund for the biennium ended 31 December 2012

Table 1
Number of participants

Member organization	*Participants as at 31 December 2011*	*New entrants*	*Transfer*		*Separations*	*Participants as at 31 December 2012*	*Percentage increase/ (decrease)*
			In	*Out*			
United Nations[a]	85 289	7 169	227	316	6 179	86 190	1.1
International Labour Organization	3 697	355	26	28	406	3 644	-1.4
Food and Agriculture Organization of the United Nations	6 243	352	57	76	495	6 081	-2.6
United Nations Educational, Scientific and Cultural Organization	2 651	137	12	25	255	2 520	-4.9
World Health Organization	10 774	602	170	77	1 078	10 391	-3.6
International Civil Aviation Organization	777	65	9	1	72	778	0.1
World Meteorological Organization	307	21	7	2	25	308	0.3
International Atomic Energy Agency	2 363	227	22	19	146	2 447	3.6
International Maritime Organization	312	15	1	2	18	308	-1.3
International Telecommunication Union	822	59	14	6	55	834	1.5
World Intellectual Property Organization	1 161	73	11	4	68	1 173	1.0
International Fund for Agricultural Development	549	32	17	9	33	556	1.3
International Centre for the Study of the Preservation and Restoration of Cultural Property	32	3	–	–	1	34	6.3
European and Mediterranean Plant Protection Organization	14	–	–	–	1	13	-7.1
International Centre for Genetic Engineering and Biotechnology	189	5	–	–	11	183	-3.2
United Nations World Tourism Organization	98	2	–	–	3	97	-1.0
International Tribunal for the Law of the Sea	37	2	1	1	3	36	-2.7
International Seabed Authority	31	–	1	–	–	32	3.2
United Nations Industrial Development Organization	775	38	6	9	41	769	-0.8
International Criminal Court	974	40	19	25	72	936	-3.9
Inter-Parliamentary Union	45	1	2	–	2	46	2.2

Member organization	*Participants as at 31 December 2011*	*New entrants*	*Transfer*		*Separations*	*Participants as at 31 December 2012*	*Percentage increase/ (decrease)*
			In	*Out*			
International Organization for Migration	3 263	415	10	23	339	3 326	1.9
Special Tribunal for Lebanon	371	50	21	10	36	396	6.7
Total	**120 774**	**9 663**	**633**	**633**	**9 339**	**121 098**	**0.3**

[a] The United Nations Headquarters, regional offices and all funds and programmes.

Table 2
Benefits awarded to participants or their beneficiaries during the biennium ended 31 December 2012

	Number of benefits awarded											
				Withdrawal settlement								
Member organization	*Retirement benefit*	*Early retirement benefit*	*Deferred retirement benefit*	*Under 5 years*	*Over 5 years*	*Child's benefit*	*Widow's and widower's benefit*	*Other death benefit*	*Disability benefit*	*Secondary dependant's benefit*	*Transfer under agreements*	***Total***
United Nations[a]	940	390	152	3 278	1 053	947	118	17	62	2	15	**6 974**
International Labour Organization	62	22	13	254	47	49	3	1	4	–	–	**455**
Food and Agriculture Organization of the United Nations	112	81	26	202	59	80	3	1	4	–	2	**570**
United Nations Educational, Scientific and Cultural Organization	79	54	6	93	17	74	4	–	1	–	1	**329**
World Health Organization	199	102	55	495	177	234	20	2	9	–	3	**1 296**
International Civil Aviation Organization	24	17	4	20	4	4	–	–	2	–	–	**75**
World Meteorological Organization	9	5	–	8	2	6	–	–	1	–	–	**31**
International Atomic Energy Agency	52	17	15	35	13	24	5	–	7	–	1	**169**
International Maritime Organization	8	1	2	4	2	1	–	–	–	–	1	**19**
International Telecommunication Union	20	15	–	14	3	8	–	1	2	–	–	**63**
World Intellectual Property Organization	20	28	2	13	4	15	1	1	–	–	–	**84**
International Fund for Agricultural Development	10	4	2	11	2	4	–	1	2	–	1	**37**
International Centre for the Study of the Preservation and Restoration of Cultural Property	–	1	–	–	–	–	–	–	–	–	–	**1**
European and Mediterranean Plant Protection Organization	–	–	–	1	–	–	–	–	–	–	–	**1**

Member organization	Number of benefits awarded											
	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement: Under 5 years	Withdrawal settlement: Over 5 years	Child's benefit	Widow's and widower's benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	***Total***
International Centre for Genetic Engineering and Biotechnology	6	–	1	2	1	–	1	–	–	–	–	**11**
United Nations World Tourism Organization	2	1	–	–	–	–	–	–	–	–	–	**3**
International Tribunal for the Law of the Sea	1	–	–	2	–	–	–	–	–	–	–	**3**
International Seabed Authority	–	–	–	–	–	–	–	–	–	–	–	**–**
United Nations Industrial Development Organization	19	6	1	10	3	6	–	–	2	–	–	**47**
International Criminal Court	–	–	2	49	16	4	2	–	–	–	–	**73**
Inter-Parliamentary Union	2	–	–	–	–	1	–	–	–	–	–	**3**
International Organization for Migration	9	1	8	279	35	10	2	1	4	–	–	**349**
Special Tribunal for Lebanon	–	–	–	31	4	1	1	–	–	–	–	**37**
Total	**1 574**	**745**	**289**	**4 801**	**1 442**	**1 468**	**160**	**25**	**100**	**2**	**24**	**10 630**

[a] The United Nations Headquarters, regional offices and all funds and programmes.

Table 3
Analysis of periodic benefits for the year ended 31 December 2012

Type of benefit	*Total as at 31 December 2011*	*New*	*Reinstatement*	*Benefits discontinued, resulting in award of survivor's benefit*	*Benefit type changes*	*All other benefits discontinued*	*Total as at 31 December 2012*
	Number of periodic benefits						
Retirement	23 147	1 574	–	(318)	(1)	(255)	24 147
Early retirement	14 405	745	1	(176)	(3)	(139)	14 833
Deferred retirement	7 161	289	1	(48)	(1)	(94)	7 308
Widow	10 212	132	5	507	3	(342)	10 517
Widower	784	28	–	54	2	(30)	838
Disability	1 238	100	–	(19)	–	(20)	1 299
Child	8 401	1 468	5	–	–	(1 178)	8 696
Secondary dependant	39	2	–	–	–	(2)	39
Total	**65 387**	**4 338**	**12**	**–**	**–**	**(2 060)**	**67 677**

Annex VIII

Report of the Board of Auditors on the United Nations Joint Staff Pension Fund for the year ended 31 December 2012

I. Report of the Board of Auditors on the financial statements for the year ended 31 December 2012 (audit opinion)

Report on the financial statements

We have audited the accompanying financial statements of the United Nations Joint Staff Pension Fund, which comprise the statement of net assets available for benefits as at 31 December 2012, the statement of changes in net assets available for benefits, the statement of comparison of budget and actual amounts for the year then ended and the notes to the financial statements. The annexes accompanying the financial statements, which present supplementary information, have not been audited.

Management's responsibility for the financial statements

The Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investments of the Fund and the Chief Financial Officer are responsible for the preparation and fair presentation of the financial statements in accordance with the International Public Sector Accounting Standards (IPSAS). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes an evaluation of the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as an evaluation of the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2012 and its financial performance for the year then ended in accordance with the International Public Sector Accounting Standards.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the United Nations Joint Staff Pension Fund that have come to our notice, or which we have tested as part of our audit, have in all significant respects been in accordance with the regulations, rules and the pension adjustment system of the United Nations Joint Staff Pension Fund and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations and the related annex thereto, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead auditor)

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of the
United Republic of Tanzania

30 June 2013

II. Report of the Board of Auditors (long-form report)

Summary

The Board of Auditors has audited the financial statements and reviewed the operations of the United Nations Joint Staff Pension Fund for the year ended 31 December 2012. The audit was carried out through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Division and the secretariat of the Fund. The annexes accompanying the financial statements, which present supplementary information, have not been audited.

The Fund was established in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to the membership of the Fund. It is a multi-employer defined benefit plan. The market value of the investment portfolio of the Fund as at 31 December 2012 was $43,444 million.

Audit opinion

In the opinion of the Board, the financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 2012 and the results of operations for the year then ended and have been properly prepared in accordance with the International Public Sector Accounting Standards. The Board's opinion is reflected in section I above.

Follow-up to previous recommendations

Of the 28 recommendations made for the biennium 2010-2011, 20 (71 per cent) were fully implemented, and 8 (29 per cent) were under implementation.

Financial overview

For the period under review, investment income amounted to $5,092 million, contributions to $2,163 million and other income to $5 million. Total expenditure (comprising benefit payments, administrative expense and other expense) amounted to $2,311 million. As a result, there was an increase in net assets available for benefits of $4,949 million for the period under review.

To determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, the Fund relies on the services of the consulting actuary to undertake periodic actuarial valuations once every two years. As more fully described in the financial statements, the last valuation at 31 December 2011 determined that assets of the Fund adequately covered the actuarial value of accrued benefit entitlements.

Investment management

The Board reviewed the Fund's investment management, given the fact that it is one of the most important functions of the Fund, and noted the following issues: (a) one investment officer was granted trade/certify access to the trading system before obtaining delegated formal authority from the Representative of the

Secretary-General; (b) the Fund publishes its investment-related information, including its performance report on its website. The Board noted that there is no formal policy for the roles, responsibilities and procedures for publishing investment-related information. It also noted a missing monthly report and misplacement errors in the information disclosed on the website; and (c) that there are still no formal agreements with the United Nations University Endowment Fund and the United Nations Library Endowment Fund, to whom the Fund provides management advisory/oversight services. A formal agreement would help to clarify the Fund's responsibilities and address any gap in expectations pertaining to the Fund's responsibilities.

Financial statement preparation process

There is still a lack of clarity of the overall and centralized financial reporting and reviewing process for the entire Fund, and no one individual has sole responsibility and accountability for the whole financial statements. The Fund expected that the Chief Financial Officer would be in charge of the overall financial reporting; however, the Board noted that his roles and responsibilities have not been formally and clearly documented, which creates a risk in terms of governance and accountability.

The Board reviewed the financial statements preparation and review process for the 2012 financial statements produced for the first time under the International Public Sector Accounting Standards (IPSAS). The Board noted that there is no consolidated financial closing procedures manual despite separate financial closing procedures manuals for the Investment Management Division and the secretariat of the Fund; that it is still difficult for the Fund to finish the financial statements before 31 March, as required by the Financial Regulations and Rules of the United Nations; and the continued detection of errors during the review of financial statements. Although the weaknesses did not affect the financial statements' fair presentation, the Board considers that establishing a checklist and further automation of financial statement preparation and clarification of central review procedures would enhance accuracy and reliability.

Progress towards the implementation of the International Public Sector Accounting Standards

While recognizing the Fund has prepared IPSAS-compliant financial statements, the Board noted that (a) there is no integrated information system in place to produce the financial statements; (b) there may be possible delays in the implementation of the Murex system; and (c) full IPSAS-compliance is achieved through manual year-end adjustments, as some transactions are treated on a cash basis and only adjusted according to IPSAS at year end. The Board considers these as opportunities for the Fund to improve and automate the financial reporting process to achieve further benefits of IPSAS implementation.

Information technology

The Fund has been improving its information technology system in recent years, mainly the new Integrated Pension Administration System (IPAS) project and interface projects for the Fund secretariat, and the Murex project for the Investment Management Division.

The Pension Board endorsed the IPAS project to replace the existing legacy pension entitlement system, the financial and accounting system, the content manager system and other stand-alone information and communications technology support systems with a fully integrated system, while the implementation of the interface project depends on the cooperation of member organizations.

With respect to Murex, although the projected date for processing and finance functionality had been set as December 2013, the detailed plan for this function had not been formally defined because the related contract had not been finalized; in addition, the full scope of IPSAS specifications for Murex had not been prepared and delivered to the project team for implementation. The possible delay of the implementation of Murex indicates the weakness in the management of progress in implementing Murex.

End-of-service liabilities

The Board has previously expressed the view that the recording of end-of-service and post-retirement liabilities in the financial statements called for a comprehensive and effective funding plan. The Board noted that there is no formal decision by the Pension Board on how to fund the Fund staff's end-of-service and post-retirement liabilities, and if the funds matching end-of-service and post-retirement liabilities will be managed separately.

Human resources management

The Board noted that owing to the oversight of both related staff and the Executive Office, some mandatory leave days of staff were omitted in the official records. The mandatory leave policy was not strictly applied and the flexibility was not documented in policy, which needs appropriate review and monitoring. In addition, the Board observed more vacant posts and longer vacancy duration compared with the previous period, which needs to be addressed to minimize the impact to the operation quality of the Fund.

Recommendations

The Board has made a number of recommendations throughout the report. The main recommendations are that the United Nations Joint Staff Pension Fund should:

(a) **Closely monitor the granting of access to sensitive systems to ensure that the certifying authority regarding investments is granted after the appropriate delegation of authority has been formally granted by the Representative of the Secretary-General;**

(b) **Continue its efforts to communicate with the United Nations University to expedite the formalizing of relevant arrangements about the advisory/oversight services to the United Nations University Endowment Fund; and request formal confirmation from the United Nations Accounts Division and the United Nations Treasury on when the Investment Management Division's responsibilities of oversight service to the Library Endowment Fund would be terminated;**

(c) **Establish proper policies with a clear definition of the roles, responsibilities, procedures and timeline for the publishing of investment information on its website, so as to ensure a reliable, accurate and consistent disclosure of its performance;**

(d) **Establish consolidated procedures and a checklist to enhance the accuracy, completeness and reliability of the financial statements during the preparation and review process;**

(e) **Review and implement strategies aimed at further enhancing the financial reporting process, and continue to closely monitor the timely implementation of the IPAS and Murex projects, especially regarding accounting functions, to ensure a full and successful realization of benefits in the implementation of IPSAS;**

(f) **Closely monitor the member organizations' enterprise resource planning initiatives and interface improvement progress to ensure that the monthly reconciliation function could be realized by member organizations in a timely manner, and that the step-by-step implementation approach could be realized as expected;**

(g) **Formally approve the Murex detailed project plan once the contract for implementation is finalized; clearly define the timeline and support needed from the end users; and closely monitor the progress of the project to ensure the timely delivery of Murex;**

(h) **Review all leave records across the whole Fund of the fiscal year 1 April 2012 to 31 March 2013, to identify and recoup any overpayments of leave; and establish enhanced procedures to ensure that all leave records are well documented and accurately managed;**

(i) **Investigate the reason for the failure of staff to respond to attendance reports or correct any omissions as required, and investigate the reason why some supervisors also sign the reports without correction; and strictly adhere to human resources management requirements for the reconciliation and supervision of leave records;**

(j) **Manage mandatory leave by using OnTime records and reconcile regularly; and consider revising or clarifying the mandatory leave policy regarding flexibility, where necessary, so as to balance the risk management and the feasibility of policy.**

A. Mandate, scope and methodology

1. The Board of Auditors has audited the financial statements of the United Nations Joint Staff Pension Fund and has reviewed its operations for the year ended 31 December 2012 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

2. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2012 and the results of its operations for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) as well as International Financial Reporting Standards (IFRS) International Accounting Standards (IAS) 26, which offers accounting guidance and direction on the presentation of financial statements for retirement benefit plans and is allowed by IPSAS. This included an assessment as to whether the expenditures recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenditures had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

3. In addition to the audit of the accounts and financial transactions, the Board carried out reviews of the United Nations Joint Staff Pension Fund operations under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to the efficiency of the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the United Nations Joint Staff Pension Fund operations. The General Assembly had also requested the Board to follow up on previous recommendations and to report on it accordingly. These matters are addressed in the relevant sections of the present report.

4. The Board reports the results of audits to the Fund in the form of audit observation memorandums containing audit observations and recommendations. This practice allows for ongoing dialogue with the Administration. In this regard, one summary of audit observations on the audit of IPSAS opening balances, and several audit observations memorandums in the interim audit were issued covering the period under review.

5. The Board coordinates with the Office of Internal Oversight Services in the planning of its audits to avoid duplication of efforts and to determine the extent of reliance that could be placed on their work.

6. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board’s observations and conclusions were discussed with the Administration, whose views have been appropriately reflected in the report.

B. Findings and recommendations

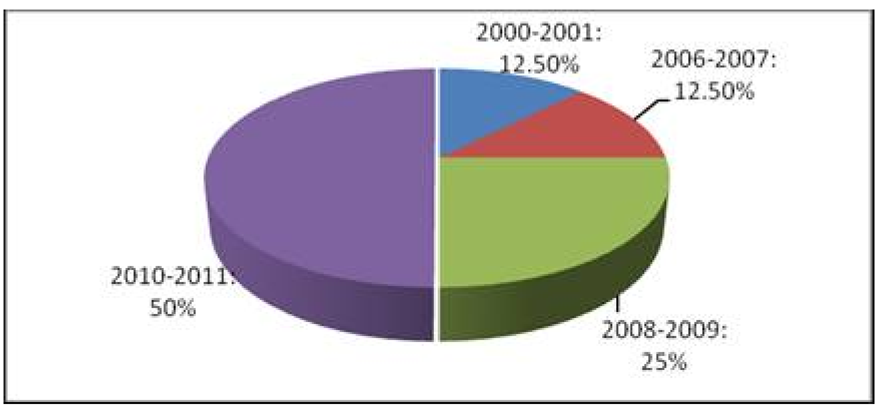
1. Follow-up of previous recommendations

7. Of the 28 recommendations made for the biennium 2010-2011, 20 (71 per cent) were fully implemented, and 8 (29 per cent) were under implementation. Details are set out in the appendix.

8. For those recommendations under implementation, the Fund has made progress. For example, in developing a funding plan for end-of-service liabilities, the Fund stated that the Chief Financial Officer would present alternatives for funding to the Pension Board at the sixtieth meeting, in 2013. In addition, the Fund prepared closing manuals for the secretariat and the Investment Management Division, and was working on the IPAS project and interface programmes to meet the requirement of monthly reconciliations for contributions.

9. The Board evaluated the ageing of its previous recommendations that had not yet been fully implemented and noted that eight were under implementation, of which one related to the biennium 2000-2001, one related to 2006-2007, two (25 per cent) related to 2008-2009 and four (50 per cent) related to 2010-2011, as indicated in figure I.

Figure I
Ageing of recommendations under implementation/not implemented for the biennium 2010-2011
(Percentage)



2. Financial overview

10. For the period under review, investment income amounted to $5,092 million, contributions to $2,163 million and other income to $5 million. As this is the first year of financial statements under IPSAS, the Fund has not presented comparative information for the year 2011. Under IPSAS, the investment income is recorded on an accruals basis, and net appreciation (depreciation) in fair value of investment is recognized as part of investment income.

11. Expenditure (comprising benefit payments, administrative expenses and other expenses) amounted to $2,311 million, giving rise to an increase of net assets available for benefits of $4,949 million for the period.

12. As at 31 December 2012, the Fund had 121,098 participants, compared with 120,774 in 2011, a slight increase of 0.3 per cent. The number of periodic benefits (beneficiaries) granted for the year 2012 was 67,677, compared with 65,387 for the previous year showing an increase of 3.5 per cent.

13. The market value of the investments of the Fund as at 31 December 2012 were $43.44 billion (an increase of $5.72 billion, or 15 per cent), compared with $37.72 billion as at 1 January 2012.

3. Investment management

14. Investment management is the core responsibility of the Investment Management Division. Under IPSAS, the Fund now records investments at fair value. The total market value of investment as at 31 December 2012 amounted to $43.44 billion (1 January 2012: $37.72 billion) which hits its record high.

Delegation of authority

15. The Board noted that one investment officer at the P-3 level was granted the rights to create and certify the trade order in the Charles River electronic trading system and to authorize the trade recommendation on the investment recommendation forms before getting the formal delegation of authority from the Representative of the Secretary-General, as required.

16. The Investment Management Division management explained that the investment officer does not in practice create/certify any trade order in the Charles River system, and was granted access rights through an internal “transparent, well-defined staff access application procedure, including related forms”.

17. Investment management is one of the key functions of the Fund and the Secretary-General has delegated his fiduciary responsibility to the Representative of the Secretary-General for the Fund investments. The Board considers that appropriately established and operated formal delegations of authority for investment officers is an important internal control supporting the accountability of the Representative of the Secretary-General. The Board noted that the former Representative of the Secretary-General for the Fund had signed a “list of approved officials” on 17 August 2009, clearly stating the list of investment officers who had his delegated general authority and certifying authority to sign off trade orders. Eight reversions had been made to reflect changes owing mainly to staff entry and separation.

18. **The Board recommends that the Investment Management Division closely monitor the granting of access to sensitive systems to ensure that the certifying authority regarding investments is granted after the appropriate delegation of authority has been formally granted by the Representative of the Secretary-General.**

Management of advisers

19. Company A and Company B are two of the six advisers appointed as research providers on a non-exclusive and non-discretionary basis. The cost paid to these two companies amounted to $5.55 million, or 79 per cent of the total cost for these six advisers in 2012.

20. The Board was informed that the Investment Management Division had used the two advisers over 10 years. It was noted that a new contract between the United Nations and Company A had taken effect on 1 November 2011 and would remain effective for three years; while a new contract with Company B had taken effect on 8 January 2013 with the same term.

21. According to the Investment Management Division's internal evaluation results of Company A and Company B in 2012, the Division was not satisfied with parts of their services. The Board was informed that the Division had taken action to change this situation by conducting a competitive bidding process under United Nations procurement rules to appoint new advisers during 2009-2011. However, Company A and Company B still won the competition based on price advantage. One of the reasons why there were few bidders in the market for this non-discretionary service is that the model is now outdated in the investment industry, particularly as there is the potential for conflict of interests with advisers who also operate their own investments.

22. The Board was informed that the Division had tried to enhance its research ability internally to reduce the reliance on external non-discretionary advisers, and had requested an associated increase of 18 posts in its Investments Section in the 2014-2015 budget proposals. Investment Management Division management commented that this issue had been well documented and related communications had been taking place with the relevant United Nations parties, including the Pension Board and the Investments Committee. This topic is high priority for management, but a "long-lasting solution" is subject to the changes in United Nations practices. Management further explained that the evaluation criteria used would be expanded to better facilitate the assessment of the services received, including the ability to determine the most meaningful criteria.

23. The Board notes that before the establishment of a satisfactory internal research capability, the Funds will pay the two advisers $5.5 million for each year of their contracts, even though some parts of their services were evaluated as unacceptable. Although Investment Management Division management explains that the advisers have fulfilled their contractual obligations which are useful, the Board considers that this explanation is contrary to its internal formal evaluation result. The Board is of the view that every measure should be taken to effectively monitor the advisers' performance and achieve better value for money through the contracts and in future arrangements.

24. **The Board recommends that Investment Management Division continue its efforts to establish clear and objective evaluation criteria and monitor the performance of advisers and take measures to improve their service quality in accordance with the contract.**

Funds under management

25. In its previous report (A/67/9, annex X, para. 29), the Board stated that the Fund had no formal agreements with the United Nations University Endowment Fund and United Nations Library Endowment Fund, to whom the Fund provided oversight services.

26. During the present audit, the Board was informed that the Investment Management Division had submitted to the United Nations University Endowment

Fund a draft memorandum of understanding aiming to formalize the administrative arrangements with the Emergency Fund, and it was awaiting a response from the United Nations University. With respect to the oversight of the United Nations Library Endowment Fund, during the present audit the Representative of the Secretary-General and the United Nations Library Endowment Fund in a memorandum dated 16 May 2013 informed the Under-Secretary-General for Management of her decision to request the assistance of the United Nations Treasury and United Nations Accounts Division, to carry out the duties relating to the investment of the assets of the Endowment Fund previously performed by the Investment Management Division. In response to the same memorandum, the Investment Management Division instructed the external manager to dispose of the relevant assets and initiated the coordination of the transfer of responsibilities for the assets of the United Nations Library Endowment Fund to the United Nations Treasury and the Accounts Division. The process of transfer of responsibilities had not been completed as at the time of the present report.

27. The Board is of the view that the resolution of these long-standing issues should be expedited to help clarify the responsibilities of the Investment Management Division.

28. **The Fund agreed with the Board's recommendations that it: (a) continue its efforts to communicate with the United Nations University to expedite the formalizing of relevant arrangements about the advisory/oversight services provided to United Nations University Endowment Fund; and (b) request formal confirmation from the United Nations Accounts Division and the United Nations Treasury on when the Investment Management Division's responsibilities of oversight service to the Library Endowment Fund would be terminated.**

Management of investment information disclosure

29. The Fund in the interest of transparency has established a website to publish relevant information, which includes its performance reports (monthly reports, quarterly reports, as well as a risk and performance dashboard). The Board reviewed the performance reports published on the website, and observed that:

(a) There is no formal strategy and policy regarding the roles, responsibilities and procedures for publishing investment-related information on the website;

(b) The published data were produced from the Fund's master record keeper system and prepared and uploaded manually to the website without a clear review mechanism in place to ensure the accuracy and consistency of published information. As a result, some omissions and inconsistent information were observed in the reports published on the website. For example, the monthly report of April 2012 was missing; the monthly report of August 2012 was misposted as the monthly report of October 2012; and some figures in the tables of the monthly report of December 2012 were incorrect owing to manual error.

30. The Board noted that the information uploaded to the website is preliminary to ensure the timely delivery of performance information. Although the performance information on the website will not affect the financial statements, there is a need to improve the control over published information on the website to ensure a reliable and consistent disclosure of Fund performance to stakeholders.

31. **The Fund agreed with the Board's recommendation that proper policies should be established with a clear definition of the roles, responsibilities, procedures and timeline for the publishing of investment information on its website, so as to ensure a reliable, accurate and consistent disclosure of its performance.**

Disclosure of investment holdings

32. Although IPSAS does not require the disclosure of information beyond the requirements in the standards, the entity is encouraged to provide additional disclosures in the financial statements. Examples are further subclassifications of the line items presented, classified in a manner appropriate to the entity's operations to assist users in assessing its stewardship of assets, as well as making and evaluating decisions about the allocation of resources.

33. In the financial statements of 2012, the Fund provides an overview of all financial instruments under five categories, different denominated currencies, and the three-level fair valuation hierarchy as well as industrial sector distribution in the financial statement for 2012 as required by IPSAS. The Board considers that the Fund could also provide detailed information on investment holdings on a voluntary basis, such as the name and amount of the top 10 invested stocks or fixed-income products. In addition, the Fund could also disclose specific investments which represented 5 per cent or more of real asset class, alternative and other investments category.

34. The Fund commented that the additional disclosure was not required under IPSAS 30 and it does not see the added value to disclose the top 10 investment holdings per asset class. There is also no such disclosure in the financial statements of similar public sector pension plans, and the detailed disclosure would probably impact the safety of the Fund's investment holdings since other investors might take advantage of such information.

35. The Board considers that IPSAS encourages additional disclosures; direct and substantive information on the specific investments would assist the report user's understanding of the Fund's investment; and that improved disclosure of investment holdings could increase the transparency of the investment of the Fund as a public entity.

36. **The Board recommends that the Fund consider disclosing its top 10 investment holdings under each category to increase the transparency of the Fund's investments.**

4. Financial management and financial statements disclosures

Financial statements preparation and review process

37. In its previous report (A/67/9, annex X, para. 36), the Board noted some deficiencies regarding the financial statements preparation and review process. During the present audit, the Board continued to keep this under review especially the year-end financial reporting process, and noted the following weaknesses:

(a) There is no consolidated financial closing procedures manual for the Fund, although the manuals for the Fund secretariat and the Investment Management Division were developed separately. In addition, the procedures regarding the preparation and review of disclosure notes regarding the investment information are not sufficiently documented;

(b) There are still challenges for the Fund to submit its financial statements before 31 March; and many manual adjustments were made at year's end and some manual errors were observed, which have been corrected in the submission of the final financial statements;

(c) Since the Administration expenditures were recorded in IMIS, which did not fully support accrual accounting as requested by IPSAS during the year, the Fund made a number of manual adjustments at year end to present IPSAS compliant in the financial statements. It was difficult to trace the financial statements to trial balances and the Lawson general ledger account, as the supporting adjustment schedules were not provided at the start of the audit. The Board was able to verify the administrative expenditures only after specifically requesting these supporting documents during the audit, which were expected to be submitted in the year-end financial package together with financial statements as recommended in the previous report;

(d) The disclosure of the rating agencies should be included in the financial statements. The Fund initially disclosed the rating agencies it may use, however, the Board noted that the Fund did not declare the main rating agency it is using in its draft financial statements. Since the results of different rating agencies may vary, it is important to declare the main rating agency that the Fund is using to ensure transparency and comparability. In addition, the rating headers of the rating agency used, which should be "A3 to Aaa" and "Baa3 to Baa1", were incorrectly stated as "A1 to AAA" and "BBB- to BBB+", which could cause confusion. The disclosures have been corrected in the submission of the final version of the financial statements.

38. The Board is of the view that the Fund needs to review and improve its internal review processes for financial statement preparation before submission for audit.

39. **The Fund agreed with the Board's recommendation that it establish consolidated procedures and a checklist to enhance the accuracy, completeness and reliability of the financial statements during the preparation and review process.**

Financial reporting control

40. In its previous report (ibid., para. 43), the Board noted that although the newly appointed Chief Financial Officer was leading the IPSAS implementation project and consolidating the financial reporting processes of the two divisions (the Investment Management Division and the Fund secretariat), there were no reporting lines established between the two accounting functions and the Chief Financial Officer. In addition, the Chief Financial Officer did not have staff to assist in the execution of his role, and the Board recommended that the Fund review the financial reporting structure to ensure that financial reporting responsibilities were clear and well supported by adequate delegations.

41. During the present audit, the Board noted progress, for example, the Chief Financial Officer is now in charge of the financial reporting function of the secretariat as authorized by the Chief Executive Officer, and has access to the investment financial reporting systems. However, the Board also noted that there was still a lack of an overall and centralized financial reporting and reviewing mechanism for the entire Fund, and no one individual had sole responsibility

and accountability for the whole financial statements. The Fund expected that the Chief Financial Officer would be in charge of the overall financial reporting; however, the Board noted that his roles and responsibilities had not been formally and clearly documented.

42. In addition, the Board noted that the reporting line between the Investment Management Division accounting function and the Fund's overall financial reporting was not clearly established. There is no formal documentation regarding the responsibilities in the financial reporting of investment activities in financial statements, and there is no clear procedure of how the notes to the financial statement will be drafted, reviewed, and finalized. These issues create a risk in terms of governance and accountability.

43. **The Fund agreed with the Board's reiterated recommendation that it review the financial reporting structure to ensure that financial reporting responsibilities were clear and well supported by formal and adequate delegations.**

44. The Fund commented that in order to address the clarification of the Chief Financial Officer's role in relation to the Investment Management Division, the Representative of the Secretary-General had proposed a change of reporting lines for selected staff in the Division in May 2013. The transition to this future reporting model would be further developed and discussed among the Representative of the Secretary-General, the Director of the Division and the Chief Financial Officer.

Small capitalization fund management fees

45. The Fund's financial statements show small capitalization fund management fees amounting to $6.80 million, presented separately under administrative expenses on the face of the statement of changes in net assets available for benefits, and categorized as contractual services of investment expenses in the notes. The Fund explained that the small capitalization fund management fees were budgeted and approved by the General Assembly as administrative expenses for the biennium 2012-2013 and have to be included in the reconciliation of budget to actual expenditure.

46. The Board, however, notes that similar investment management fees, for example, real estate management fees, are treated and presented as transaction costs and management fees for deduction from investment income. The Board is of the view that the classification and presentation of similar transactions should be treated consistently as required by IPSAS, and that budget arrangements should not influence the presentation of financial statements.

47. **The Board recommends that the Fund review the classification of small capitalization fund management fees and other similar expenses, to ensure that similar transactions are shown consistently in the financial statements.**

48. The Fund informed the Board that it would address this recommendation if the General Assembly agreed with the exclusion of these expenses from the 2014-2015 budgeting process.

Reporting of tax expenses

49. The Board noted that for some indirect investment securities, the investment transaction was done via a bank as the agent and the United Nations was not regarded as the direct party in the transaction, with the result that the Fund could not enjoy the tax exemption benefits. In addition, some countries have no formal tax reclamation mechanism in place, thus withholding tax could not be reclaimed. The Board considers that the tax levied on the income of indirect investments and the unreclaimable withholding tax should be reported separately, as required by IAS 26. The Fund subsequently introduced a new policy for the presentation of tax expenses and receivables for its financial statement.

50. **The Fund agreed with the Board's recommendation that it review and revise its accounting manual regarding the withholding tax, and reclassify the tax paid for the indirect investment and the provision of the unreclaimable withholding tax in specific countries and report tax expenses separately as required by IAS 26.**

Disclosure of tax benefit

51. Pursuant to the convention with Member States, the Fund is exempt from national taxation of Member States on the Fund's direct investment, and records the withholding tax paid on the income of the investment as withholding tax expense, with withholding tax balances categorized as receivables. The taxes withheld in 2012 amounted to $13.98 million, according to the Fund's records.

52. The Board noted that many other pension funds will be taxed on some investment incomes in some countries. Based on the tax rate for the United States pension fund and income details of the Fund's dividend income and interest income, and income from real estate in 2012 (before adjustment), the Fund estimated an amount of $16.41 million in taxes that should be paid if the Fund were a comparable United States pension fund investor, accounting for 1.48 per cent of the total income of those three categories. The Board is of the view that the Fund's "tax benefit" and its effect to the net income of the Fund need to be appropriately quantified and sufficiently disclosed in notes to increase the transparency and comparability with other market pension fund investors.

53. **The Board recommends that the Fund sufficiently disclose its tax status and appropriately quantify the effect of tax exemptions (and methodology used) to increase transparency and comparability of the financial statements.**

54. The Fund commented that the tax effect cannot be reliably measured owing to the fact that no benchmark fund or tax environment can be established. The Fund considers that this information would be misleading and reduces comparability of the financial statements to other pension funds. The Board, however, considers that the tax issue, as an important factor differentiating the Fund to other funds, needs to be sufficiently disclosed to increase the understanding of the Fund's financial information.

5. Progress towards the implementation of the International Public Sector Accounting Standards

55. 2012 was the first year that the Fund prepared IPSAS-compliant financial reports. In the Fund's IPSAS financial statements, all transactions are accounted on

accrual basis, and the investment assets and investment income are recorded at fair value. This significantly increased the quality of the financial statements. For example, based on the financial statements, for the first time users of the statements could confirm the average investment return rate of 2012 (12.5 per cent), very close to the rate on its performance report (12.6 per cent).

56. In its previous report on the progress of the implementation of IPSAS (A/67/9, annex X, para. 56), the Board had several concerns regarding the progress achieved by the Fund, including its data collection and clean-up process, the extensive use of consultants to support its IPSAS implementation and the late revision of accounting policies after 1 January 2012.

57. The Board continued to review the progress towards the implementation of IPSAS during the audit for the year ended 31 December 2012, and noted the following progress that the Fund: (a) had developed a comprehensive opening balance methodology and the year-end closing manuals to guide the financial statement preparation; (b) had performed a dry-run exercise and drafted the dry-run financial statements with opening balances; (c) had prepared the adjustments based on accrual basis according to IPSAS requirements, and had submitted its first IPSAS-compliant financial statements; and (d) continues its efforts in the implementation of the IPSAS integrated information system and the implementation of Murex for accounting for investment activities, which could further support the Fund's implementation of IPSAS.

58. While acknowledging the Fund's progress and achievements in implementing IPSAS, the Board considers that the following matters indicate opportunities for the Fund to improve and automate the financial reporting process:

(a) No integrated information system is in place to produce the financial statements. Currently, the financial statements are based on the Lawson general ledger with manual adjustments, with data from several different sources. At year end, many manual adjustments are performed to prepare the financial statements according to accrual requirement. However, the Board is concerned that even after the launch of the new enterprise resource planning system IPAS, financial statement preparation will still require manual intervention. For example, investment data will continue to be exported from the master record keeper system monthly and posted to the main accounting system with quarterly manual adjustments; the manual calculation of depreciation of property, plant and equipment, intangible asset amortization and benefit liabilities will be performed at year end and posted to the General Ledger with a single accounting entry. The level of manual intervention creates an inherent risk of error, and the Board observed instances where the investment data were posted wrongly and reversed subsequently. The interface between different systems will need careful management and review to ensure data accuracy and consistency;

(b) The implementation of Murex presents an opportunity for the Fund for an alternative process to the current master record keeper to generate financial information under IPSAS. The Murex is expected to be delivered within 2013 to further support the IPSAS accounting of investment activities; however, the design of the full scope of IPSAS specifications for the system implementation had not started at the time of reporting, indicating a possible delay of the implementation of Murex;

(c) Although the Fund was able to produce IPSAS-compliant financial statements for the year ended 31 December 2012, the Fund's daily accounting process is still not based on full accrual basis, and requires year-end adjustments, to generate IPSAS-compliant financial statements. For example, administrative expenses are recorded on a modified cash basis in the old Integrated Management Information System (IMIS), indicating that services that have been consumed but not yet paid would not be recognized until the year-end adjustments.

59. The Board considers that the full and successful implementation of IPSAS is not simply the ability to produce IPSAS-compliant financial statements. IPSAS provides a platform for improving operational performance and financial management across the organization by facilitating better measurement and understanding of the costs of operations and allowing benchmarking or comparing costs against similar organizations. The organization also needs access to accruals accounting data through the year, as well as a streamlined accounting and reporting process to effectively support a greater transparency, comparability and fair presentation of financial information.

60. **The Board recommends that the Fund review and implement strategies aimed at further enhancing the financial reporting process, and continue to closely monitor the timely implementation of the IPAS and Murex projects, particularly regarding accounting functions, to ensure a full and successful realization of benefits in the implementation of IPSAS.**

6. Pension Fund administration

61. The core functions of the Pension Fund secretariat include the management of the contribution receiving process, and the administration and payment of benefits to beneficiaries of the Fund. The secretariat therefore represents an important interface between the Fund and member organizations, participants and beneficiaries.

Gap analysis between contributions and benefits payment

62. The Fund secretariat recognized total contributions amounting to $2.16 billion (2010-2011: $4.17 billion) during the year ended 31 December 2012 from the participants and member organizations. The number of participants has increased from 120,774 as at 31 December 2011 to 121,098 as at 31 December 2012.

63. The total benefits payments amounted to $2.23 billion (2010-2011: $4.10 billion), and the number of periodic beneficiaries reached 67,677 as of 31 December 2012. The administrative expenses amounted to $74.61 million.

64. The Board noted that the benefit payments had exceeded the contributions for the year, which means that current benefit payments cannot be fully covered by the current cash flow from contributions received, and it needs the income from investments to cover the gap and the administrative expenses. Given a trend of increasing numbers of beneficiaries, the gap may continue to grow, requiring the management's attention.

Management of contribution receiving process

65. The Fund relies on monthly submissions from member organizations to determine the amount of contributions due on a monthly basis, rather than on data maintained by its systems. The Fund carries out an annual process to identify

inconsistencies in the data submissions by member organizations through the participant reconciliation exceptions process. This reconciliation process between the member organization's human resources and financial data submitted is maintained on an annual basis.

66. Over a number of bienniums, the Board has been commenting on the need for the Fund to prepare monthly contribution reconciliations in addition to the year-end contribution reconciliations performed to ensure contributions data submitted by member organizations is consistent on a timely basis and followed-up for resolution of discrepancies. In its previous report (A/67/9, annex X) the Board reiterated its previous recommendation that the Fund reconcile monthly contributions from member organizations and follow up on unreconciled items in a timely manner.

67. The 2011 summary reports on participant reconciliation exceptions reflected discrepancies amounting to $17.97 million for 14,860 exception cases. The amount is immaterial in the Fund's overall context and not indicative of the value of the discrepancies, as most participant reconciliation exceptions are addressed through changes in the human resources data rather than the contribution data; however, the Board noted that, as of the time of the audit, the participant reconciliation exceptions process for 2012 is not yet started, which usually starts around June of each year. The Board analysed the related balances since 2007 and noted an overall increase in the number of exceptions that require attention by member organizations.

68. The Board checked the detailed 2011 participant reconciliation exceptions report for regular contributions, and noted that even where the Fund performs the participant reconciliation exceptions process annually, many discrepancies relating to prior years still exist owing to the fact that member organizations do not resolve the participant reconciliation exceptions reported to them by the Fund. The Board noted that 65 per cent of the discrepancies of 2011 participant reconciliation exceptions cases related to years prior to 2011, indicating that the investigation and updating of records — which require the cooperation between member organizations and the Fund — are not resolved in a timely manner.

69. The Fund explained that it cannot control when and how participant reconciliation exceptions are resolved other than those caused by a Fund's data-entry error; but the Fund is working on improving the frequency of the resolution process for the member organizations through its IPAS project and the interface programme, which will introduce the possibility for member organizations to convert to monthly reported contributions through the Fund's interface strategy. The discrepancies could then be corrected within a few months rather than in the following year-end cycle.

70. As of the time of audit, the IPAS project is still under implementation, and expected to be delivered by 2014. The Board is concerned that the quality and efficiency of the participant reconciliation exception process will also be impacted by the extent of timely cooperation from member organizations, and will need close management.

71. **The Fund secretariat agreed with the Board's recommendations that it: (a) introduce a process for monthly comparisons beyond the current year-end contribution reconciliations to check the accuracy of the contributions and related receivables recorded; and (b) improve the frequency of the participant**

reconciliation exception process, and work with member organizations to ensure that discrepancies are identified and reconciled in a timely manner.

7. Information technology

Information security

72. The Fund is managing the sensitive personal information of United Nations staff as well as a $44 billion pension investment portfolio. It is vital that the Fund uphold the highest standards of information technology management and security.

73. In its previous report (A/67/9, annex X), the Board highlighted weaknesses in basic information security around user account management, password controls and administrator privileges. The Board followed up on these issues and noted that all relating recommendations had been properly implemented by the Fund.

Integrated Pensions Administration System project

74. The Fund has been improving its information technology system in recent years. The IPAS project was endorsed by the Pension Board to replace the legacy pension entitlement system (Pensys), the financial and accounting system (Lawson), the content manager system, as well as other stand-alone information and communications technology support systems with a fully integrated system. The total budget approved in 2011 for the implementation of IPAS is $22.66 million.

75. The execution of the IPAS project had been divided into four phases: (a) planning and design; (b) pre-implementation and procurement; (c) implementation; and (d) testing, training and deployment. As at 31 March 2013, the project was in the third phase. The Office of Internal Oversight Services (OIOS) has performed a pre-implementation audit of IPAS since November 2012, referring mainly to strategic planning and risk management, project management capacity and change management; the Board also performed a high-level overview of the IPAS project. No significant risks were identified by either the Board or OIOS.

76. At the time of reporting, IPAS had been expected to enable the Fund to process contributions reported by member organizations on a monthly basis and it was expected that the Fund would eventually be in a position to offer member organizations the opportunity to move away from a year-end process and implement a monthly contribution reporting process. However, the Board was informed that the monthly process was highly dependent on the cooperation of the member organizations and their own system limitations, in turn limiting their own ability to transition to a monthly process. Initiatives have been taken to engage organizations through meetings with the concerned parties within each of these organizations. Control over when this new process is adopted rests with the member organizations and has to be viewed as one project among many, all requiring scarce resources.

77. In addition, the Board also noted that the Fund is aware of the overall target timeline of the monthly progress improvement of most member organizations, but there are uncertainties regarding the ability of member organizations to provide reconcilable individual contribution data on a monthly basis. The Board considers that there is a need to closely monitor the related progress of member organizations to provide monthly contribution information to the Fund.

78. **The Fund agreed with the Board's recommendations that it closely monitor the member organizations' enterprise resource planning initiatives and improvement progress in contribution reporting to ensure that the monthly reconciliation function could be realized by member organizations in a timely manner, and that the step-by-step implementation approach could be realized as expected.**

Murex project

79. The implementation of straight-through processing of all traded assets is expected to be supported by the Murex system and the projected functions are mainly regarded as operations, accounting and reconciliation.

80. The Board performed a high-level review of the Murex project with an emphasis on its accounting function. The Board was informed that the contractor previously hired to implement Murex was replaced owing to unsatisfactory performance, resulting in delays and the discarding of the initial project plan. The current contractor is now following a revised plan. Although the projected date for processing and finance functionality was scheduled for December 2013, the detailed plan for this function had not been formally defined because the related contract had not yet been finalized.

81. As the end user of the processing and finance functionality, the Operations Section is in charge of providing the full scope of IPSAS specifications and delivering them to the project team for implementation. The Board noted that the specifications remain in draft format and require more work, and the target time to deliver them had not yet been determined.

82. The Board notes the uncertainties regarding the timely delivery of the Murex system and considers that, because of the importance of this project to a streamlined accounting, the project progress needs to be closely monitored.

83. **The Investment Management Division agreed with the Board's recommendation that it: (a) formally approve the detailed Murex project plan once the contract for implementation is finalized; (b) clearly define the timeline and support needed from the end users; and (c) closely monitor the progress of the project to ensure the timely delivery of Murex.**

Error in the Charles River system

84. Charles River is the trade order management system currently used by the Investment Management Division. The Board noted that the principal and accrued interest of certain bonds could not be automatically and correctly identified through the Charles River system, so manual adjustments to its financial records are needed. The Division noted this issue in April 2012, but had not at the time of reporting updated the relevant system module. Although no errors were identified during the present audit, the risk of incorrect financial records may increase if more such types of investments are traded in the future.

85. **The Board recommends that the Investment Management Division: (a) monitor the implementation of the new Charles River system regarding the bond identification and recording function to ensure that software deficiencies are duly addressed; and (b) keep monitoring the manual adjustment of the**

bonds mentioned above prior to the successful implementation of the new system.

86. The Investment Management Division management explained that there was no perfect trading system in the market that could support all available financial instruments in a dynamic global market environment; therefore, work-around or manual adjustments needed to be done until a new version was implemented.

8. End-of-service liabilities (including after-service health insurance)

87. The Pension Fund's financial statements for the period under review reflected the Fund staff's after-service health insurance and other employee benefits payable amounting to $58.20 million. Of that amount, $53.96 million (2011: $44.87 million) represented after-service health insurance, $1.76 million (2011: $1.67 million) related to unused vacation leave credits, and $1.90 million (2011: $1.77 million) represented repatriation benefits. The increase in liabilities for after-service health insurance was attributable mainly to a decrease in the discount rate from 6.0 per cent to 4.5 per cent.

Funding policy for end-of-service liabilities

88. The Board has previously expressed the view that the recording of end-of-service and post-retirement liabilities in the financial statements called for a comprehensive and effective funding plan (A/67/9, annex X, para. 135). As at the time of the audit, the Fund had not yet developed a funding plan for its staff's end-of-service liabilities.

89. The Fund stated that the end-of-service liabilities had been fully funded automatically since, according to the format of the financial statements, they had already been deducted from the Fund's net assets available for benefits. There is no need for the funding of after-service health insurance liabilities, as the Fund has sufficient assets to meet the future liabilities.

90. The Board is of the view that the unique structure of the Fund's financial statements does not necessarily justify the utilizing of money managed by the Fund to fund its staff liabilities without formal authorization. The Board is concerned about the lack of a formal decision from the governing body regarding the funding policy and the lack of a clear and well-documented procedure of how to manage such money, which may undermine the transparency of the Fund's management.

91. **The Fund agreed with Board's recommendation to request the governing body's formal approval on a funding plan for end-of-service liabilities and the procedures for the management of such funds.**

Annual leave and actuarial valuation of leave

92. In its previous report (ibid., para. 139), the Board was of the view that the annual leave liability calculated through the actuarial valuation was not compliant with IPSAS and recommended the Fund to consider a revision of its policy for the valuation of annual leave liability in its implementation of IPSAS.

93. The Board noted that the Fund continued to calculate its annual leave liability based on actuarial valuation instead of actual leave data. The Board was informed that the Fund has considered a revision; however, based on the need to harmonize its

policies with the United Nations IPSAS policy framework wherever possible, the Fund decided to maintain the policy and continues to apply the actuarial approach. The Fund also harmonized the assumptions used for the actuarial approach and the assessment with other United Nations organizations.

94. The Board is aware that the computation of the leave liability using an actuarial method is a systematic issue at all United Nations entities, and it will seek to address this issue within the United Nations system.

95. **The Board reiterates its previous recommendation that the Fund consider a revision of its policy for the valuation of annual leave liability in its implementation of IPSAS.**

9. Asset management

96. The Fund's 2012 opening balance for property, plant and equipment amounted to $3.27 million and the ending balance amounted to $5.09 million. The Board reviewed the Fund's physical inventory process and conducted a physical check on a sample basis, and noted that:

(a) The Fund's 2012 physical inventory check had been done but the reconciliation was not complete at the time of audit;

(b) There was some incorrect or outdated information in asset records, limited to location, and some missing barcodes;

(c) Some equipment items identified for disposal were still kept in the Fund as the Fund was informed that the department that normally disposed of those items was not accepting items at that time;

(d) Assigned staff members not familiar with the operation of the upgraded ProcurePlus interface should attend training on the use of the system.

97. Although the amount of property, plant and equipment is immaterial in the context of the total assets of the Fund, the maintenance of an accurate fixed asset register and performance of asset counts are basic financial controls for data accuracy and to ensure that assets are put to good use. The Board is of the view that good asset management practice requires a formalized annual physical inventory count and data reconciliation plan with a clear timeline and well-documented records of the process for the audit trail.

98. **The Board recommends that the Fund: (a) establish a policy regarding physical inventory check, data reconciliation and update with a clear timeline, roles and responsibilities, and ensure its timely implementation; (b) maintain cooperation with the relevant departments to facilitate the timely disposal of those identified asset items; and (c) support staff to attend the relevant training so that they may be capable of performing technical operations on ProcurePlus.**

10. Human resources management

Omission of used leave days

99. Based on a sample review of the attendance records of 25 investment officers of the Investment Management Division for the fiscal year 1 April 2012 to 31 March 2013, the Board noted that 154 used leave days relating to 12 staff members had not

been recorded in the OnTime system owing to omissions on the part of both the related staff and the Executive Office of the Fund.

100. To reduce any possible mistakes, the Executive Office sends attendance reports to all staff members for reconciliation and requires staff to sign and confirm all attendance information, including leave. However, among the 12 staff members involved, 8 of them had not responded to the Executive Office as required. The other four did sign to confirm their attendance but without pointing out the omissions, which also lead to the omission of used leave days.

101. The focal point of every unit, usually the leading officer, is required to take the daily attendance and sign as supervisor to confirm staff's leave report. However, for all the four personnel who did sign to confirm the attendance without pointing out the omission, their supervisors also signed the reports without any corrections.

102. Since the involved cases account for 48 per cent of the samples tested, this indicated a lack of systematic control and accountability in leave record reconciliation. The Board is concerned that similar cases may exist in other sections of the Division, and even across the whole Fund.

103. **The Board recommends that the Fund: (a) review all leave records across the whole Fund of the fiscal year 1 April 2012 to 31 March 2013, to identify and recoup any overpayments of leave; and (b) establish enhanced procedures to ensure that all leave records are well documented and accurately managed.**

104. **The Board also recommends that the Fund: (a) investigate the reason for the failure of staff to respond to attendance reports or correct any omissions as required, and investigate the reason why some supervisors also sign the reports without correction; and (b) strictly adhere to human resources management requirements for the reconciliation and supervision of leave records.**

Implementation of mandatory leave policy

105. The Investment Management Division's mandatory leave policy requires that all key personnel must take at least 10 continuous annual leave days; this is a counter-fraud measure based on the assumption that fraud can sometimes come to light when the person responsible is not around to conceal it. The Board reviewed a sample of formal attendance records of investment officers for the fiscal year 1 April 2012 to 31 March 2013, and noted that:

(a) The Division had been managing the mandatory leave using an internal log based on the outlook calendar, e-mail information and face-to-face interview, rather than using the formal attendance records captured in the OnTime system, and had never reconciled this log with OnTime;

(b) Some staff members failed to fully comply with the policy, and the Division management explained that flexibility had been allowed and these exceptions would not prevent the purpose of the policy. However, the exceptions or flexibility had also not been clearly defined in the policy.

106. The Board is concerned that the use of an informal log without reconciliation to formal records, and flexibility without clearly defined regulations might weaken internal controls.

107. **The Investment Management Division agreed with the Board's recommendations that it: (a) manage the mandatory leave by using OnTime records and reconcile regularly; and (b) consider revising or clarifying the mandatory leave policy regarding flexibility, where necessary, so as to balance the risk management and the feasibility of policy.**

108. Investment Management Division management commented that it would implement a compliance monitoring software programme to manage the mandatory leave (currently under procurement). The mandatory leave policy would be reviewed and amended, and consideration would be given to codifying the compliance officer's discretion of flexibility.

Vacancies

109. In its previous audit (A/67/9, annex X, para. 147), the Board noted that some posts had been vacant for more than 12 months, including some key management posts. The Fund had agreed with the Board's recommendation that it consider wider post advertisement mechanisms to attract suitably qualified candidates and expedite filling key management positions. During the present audit, the Board noted that:

(a) The vacancies of Professional and Director level posts as at 15 April 2013 increased to 17 from 9 posts as at 31 December 2011;

(b) Up to 15 April 2013, the average vacant duration of the 17 posts was 388 days, of which 9 posts had been vacant for more than 12 months and 3 had remained vacant since some time in the biennium 2010-2011;

(c) Among the seven newly approved Professional level posts of the Investment Management Division for the biennium 2012-2013, four had remained vacant since approved.

110. The Board is concerned that these long-standing vacancies of middle or senior management could impact on the quality of Fund management.

111. **The Fund agreed with the Board's recommendations that (a) all the heads of sections involved and the hiring managers of the Fund assess the possible adverse effect of each vacant post on the basis of its duties and responsibilities, consider the necessity of the long-vacant posts and formally define the internal backup plan for the necessary post, especially for vacancies in middle and senior management; and (b) both the Executive Office of the Fund secretariat and the hiring managers expedite filling management positions after due consideration.**

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

112. The Fund informed the Board that, in accordance with rule 106.9 of the Financial Regulations and Rules of the United Nations, during the year 2012, property of historical cost of $39,383 had been disposed of after the completion of its useful life. In accordance with rule 106.8, of the Financial Regulations and Rules, receivables amounting to $255,240 and no cash amounts had been written off.

2. Ex gratia payments

113. As required by regulation 5.11, the Fund reported no ex gratia payments for the period under review.

3. Cases of fraud and presumptive fraud

114. The Fund reported no significant cases of fraud and presumptive fraud during the year ended 31 December 2012 by the Fund's staff.

D. Acknowledgement

115. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer of the Fund and the Representative of the Secretary-General and members of their staff.

(*Signed*) Amyas **Morse**
Comptroller and Auditor-General of the
United Kingdom of Great Britain and Northern Ireland
Chair of the United Nations Board of Auditors

(*Signed*) **Liu** Jiayi
Auditor-General of China
(Lead auditor)

(*Signed*) Ludovick S. L. **Utouh**
Controller and Auditor-General of
the United Republic of Tanzania

30 June 2013

Appendix

Status of implementation of recommendations for the biennium ended 31 December 2011[a]

	Summary of recommendation	Paragraph reference	Financial period first made	Implemented	Under implementation	Not implemented
1.	Analyse trends that have resulted in investment losses	26	2010-2011	X		
2.	Finalize arrangements with the United Nations University Endowment Fund and the United Nations Library Endowment Funds	32	2010-2011		X	
3.	Fully reconcile its financial statements with a trial balance	39	2008-2009	X		
4.	Develop comprehensive year-end closure instructions	41	2010-2011		X	
5.	Review the financial reporting structure	44	2010-2011		X	
6.	Review its criteria for determining the provision for taxes withheld	49	2010-2011	X		
7.	Issue guidance clarifying the identification and accounting treatment of taxes	51	2010-2011	X		
8.	Implement adequate strategies to manage the areas identified regarding the implementation of IPSAS	57	2010-2011	X		
9.	Consider training initiatives to develop the expertise required	58	2010-2011	X		
10.	Reconcile monthly contributions; establish systems to verify the accuracy of the information; and reduce the exceptions	67	2000-2001		X	
11.	Implement improved controls and procedures to ensure the amounts outstanding are recovered in a timely manner	73	2006-2007	X		
12.	Apply article 46 of its regulations and rules and adjust benefits payable related to all amounts due for forfeiture	77	2008-2009	X		
13.	Raise a provision for retirement benefits	82	2010-2011	X		
14.	Develop an ageing tool to analyse benefits payable	86	2006-2007	X		
15.	Perform information technology risk assessments and develop an information technology risk register	94	2010-2011	X		
16.	Review the system domain policy settings	98	2010-2011	X		
17.	Enforce policy settings on the Windows operating system	101	2010-2011	X		
18.	Implement a formal process, standards and procedures to ensure that alerts are received and measures to address them implemented	105	2010-2011	X		
19.	Develop, approve and implement user account management standards, procedures and processes	110	2010-2011	X		

[a] See A/67/9, annex X.

	Summary of recommendation	*Paragraph reference*	*Financial period first made*	*Implemented*	*Under implementation*	*Not implemented*
20.	Implement procedures to regularly review the privileges of users and group memberships to ensure no unnecessary privileges or rights have been granted	115	2010-2011	X		
21.	Review all users to ensure that each one has a unique username	117	2010-2011	X		
22.	Address the incompatible functions	124	2010-2011	X		
23.	Develop a funding plan for end-of-service liabilities for consideration by its governing body	135	2008-2009		X	
24.	Consider revising its policy for the valuation of annual leave liability in its implementation of IPSAS	139	2008-2009		X	
25.	Regularly reconcile the results of its count procedures to the asset register in a timely manner	145	2006-2007		X	
26.	Resolve its current inability to access the ProcurePlus asset register system	146	2010-2011	X		
27.	Consider wider post advertisement mechanisms and expedite the filling of key management positions	149	2010-2011		X	
28.	Reconcile balances or transactions in accordance with the OnTime system with IMIS	152	2010-2011	X		
	Total		**28**	**20**	**8**	
	Percentage		**100**	**71**	**29**	