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Programme budget for the biennium 2010-2011

Proposed programme budget for the biennium 2012-2013

Administrative expenses of the United Nations Joint Staff Pension Fund and transitional measures concerning the Fund's financial reporting under the International Public Sector Accounting Standards

Third report of the Advisory Committee on Administrative and Budgetary Questions on the proposed programme budget for the biennium 2012-2013

I. Introduction

1. The Advisory Committee on Administrative and Budgetary Questions has considered the report of the United Nations Joint Staff Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund and transitional measures concerning the Fund's financial reporting under the International Public Sector Accounting Standards (A/66/266). The Advisory Committee also had before it a note by the Secretary-General on the membership of the Investments Committee. During its consideration of the report, the Advisory Committee met with the Chairman of the Pension Board, the Chief Executive Officer of the Fund and the Representative of the Secretary-General for the Investments of the Fund.

2. The report of the Pension Board contains the estimated expenditure and performance report for the biennium 2010-2011; the proposed budget estimates for the biennium 2012-2013; a proposal for authorization to supplement contributions to the Emergency Fund for the biennium 2012-2013 by an amount not exceeding \$200,000; and a recommendation for ad hoc measures regarding implementation of the International Public Sector Accounting Standards (IPSAS) by 1 January 2012. Annex I to the report summarizes the discussions in the Pension Board on, inter alia, the revised appropriations for the biennium 2010-2011 and the estimates for the



biennium 2012-2013. Section VI of the report contains the recommended action to be taken by the General Assembly.

3. It is indicated in paragraph 1 of the report that there were 23 member organizations of the United Nations Joint Staff Pension Fund at 31 December 2010, with a combined total of 184,968 active participants, retirees and other beneficiaries covered by the Fund, which, the Advisory Committee was informed, represented an increase of 7.1 per cent compared to 31 December 2008. Annex IV to the report of the Pension Board shows the distribution of the 121,138 active participants by member organization as at 31 December 2010. It is indicated that in the last 10 years, the number of individuals serviced by the Fund has continued to grow: the number of active participants has increased by 63 per cent and the number of recipients of periodic benefits has increased by 33 per cent (see A/66/266, para. 51).

4. The Advisory Committee was informed that in addition to the population of participants and the value of the Fund's assets, the number of adjustments to the provisions of the Regulations and Rules of the Fund constituted a factor that influenced the complexity and volume of transactions it processed. For example, regarding child benefits, while there were 6 relevant provisions in 1971, the number had grown to 42 by 2011.

5. The Advisory Committee was informed that the market value of the Fund's assets had recovered from a low of \$31.3 billion as at 31 December 2008 to \$41.4 billion by 31 December 2010; however, recent market trends had left the value of the Fund at approximately \$39.1 billion at 28 September 2011. The Committee was further informed that in June 2011 the Investments Committee had advised the Representative of the Secretary-General for the Investments of the Fund to reduce equity to neutral (60 per cent) for the long-term strategic asset allocation and, in the short term, to reduce the equity exposure of the portfolio. The equity weighting was subsequently reduced from 65 per cent to 60.5 per cent by the end of August 2011.

6. The Advisory Committee recalls its previous recommendations that the Pension Board continue to explore opportunities for investment in developing countries and countries with economies in transition (see A/65/567, para. 10). In this connection, the Committee was informed that investments in emerging market equities had increased from 13.0 per cent of the Fund's investments in equities at 31 March 2010 to 15.5 per cent at 31 August 2011. **The Advisory Committee welcomes the progress achieved to increase diversification of the Fund's portfolio towards equities in emerging markets and reiterates its position that decisions concerning the investments should be based on the four main criteria for investment, namely, safety, profitability, liquidity and convertibility, established by the General Assembly in its resolution 32/73 and reaffirmed in its resolution 63/252.**

7. The Advisory Committee notes the progress made to present the budget for 2012-2013 in a results-based budgeting format. However, the Committee notes that table 26 in the report of the Pension Board contains several performance measures that have not been quantified. **The Committee encourages the Pension Board to make further improvements in the results-based budgeting presentation, including quantifiable performance measures for all indicators of achievement, and to report thereon in the budget submission for the biennium 2014-2015.**

8. Annex I to the report of the Pension Board reflects the discussions in the Pension Board on the revised budget estimates for 2010-2011 and on the budget estimates for 2012-2013. The Advisory Committee recalls that the Board had decided to establish an ad hoc working group composed of two members from each of the constituent groups and two representatives from the Federation of Associations of Former International Civil Servants to review the revised budget estimates for 2008-2009 and the proposed budget estimates for 2010-2011, and to make relevant recommendations to the Board (see A/64/291, annex VII, para. 2). The Committee notes that the same practice was applied in the formulation of the revised estimates for 2010-2011 and the proposed budget for 2012-2013.

9. The working group provided comments and recommendations to the Pension Board on proposals received from the secretariat of the Pension Fund, which originally totalled \$215,999,100 for 2012-2013, including the establishment of 36 new posts, comprising 16 posts in Administration and 20 posts in Investments, as well as the reclassification of three existing posts in Administration (see A/66/266, annex I, paras. 4 and 6). The Advisory Committee notes that, following its review, the working group subsequently recommended a budget amounting to \$194,164,000, including seven new posts in Investments and one reclassification in Administration. The working group's recommendation was endorsed by the Board and is contained in section III of the Board's report. Paragraphs 15 to 61 of annex I to the Board's report describe the role of the working group and the relevant recommendations in respect of the performance report for 2010-2011; the strategic framework for the period 2012-2013; the budget estimates for 2012-2013; the budget presentation and methodology; information technology; the implementation of IPSAS; and the integrated pension administration system. **The Advisory Committee welcomes the recommendations of the working group, which have contributed to guiding management in the preparation of a realistic budget. The Committee also appreciates the role of the working group in focusing on priority needs and trusts that its continued input will be utilized in the preparation of future budget submissions.**

10. It is indicated in paragraph 23 of annex I to the report of the Pension Board that the working group, in order to make a more meaningful evaluation of the overall budget for the administrative expenses of the Fund, reviewed "per-participant" costs, which are the total administrative costs in the Fund's budget divided by the number of participants, adjusted for inflation. The working group demonstrated that the cost of administering a Fund participant had averaged \$197 per year over the previous 10 years and \$196 in 2011. The report indicates that the cost of \$216 million per participant in the original budget proposal for 2012-2013, before the application of reductions proposed by the working group, equated to \$248, representing a 26 per cent increase compared to the cost per participant in 2011.

11. At its request, the Advisory Committee was provided with updated information on the cost per participant of the Fund, based on the level of the proposed budget contained in the report of the Board of \$194.2 million, which indicated that the cost per participant is \$239 in 2012-2013. The Committee was further informed that if the calculations were adjusted to remove the non-recurrent expenditures for the office move and the integrated pension administration system project, the cost-per-participant indicator was reduced to \$201 per year in 2012-2013, which was close to the average cost per participant in the previous 10 years. **The Advisory Committee**

considers that the cost-per-participant ratios are a useful guide to gaining an understanding of the effectiveness of the management of the Fund over time. The Committee therefore supports the recommendation of the working group that the Fund make efforts to link future budget proposals to such indicators.

II. Revised budget estimates and performance report for the biennium 2010-2011

12. In its resolution 64/245, the General Assembly approved appropriations for 2010-2011 totalling \$176,318,500, comprising administrative costs (\$92,281,400), investment costs (\$81,292,100), audit costs (\$2,645,000) and Board expenses (\$100,000). Of that amount, \$154,749,100 was chargeable directly to the Fund and \$21,569,400 was the share of costs borne by the United Nations. In addition, extrabudgetary resources amounting to \$158,200 were provided by a number of member organizations. Subsequently, in its resolution 65/249 the Assembly approved the redeployment of appropriations to meet the requirements of the Fund. Consequently, the revised appropriation comprises administrative costs (\$92,308,500), investment costs (\$81,197,500), audit costs (\$2,645,000) and Board expenses (\$167,500). It is indicated that the amount chargeable directly to the Fund and the share of costs borne by the United Nations remained unchanged at \$154,749,100 and \$21,569,400, respectively (see A/66/266, para. 4).

13. The report of the Board indicates in paragraph 6 that total projected expenditure for 2010-2011 is estimated at \$154,545,700, comprising administrative costs (\$80,478,500), investment costs (\$71,289,000), audit costs (\$2,532,900) and Board expenses (\$245,300), resulting in an underexpenditure of \$21,772,800, or 12.3 per cent of the total appropriation. In addition, the projected expenditure of \$144,300 for extrabudgetary costs will result in an underexpenditure of \$13,900, or 8.8 per cent of the appropriation. Table 1 in the report of the Board summarizes the total estimated expenditures for 2010-2011. The reasons for the variances in expenditure are provided in paragraphs 7 to 48 of the report.

14. The projected administrative costs of the Fund in 2010-2011 will amount to \$80,478,500, resulting in underexpenditure of \$11,830,000, or 12.8 per cent, owing primarily to the integrated pension administration system project, as a result of a delay in the implementation of the project plan. The Fund continued with the project's major foundational tasks during 2010-2011, which are described in paragraph 13 of the Board's report. In addition, two initiatives not considered in the original plan were incorporated, including an extensive bottom-up review of the statement of requirements produced during the first phase of the project and exploration of new technologies as the means to develop better interfaces that would allow a seamless payroll connection between the integrated pension administration system and member organizations' human resources and finance systems, and that would enable better use of existing databases to automate verification of contribution calculations and establish other data quality protocols (see A/66/266, paras. 14-15).

15. The Advisory Committee recalls that the Pension Fund had included, as annex XIII to its proposal for the administrative expenses of the Fund for 2010-2011 (A/64/291), a detailed plan for the integrated pension administration system, including project governance and organization; overall project planning and solution

design; and resource requirements for implementation of the system in 2012-2013. The Committee was informed that, while the timeline of the integrated pension administration system project had been extended and was currently expected to be concluded by the end of 2014, the total cost of the project of \$22,660,300 had not increased. The Committee was further informed that the approved budget for implementation of the integrated pension administration system for 2010-2011 amounted to \$14,361,400 and that actual expenditure on the system's development was projected at \$2,299,900. The proposed budget for implementation of the system in 2012-2013 amounted to \$15,637,100, which included \$12,061,500 carried over from 2010-2011 (see para. 19 (a) below). Upon request, the Committee was provided with a table of the main deliverables under the integrated pension administration system project, with their respective estimated time of completion (see annex I to the present report), and information on the anticipated benefits resulting from implementation of the system (see annex II to the present report). The Committee was also provided with additional information on the resource requirements for the implementation of the integrated pension administration system project for 2010-2011, as well as in the two subsequent bienniums (table 1, below).

Table 1
Summary of resource requirements for the integrated pension administration system project

(Thousands of United States dollars)

<i>Administrative costs</i>	<i>Biennium 2010-2011</i>				<i>Biennium 2012-2013</i>	<i>Biennium 2014-2015</i>	<i>Total project</i>
	<i>Approved appropriations</i>	<i>Estimated expenditure</i>	<i>Increase/ (decrease)</i>	<i>Proposed final appropriations</i>	<i>Requested appropriations</i>	<i>Estimated appropriations</i>	<i>Estimated appropriations</i>
Temporary posts	2 870.3	1 065.1	(1 805.2)	1 065.1	3 670.8	957.7	5 693.6
Travel	84.8	84.8	—	84.8	—	—	84.8
Contractual services	8 406.3	1 150.0	(7 256.3)	1 150.0	11 966.3	3 765.6	16 881.9
Furniture and equipment	3 000.0	—	(3 000.0)	—	—	—	—
Total	14 361.4	2 299.9	(12 061.5)	2 299.9	15 637.1	4 723.3	22 660.3

16. The status of other projects undertaken by the Fund under administrative costs in 2010-2011 are addressed in paragraphs 24 to 29 of the report of the Pension Board. Table 2 of the report shows appropriations and expenditures for all major projects for 2010-2011 budgeted in the amount of \$20,846,499, which have resulted in an underexpenditure of \$12,061,494 for projects under administrative costs in the current biennium, which is attributable entirely to the integrated pension administration system project.

III. Proposed budget for the biennium 2012-2013

17. The proposed resource requirements for the Fund in 2012-2013 amount to \$194,164,000: \$173,260,600 being apportioned directly to the principal of the Fund

and \$20,903,400 to the United Nations. The proposed resource requirements comprise executive direction and management (\$13,530,700); programme of work (\$98,823,700); support (\$78,991,400); audit costs (\$2,613,800); and expenses of the Board (\$204,400) (see A/66/266, table 7). The proposed resource requirements reflect an overall increase of \$15,302,100 before recosting, or 8.7 per cent, compared to the revised appropriation for 2010-2011. Table 8 of the report provides the distribution of the costs of executive direction and management, programme of work and support between administrative costs of \$98,407,600 and investment costs of \$92,938,200, after recosting. The proposed human resources requirements for the Fund as a whole are shown in table 9 of the Board's report.

18. The Advisory Committee notes that the total proposed level of resources in 2012-2013 of \$194,164,000 in fact represents an increase of \$39.6 million, compared to the projected expenditure of \$154,545,700 in 2010-2011. This difference includes the total of \$12,061,500 carried over from the appropriation in 2010-2011 for the implementation of the integrated pension administration system project.

19. The proposed resource requirements for 2012-2013 reflect the following:

(a) An increase of \$4,564,600 in administrative costs, before recosting, comprising the net effect of the proposed increase in established posts (\$739,400), of which \$680,100 is due to a delayed recruitment factor; temporary posts (\$800,500), of which \$800,500 is due to a delayed recruitment factor; and non-post costs (\$3,024,700), attributable primarily to the growth in the need for contractual services (\$6,087,900) and higher general operating expenses (\$1,446,300), and which reflect the carry-over from the 2010-2011 appropriation for temporary posts and contractual services for the implementation of the integrated pension administration system. The increase in administrative costs is offset in part by reduced requirements for furniture and equipment (\$3,989,000), other staff costs (\$122,500), consultants (\$237,600) and travel (\$136,100);

(b) An increase of \$10,601,800 in investment costs, before recosting, comprising the net effect of the proposed increase in posts in the amount of \$2,486,900, of which \$1,222,700 is attributable to a delayed recruitment factor, and non-post costs of \$8,114,900, attributable primarily to growth in the need for contractual services (\$9,653,200) and increases for other staff costs (\$530,400), offset by a reduction in resources for consultants (\$1,151,800) and general operating expenses (\$916,900);

(c) An increase of \$103,200 for audit costs, before recosting, owing mainly to an increase in the apportioned cost applicable to the Fund for the Board of Auditors;

(d) An increase of \$32,500, before recosting, in the expenses of the Pension Board.

20. It is indicated in paragraph 54 of the Board's report that during 2012-2013, the Fund intends to allocate financial and human resources to the following key initiatives, as outlined in the strategic framework: (a) the integrated pension administration system; (b) IPSAS; (c) responsive client services; and (d) other actions required to improve operational efficiency, risk evaluation and management, e-learning, training and knowledge management.

21. The Advisory Committee notes that the proposed budget provides for 227 continuing established posts; 17 temporary posts; 7 new posts; and a proposal to reclassify 1 post. One extrabudgetary post (General Service) is requested to continue to be funded by member organizations. The Committee was provided with additional information on proposed posts in 2012-2013, as shown in table 2 below. Moreover, it was informed that as at 29 September 2011 there were 18 vacant posts under the Fund, reflecting a vacancy rate of 7.3 per cent.

Table 2

United Nations Joint Staff Pension Fund human resources proposals for the biennium 2012-2013

	ASG	D-2	D-1	P-5	P-4	P-3	P-2	GS-PL	GS-OL	Total
Administration										
Approved (2010-2011) ^a	1	1	4	9	19	25	1	10	100	170
Approved temporary posts	—	—	—	1	8	4	—	—	5	18
Abolished temporary post ^b	—	—	—	—	(1)	—	—	—	—	(1)
Redeployed	—	—	—	—	—	—	—	—	—	—
New posts	—	—	—	—	1	—	—	—	—	1
Reclassification	—	—	—	—	—	(1)	—	—	—	(1)
Total	1	1	4	10	27	28	1	10	105	187
Investments										
Approved (2010-2011)	—	1	2	10	13	7	—	10	15	58
Redeployed	—	—	—	—	—	—	—	—	—	—
New posts	—	—	—	—	5	2	—	—	—	7
Reclassification	—	—	—	—	—	—	—	—	—	—
Total	—	1	2	10	18	9	—	10	15	65
Fund										
Approved (2010-2011) ^a	1	2	6	19	32	32	1	20	115	228
Approved temporary posts	—	—	—	1	8	4	—	—	5	18
Abolished temporary post ^b	—	—	—	—	(1)	—	—	—	—	(1)
Redeployed	—	—	—	—	5	2	—	—	—	7
New posts	—	—	—	—	1	—	—	—	—	1
Reclassification	—	—	—	—	—	(1)	—	—	—	(1)
Total	1	2	6	20	45	37	1	20	120	252

Abbreviations: GS, General Service; OL, Other level; PL, Principle level.

^a Includes one extrabudgetary post (General Service (Other level)) funded by member organizations.

^b Of the 18 temporary posts authorized for 2010-2011, 1 post at the P-4 level was authorized for 12 months only. This post was abolished in 2011.

22. The Board expresses concern regarding the significant challenges facing the Fund in recent years in both the volume and the complexity of its work, resulting, on the one hand, from the increase in the population served and the longevity of its

beneficiaries, and, on the other hand, the steady loss in institutional memory owing to a high number of retirements and other separations within the Fund secretariat. It is indicated in paragraph 55 of the Board's report that the Fund is an inter-agency entity that requires staff with very specific expertise, often gained through long-term experience, and must aim to function in accordance with established human resources management policies, which may pose particular difficulties not normally encountered in outside enterprises. The Fund is undertaking a review of the policies governing the recruitment, mobility, promotion and retention of its staff. **The Advisory Committee requests the Pension Board to include, in its report on the administrative expenses of the United Nations Joint Staff Pension Fund for the biennium 2014-2015, information on the results of this review and any measures introduced to ensure continuity in the secretariat of the Fund.**

Administrative costs

23. The proposed administrative costs in 2012-2013 are addressed in paragraphs 68 to 98 of the report of the Pension Board. The overall level of resources proposed for the administrative costs under executive direction and management, programme of work and support amounts to \$96,873,100 before recosting, reflecting an increase of \$4,564,600, or 4.9 per cent compared to the revised appropriation for 2010-2011. The report indicates in paragraph 69 that the allocation of the proposed resources will be as follows:

(a) Under executive direction and management, the decrease of \$1,104,400 relates to post requirements (\$810,200), owing primarily to the redeployment of three posts (2 P-5, 1 General Service (Other level)) to the Legal Office. The decrease in non-post costs is attributed to other staff costs (\$50,100), consultants (\$337,600) and travel (\$114,500), with increases in contractual services (\$112,000) and general operating expenses (\$96,000);

(b) Under programme of work, the increase of \$3,498,400 is the result of post requirements (\$751,500), of which \$147,400 is attributable to the net effect of the delayed recruitment factor and the redeployment of one post at the P-4 level to the Legal Office, and \$604,100 for the delayed recruitment factor for the 12 integrated pension administration system temporary posts; and additional non-post resources of \$2,746,900 in the form of an increase in general operating expenses (\$2,846,300) and consultants (\$100,000), and decreases in other staff costs (\$199,400);

(c) Under programme support, the increase of \$2,170,600 is attributable to increases in Information Management Systems Service resources (\$2,084,100), the redeployment of the Legal Office from executive direction and management (\$1,358,400) and a decrease for the Executive Office (\$1,271,900). The increase in non-post resources (\$1,903,200) is attributable mainly to the increase in the requirement for contractual services (\$5,975,600), offset in part by decreases in requirements for furniture and equipment (\$3,976,400), general operating expenses (\$177,400) and travel of staff (\$21,600). With regard to the Executive Office, the decrease in resources (\$1,318,600) is attributable to non-post requirements for general operating expenses, specifically for the rental and maintenance of premises.

Post changes

24. Under administrative costs, the Fund does not propose any new established posts in 2012-2013. The budget reflects the proposed reclassification of the existing post of Finance and Budget Officer in the Executive Office from the P-3 to the P-4 level. The Advisory Committee was informed that the Finance and Budget Officer was responsible for the functions of budget preparation, cost control, financial management, performance reporting, allotment management, post management and the daily processing of payments from the administrative budget, including approval and certification of expenses under the supervision of the Executive Officer. The proposal also included the budgetary redeployment of the Legal Office, comprising three posts (2 P-5, 1 General Service (Other level)) in the Office of the Chief Executive Officer, from executive direction and management to programme support, which did not change the current reporting lines. In addition, one post of Legal Officer (P-4) was proposed to be redeployed, for supervisory purposes only, from the Geneva office to the Legal Office (see A/66/266, para. 84). **The Advisory Committee has no objection to this proposal.**

25. The proposed budget for administrative costs provides for 17 temporary posts in support of the integrated pension administration system in 2012-2013, which continue from 2010-2011, comprising 12 temporary posts (6 P-4, 2 P-3, 4 General Service (Other level)) under programme of work and 5 temporary posts (1 P-5, 1 P-4, 2 P-3, 1 General Service (Other level)) under programme support. **The Advisory Committee recommends approval of these temporary posts and expects that they will be utilized by the Pension Fund as necessary in order to implement the integrated pension administration system in accordance with the established timeline.**

26. The Advisory Committee notes the efforts made by the Pension Board to review its staffing needs in order to reduce the initial projected staffing (see para. 9 above). The Committee was informed during hearings that while the resources for 2012-2013 related to the implementation of a large number of information technology projects, such investments did not necessarily reduce the staffing requirement of the Fund; rather, they enhanced the security of the Fund assets and mitigated risk in its operations. **The Advisory Committee does not object to the recommendations of the Pension Board in respect of the proposed staffing of the Pension Fund for the biennium 2012-2013. Nevertheless, the Committee is concerned about the high number of vacant posts and the difficulties encountered by the Fund in recruiting candidates with the requisite specialized skills and experience. The Committee trusts that efforts will be made to fill the vacancies in a timely manner.**

Non-post resources

27. Under general temporary assistance, administrative costs include, under programme of work, one position of Chief, Record Management and Distribution Unit (P-3); three positions (General Service (Other level)) for the Pension Entitlements Section to meet increasing workloads; one position (General Service (Other level)) for the Record Management and Distribution group for the labour-intensive annual certificate of entitlement process and to perform specific certificate of entitlement-related functions; one position (General Service (Other level)) for client-servicing activities to assist in the growing levels of inquiries related to

pension entitlements; and 24 months of general temporary assistance in Geneva to provide backup during medical, maternity and paternity leaves. Under programme support, the budget provides for one position of System Analyst (P-3) to enhance and support the development of training and learning material for the Learning Management System, and one position of Network Engineer (P-3) to design and implement the shared network architecture for the proposed network consolidation requested by the Investment Management Division.

28. The Advisory Committee was informed that the amount of \$300,000, before recosting, proposed for consultants under administrative costs provided for the services of an experienced independent accounting firm to guide and assist the Fund in the planning and implementation of IPSAS.

29. The Advisory Committee recommends the acceptance of the proposed non-post resources.

Investment costs

30. The proposed investment costs are discussed in paragraphs 99 to 125 of the report of the Pension Board. The overall level of proposed resources for the Investment Management Division amounts to \$91,799,300 before recosting, reflecting an increase of \$10,601,800, or 13.1 per cent, compared to the revised appropriation for 2010-2011 (see A/66/266, para. 100). The increase requested under investment costs in 2012-2013 is as follows:

(a) Under executive direction and management, the decrease of \$1,567,900 relates to the decrease in non-post costs, comprising primarily decreases in travel (\$1,382,200), consultants (\$2,028,800) and other staff costs (\$1,665,100), which have been requested under programme of work and programme support in order to align budgetary resources with the strategic framework (see subparas. 30 (b) and (c) below), offset by an increase in posts (\$508,200) owing to the redeployment of one Legal Officer (P-4) from the Risk and Compliance Section and one General Service (Other level) post from the Operations Section, and a new requirement for contractual services (\$3 million) related to the provision of legal services;

(b) Under programme of work, the increase of \$7,451,700 is attributable to six additional posts offset by the redeployment of two posts to the Office of the Director (\$1,115,100) and non-post resources of \$6,336,600 attributable to contractual services (\$2,772,200); in addition, other staff costs (\$1,416,200), travel of staff (\$1,271,200) and consultants (\$877,000), all of which were requested under executive direction and management in previous submissions, have been requested under programme of work;

(c) Under programme support, the net increase of \$4,718,000 for the Information Systems Section (\$5,794,500) includes the addition of one post (\$863,600) and an increase in contractual services (\$4,040,000), in addition to increases under other staff costs (\$779,300) and travel (\$111,000), which were requested under executive direction and management in previous submissions, and which are offset in part by a decrease in administrative support of \$1,076,500 under rental and maintenance of premises owing to the completion of the renovation of the premises at 1 Dag Hammarskjöld Plaza.

31. The Advisory Committee was informed that the proposed increase in resources under investment costs would be used to: (a) strengthen the team of investment

professionals; (b) reorganize the back office to support new systems, workflows and accounting standards; (c) enhance due diligence and compliance monitoring to mitigate increased risk; (d) expand and enhance the Information Systems Section with the broad range of skills necessary to implement and support an industry-standard information technology investment environment and a strengthened structure to manage complex projects and mission-critical systems; and (e) build additional capacity in the form of staff resources and services for the increasing contractual and administrative workload facing the Division. The investment costs, as in previous budgets, would be charged directly to the principal of the Fund, not to the budgets of member organizations of the Fund.

Posts changes

32. The proposed investment costs of the Fund include seven new established posts, comprising the following:

(a) Investment Officer (P-4) — Alternative Investments, to provide recommendations for an overall alternative asset investment strategy and for investments in specific funds, based on appropriate due diligence, and to assist with placement, monitor investments and provide summary reporting;

(b) Investment Officer (P-4) — Global Emerging Markets, to provide expertise in Asian markets, to enable the Fund to capture the investment opportunities from one of the fastest-growing regions;

(c) Investment Officer (P-4) — Trade Execution Officer, to direct and oversee the Trade Execution Team, and to be responsible for the timely, accurate and efficient execution of equity and fixed income securities, as directed by the Investment Officer, with the goal of achieving best execution and minimizing transaction costs;

(d) Investment Officer (P-3) — North American equities, to augment staffing in the Investments Section and to prudently supervise portfolio risk, actively manage investment positions and achieve stated investment objectives;

(e) Due Diligence and Quantitative Strategies Risk Manager (P-4), to perform operational due diligence and monitoring of the alternative asset managers in the Risk and Compliance Section;

(f) Finance Officer (P-3), to act as immediate supervisor in the Reconciliation Unit and to be responsible for reviewing daily exceptions and allocation of exceptions for investigation, reviewing and approving compensations claims and overseeing the claims process;

(g) Data Management Officer (P-4) in the Information Systems Section under programme support, to manage the consolidation of data in a single repository (data hub) and to increase overall operational efficiency and accuracy of the investment process.

33. The Advisory Committee recommends approval of the proposed posts under investments.

Non-post resources

34. It is indicated in the report of the Pension Board that a total of \$62,532,100 is proposed under investment costs for contractual services in 2012-2013, an increase of \$9,653,200 (before recosting) compared to 2010-2011 (see A/66/266, table 8). The Advisory Committee was informed that the increase in the expenditures for contractual services was necessary for the Investments Management Division to reconfigure the existing outdated advisory framework structure, which would separate the asset allocation from equity research, and to enhance performance. The Committee was also informed that 21 contracts were under management in the Division in 2008-2009, a total of 82 such contracts in 2010-2011 and a total of 202 were projected in 2012-2013. The Committee was further informed that the increase in the volume of contracts under management had impacted on the need for outside legal services. **The Committee considers that the requirement for external legal services under the Investments Management Division should be kept under review.**

35. In paragraph 100 of the report the Pension Board presents proposals for non-post resources for 2012-2013. The Advisory Committee was also provided with additional information on the proposed non-post resources, which are summarized in annex III to the present report. **The Advisory Committee recommends acceptance of the proposed non-post resources under investments.**

Other comments and recommendations

36. The Advisory Committee notes the high level of proposed resources for the administrative expenses of the Fund, especially in the Investments Management Division. **While recognizing the need to mitigate risk in the investments area and enhance service delivery to a growing population of active participants, retirees and other beneficiaries, the Committee expects that, with the completion and anticipated benefits of the integrated pension administration system (see annex II to the present report), the requirements for resources will be proportionately reduced in future budget submissions.**

37. The Advisory Committee also notes in paragraph 33 of annex I to the Board's report that the working group recommended that the Pension Board request a report on the expected organizational structure of the Fund after the implementation of the integrated pension administration system for consideration in the context of the next budget submission, at its sixtieth session, and that the report should also contain a strategic evaluation of all posts affected by the implementation of the system. **The Committee supports the request of the working group for a report on the strategic evaluation of all posts affected by the implementation of the integrated pension administration system and expects that the system, as well as other information technology projects, will result in efficiencies in the use of both post and non-post resources.**

38. The Advisory Committee also notes that the requirements for official travel amount to \$3,295,500 in 2012-2013 under both administrative and investment costs, which reflect an increase of \$287,400, after recosting, or 9.5 per cent, compared to the 2010-2011 final appropriation. The initial appropriation for travel in 2010-2011 had in fact amounted to \$3,360,300. The Committee was informed that the high level of travel resources had been necessitated in part by the need to hold the annual Board meetings outside New York, owing to the implementation of the capital

master plan, whereas in previous bienniums the venue of the annual meetings had alternated between New York and the headquarters of a member organization, as decided by the Board. **The Committee recommends that the Pension Board carefully monitor the use of resources for the travel of staff.**

39. The Advisory Committee was informed that, as in the past, other issues, including investment management matters not included in the budget submission for 2012-2013 that had been considered by the Board in July 2011, would be reported to the General Assembly during its sixty-seventh session.

IV. Membership of the Investments Committee

40. Article 20 of the Regulations and Rules of the Pension Fund lays down that the members of the Investments Committee shall be appointed by the Secretary-General after consultation with the Pension Board and the Advisory Committee, subject to confirmation by the General Assembly. The Secretary-General conveyed to the Pension Board and the Advisory Committee the name of one regular member for appointment and the names of three regular members and two ad hoc members of the Investments Committee whom he intended to propose to the Assembly for reappointment. The Advisory Committee communicated its concurrence with those proposals to the Secretary-General.

V. Transitional measures for the International Public Sector Accounting Standards

41. It is indicated in the report that the Pension Board, in order to implement its decision to adopt IPSAS in the Pension Fund in January 2012, endorsed transitional measures concerning the Fund's financial reporting and recommended those measures for the approval of the General Assembly at its sixty-sixth session, which would authorize the Fund to continue to apply the Financial Regulations and Rules of the United Nations mutatis mutandis to their accounting processes and financial reporting, and in a manner that allows the Fund to be IPSAS-compliant. **The Advisory Committee has no objection to the transitional measures proposed and notes the intention of the Fund to implement IPSAS in January 2012.**

VI. Conclusion

42. The Secretary-General, in his report on the administrative and financial implications arising from the report of the Pension Board (A/C.5/66/2), states that should the General Assembly approve the proposals and recommendations of the Board, the overall requirements that would arise for the United Nations are estimated at \$20,903,400 (at 2012-2013 rates). Of the total requirements for 2012-2013, the cost of the regular budget would amount to \$13,378,200 and the balance of \$7,525,200 would be reimbursed to the United Nations by the United Nations Development Programme, the United Nations Population Fund and the United Nations Children's Fund. Accordingly, should the Assembly endorse the proposals of the Board, the appropriation under section 1, Overall policymaking,

direction and coordination, of the proposed programme budget for the biennium 2012-2013 would reflect a reduction in the amount of \$897,900.

43. Taking into account the views expressed above, the Advisory Committee recommends that the General Assembly approve the recommendations of the Pension Board as contained in paragraph 139 of its report (A/66/266).

Annex I

Integrated pension administration system project: main milestones and deliverables

<i>Actions</i>	<i>Key milestones and deliverables</i>	<i>Delivery date</i>	<i>Status</i>
Planning and design phase			
Project planning	• Current state assessment	October 2007	Complete
	• Target operating model	October 2007	Complete
	• High-level business case	October 2008	Complete
	• Process mapping (current state)	October 2008	Complete
	• Preliminary statement of requirements	July 2008	Complete
	• Preliminary project plan (all phases)	July 2008	Complete
Project approval	• Agreement in principle by Pension Board	July 2008	Complete
	• Overall approval of project and budget for the biennium 2010-2011 by Pension Board and General Assembly	July 2009 and December 2009	Complete
	• Approval of project budget for the biennium 2012-2013 by Pension Board	July 2011	Complete
	• Approval of project budget for the biennium 2012-2013 by General Assembly	December 2011	In progress
Pre-implementation and procurement phase			
Pre-implementation activities	• Pre-implementation planning	January 2009	Complete
	• Data dictionary (current state) definition	January 2011	Complete
	• Data cleansing (current state)	December 2011	In progress
	• Process documentation (current state)	December 2011	In progress
	• Technical documentation (current state)	December 2011	In progress

<i>Actions</i>	<i>Key milestones and deliverables</i>	<i>Delivery date</i>	<i>Status</i>
Project team identification and selection	• Identify and recruit Project Manager	January 2011	Complete
	• Draft and request Office of Human Resources Management approval for temporary posts job descriptions	June 2010	Complete
	• Conduct staggered recruitment of project team members (as per revised project plan)	2011-2013	In progress
Hardware acquisition and installation	• Identify hardware infrastructure needs	March 2010	Complete
	• Analyse sourcing alternatives for hardware infrastructure needs as part of the Pension Fund's overall information technology infrastructure strategy	April 2010	Complete
	• Consider integrated pension administration system infrastructure needs as part of the new North American data centre in Piscataway, New Jersey, United States of America	May 2010	Complete
	• Installation of the Pension Fund's new information technology infrastructure in Piscataway, New Jersey, United States of America	June 2010	Complete
	• Testing of infrastructure	September 2010	Complete
	• Full availability of infrastructure for system demonstrations and proof of concept	March 2011	Complete
Requirements analysis and definition	• Study current state process maps for interfaces, transactions and management reporting	August 2010	Complete
	• Fully document re-engineered process maps for interfaces, transactions and management reporting	December 2011	Ongoing
	• Re-engineer processes	December 2011	Open
Refinement of specifications (new activity)	• Conduct a thorough bottom-up analysis of the statement of requirements (drill-down exercise)	November 2010	Complete

<i>Actions</i>	<i>Key milestones and deliverables</i>	<i>Delivery date</i>	<i>Status</i>
Procurement of software and services	• Refine statement of requirements	November 2010	Complete
	• Analysis and amendment of target operation model	November 2010	Complete
	• Assignment by the United Nations Procurement Division of dedicated Procurement Officer	August 2010	Complete
	• Development and agreement with the United Nations Procurement Division of preliminary procurement plan	September 2010	Complete
	• Final statement of work	September 2010	Complete
	• Review and approval by the United Nations Procurement Division of statement of work	November 2010	Complete
	• Request for proposal circulated to vendors	April 2011	Complete
	• Bidders conference	June 2011	Complete
	• Evaluate vendor proposals	October 2011	In progress
	• Negotiation financial terms (United Nations Procurement Division)	November 2011	Open
	• Negotiation and award of contract (Office of Legal Affairs)	December 2011	Open
Implementation phase			
Initiate system implementation phase	• Review and amend detailed project plan	February 2012	Open
	• Mobilize project team from data-cleaning activities to system implementation phase	February 2012	Open
Proof of concept	• Gap analysis (first stage)	April 2012	Open
	• Proof of concept testing	April 2012	Open
Data mapping	• Create data mapping document	April 2012	Open
	• Define data migration strategy	May 2012	Open
Infrastructure setup	• Configure systems and perform infrastructure testing	March 2012	Open

<i>Actions</i>	<i>Key milestones and deliverables</i>	<i>Delivery date</i>	<i>Status</i>
Configure modules	Prepare configuration design document with required customization for:		
	• Pension module	April 2012	Open
	• Document management	April 2012	Open
	• General ledger	May 2012	Open
	• Accounts payable/receivable	May 2012	Open
	• Cash management	May 2012	Open
	Prepare interface design document with required customization for:		
	• Banking interface	July 2012	Open
	• United Nations organizations and agencies interfaces for human resources and finance data, including contributions and after-service health insurance	August 2012	Open
	• Content management interfaces for web systems	August 2012	Open
Build system (all modules)	• Prepare performance reporting document	August 2012	Open
	• Develop system modules based on specifications customization design documents	December 2013	Open
	• Develop interfaces based on interface design document	January 2014	Open
System pilot	• Develop reporting tools based on specifications	January 2014	Open
	• System integration testing	February 2014	Open
	• Enterprise (all components) pilot	March 2014	Open
	• Release of enterprise pilot	April 2014	Open

<i>Actions</i>	<i>Key milestones and deliverables</i>	<i>Delivery date</i>	<i>Status</i>
Testing, training and deployment phase			
Migration mapping	• Complete data migration mapping	April 2014	Open
Documentation and training	• Complete user, system and technical documentation	June 2014	Open
	• Mapping and conversion programmes	June 2014	Open
	• Conduct user training	October 2014	Open
	• Prepare administrative procedures, as required	October 2014	Open
User acceptance testing	• Establish user acceptance test strategy	April 2014	Open
	• Perform first user acceptance test	April 2014	Open
	• Correct deficiencies	May 2014	Open
	• Perform second user acceptance test	June 2014	Open
	• Prepare cut-over strategy, plan and checklist	June 2014	Open
	• Release fully functioning and tested system	September 2014	Open
	• Conduct parallel testing	November 2014	Open
Go live	• Execute cut-over strategy, including full data migration and interface activation	December 2014	Open

Annex II

Anticipated benefits of the implementation of the integrated pension administration system

The Pension Board provided the following list of benefits anticipated to accrue to the Pension Fund as a result of the implementation of the integrated pension administration system:

- Timely replacement of the ageing PenSys application, as the main pension entitlement and payments application currently resides on a legacy mainframe system and is based on COBOL programming, which requires specialist information technology staff to develop and maintain it
- Replacement of the mainframe that hosts PenSys with more modern information technology infrastructure, thereby reducing operational costs
- Change of the Fund's operational paradigm by adopting a process-driven approach, instead of the current case-driven approach, which will create important processing capacity, expected to enable a "de-linking" of staff increases from the growth of transactional volume, as benefit processing will be done automatically through more integrated processes
- Improved internal control environment and operational efficiency, by reducing significantly the number of internal interfaces
- Effective integration of systems used by the Fund to provide benefits and services in order to minimize the complexity of data and instruction exchange
- Reduction in the number of exceptions to the minimum and the assurance of equal treatment in the processing of cases
- Standardization of the operational environment
- Improved information management capabilities through the utilization of one common central database throughout the Fund, compared to the current total of 48 databases and internal interfaces
- Routing of work more efficiently by direct, comprehensive and intuitive workflows
- Enabling of better decision-making and strategic planning, and enhancement of member experiences through improved management information and service standards
- Strengthening of the internal control environment by proactively invoicing contribution amounts, rather than reactively "receiving" them and then reconciling them, and through the use of consistent and standard processes
- Standardization of hardware and software platforms
- Establishment of efficient and effective mechanisms to allow the Fund and its member organizations to communicate regarding errors and outstanding issues related to individual participants and beneficiaries

- Provision of more client-servicing activity through web-based self-service applications for participants, retirees and beneficiaries, and for member organizations of the Fund
- Enhancement of the level of existing documentation of all systems and processes, and reduction in the risk of loss of knowledge
- Strengthening of business continuity and disaster recovery capabilities.

Annex III

Summary of resource proposals of the Pension Board under general temporary assistance, consultants and contractual services for the biennium 2012-2013 in investments

General temporary assistance

In addition to replacement for peak workload and maternity leave, for general temporary assistance positions, as follows:

- Under executive direction and management, one position (P-4) in the Office of Legal Affairs to assist with legal matters resulting from the increased number of investments in real assets and alternative investments; one Legal Assistant (General Service (Other level)) to establish databases for all Investment Management Division contracts with summaries of the terms of each contract; and one position of Administrative Assistant (General Service (Other level))
- Under programme of work, one position of Risk and Compliance Implementation Analyst (P-2) is requested to assist the risk and compliance group to implement, test and parallel run with the existing systems until the new systems pass the relevant business acceptance tests; one position of Chief, Accounting and Reporting Unit, Operations Section (P-4), will be responsible for the implementation of IPSAS and oversee the preparation of end-of-year financial statements with full and complex investment disclosures, and train staff on new accounting and reporting standards; one position of Finance Assistant (General Service (Principal level)) with responsibilities to provide support in connection with complex real estate and alternative investments, including futures, commodities, private equity and securities lending; one position of Accounting Assistant (General Service (Other level)) to provide support in the Accounting and Reporting Unit of the Operations Section, following the introduction of Murex software, and afterwards, to verify that accounting records are created in accordance with the applicable accounting standards; and one position of Finance Assistant (General Service (Other level)) in the Cash Management and Reconciliation Unit following the introduction of Murex
- Under programme support, one position of Static Data Administrator (P-2) is requested to assist the Data Management Officer in maintaining the consolidation of data in a single repository (data hub); and one position of Project Manager (P-4) is requested, to be responsible for ensuring that the information technology function delivers the goals established for all ongoing and future projects.

Consultants

Proposals for 2012-2013 under investment costs total \$1,201,700, a decrease of \$1,151,800 before recosting, compared to 2010-2011, as follows:

- Under executive direction and management, to conduct a compensation study (\$50,000); a technical writer to provide technical support in the preparation and drafting of various technical reports, such as policies, strategies, procedures, monitoring frameworks and manuals (\$240,000)

- Under programme of work, a consultant to produce global fixed income benchmarks in the Investment Management Division (\$50,000); the training of staff on the selection and monitoring of hedge fund managers, performing due diligence and conducting background searches of key personnel, industry surveys, cost comparisons, due diligence of back office systems and fund operations, third party fund valuation and related technology and compliance, and legal requirements (\$200,000); a frontier markets consultant to assist in monitoring the risk/return profile and financial maturity of those growth markets in order to increase Fund exposure to new investment opportunities (\$50,000); a socially responsible investments consultancy to (a) develop responsible investing language and requirements; (b) review existing proxy voting services for compatibility with the Fund, including ongoing proxy vote execution, research and recommendation services, and collaborative engagement initiatives; (c) recommend an implementation framework for traditional and alternative assets; (d) plan and establish objectives and customized requirements; and (e) prepare and deliver training sessions for investments and operations staff (\$200,000); a consultant to perform independent verification of the accuracy of reports, reconcile with custodians and the master record keeper (\$127,000), and a consulting firm to provide advice on the production of IPSAS-compliant financial statements (\$250,000).

Contractual services

A total of \$62,532,100 is proposed under investment costs for contractual services in 2012-2013, an increase of \$9,653,200 (before recosting) compared to 2010-2011 (see A/66/266, table 8), as follows:

- Under executive direction and management, a new provision of \$3 million for the retention of outside legal counsel, which, the Advisory Committee was informed, was proposed to provide external legal counsel, in particular with regard to the complex alternative and real asset investments contemplated by the Fund, to be consulted for the preparation of advisory services agreements and other service provider contracts, especially in connection with the anticipated increase in the number of contracts relating to the Fund's investments in private equity, hedge funds, real estate and real asset investments
- Under programme of work, a total of \$46,642,100 (before recosting), an increase of \$2,772,200 compared to 2010-2011, comprising contractual advisers, based on present estimates of the four contracted advisers that provide advice on the equity markets of North America, Europe and Asia, and the global fixed-income and real assets portfolios (\$16,979,600); the equity analytical tool (\$1 million), an outside manager to maintain and expand the Fund's existing portfolio of publicly traded real estate securities (\$2.8 million); external managers on small capitalization funds (\$18 million); a specialist benchmark service for the Risk and Compliance Section (\$50,000); the retention of an external tax adviser to retain legal and tax counsel qualified in various local jurisdictions (\$2.4 million); and dual custodians and an independent master record keeper (\$5,412,500)
- Under programme support, a total of \$12,890,000 (before recosting), representing an increase of \$3,881,000 compared to 2010-2011, comprising

market data services (\$3.6 million), including Bloomberg, the Thomson Financial DataStream and the Institutional Brokers' Estimate System; disaster recovery support (\$1,125,000); and system maintenance and licence services (\$8,165,000).
