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Programme budget for the biennium 2004-2005

Proposed programme budget for the biennium 2006-2007

Administrative expenses of the United Nations Joint Staff Pension Fund

Report of the Standing Committee of the United Nations Joint Staff Pension Board

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* A/60/150.

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Executive summary

1. The present report contains the revised budget for the United Nations Joint Staff Pension Fund for the period from 1 January 2004 to 31 December 2005, which indicates a need for additional appropriations of \$4,069,600 for the Investment Management Service, none of which are subject to cost-sharing with the United Nations. The report also contains the cost estimates for the period from 1 January 2006 to 31 December 2007, which amount to \$101,417,000 (before recosting) and provide for 184 posts.

Table 1
Resources requested for the biennium 2006-2007, by component
(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
A. Administrative costs	36 419.6	54 758.0	(2 173.5)	(4.0)	52 584.5	4 854.5	16 297.6	41 141.4	57 439.0
B. Investment costs	41 372.3	43 014.1	4 160.5	9.7	47 174.6	2 218.5	—	49 393.1	49 393.1
C. Audit costs	1 157.4	1 731.8	(73.9)	(4.3)	1 657.9	62.7	286.7	1 433.9	1 720.6
Total funding	78 949.3	99 503.9	1 913.1	1.9	101 417.0	7 135.7	16 584.3	91 968.4	108 552.7
Extrabudgetary operational activities	—	642.4	(516.2)	(80.4)	126.2	4.8	—	131.0	131.0

Table 2
Human resources requested for the biennium 2006-2007

	Professional and above							General service		Total
	ASG	D-2	D-1	P-5	P-4	P-3	P-2	Principal level	Other level	
Administration										
Approved (2004-2005)	1	1	3	6	12	20	1	7	85	136
New posts	—	—	—	—	2	4	—	—	6	12
Reclassification	—	—	(1)	—	(2)	—	—	—	—	(3)
	—	1	—	2	—	—	—	—	—	3
Total (2006-2007)	1	2	2	8	12	24	1	7	91	148
Investments										
Approved (2004-2005)	—	1	—	5	5	1	—	5	15	32
New posts	—	—	—	2	2	—	—	—	—	4
Reclassification	—	—	—	—	(3)	—	—	—	—	(3)
	—	—	—	3	—	—	—	—	—	3
Total (2006-2007)	—	1	—	10	4	1	—	5	15	36

I. Overview of the activities of the Fund

2. 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 21 member organizations; the combined number of active participants and beneficiaries as at 31 December 2004 was 142,235.

3. In accordance with 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 of the Board and of 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 Board reports to the General Assembly on the operations of the Fund and on the investment of its assets. When necessary, it 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 member organizations (currently 15.8 per cent), eligibility for participation, and the benefits to which participants and their dependants may become entitled.

Operational activity

4. During the biennium ended 31 December 2003, the number of participants in the United Nations Joint Staff Pension Fund increased from 80,082 to 85,245, or by 6.4 per cent; the number of periodic benefits in award increased from 49,416 to 52,496, or by 6.2 per cent. As at 31 December 2004, the active participant population increased to 88,356, and the number of periodic benefits in award increased to 53,879. As at 31 December 2004, the breakdown of the periodic benefits in award was as follows: 17,338 retirement benefits; 12,092 early retirement benefits; 6,613 deferred retirement benefits; 8,676 widows' and widowers' benefits; 8,156 children's benefits; 960 disability benefits; and 44 secondary dependants' benefits. In the course of the year ending 31 December 2004, 6,316 lump-sum withdrawals and other settlements were paid.

Figure 1
United Nations Joint Staff Pension Fund: growth in active participants, 1994-2004

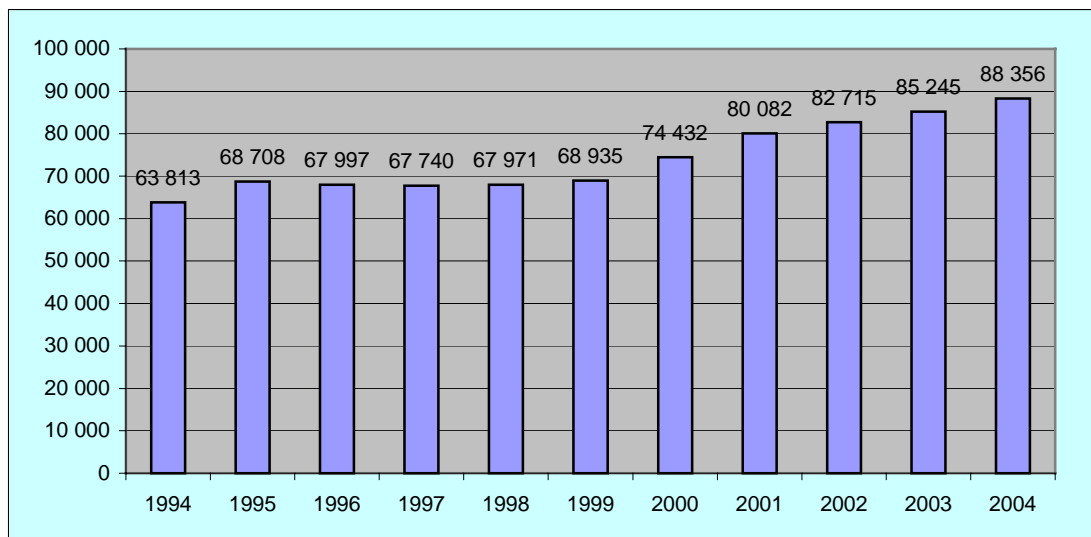
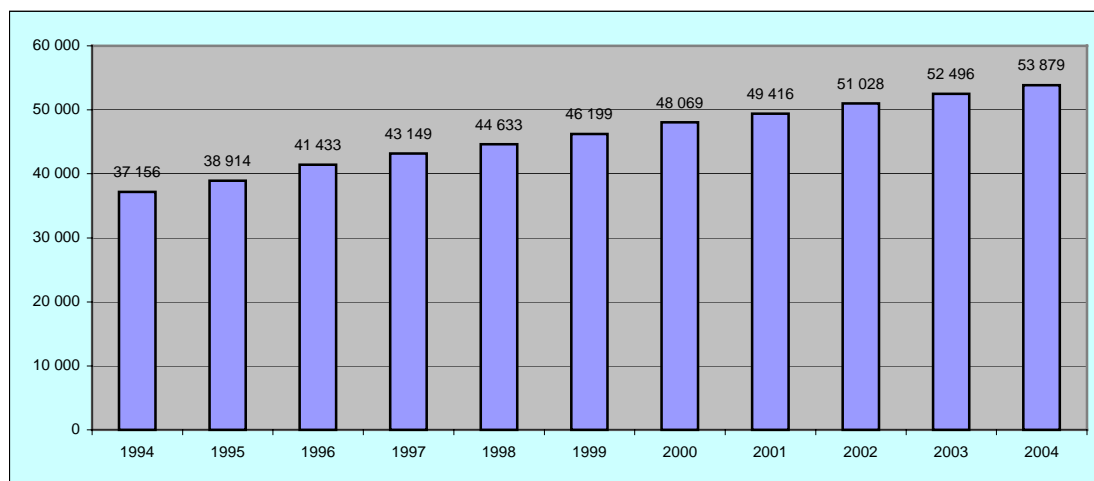


Figure 2
United Nations Joint Staff Pension Fund: growth in periodic benefits in payment, 1994-2004



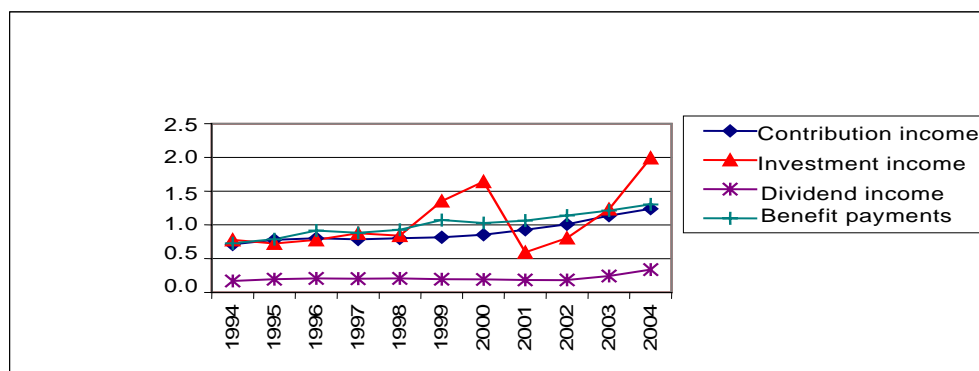
1. Income and benefit payouts

5. The Fund relies on three sources of income: (a) employers' contributions; (b) employees' contributions; and (c) investment income. The relative importance of each of these resources has changed in recent years and a new structural pattern of funding will continue to develop in the coming years. For example, in 2004, total contributions amounted to \$1,238.8 million. In 1994, for the first time since the inception of the Fund, benefits paid surpassed contributions (\$729.8 million vs. \$711.7 million) and investment income had to be used to cover the gap. In 2004, total contributions represented 94.8 per cent of benefit payouts, with payouts exceeding total contribution income by \$68.1 million. As the Fund continues to mature it will rely more heavily on investment income for the payment of pensions and related benefits.

Figure 3

United Nations Joint Staff Pension Fund: evolution of income and benefit payments

(Billions of United States dollars)

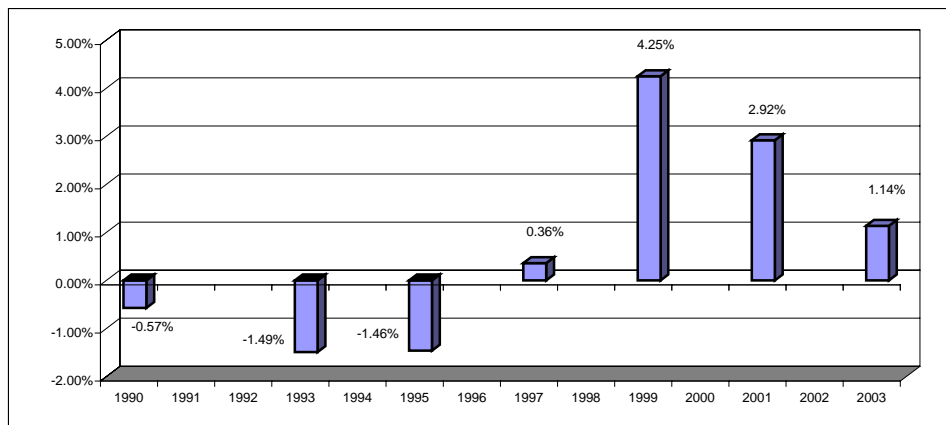


2. Actuarial situation

6. Actuarial valuations for the Fund are undertaken every two years to determine whether the present and estimated future assets of the Fund will be sufficient to meet its present and estimated future liabilities, using various sets of assumptions as to future economic and demographic developments.

7. The regular valuation, as at 31 December 2003, revealed a fourth consecutive surplus, amounting to 1.14 per cent of pensionable remuneration. The three previous valuations — those as at 31 December 2001, 31 December 1999 and 31 December 1997 — had revealed surpluses of 2.92, 4.25 and 0.36 per cent of pensionable remuneration, respectively. Based on the results of the most recent actuarial valuation, the Committee of Actuaries and the Fund's Consulting Actuary were of the opinion that the present contribution rate of 23.70 per cent was sufficient to meet the benefit requirements under the Plan. The United Nations Joint Staff Pension Board approved their statement on the actuarial position of the Fund.

Figure 4
United Nations Joint Staff Pension Fund: evolution of actuarial situation since 1990



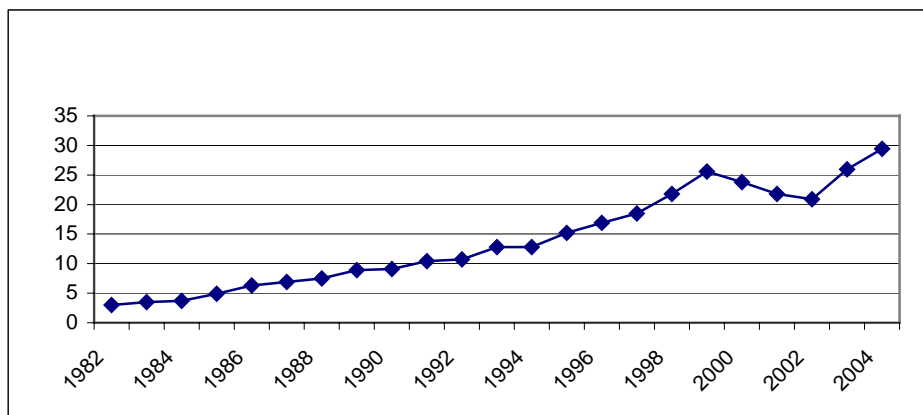
3. Investments

8. As at 31 December 2004, the market value of the Fund's assets had increased to \$29,246 million, as against \$25,749 million at the end of December 2003. This represents an increase for the year of 13.6 per cent. As at 31 March 2005 — the normal reporting date used in the reports of the representative of the Secretary-General to the United Nations Joint Staff Pension Board — the market value of the assets of the Fund stood at \$29,225 million, as against \$26,685 million one year earlier: an increase of 9.5 per cent. The total investment return, which takes into account timing of cash flows for the same period, was 10.4 per cent, representing a "real" or inflation-adjusted return of 7.3 per cent.

9. The long-term investment objectives of the Fund are, first, to preserve the principal of the Fund in real terms and, second, to obtain an optimal investment return over the long term while avoiding undue risk. The compound annual rate of return for the 45-year period ending 31 March 2005 was 8.6 per cent. This represents a yearly real rate of return of 4.1 per cent for the same period, after adjustment based on the United States consumer price index, and compares favourably with the 3.5 per cent long-term real rate of return assumed in the actuarial calculation.

Figure 5
Market value of the United Nations Joint Staff Pension Fund from 31 December 1982 to 31 December 2004

(Billions of United States dollars)



II. Budget estimates for the biennium 2004-2005: performance report

Table 3

Revised estimates for the biennium 2004-2005, by object of expenditure

(Thousands of United States dollars)

Category	Approved appropriations			Increase/(decrease)			Revised estimate		
	United Nations	Pension Fund	Total	United Nations	Pension Fund	Total	United Nations	Pension Fund	Total
Administrative costs									
Posts	7 974.7	15 949.5	23 924.2	—	—	—	7 974.7	15 949.5	23 924.2
Other staff costs	492.5	1 047.3	1 419.4	—	—	—	492.5	1 047.3	1 539.8
Consultants	—	52.2	52.2	—	(52.2)	(52.2)	—	—	—
Travel	—	377.8	377.8	—	(69.0)	(69.0)	—	308.8	308.8
Contractual services	1 489.2	9 300.6	10 789.8	—	—	—	1 489.2	9 300.6	10 789.8
Hospitality	—	13.3	13.3	—	(8.3)	(8.3)	—	5.0	5.0
General operating expenses	2 336.8	9 865.0	12 201.8	—	—	—	2 336.8	9 865.0	12 201.8
Supplies and materials	110.0	220.0	330.0	—	—	—	110.0	220.0	330.0
Furniture and equipment	1 343.0	4 186.1	5 529.1	—	—	—	1 343.0	4 186.1	5 529.1
Subtotal	13 746.2	41 011.8	54 758.0	—	(129.5)	(129.5)	13 746.2	40 882.3	54 628.5
Investment costs									
Posts	—	6 506.8	6 506.8	—	—	—	—	6 506.8	6 506.8
Other staff costs	—	319.0	319.0	—	(190.7)	(190.7)	—	128.3	128.3
Consultants	—	—	—	—	802.7	802.7	—	802.7	802.7
Travel	—	1 062.9	1 062.9	—	(107.0)	(107.0)	—	955.9	955.9
Contractual services	—	32 091.7	32 091.7	—	3 840.5	3 840.5	—	35 932.2	35 932.2
Hospitality	—	16.8	16.8	—	—	—	—	16.8	16.8
General operating expenses	—	2 158.4	2 158.4	—	—	—	—	2 158.5	2 158.2
Supplies and materials	—	78.2	78.2	—	—	—	—	78.2	78.2
Furniture and equipment	—	780.3	780.3	—	—	—	—	780.3	780.3
Subtotal	—	43 014.1	43 014.1	—	4 345.6	4 345.6	—	47 359.7	47 359.7
Audit costs									
External audit	81.6	407.8	489.4	—	—	—	81.6	407.8	489.4
Internal audit	207.0	1 035.4	1 242.4	(24.3)	(122.1)	(146.6)	182.7	913.3	1 096.0
Subtotal	288.6	1 443.2	1 731.8	(24.3)	(122.1)	(146.6)	264.3	1 321.1	1 585.4
Total	14 034.8	85 469.1	99 503.9	(24.3)	4 094.0	4 069.6	14 010.5	89 563.1	103 573.5
Extrabudgetary costs (after-service health insurance system)									
Operational activities	—	642.4	642.4	—	—	—	—	642.4	642.4

10. In section X of its resolution 58/272 of 23 December 2003, the General Assembly approved appropriations for the biennium 2004-2005 totalling \$80,770,800, chargeable directly to the Fund. This amount was inclusive of extrabudgetary costs amounting to \$642,400 to be funded by a number of member organizations and comprised \$35,671,100 for administrative costs, \$43,014,100 for investment costs and \$1,443,200 for audit costs. In section IV of its resolution 59/269 of 23 December 2004, the Assembly increased the administrative costs to \$41,011,800, thereby raising the overall appropriation by \$5,340,700, to \$86,111,500 (inclusive of the extrabudgetary costs). The additional appropriation was approved for renovations at One Dag Hammarskjöld Plaza (\$5,100,000) and represented a carryover of appropriations not disbursed for the same purpose during the biennium 2002-2003 and additional general temporary assistance (\$240,700). The proportionate share of some costs, which would be borne by the United Nations under the agreed cost-sharing arrangements, amounted to \$14,034,800.

11. The revised estimates for the 2004-2005 biennium indicate additional requirements amounting to \$4,069,600, none of which is subject to cost-sharing with the United Nations. The Standing Committee was requested to approve, for submission to the General Assembly, a request for additional appropriations in the amount of \$4,069,600.

Overexpenditure of small capitalization fees

12. The estimated small capitalization portfolio fees for the biennium ending 31 December 2005 are anticipated to be approximately \$11,100,000, which is \$4,600,000 above the budgeted amount for the 2004-2005 biennium. The market value of the small capitalization portfolio has grown from \$678,000,000 as at 31 December 2002 to \$1,271,700,000 as at 31 May 2005. This is an increase in market value of \$593,500,000, or 87.5 per cent, which is well above any anticipated growth. The requested additional fees of \$4,600,000 represent an increase of 59 per cent over the amount initially budgeted for the biennium.

13. The fees represent payments to six small capitalization managers, which manage portfolios of different sizes in various parts of the world. The fees vary for each of the managers contracted. The rates of the fees range from 25 basis points to 60 basis points per annum.

III. Budget estimates for the biennium 2006-2007

Challenges and management objectives

14. The Fund's budget, as requested by management, has been arrived at after an in-depth review by management of the key challenges that the Fund will have to address in the years ahead, and a determination of appropriate objectives and the related action plans which will be implemented over the 2006-2007 biennium. These challenges, objectives and action plans are defined and presented in the Fund's second management charter which covers the 2006-2007 biennium.

Challenges

15. Management has identified the following challenges which have great relevance to the operations of the Fund; they need to be taken into account when setting priorities and planning for the resources required for internal change and risk management:

- (a) Increasing number of retirements and increased longevity;
- (b) Retirement of the Fund's staff and challenges to its institutional memory and experience at a time of continuing change in benefit provisions and related studies, as mandated by the United Nations Joint Staff Pension Board;
- (c) Social and environmental responsibility as an organization;
- (d) Demand for more information, improved contacts and direct access by individuals to their personal information;
- (e) Greater reliance on investment income;
- (f) Increasing need for statistics and related research reports and analysis;
- (g) Preservation of a high-quality institutional image and signature in an environment of increased levels of financial and operational risk.

Management objectives

16. To address the above-mentioned challenges, the Fund's management has set the following objectives to be met during the 2006-2007 biennium:

- **Objective 1.** Promote responsible and sustainable management by combining operational performance objectives, personal development for staff and attention to durability.
- **Objective 2.** Manage risks properly, strengthen safeguards for the protection of the assets of the Pension Fund, and maintain compliance with the regulations and rules of the Fund and with the decisions, mandates and guidelines issued by the United Nations Joint Staff Pension Board and the General Assembly.
- **Objective 3.** Strengthen and modernize the Fund's information management system.
- **Objective 4.** Improve overall performance.
- **Objective 5.** Ensure that clients receive quality services and information on a timely basis.
- **Objective 6.** Develop an investment policy and asset allocation which reflect the Fund's strategic purpose of funding liabilities.

Each of the above-mentioned objectives is further developed in detailed action plans, some of which have budgetary implications; full implementation of the objectives and related action plans is conditional upon the required resources being made available.

Resources requested for the biennium 2006-2007

Table 4

Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 ^a appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Administrative costs									
Posts	20 193.5	23 924.2	1 754.5	7.3	25 678.7	3 842.1	9 840.3	19 680.5	29 520.8
Other staff costs	1 881.7	1 539.8	(367.9)	(23.9)	1 171.9	60.8	340.0	892.7	1 232.7
Consultants	—	52.2	(52.2)	(100.0)	—	—	—	—	—
Travel	266.0	377.8	(18.0)	(4.8)	359.8	19.6	—	379.4	379.4
Contractual services	7 357.2	10 789.8	1 548.1	14.3	12 337.9	466.3	2 708.9	10 095.1	12 804.2
Hospitality	1.5	13.3	(8.3)	(62.4)	5.0	0.2	—	5.2	5.2
General operating expenses ^b	3 982.3	12 201.8	(3 558.1)	(29.2)	8 643.7	265.6	2 462.2	6 447.1	8 909.3
Supplies and materials	203.5	330.0	39.4	11.9	369.4	28.2	129.0	268.6	397.6
Furniture and equipment	2 533.9	5 529.1	(1 511.0)	(27.3)	4 018.1	171.7	817.2	3 372.6	4 189.3
Subtotal	36 419.6	54 758.0	(2 173.5)	(4.0)	52 584.5	4 854.5	16 297.6	41 141.4	57 439.0
Investment costs									
Posts	5 730.0	6 506.8	828.1	12.7	7 334.9	747.8	—	8 082.7	8 082.7
Other staff costs	74.8	319.0	33.4	10.5	352.4	13.4	—	365.8	365.8
Consultants	—	—	900.0	—	900.0	34.0	—	934.0	934.0
Travel	588.0	1 062.9	64.5	6.1	1 127.4	42.7	—	1 170.1	1 170.1
Contractual services	31 519.9	32 091.7	587.4	1.8	32 679.1	1 235.3	—	33 914.4	33 914.4
Hospitality	14.6	16.8	—	—	16.8	0.6	—	17.4	17.4
General operating expenses	3 140.8	2 158.4	(456.4)	(21.1)	1 702.0	29.0	—	1 731.0	1 731.0
Supplies and materials	58.8	78.2	(16.2)	(20.7)	62.0	2.3	—	64.3	64.3
Furniture and equipment	245.4	780.3	2 219.7	284.5	3 000.0	113.4	—	3 113.4	3 113.4
Subtotal	41 372.3	43 014.1	4 160.5	9.7	47 174.6	2 218.5	—	49 393.1	49 393.1
Audit costs									
External audit	422.9	489.4	(27.0)	(5.5)	462.4	17.5	80.0	399.9	479.9
Internal audit	734.5	1 242.4	(46.9)	(3.8)	1 195.5	45.2	206.7	1 034.0	1 240.7
Subtotal	1 157.4	1 731.8	(73.9)	(4.3)	1 657.9	62.7	286.7	1 433.9	1 720.6
Total resources required	78 949.3	99 503.9	1 913.1	1.9	101 417.0	7 135.7	16 584.3	91 968.4	108 552.7
Extrabudgetary costs (after-service health insurance system)									
Operational activities	—	642.4	(516.2)	(80.4)	126.2	4.8	—	131.0	131.0

^a Appropriations for the 2004-2005 biennium have been adjusted to reflect a more appropriate allocation among object classes (see annex IV).^b Includes bank interest.

Table 5
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
<i>Administrative</i>								
Professional and above								
ASG	1	1	—	—	—	—	1	1
D-2	1	2	—	—	—	—	1	2
D-1	3	2	—	—	—	—	3	2
P-5	6	8	—	—	—	—	6	8
P-4	9	12	3	—	—	—	12	12
P-3	19	24	1	—	—	—	20	24
P-2/1	1	1	—	—	—	—	1	1
Subtotal	40	50	4	—	—	—	44	50
General Service								
Principal level	7	7	—	—	—	—	7	7
Other level	79	87	5	3	1	1	85	91
Subtotal	86	94	5	3	1	1	92	98
Total, administrative	126	144	9	3	1	1	136	148
<i>Investment</i>								
Professional and above								
D-2	1	1	—	—	—	—	1	1
D-1	—	—	—	—	—	—	—	—
P-5	5	10	—	—	—	—	5	10
P-4	5	4	—	—	—	—	5	4
P-3	1	1	—	—	—	—	1	1
P-2/1	—	—	—	—	—	—	—	—
Subtotal	12	16	—	—	—	—	12	16
General Service								
Principal level	5	5	—	—	—	—	5	5
Other level	15	15	—	—	—	—	15	15
Subtotal	20	20	—	—	—	—	20	20
Total, investment	32	36	—	—	—	—	32	36
Total Pension Fund	158	180	9	3	1	1	168	184

Figure 6
Approved staffing of the Fund for the 2004-2005 biennium

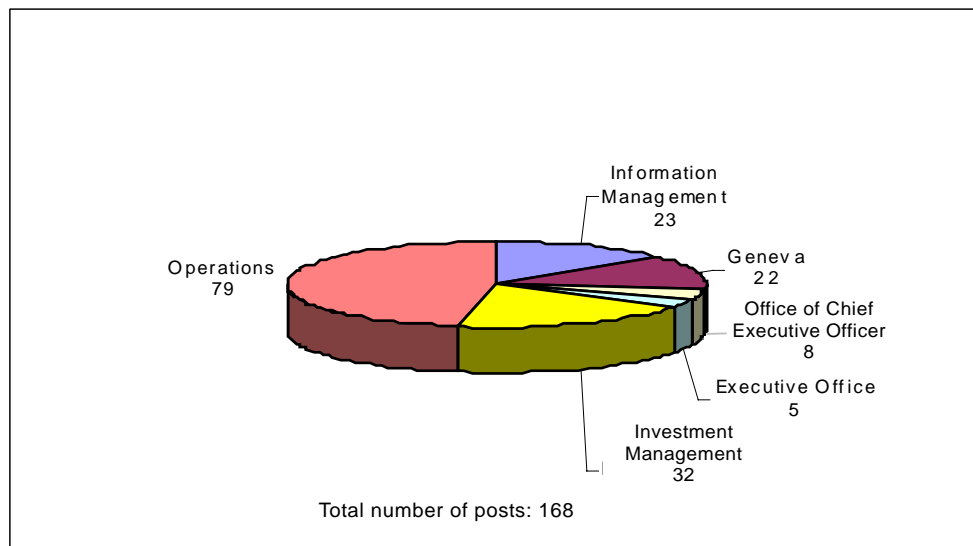


Figure 7
Proposed staffing of the Fund for the 2006-2007 biennium

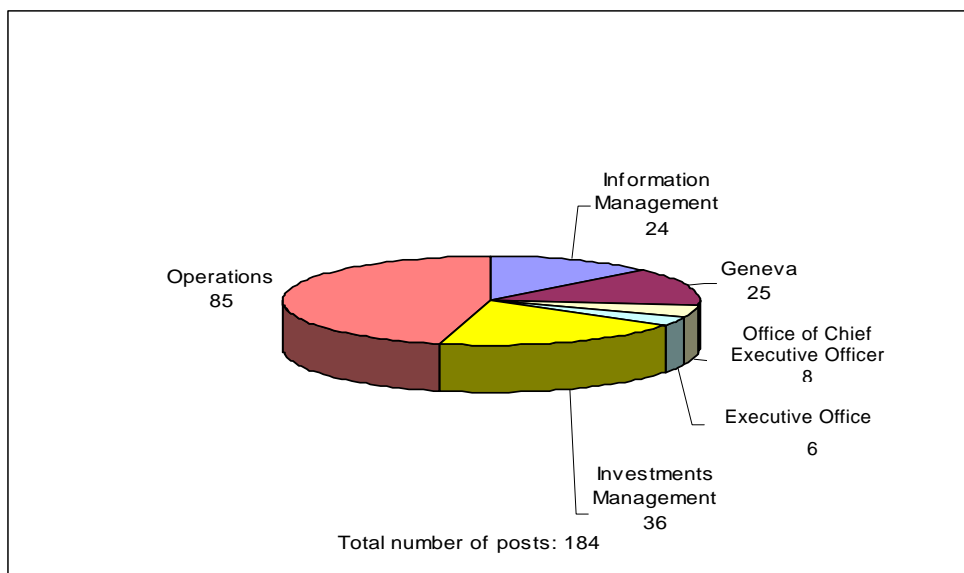


Table 6
Summary of post requirements

<i>Section</i>	<i>Action</i>	<i>Post</i>	<i>Number of posts</i>	<i>Category</i>
Administration				
Office of the Chief Executive Officer	New post	Statistician	1	P-3
Operations	Reclassification	Chief of Operations	1	D-1 to D-2
Accounts Unit	New post	Deputy Chief, Accounts Unit	1	P-3
	New post	Accounting Assistant	2	General Service (Other level)
Payments Unit	New post	Finance Officer	1	P-3
Cashier	New post	Treasury Assistant	2	General Service (Other level)
Geneva Office	New post	Benefits Officer	1	P-4
	New post	Benefits Assistant	2	General Service (Other level)
Information Management Systems Service	Reclassification	Senior Information Management Officer	2	P-4 to P-5
	New post	Security Officer	1	P-4
	Conversion		3	P-4
	Conversion		1	P-3
	Conversion		2	General Service (Other level)
Executive Office	New post	Budget Officer	1	P-3
Investments				
Investment Section	New post	Investment Officer	1	P-5
	Reclassification	Investment Officer	3	P-4 to P-5
Information Systems Section	New post	Infrastructure Manager	1	P-4
Risk and Compliance Section	New post	Chief, Risk and Compliance Section	1	P-5
	New post	Compliance Officer	1	P-4

A. Administrative costs

Resources requested (before recosting): \$52,584,500

17. The administrative costs relate to all of the services and activities required on behalf of the participants and beneficiaries of the Fund, the financial management of the contributions of active participants and employees, payments made to retirees and beneficiaries, management of the information technology systems operated by the Fund and administrative services provided to the staff of the Fund.

18. As a result of comments made by the Advisory Committee on Administrative and Budgetary Questions (A/58/7/Add.9, para. 3), further efforts have been made to

streamline and improve the report of the Standing Committee. For example, in order to allow a more meaningful comparison between the resources requested and resources for the current biennium, appropriations for the 2004-2005 biennium have been adjusted from those shown in table 23 of the previous report of the Standing Committee (A/58/214 and Corr.1) to a more appropriate allocation among object classes. In addition, a number of resources requested for the 2006-2007 biennium are requested under sections different from those of the current biennium, indicating more clearly where the costs of the Fund lie. Similarly, centrally controlled expenditures are now requested under Executive Office rather than Office of the Chief Executive Officer or Information Management Systems Service. These changes are indicated in the text where necessary. A comparison of the financial and human resources requested for the 2006-2007 biennium with those of the 2004-2005 biennium is given in table 7.

Table 7
Requirements by component, 2004-2005 and 2006-2007

Category	Resources (thousands of United States dollars)		Number of posts	
	2004-2005	2006-2007	2004-2005	2006-2007
1. Executive direction and management	15 545.5	10 173.0	7	8
2. Programme of work				
(a) Office of the Chief of Operations	2 202.1	800.5	3	3
(b) Pension Entitlements and Client Services Section	6 276.0	6 661.4	45	45
(c) Financial Services Section	4 966.5	6 538.3	31	37
(d) Geneva Office	4 411.7	5 047.6	22	25
Subtotal, programme of work	17 856.3	19 047.8	101	110
3. Programme support				
(a) Information Management Systems Service	20 409.0	22 034.3	23	24
(b) Executive Office	947.2	1 329.4	5	6
Subtotal, programme support	21 356.2	23 363.7	28	30
Total	54 758.0	52 584.5	136	148

1. Office of the Chief Executive Officer

19. The Office of the Chief Executive Officer comprises the Chief Executive Officer, the Deputy Chief Executive Officer, the Senior Legal Officer, the Special Assistant to the Chief Executive Officer, and conference support and administrative staff. The Office is responsible for the overall policy setting, direction, supervision and management of the Fund, including legal matters. The Chief Executive Officer also serves as Secretary of the United Nations Joint Staff Pension Board, its Standing Committee, the Committee of Actuaries and the United Nations Staff Pension Committee, and is responsible for the organization and servicing of those bodies, as well as the required documentation.

Table 8
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
ASG	1	1	—	—	—	—	1	1
D-2	1	1	—	—	—	—	1	1
D-1	—	—	—	—	—	—	—	—
P-5	2	2	—	—	—	—	2	2
P-4	—	—	—	—	—	—	—	—
P-3	—	1	—	—	—	—	—	1
P-2/1	—	—	—	—	—	—	—	—
Subtotal	4	5	—	—	—	—	4	5
General Service								
Principal level	1	1	—	—	—	—	1	1
Other level	2	2	—	—	—	—	2	2
Subtotal	3	3	—	—	—	—	3	3
Total	7	8	—	—	—	—	7	8

Table 9
Financial resource requirements
(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	1 814.0	1 961.0	127.8	6.5	2 088.8	228.6	772.5	1 544.9	2 317.4
Other staff costs	1 506.9	1 062.5	(543.7)	(51.2)	518.8	19.7	179.5	359.0	538.5
Consultants	—	52.2	(52.2)	(100.0)	—	—	—	—	—
Travel	247.5	280.8	—	—	280.8	10.6	—	291.4	291.4
Contractual services	365.2	408.5	54.5	13.3	463.0	17.5	—	480.5	480.5
Hospitality	1.5	13.3	(8.3)	(62.4)	5.0	0.2	—	5.2	5.2
General operating expenses	2 137.2	10 267.2	(3 450.6)	(33.6)	6 816.6	92.0	2 202.3	4 705.0	6 908.6
Furniture and equipment	86.6	1 500.0	(1 500.0)	(100.0)	—	—	—	—	—
Total	6 158.9	15 545.5	(5 372.5)	(34.6)	10 173.0	368.6	3 155.6	7 386.0	10 541.6

Analysis of resource requirements (before recosting)

	<i>Cost estimate</i>	<i>Variance</i>	
Posts	\$2 088.8	\$127.8	6.5%

20. The amount of \$2,088,800 provides for the salaries, common staff costs and staff assessment for seven continuing posts and one additional post at the P-3 level.

*Posts***Creation of one post of Statistician (P-3)**

21. A request is made to enhance the staffing of the Office of the Chief Executive Officer by one statistician at the P-3 level. The addition of this new post was recommended by the consultants who undertook the whole-office review in 2002. It was presented to the Standing Committee in 2003 but the request was not accepted at that time. Three years later, when asset and liability management needs have become more urgent, the need for a statistician to maintain the quality of the Fund's data, to enhance the collection systems and to produce better and more relevant statistical reports for management appears even more evident. Creation of such a post would mitigate risk by improving the quality of the actuarial valuation and related projections, particularly in relation to demographic trends. It would support the growing need for planning and policy analysis functions through the collection, compilation, analysis and dissemination of data, and through the design and implementation of methodological studies. The statistician would provide technical guidance and advice on statistical development in support of pension benefit analyses. The creation of a post of statistician has also been recommended by the Board of Auditors.

	<i>Cost estimate</i>	<i>Variance</i>	
Other staff costs	\$518.8	(\$543.7)	(51.2%)

22. The Fund requires flexibility in its operations, and recent experience in New York and Geneva has demonstrated that there is a need for the appointment of staff under general temporary assistance to (a) assist in dealing with unexpected peaks in workloads (\$147,200) and (b) cover for staff on maternity and extended sick leave (\$31,600). In addition, there is a requirement for overtime (\$340,000). The reduction in this provision is because, for the biennium 2004-2005, general temporary assistance amounting to 72 work-months, to be used by the Pension Entitlements and Client Services Section, was requested under Office of the Chief Executive Officer. For the 2006-2007 biennium, this has been more appropriately requested under the Section.

	<i>Cost estimate</i>	<i>Variance</i>	
Travel	\$280.8	\$0.0	0.0%

23. No increase is requested in the travel requirements for the Chief Executive Officer or his staff to attend sessions of the United Nations Joint Staff Pension

Board and to visit secretaries of local staff pension committees. Provision is made for official travel between the Fund's New York and Geneva offices (\$162,500). No increase is requested for the travel of members of the Committee of Actuaries to New York or Geneva (\$118,300).

	<i>Cost estimate</i>	<i>Variance</i>	
Contractual services	\$463.0	\$54.5	13.3%

24. The provision of \$463,000 is made for the services of a consulting actuary who will provide the following services, in accordance with article 10 of the regulations of the Fund:

(a) Preparation of an actuarial valuation to be performed in 2006, on the basis of data as at 31 December 2005, including production of the formal report and preparation of various papers for the Committee of Actuaries and United Nations Joint Staff Pension Board pertaining to the regular actuarial valuation work. The actuarial report will show required contributions and imbalances, an analysis of gains and losses, calculations of the actuarial value of accrued benefits, hypothetical projection results over 30 years and the results of monitoring of the two-track system. All actuarial results will be shown under several sets of actuarial assumptions;

(b) Preparations for and attendance at meetings of the Pension Board, the Standing Committee and the annual meetings of the Committee of Actuaries;

(c) Preparation of an extensive review of the experience of the Fund, to be carried out in 2007. Preparation of recommendations regarding changes in assumptions, for the consideration of the Committee of Actuaries. Services include all meetings with the secretariat in connection with the review and the analysis performed;

(d) Estimated incidental services, such as transfer case calculations, small work projects and brief meetings and exchanges with the Investments Committee and external auditors.

	<i>Cost estimate</i>	<i>Variance</i>	
Hospitality	\$5.0	(\$8.3)	(62.4%)

25. A reduction of \$8,300 is made in the provision for hospitality and thus \$5,000 is requested.

	<i>Cost estimate</i>	<i>Variance</i>	
General operating expenses	\$6 816.6	(\$3 450.6)	(33.6%)

26. In April 2005, the Fund was relocated to its new premises on the 4th and 37th to 39th floors of One Dag Hammarskjöld Plaza. The costs of occupying a commercial building are not limited to rent but include many additional charges which would normally fall under the control and within the budget of the Department of Management. These additional charges include costs for such items as utilities, cleaning of office accommodation and various maintenance contracts

(supplementary air conditioners for the data centre and conference rooms, fire equipment for the data centre and office accommodation, rodent control and electric lamp replacement etc.). While these maintenance contracts ensure that equipment is kept in good working order, they do not cover the costs of breakdowns or of spare parts, or the labour associated with such parts. In addition, the use of many of the buildings' facilities, such as the issuance of building passes, use of the freight elevator out of hours or of hampers for the disposal of excessive waste, will incur charges.

27. The amount of \$6,816,600 refers to:

(a) The rental of premises (\$4,778,100), utilities, including out of normal working hour charges (\$193,000), and maintenance contracts (\$270,100). Provision is also made for spare parts and labour for actual breakdowns, major repairs and future minor alterations to the premises (\$780,100). In addition, provision is made for miscellaneous expenses (\$133,000);

(b) The upper three floors of the building (37th to 39th) are connected by internal stairways, with the client servicing area, which receives the majority of visitors to the Fund, located on the 37th floor. For purposes of security, all visitors to the Fund are directed by the building's security staff to the 37th floor. Added security is provided between the hours of 8 a.m. and 6 p.m., Monday through Friday, by the United Nations Security and Safety Service, which provides uniformed security staff at the entrance to the 37th floor at a cost of \$321,600;

(c) Provision is also made for the lease of photocopiers (\$53,800), external printing (\$50,000), freight, mail and pouch services (\$171,900), which includes the costs of stuffing and mailing approximately 400,000 documents per biennium, and off-site storage of documents (\$65,000).

28. The reduction in general operating costs primarily arises from the decision of the General Assembly, in section IV of its resolution 59/269, to approve an additional appropriation of \$3,600,000 for the 2004-2005 biennium for the renovation of the Fund's new office space.

2. Operations

29. Operations comprises the Pension Entitlements and Client Services Section and the Financial Services Section, both of which are located in New York, as well as the operational activities of the Geneva Office. Headed by the Chief of Operations, the major objective of Operations is to manage, lead and direct staff in accordance with the goals set in the management charter, while adhering to the Fund's quality management, internal control and communication policies. This entails continuous improvement of performance and efficiency (using measurable objectives, performance reports, training of staff and clients and the promulgation of detailed documentation), conformity with the rules and regulations, excellence in client servicing and the adoption of sustainable management principles.

(a) Office of the Chief of Operations

30. Staffing of the office of the Chief of Operations remains at the current level of two Professional posts and one General Service (Other level) post.

Table 10
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
D-2	—	1	—	—	—	—	—	1
D-1	1	—	—	—	—	—	1	—
P-3	1	1	—	—	—	—	1	1
Subtotal	2	2	—	—	—	—	2	2
General Service								
Other level	1	1	—	—	—	—	1	1
Subtotal	1	1	—	—	—	—	1	1
Total	3	3	—	—	—	—	3	3

Table 11
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	551.6	740.6	59.9	8.1	800.5	55.8	285.4	570.9	856.3
General operating expenses	-	1 461.5	(1 461.5)	(100.0)	-	-	-	-	-
Total	551.6	2 202.1	(1 401.6)	(63.6)	800.5	55.8	285.4	570.9	856.3

Analysis of resource requirements (before recosting)

Posts	Cost estimate	Variance
	\$800.5	\$59.9 8.1%

31. The amount of \$800,500 provides for the salaries, common staff costs and staff assessment for three continuing posts, including reclassification of the post of Chief of Operations.

Posts

Reclassification of the post of Chief of Operations from D-1 to D-2

32. The current classification of the post of Chief of Operations at the D-1 level is no longer in line with the actual and increased responsibilities of the post. Statistics

have shown over the years a steady increase in the number of participants and beneficiaries covered by the Fund, which has resulted in an increasingly complex workload and a growing number of cases processed by the sections and work units under the supervision of the Chief of Operations. In addition, the payroll operated by the Fund is the largest in the United Nations system and the Financial Services Section in charge of that activity reports directly to the Chief of Operations. Many of the Fund's key policies, such as internal control and quality management, have been implemented and maintained in Operations. Monitoring risks is also a major component of the responsibilities of the Chief. Communications, client services, training of staff, including the administrative staff of the member organizations, are recent additions to these responsibilities. The majority of the Fund's staff work in Operations. Reclassification of the post is requested as recognition of the key role played by the Chief of Operations in the management of the Fund.

(b) Pension Entitlements and Client Services Section

33. The Pension Entitlements and Client Services Section manages and controls the processing of the Fund's benefit entitlements. It also provides quality and consistent client-oriented services to the Fund's clients and constituents.

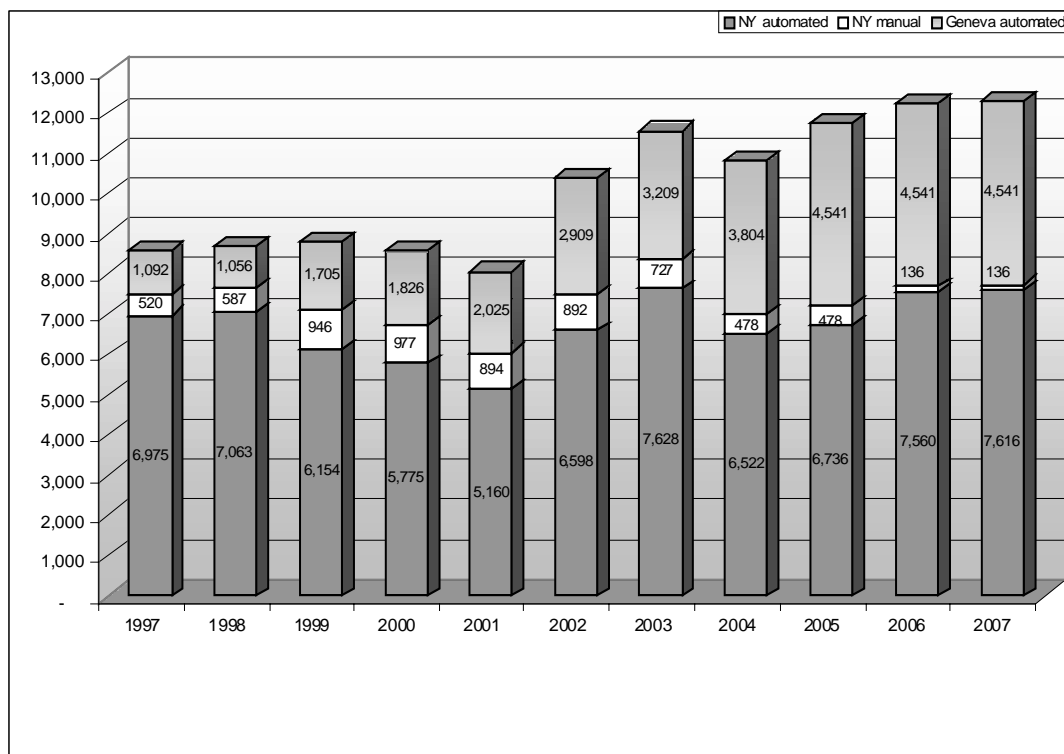
34. The Pension Entitlements and Client Services Section will continue to:

(a) Establish and set up benefit entitlements for payment; revise established benefits; recalculate entitlements due to death of beneficiary, change of country of residence, termination of children's benefits etc., and process the transfer of pension rights;

(b) Train staff with an emphasis on documenting the numerous and complex processes and procedures for participation, benefit processing and client servicing in order to maintain and enhance productivity and efficiency;

(c) Provide pension and retirement information and estimates of benefit options; respond to telephone calls and correspondence and e-mail inquiries; process applications with respect to the Fund's pension adjustment system and for validation and restoration; monitor and control actions related to verification of continued eligibility for a pension benefit; release and suspend benefits resulting from the annual certificate of entitlement exercise, process incoming documents and correspondence and assign the related cases for action within the Fund; and process Emergency Fund claims;

Figure 8
Benefits processed



Note: The 2003 peak for New York was caused primarily by the closure of the United Nations Mission in Bosnia and Herzegovina. The Fund expects the volume to climb again from mid-2005 through 2007 with the downsizing of the United Nations Mission of Support in East Timor, the United Nations Mission in Sierra Leone and the United Nations Interim Administration Mission in Kosovo. The 2005 peak for Geneva is largely a result of the processing of separations for the Electricity Network Rehabilitation Programme in Northern Iraq. The implementation of re-engineering projects and further automation of processes have softened the impact of the increase in volume, and additional reporting has provided further efficiency improvements. However, if the volume of established entitlements benefits remains at current levels, it is clear that growth will outweigh gains in efficiency.

(d) Undertake an ongoing review of the website to ensure that high-quality, easily accessible information is available on the website to meet the needs of the Fund's clients; evaluate clients' suggestions and recommendations; provide proposals for enhancement so that the website evolves into the primary information base for the Fund's clients, affording instant access to information of interest to participants and beneficiaries;

(e) Review and update training materials for workshops and seminars and provide training to participants, beneficiaries and human resource staff of member organizations;

(f) Ensure the timely and accurate processing and scanning of correspondence and documents addressed to the Fund and manage the storage and retrieval of documents in hard copy.

Major objectives and indicators of achievement

35. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1.** The Fund's website is continuously being enhanced to provide beneficiaries with access to their personal data. For participants, the online annual statement form is to be redesigned to be more user-friendly, and separating staff will be provided access to review the status of processing of their case. Throughout the development of the website, the Pension Entitlements and Client Services Section is responsible for providing specifications, testing enhancements, developing required documentation and forms and overseeing the implementation of projects.
- **Objective 2.** As the interface enabling the electronic transfer of personnel data, such as from the Integrated Management Information System, has been implemented, efforts are ongoing to enhance the system so as to integrate more databases from all of the member organizations. As this occurs, the work method is changing from one of manual data entry to that of auditing the electronically imported information. Over the long term, this will lead to improved accuracy of the data in the system; in the short term, the audit function has led to an increase in the workload of the staff.
- **Objective 3.** The redevelopment of the Section's procedures, training manuals and a case study library, which will all become an integrated part of the knowledge management system, will require substantial time from the senior and experienced staff. The quality of the end product has to ensure that, as the Fund enters the era of staff mobility and when experienced retiring staff are replaced by more frequently mobile staff, it can sustain itself with less experienced staff who can rely on excellent documentation to complete their tasks.
- **Objective 4.** Review of the systems used by the Fund to determine continued eligibility for a benefit in payment, and redesign of the current certificate of entitlement so as to make it available in a more user-friendly form which would include an identification card for the beneficiary.
- **Objective 5.** Organize a survey of participants and beneficiaries to determine levels of customer satisfaction. Introduce performance-monitoring mechanisms for the areas of client servicing and records management so that work can be appropriately managed.

Table 12

Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
P-5	1	1	—	—	—	—	1	1
P-4	2	2	—	—	—	—	2	2
P-3	2	2	—	—	—	—	2	2

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
P-2/1	—	—	—	—	—	—	—	—
Subtotal	5	5	—	—	—	—	5	5
General Service								
Principal level	3	3	—	—	—	—	3	3
Other level	34	34	3	3	—	—	37	37
Subtotal	37	37	3	3	—	—	40	40
Total	42	42	3	3	—	—	45	45

Table 13

Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	4 959.3	6 243.2	39.6	0.6	6 282.8	1 006.1	2 429.6	4 859.3	7 288.9
Other staff costs	-	32.8	345.8	1 054.3	378.6	14.3	131.0	261.9	392.9
Total	4 959.3	6 276.0	385.4	6.1	6 661.4	1 020.4	2 560.6	5 121.2	7 681.8

Analysis of resource requirements (before recosting)

	Cost estimate	Variance
Posts	\$6 282.8	\$39.6 0.6%

36. The amount of \$6,282,800 provides for the salaries, common staff costs and staff assessment for 45 continuing posts.

	Cost estimate	Variance
General temporary assistance	\$378.6	\$345.8 1 054.3%

37. In the 2004-2005 biennium, 72 work-months of general temporary assistance required by the Pension Entitlements and Client Services Section was requested under Office of the Chief Executive Officer. To more accurately reflect the specific requirements of the Fund, provision for this resource with no increase over the 2004-2005 biennium is made under Pension Entitlements and Client Services Section, on the basis of the following:

(a) The increase in the volume of cases that started in 2002 has been continuous and is expected to last through the 2006-2007 biennium given that several missions are expected to either close or downsize;

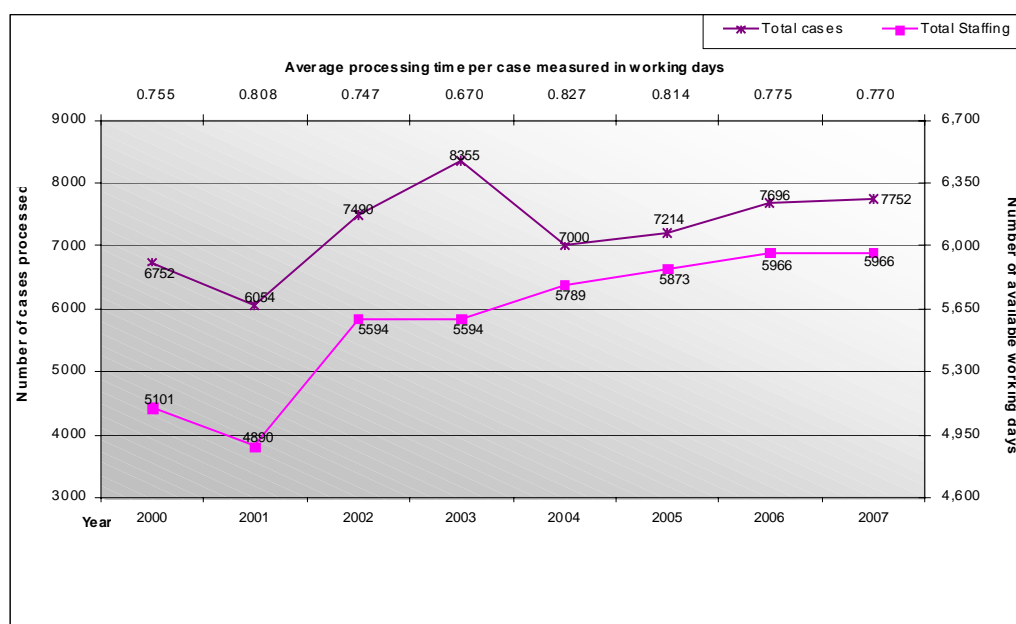
(b) The increase in workload is accompanied by an ongoing re-engineering effort that places a heavy burden on the staff. For this budget period, the

redevelopment of procedures and training material is the key focus; the resulting materials will be integrated into the knowledge management system. This effort will require substantial input from the staff;

(c) The ageing of the workforce of member organizations is expected to steadily rise from 2005 onwards; this will lead to higher volumes in retirement benefit processing;

(d) Anticipating an increase in the number of retirements among staff of the Pension Entitlements and Client Services Section, ongoing assistance is needed to fill the upcoming void. Increased staff mobility means that fewer staff who have completed the minimum five-year learning cycle needed to acquire in-depth knowledge of the pension system will be available; a broader foundation would therefore ensure the availability of experienced staff when vacancies occur.

Figure 9
New York: cases processed



Notes:

- (1) Benefit processing is looked after by 27 staff. Included are supervisors, calculators and auditors of the Pension Entitlements and Client Services Section.
- (2) The projections for the 2006-2007 biennium include the temporary posts (3 staff) currently available for the 2004-2005 biennium.
- (3) Given the physical restrictions in the Secretariat building, the Fund has been unable to make full use of general temporary assistance. With the move to One Dag Hammarskjöld Plaza, this limitation is lifted.
- (4) In 2005, a concerted effort will be made to reach a full complement of staff; maternity leave by several staff and a number of retirements, all in 2005, will dampen the effect, but in 2006 and 2007, the Fund is expected to be fully staffed, as reflected in the statistics above.

(c) Financial Services Section

38. The Financial Services Section provides comprehensive financial services for the Fund's operations through its Payments, Accounts and Cashier units. The increasing number of beneficiaries will affect all three units.

39. At the same time, as an essential part of developing a results-orientated organizational culture, the Fund will need to improve and enhance its financial accounting function. Currently, as part of the core operations of the Fund, the Financial Services Section is process driven. The accounting function is completed, to a large extent, as an adjunct of those processes. To ensure greater clarity and decrease the risk of exposing the Fund to a failure of internal control, the emphasis in the forthcoming biennium will be on improving and strengthening financial accounting as an activity in itself. To do so will require the review of processes and the strengthening of financial accounting and reporting as a core discipline.

40. Based on the valuable investment previously made in the Fund's accounting software, it is likely that some of the main tools required will already be available. The change in focus will be to modify how, and the culture within which, those tools are used. The emphasis will be on finding and retaining the services of suitably qualified professional staff and changing the structure of the Section. The development of performance measurement and monitoring tools through ongoing business analysis will contribute to the enhancement of the accounting function in its own right.

Table 14
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
D-1	—	—	—	—	—	—	—	—
P-5	1	1	—	—	—	—	1	1
P-4	3	3	—	—	—	—	3	3
P-3	3	5	—	—	—	—	3	5
P-2/1	1	1	—	—	—	—	1	1
Subtotal	8	10	—	—	—	—	8	10
General Service								
Principal level	2	2	—	—	—	—	2	2
Other level ^a	20	24	—	—	1	1	21	25
Subtotal	22	26	—	—	1	1	23	27
Total	30	36	—	—	1	1	31	37

^a One extrabudgetary post is funded by member organizations.

Table 15
Financial resource requirements
 (Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	4 331.1	4 966.5	641.6	12.9	5 608.1	553.2	2 053.8	4 107.5	6 161.3
General operating expenses	—	—	930.2	—	930.2	35.2	—	965.4	965.4
Total	4 331.1	4 966.5	1 571.8	31.6	6 538.3	588.4	2 053.8	5 072.9	7 126.7

Analysis of resource requirements (before recosting)

Posts	Cost estimate	Variance
	\$5 608.1	\$641.6 12.9%

41. The amount of \$5,608,100 provides for the salaries, common staff costs and staff assessment for 30 continuing posts and 6 new posts (2 P-3, 4 General Service (Other level)).

42. In the Financial Services Section, reinforcing staffing is a matter of priority given the critical importance of the financial accounting function and of the related financial activities. The Section is the focal point for the financial operations of the Fund and the financial accounting function is shared across the units within it. Requests are made for (a) reclassification of the post of the head of the Section, (b) creation of a business analyst post and (c) addition of staff in the three units (Cashier, Payments and Accounts). All three units of the Section perform key financial functions for the Fund in a rapidly changing banking environment that requires quick responses worldwide, attention to detail and in-depth technical knowledge. These units have operated with limited resources over the past years and have reached a point at which a risk of major disruptions in regard to payments and accounting is of serious concern to management.

(i) *Accounts Unit*

43. The primary tasks of the Accounts Unit are to: (a) update participants' contribution records upon receipt of year-end schedules from member organizations and produce annual and/or biennial financial statements of the Fund; (b) investigate and resolve contribution discrepancies in respect of participants and/or beneficiaries and member organizations; (c) monitor on a regular basis the Fund's operational bank accounts, complete accounting entries for bank transactions, and perform monthly bank reconciliations; and (d) calculate and inform participants of the amount to contribute for validation of prior non-contributory service and restoration of prior contributory service.

Major objectives and indicators of achievement

44. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1.** Update the accounting manual to ensure that all actions taken in the Unit, such as bank reconciliation, are fully documented.
- **Objective 2.** Significant reduction in the number of participant reconciliation exception cases.
- **Objective 3.** Closer monitoring of activity in bank accounts and automated reconciliation.
- **Objective 4.** Revision and restructuring of accounting function within the Financial Services Section and the United Nations Joint Staff Pension Fund.

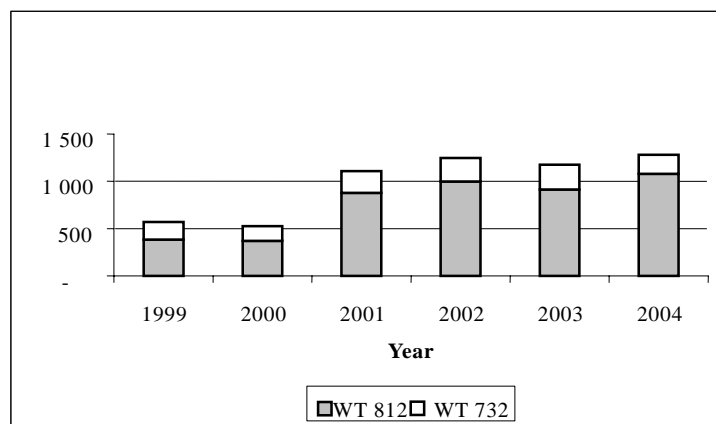
Posts

45. The current structure and organization of the financial accounting function has been the subject of numerous audit observations in respect of its appropriateness and the manner in which the responsibility for it is spread across the Financial Services Section and the Fund.

46. The resources of the Accounts Unit are devoted principally to contribution reporting, bank reconciliation and production of the financial statements; they are not concerned with the verification of accounting entries made by other units involved in the accounting process. As a consequence, in addition to the potential risk of inadequate segregation of duties, overall responsibility for controlling and maintaining the integrity of financial accounting records is not fixed explicitly with one unit.

47. Following the implementation of new banking arrangements, there is an even greater need for timely monitoring of activity and for daily reconciliation of operational bank accounts. This impacts upon the Fund's ability to reissue payments speedily when such payments cannot be completed. In cases in which periodic benefits are returned, this may mean significant hardship for a beneficiary because of the delay in clearing returned items.

Figure 10
Bank credit recorded



Abbreviations: WT 732, Notice that bank credit has been received; WT 812, Recording of credit item received on bank account by Accounts Unit, Financial Services Section.

a. Creation of one new post of Deputy Chief of the Accounts Unit (Accounting) (P-3)

48. It is proposed that the control functions relating to the processing of financial accounting records be regrouped within the Accounts Unit. Within the Accounts Unit, a new sub-unit would be created, with the new post of Deputy assigned responsibility for the review of the accounting entries to the Fund's accounting records. In addition, the incumbent would be responsible for reviewing the access profiles attributed to the various users of the Fund's accounting software and actual access to those records in order to ensure compliance with the roles ascribed. Responsibility for maintaining the accounting manual and the procedures of the Financial Services Section together with other units and in conjunction with the business analyst of the Financial Services Section as necessary, would also be ascribed to the Unit. The new post would be a focal point for use and development of the accounting software, in particular from the user side. As part of the realignment, the accounts receivable function would be transferred from the Payments Unit to the Accounts Unit and, at the same time, enhanced. A fully developed receivables function would create a clearly defined recovery process which would then be managed independently of the payment process. As a separate function, it would permit speedier and more systematic follow-up, which would allow the Fund to reduce the risk of not being able to recover funds. The new sub-unit would also take over responsibility for the monitoring and reconciliation of bank accounts and recording of banking transactions, on a daily basis. It would also be responsible for the monthly reconciliation of receivable and revenue accounts.

b. Creation of two posts of Accounting Assistant (General Service (Other level))

49. As mentioned, above, the accounts receivable function would be transferred from the Payments Unit to the Accounts Unit. The new sub-unit would also be responsible for bank reconciliation. As of 2004, only one staff member has been tasked with reconciliation efforts, including the setting up of accounting entries to record rejected or returned transactions. To ensure adequate coverage in this area, one existing post of Accounting Clerk would be transferred to the new sub-unit, together with the existing post of Senior Accounting Assistant responsible for reconciliation. To provide sufficient support to the new Professional post in regard to the existing and new additional functions, two General Service (Other level) posts would be required to ensure an adequate separation of functions.

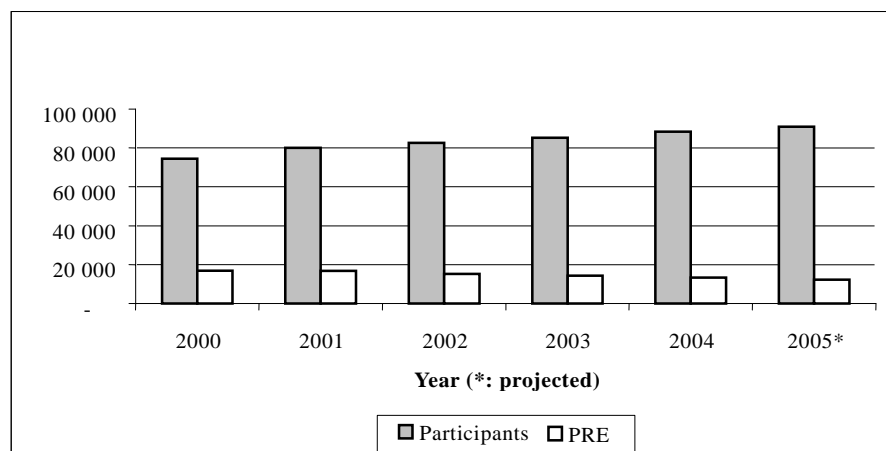
50. Although efforts to reduce their number continue, participant reconciliation exception cases have also been the subject of frequent audit observations owing to the volume of outstanding items and the inherent difficulties in making substantial progress towards an overall reduction. As of 2003, the number of outstanding cases was approximately 14,000, or 17 per cent of total participants. The Accounts Unit will be challenged to reduce the number of outstanding cases to any significant degree since new cases continue to arise as a consequence of the expanding membership of the Fund. To reduce the relative number of cases is vital before the volume of cases invalidates the overall integrity of the Fund's records. A target of reducing such cases to a level of 5 per cent of total participants by the end of the 2006-2007 biennium could be fixed, but achieving positive results will require additional staff time to handle the volume of cases already in hand. Currently, seven staff members spend approximately 50 per cent of their time clearing participant reconciliation exception cases. The clearing rate is between 2,000 and 3,000 cases

per year. At that rate, it will take an unreasonable amount of time to clear the backlog.

51. With additional resources in support of the new Professional staff member responsible for the control of the financial accounting function (i.e., the additional two General Service staff requested above), the Unit would be able to use the resources currently used for other activities to accelerate the clearing of cases and help resolve other contribution reconciliation problems.

Figure 11

Participants and participant reconciliation exceptions



Abbreviation: PRE, participant reconciliation exceptions.

(ii) *Payments Unit*

52. The primary tasks of the Payments Unit are: (a) maintenance of payroll and accounts payable/receivable; (b) making miscellaneous and daily payments; (c) calculation and application of cost-of-living and other adjustments; and (d) processing and maintenance of after-service health insurance records.

53. The Unit's major challenges are:

(a) Increasing number of periodic benefit payments made per annum (annual average increase of 2.8 per cent) over the past five years. As at 31 December 2004, the total number of periodic benefits is 53,879 (see fig. 12);

(b) Increasing number of periodic benefits paid under the two-track pension adjustment system. As at 31 December 2004, the number of benefits paid under the two-track system was equal to 13,830, which represents an average increase of 2.17 per cent per annum over the past five years. Over that period, an average of 26 per cent of all periodic benefits has been paid under the two-track pension adjustment system;

(c) Increasing complexity of issues as regards methodology of cost-of-living application in two-track benefits payable in countries in which there is high inflation, there are no cost-of-living data available, there is negative cost-of-living adjustment;

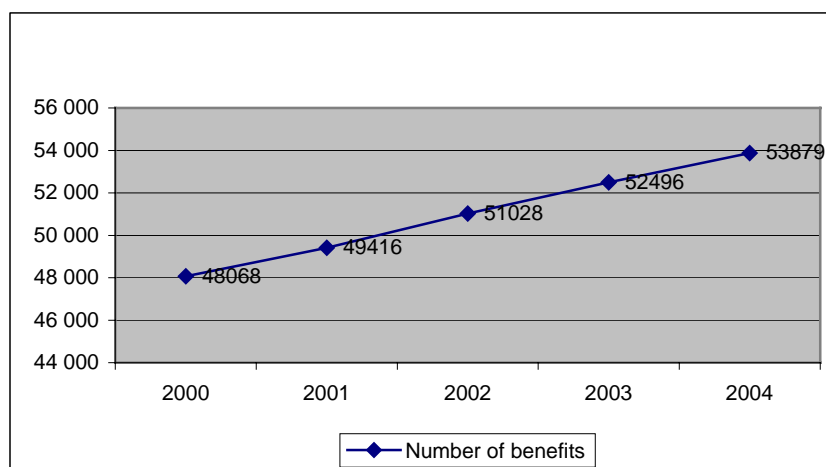
(d) Increasing complexity of payroll history records, arising from the implementation of decisions of the United Nations Joint Staff Pension Board on changes to the rules and regulations of the Fund with respect to existing and future retirement benefits (i.e., introduction under the two-track system of an 80 per cent minimum guarantee of the adjusted United States dollar track entitlement and 0.5 per cent relief of the 1.5 per cent previously applied cost-of-living deductions in periodic benefits paid by the Fund);

(e) Use of Web-based communications to provide payroll and payment information to retirees;

(f) Enhancing the processing of after-service health insurance subsequent to the review of insurance issues, to be completed in 2005.

Figure 12

Total number of benefits



Posts

a. Creation of one post of Finance Officer (P-3)

54. Creating a new P-3 post in the cost-of-living/miscellaneous payments group would bring in and enhance much-needed expertise as regards maintenance of the cost-of-living database, its application and methodology and other adjustments required to be applied to the payroll history records. The risk of not doing so would be the inability to deal with the increasing complexity of issues as regards methodology of the cost-of-living application in two-track benefits payable in countries in which there is high inflation, there are no cost-of-living data available or there is negative cost of living.

55. Simultaneously, the P-2 post currently assigned to the Payments Unit would be laterally transferred to the other sub-unit in charge of managing the benefit payroll, where the workload has been significantly increased owing to the steady increases in the number of periodic benefit payments made and the growing complexity of payroll history records arising from the changes made to the rules and regulations of the Fund over time.

56. The proposed transfer of the accounts receivable function to a new sub-unit within the Accounts Unit would offer some relief in the workload of the Unit.

- b. Continuation of one extrabudgetary General Service post for after-service health insurance

57. During its 2003 session, the Standing Committee reviewed a note on the after-service health insurance premium deduction programme undertaken by the Pension Fund. As a consequence, extrabudgetary resources were approved, funded by participating member organizations and at no cost to the Fund, in the sum of \$642,400 (after recosting). This funding provided for a study to be commissioned to evaluate the potential for process change and automated enhancements (\$514,200) and for one General Service post (\$128,200).

58. No further resources are required for the study, although there is a requirement to continue the General Service post for the 2006-2007 biennium. Provision is made for \$126,200 (before recosting) for one General Service post to be funded by member organizations participating in the after-service health insurance programme.

(iii) *Cashier Unit*

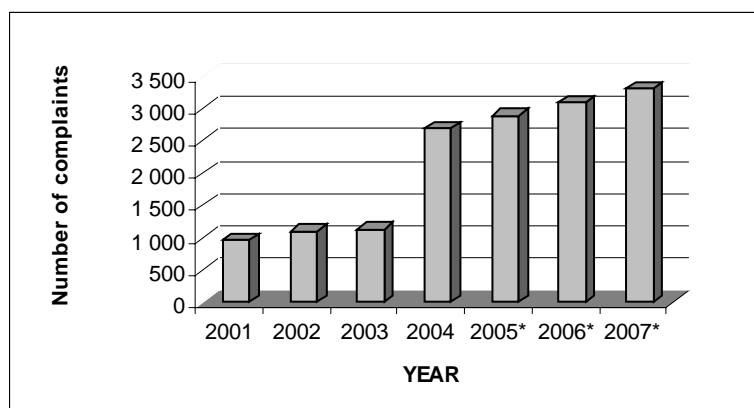
59. The Cashier Unit is responsible for: (a) issuing one-time and periodic payments to pension beneficiaries and for administrative expenses; (b) directing and controlling operational treasury activities, cash flow and cash management; and (c) maintaining bank accounts and overseeing the Fund's operational banking relationships.

Major objectives and indicators of achievement

60. The following objectives are to be met during the 2006-2007 biennium:

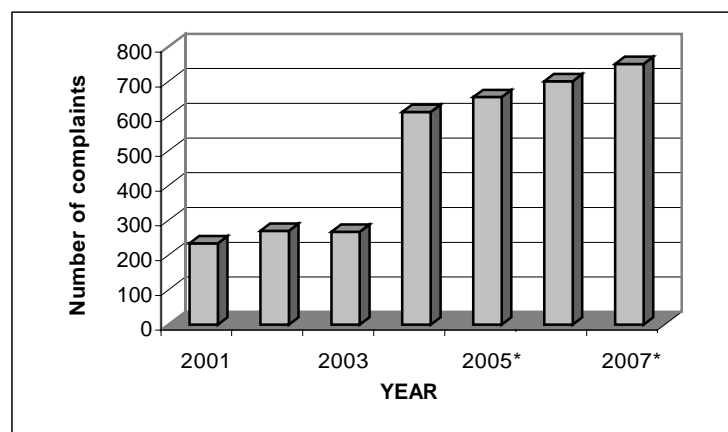
- **Objective 1.** Implementation of the Cashier Unit's treasury activities.
- **Objective 2.** Streamline global payment execution activities. The Unit is now processing all benefit and vendor payments.
- **Objective 3.** Update the Unit's operational, cash management/treasury and internal control procedures.
- **Objective 4.** Liaise with the Fund's Geneva Office on similar issues with a view to setting up, training staff in and testing back-up system procedures so as to ensure uninterrupted cashiering service to beneficiaries.

Figure 13
Non-receipt/delay in receipt of benefits



* Projected.

Figure 14
Bank charges



* Projected.

Posts

Creation of two posts of Treasury Assistant (General Service (Other level))

61. Although there are at present some 54,000 periodic benefits being paid compared to 27,000 in 1987, staff levels have not increased over those 17 years. An additional level of staffing for the Cashier Unit was strongly recommended by the consulting group which conducted the whole-office review for the Fund in 2002.

62. Although new systems have streamlined routines and the reconciliation of payments through one bank has helped, the volume of payments currently being made dictates a need for additional resources. It is a given that a proportion of payments will fail or be rejected. Where a payment fails, the systems in place, by

definition, have not been able to complete the payment on the basis of the data provided and therefore further intervention or information is required. For obvious reasons of security, this usually has to be provided by or through the personnel in the Cashier Unit.

63. A large proportion of the complaints received by the Fund relate to the non-receipt of funds. Despite the best efforts of staff, the response time of 50 and 47 days for responding to complaints of non-receipt or delay in receipt of benefits and bank charges, respectively, is well below the benchmark level of 15 days established by the Fund's management. However, that failure aside, the Fund should be using all efforts to make the payment to which there is an entitlement so that beneficiaries do not suffer hardship. At any given point, it must be recognized that it will only be possible to meet the benchmark and help beneficiaries to receive the funds to which they are entitled, if sufficient staff resources are available to deal with the workload.

64. There is a need to create conditions in which staff can be trained in new banking software, products and services, both internal and external. Payment processes are increasingly complex and banks in general are pushing more and more responsibility on to their clients as regards the quality of the data required to process payments. The need to develop staff and train them in the use of new products is hampered when any such effort is regarded as an opportunity cost in terms of daily operations. Further resources are required to allow staff the time to undertake on-the-job training in order to improve performance levels without the normal work of the Unit coming to a stop. In a small unit such as the Cashier Unit, any staff member taken off day-to-day work has a significant impact on performance. Currently, staff members are not being adequately cross-trained within the Unit and are not able to take advantage of potential improvements in treasury products and services owing to a shortage of resources and pressure of work.

65. Currently, detailed analyses are not being undertaken of payment repair charges. Such detailed and proactive analyses of bank charges and provision of a repair reduction service will require the equivalent of a full-time staff member dedicated to the task. With the global account structure, and expanded banking products and services, bank charges need to be closely monitored. At the Fund, only the staff of the Cashier Unit possess such expertise. However, the Unit is at present unable to commit the necessary resources for such measures and is at risk of incurring unwarranted charges.

66. The Cashier Unit has begun to undertake new treasury-related functions following the implementation of the new banking contract in mid-2004. The Unit has been tasked with receiving and managing contributions from member organizations and actively managing cash flow in addition to its existing cashiering functions. In addition to generating routine reports for funding, investment decisions, currency trading, payment investigations and facilitating accounts reconciliation, further high-level reporting is being requested by management. Current resources are inadequate for the generation of non-routine reports. Overtime is constantly being required to deal with a backlog of cases. Given the magnitude of the payments executed and the existing level of resources, either cashiering services to beneficiaries will further suffer or the higher level of review and policy will be incomplete.

67. The details of the two posts requested are as follows:

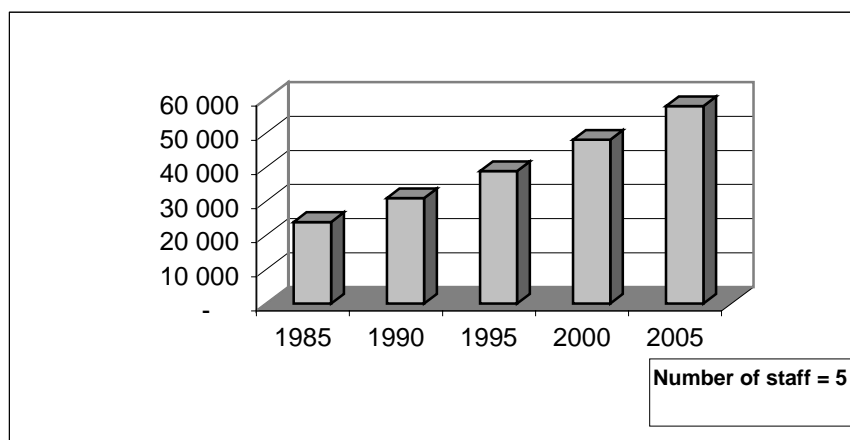
(a) One General Service (Other level) post will be tasked with handling queries related to non-receipt and delays in receipt of payments and bank charges. As noted above, such queries are currently addressed in a reactive manner only and are not addressed within the set benchmark. An additional post will enable the Unit to respond and act on these queries in a timely fashion. Payments fail upon execution owing to faulty, incorrect or incomplete payment instructions. On these occasions, a proactive approach is needed to recover and reissue the payments. The incumbent will research and resolve complaints from beneficiaries and ensure that they are addressed and acted upon within the mandated deadline;

(b) The second General Service (Other level) post will support the Professional staff in the new and evolving functions related to treasury activities. The incumbent will be tasked with day-to-day reporting, with particular emphasis on prior- and intra-day balances and transactions, cash flow monitoring and currency purchases for daily and payroll payments. The incumbent will also be tasked with monitoring bank charges on various accounts and the timely posting of funds transferred.

68. The major risks in not performing the above functions will be continued delay on the part of the Unit in addressing complaints by beneficiaries, increased cost to the Fund and failure to achieve optimal efficiency as regards cashiering and treasury operations. The additional resources described above will be necessary to minimize such risks. Figures 15 to 17 below show the increased trend in the number of periodic payments processed with no increase in staff, and the increased trend in the average time taken to respond to complaints concerning the non-receipt of payments, or delays in receipt, and bank charges.

Figure 15

Number of periodic benefit payments made and number of staff involved, 1985 to 2005



Notes

- (1) Figure for 2005 is projected. For 2004, payments equalled 54,000.
- (2) The number of staff in the Unit has remained the same for over 20 years.

Figure 16
Number of days taken to respond to complaints concerning non-receipt/delays in receipt of payments, 2001-2004

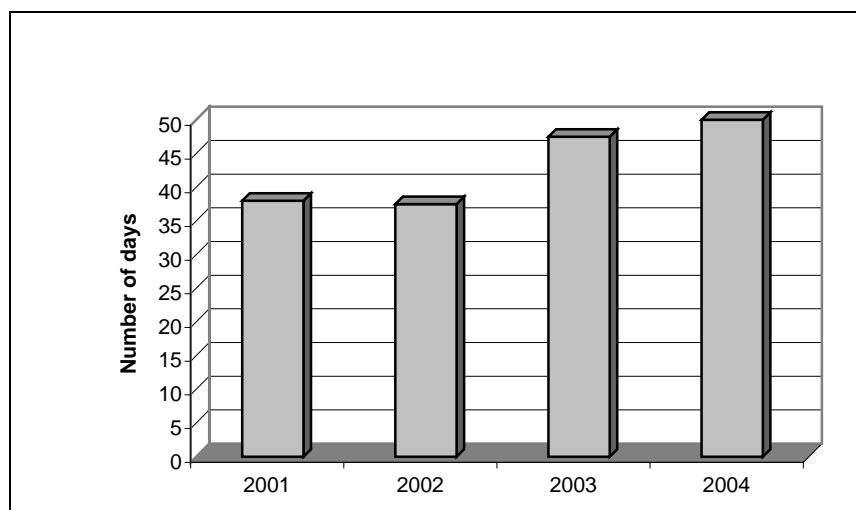
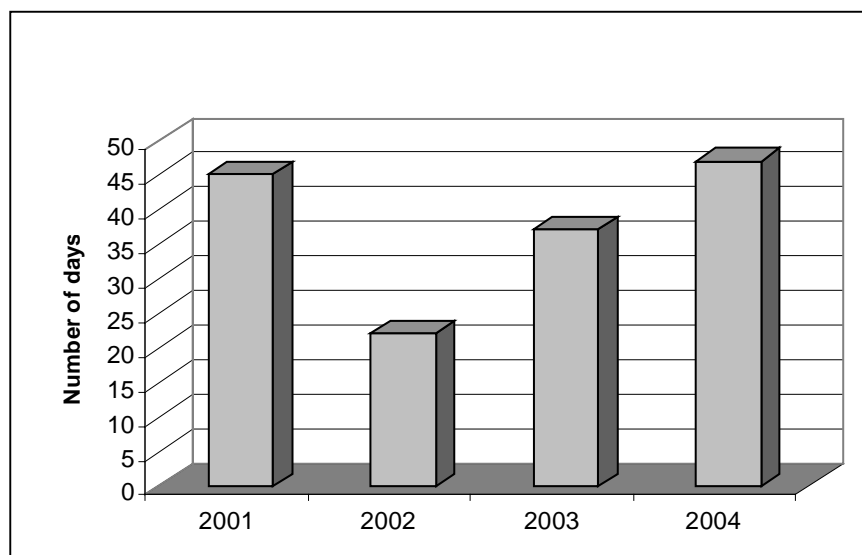


Figure 17
Number of days taken to respond to complaints concerning bank charges, 2001-2004



	<i>Cost estimate</i>	<i>Variance</i>	
General operating expenses	\$930.2	\$930.2	—

69. An amount of \$1,461,500 for bank charges was provided in the 2004-2005 biennium under office of the Chief of Operations. In previous bienniums, bank charges were shown as a net amount after the interest income had been offset against the charges under Investment Management Service. Beginning in the 2004-2005 biennium, the Fund discontinued this practice and this has had an impact on the budget line for bank charges. Based on current volumes, resources amounting to \$2,000,000 are requested for the 2006-2007 biennium. This will be offset by estimated bank interest for the same period of \$1,069,800.

(d) Geneva Office

70. The mission and main objectives assigned to the Fund's Geneva Office through the gradual enhancement of its role and responsibility as decided by the Board are to assume, in the best conditions of security, performance, accountability and compliance with regulations and best practices, (a) the administration of participation and determination and payment of deriving benefit entitlements and (b) the securing of daily servicing with a view to ensuring timely and quality receipt of monthly and other benefits. This targets the two fundamental clients of the Fund, the participants and beneficiaries, and extends to member organizations, offices and beneficiaries located in the region placed under the responsibility of the Geneva Office (i.e., Europe, Middle East and Africa). The mandate of the Office is:

(a) To administer the participation processes from entry to separation and to process and put in payment the deriving separation benefits, subsequent recalculation and revisions, and emergency Fund assistance to beneficiaries in Europe, the Middle East and Africa. The scope of these responsibilities covers all participants in 17 member organizations¹ and at 10 United Nations offices.² At the end of 2004, there were some 38,600 such participants, or about 37 per cent of total participants in the Fund;

(b) To service beneficiaries with a view towards the timely and quality receipt of their monthly and/or one-time benefit and to provide other services to the beneficiaries throughout the life of the pension. The scope of these responsibilities covers beneficiaries residing in Europe, the Middle East and Africa, taking here also, as targeted by the Board, full advantage of proximity (same time zone), language commonality and regional knowledge.

Table 16
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
D-1	1	1	—	—	—	—	1	1
P-5	1	1	—	—	—	—	1	1
P-4	1	2	—	—	—	—	1	2
P-3	3	3	—	—	—	—	3	3
P-2/1	—	—	—	—	—	—	—	—
Subtotal	6	7	—	—	—	—	6	7
General Service								
Principal level	—	—	—	—	—	—	—	—
Other level	16	18	—	—	—	—	16	18
Subtotal	16	18	—	—	—	—	16	18
Total	22	25	—	—	—	—	22	25

Table 17
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	4 264.9	3 869.9	501.0	12.9	4 370.9	1 204.6	1 858.5	3 717.0	5 575.5
Other staff costs	53.8	53.7	15.8	29.4	69.5	19.2	29.5	59.2	88.7
Travel	18.5	25.0	—	—	25.0	6.9	—	31.9	31.9
General operating expenses	196.9	323.1	116.0	35.9	439.1	121.1	186.7	373.5	560.2
Supplies and materials	63.6	60.0	—	—	60.0	16.5	25.5	51.0	76.5
Furniture and equipment	—	80.0	3.1	3.9	83.1	22.9	35.3	70.7	106.0
Total	4 597.7	4 411.7	635.9	14.4	5 047.6	1 391.2	2 135.5	4 303.3	6 438.8

(i) *Office of the Chief of the Geneva Office*

71. The office comprises the Chief of the Geneva Office (D-1) and one General Service (Other level) post. The office of the Chief performs the policy and support activities for the efficient functioning of the Geneva Office so as to secure the production and operational activities related to its mandate and objectives. These activities are of a policy nature (i.e., enforcing pension and financial rules and regulations; communications; quality security; sustainable development policies) and of a support nature (i.e., administrative backstopping).

72. These activities of the office are internal (i.e., within the Fund's Geneva Office), external (e.g., carried out with the host organization, the United Nations Office in Geneva, and the host country, through the Swiss Mission) and relate to participants, beneficiaries, member organizations and their staff pension committees.

(ii) *Participation, Entitlements and Contributions Section*

73. The Participation, Entitlements and Contributions Section comprises 13 posts: 3 Professional and 10 General Service (Other level).

74. The Section carries out ongoing administrative management and substantive monitoring functions. The Section's substantive activities comprise the analytical, administrative and calculation processes required for the performance of the itemized functions listed below. The Chief of the Section, the Fund's process owner for benefit calculations, analyses and recommends streamlining of existing processes for benefit determination, and participates in information technology and other project developments.

Major objectives and indicators of achievement

75. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1: enhance participation processing system.** Pursue the automation of participation record processing of United Nations entities through implementation of the Integrated Management Information System (IMIS) interface and through rewriting, testing and running a modern e-status reporting device for entries, changes and breaks in service. Gradually implement the IMIS interface for offices away from Geneva, depending on telecommunication access, and e-status reporting for other member organizations, depending on their information technology and the interaction of the secretariat of their staff pension committee with projects.
- **Objective 2: enhance benefit processing system.** Continue the automation of the benefit processing system under recalculation and revision processes which involve complex situations, such as survivors' benefits with current and former spouse, children and orphan benefits and intricate two-track entitlements.
- **Objective 3: promote client-service orientation.** Secure the training of staff with a view to the development of skills and mastering of new regulations, and install a teamwork culture and creative thinking. This will be achieved by organizing quarterly meetings and ad hoc round-table meetings in response to events.
- **Objective 4: issue procedures for streamlining work methods.**
- **Objective 5: report in reference to benefit processing on an annual basis to agencies by the end of the first annual quarter.**
- **Objective 6: provide training to new staff of the Staff Pension Committee secretariat.**
- **Objective 7: provide training to agencies and offices in the field.** Organize workshops for finance and human resource staff in agencies and United

Nations offices in both Geneva and the regions covered from Geneva (Europe, Middle East and Africa).

(iii) *Finance and Information Systems Section*

76. The Finance and Information Systems Section comprises 7 posts: 2 Professional and 5 General Service (Other level).

77. Activities performed in the Section comprise the analytical, financial and banking processes required for the servicing of beneficiaries. The Section is also responsible for the information technology processes required for the proper functioning of the Fund's Geneva Office. The Section provides records management and telephone caller and visitor services for the Geneva Office.

Major objectives and indicators of achievement

78. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1: promote client-service orientation.** Secure the training of staff with a view to the development of skills and mastering of new regulations, and install a teamwork culture and creative thinking.
- **Objective 2: issue procedures streamlining work methods (five or six new issues or revisions per year).** Carry out an ongoing review of existing processes to strengthen financial control and the processes of other sections.
- **Objective 3: enforce proactive client servicing.** Organize a semi-annual round-table meeting for the Association of Former International Civil Servants — Geneva and the secretariats of staff pension committees on topics specific to pensioners. Anticipate changing events in the international payment process and target mass communication (e.g., in regard to new banking requirement standards).
- **Objective 4: provide telephone and visitor services.** Streamline the reporting device with a view to better identification of clients' needs.
- **Objective 5: secure business continuity processes.** Pursue active interaction with the New York office on information technology and substantive matters of concern to pensioners so as to secure the availability, periodic testing and operational running capacity of the business continuity for the key functions of the Fund that have been identified as requiring immediate production capacity from Geneva in case of a breakdown of operational capacity at the New York office. Execute from Geneva the processes called for when business continuity is prompted.

Analysis of resource requirements (before recosting)

	<i>Cost estimate</i>	<i>Variance</i>	
Posts	\$4 370.9	\$501.0	12.9%

79. The amount of \$4,370,900 provides for the salaries, common staff costs and staff assessment for 22 continuing posts, plus three new posts (1 P-4, 2 General Service (Other level)).

80. Through the successive phases of the enhancement of the role of the Geneva Office, the scope of responsibility and workload assigned to the Participation, Entitlements and Contributions Section has been extended to the full range of benefit types processed by the Fund. Throughout the enhancement period, the volume of activity increased by (a) 382 per cent in terms of the number of participants administered and (b) 262 per cent in terms of the number of benefits cases processed. During the same period (1997-2004), staff resources of the Section increased from 5 to 13 posts, or 160 per cent. Aggressive and streamlined client-oriented staffing and resource management enforced in the Section throughout the years enabled the Geneva Office, up to 2003, to meet the commitment undertaken in 1996 to process all benefits within 15 days of the receipt of separation documents. However, the increasing gap between the evolution of the workload volume, coupled with the complexity of the added responsibilities (survivors' and two-track benefits) and the more modest evolution of staff resources, has resulted in a dramatic deterioration in the time taken to process new pension benefits.

Posts

a. Creation of one post of Benefits Officer (P-4)

81. One new P-4 post is required for the Participation, Entitlements and Contributions Section to ensure the availability of management skills and analytical competencies required to administer the complexity of the new responsibilities assigned to the Section, particularly in relation to survivors' and former spouses' benefits, and to handle the increased volume of benefits paid. This new post was recommended by the Standing Committee in 2003 but was not approved by the Advisory Committee on Administrative and Budgetary Questions and hence not approved by the General Assembly. The Fund has been advised that the functions defined for this position meet the requirements for classification at the P-4 level.

Table 18

Evolution of the Participation, Entitlements and Contributions Section

A. Number of benefits processed

	1997	1998	1999	2000	2001	2002	2003	2004
300-series: new benefits	1 082	1 048	1 623	1 739	1 958	2 719	2 824	3 352
400-series: benefit revisions	10	8	82	87	50	144	280	131
500-series: benefit recalculations	1	5	9	83	131	188	266	474
Total	1 093	1 061	1 714	1 909	2 139	3 051	3 870	3 957
Index evolution	100	97.1	156.8	174.7	195.7	279.1	308.3	362

B. Delays in payment of benefits (in calendar days)

	1997	1998	1999	2000	2001	2002	2003	2004
Number of days	6	6	6	9	8	8	8	14 ^a

^a 2004 average, 14 days; October, 29 days; November, 25 days; and December, 19 days.

C. Number of participants administered

	1997	1998	1999	2000	2001	2002	2003	2004
Number of participants	8 007	8 007	8 007	26 647	27 747	31 808	35 806	38 600
Index evolution	100	100	100	333	333	397	447	482

D. Staffing table

	<i>Biennium</i>				
	1996-1997	1998-1999	2000-2001	2002-2003	2004-2005
Posts	5	5	10	13	13
Index evolution	100	100	200	260	260

b. Creation of two posts of Benefit Assistant (General Service (Other level))

82. Two new General Service (Other level) posts are requested for the Participation, Entitlements and Contributions Section to enable the Geneva Office to address the ongoing increases in its workload. This confirms a request already made in 2003. Two years later, the increased workload and deteriorated performance, despite efforts by management to streamline processes and to increase productivity, confirm the need to add staff to the benefit-processing units.

Table 19

Number of survivors' (work type 540) and two-track (work type 524) cases treated

<i>Type of benefit</i>	1998	1999	2000	2001	2002	2003	2004	January 2005	February 2005	March 2005	April 2005	January- April 2005
Survivors' benefits	1	2	70	112	135	166	303	50	35	32	46	163
Two-track implementation	2	4	8	0	3	36	105	29	31	40	32	132

	<i>Cost estimate</i>	<i>Variance</i>
Other staff costs	\$69.5	\$15.8 29.4%

83. A provision of 7.5 staff-months of general temporary assistance (\$53,700) is requested to cope with unforeseen needs and peak workload periods (e.g., a sudden load of benefit cases upon the closure of programmes or offices, such as those of the Office of the United Nations High Commissioner for Refugees, a retroactive revision of salary scales, the announcement of new banking standards, peak periods in scanning and in visitor and telephone inquiries, such as when the certificate of entitlement is sent to all beneficiaries etc.) and to secure continuation of service during absences of staff on maternity or sick leave. In addition, a provision of \$15,800 is made for overtime.

	<i>Cost estimate</i>	<i>Variance</i>	
Travel	\$25.0	—	—

84. No increase is requested over the provision for travel approved for the biennium 2004-2005. The provision of \$25,000 is to meet the increasing requests received from offices, primarily in Africa and the Middle East, to provide staff information and local training by means of workshops and seminars (pre-retirement and participation) and to offer on-site service to participants, beneficiaries and chapters of the Federation of Associations of Former International Civil Servants.

	<i>Cost estimate</i>	<i>Variance</i>	
General operating expenses	\$439.1	\$116.0	35.9%

85. Similar to the biennium 2004-2005, the office space made available by the United Nations Office at Geneva to the Pension Fund for its Geneva Office amounts to 382.3 square metre; current charges are \$1.50 per square metre. On this basis, the total cost of office space would amount to \$418,618. The increase in rental charges over those for the 2004-2005 biennium is due to the increase in the charge per square metre, from \$1.00 to \$1.50.

86. No increase is requested in the provision of \$20,500 provided for the biennium 2004-2005 for the maintenance of data-processing and office equipment.

	<i>Cost estimate</i>	<i>Variance</i>	
Supplies and materials	\$60.0	—	—

87. No increase is requested in the provision of \$60,000 for the cost of expendable supplies and materials.

	<i>Cost estimate</i>	<i>Variance</i>	
Furniture and equipment	\$83.1	\$3.1	3.9%

88. A small increase is requested in the provision of \$83,100 for the acquisition of data-processing and office equipment.

3. Information Management Systems Service

89. The Information Management Systems Service is responsible for all information and communication technology (ICT) related to the Fund, including information systems, computer operations and database administration. The Information Systems Unit undertakes the analysis, design, programming and implementation of automated applications; maintains and updates systems as required and as technology advances; establishes and maintains the data security system; processes information through communication links between the Fund and its member organizations; and solves the technical or substantive problems that arise. The Information Technology Operations Unit coordinates and monitors the performance, security and integrity of the Fund's complex integrated systems; keeps

abreast of technological advances, advises on the purchase or upgrading of equipment and negotiates the necessary acquisitions; evaluates and makes recommendations on new technologies; develops and carries out training programmes for technical and operational staff in the use of hardware and software; operates a help desk; performs ongoing maintenance functions; and provides backup and recovery functions. The database administration function maintains and monitors the Fund's databases, which reside on the numerous computing platforms that contain the data for all participants and beneficiaries. All activities related to website design, development, maintenance and content management are shared among the units of the Service.

90. The major challenges for the biennium 2006-2007 relate primarily to enhancing existing systems, completing the development of new applications, upgrading hardware and software and providing the necessary system support for the Geneva Office. As indicated in the strategic plan of the Service for 2005-2007, the ICT strategy in the coming years will focus on knowledge retention and sharing, communications, risk management, internal control, quality management, sustainable development and studying the merits of implementing an enterprise resource planning system to maximize efficiency and improve overall performance.

91. Specific projects for the 2006-2007 biennium include the implementation of a storage area network, relocation of the Fund's data centre, establishment of an interface for the sharing of financial information with all member organizations, expansion of the Fund's website offerings to include participant and beneficiary profiles, stabilizing the Fund's legacy systems, creating a new multi-language correspondence system, establishing a new disability monitoring system, upgrading the Lawson accounting system installed in 1999, studying options for the deployment of an enterprise resource planning system and migrating to a new version of the knowledge management system, using portals to provide staff with a customized view of explicit institutional information and knowledge for decision-making purposes.

92. Funding is requested to support the following general projects of the Information Management Systems Service:

- (a) Maintenance of the information and communication technology infrastructure by including completed re-engineering projects implemented in the 2004-2005 biennium;
- (b) Study and assessment of the dimensions of the cost and effort required to migrate to an enterprise resource planning system;
- (c) Relocation of all computing operations to the new data centre at One Dag Hammarskjöld Plaza and installation of state-of-the-art equipment and software systems at the new facility;
- (d) Development of the new systems requested by business units;
- (e) Upgrading of outdated systems and technology.

Table 20
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
D-1	1	1	—	—	—	—	1	1
P-5	—	2	—	—	—	—	—	2
P-4	3	5	3	—	—	—	6	5
P-3	9	10	1	—	—	—	10	10
P-2/1	—	—	—	—	—	—	—	—
Subtotal	13	18	4	—	—	—	17	18
General Service								
Principal level	1	1	—	—	—	—	1	1
Other level	3	5	2	—	—	—	5	5
Subtotal	4	6	2	—	—	—	6	6
Total	17	24	6	—	—	—	23	24

Table 21
Financial resource requirements
(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	3 400.3	5 195.8	256.8	4.9	5 452.6	673.4	2 042.0	4 084.0	6 126.0
Other staff costs	321.0	390.8	(185.8)	(47.5)	205.0	7.7	—	212.7	212.7
Travel	—	72.0	(18.0)	(25.0)	54.0	2.0	—	56.0	56.0
Contractual services	7 414.9	10 381.3	1 493.6	14.4	11 874.9	448.8	2 708.9	9 614.8	12 323.7
General operating expenses	1 648.2	150.0	307.8	205.2	457.8	17.4	71.9	403.3	475.2
Supplies and materials	139.9	270.0	(165.0)	(61.1)	105.0	4.0	32.9	76.1	109.0
Furniture and equipment	2 447.3	3 949.1	64.1	(1.6)	3 885.0	146.9	781.8	3 250.0	4 031.9
Total	15 371.6	20 409.0	1 625.3	8.0	22 034.3	1 300.2	5 637.5	17 696.9	23 334.5

(a) Information Systems Unit**Major objectives and indicators of achievement**

93. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1: project delivery.** Support each business unit in defining project requirements. Deliver projects on time and within budget.
- **Objective 2: application system performance.** Ensure that systems are developed using the Fund's systems development methodology and are monitored by service-level agreements, a service contract with users.
- **Objective 3: application system productivity realization.** Work with users to assess business needs and to solve business problems by technical means.

94. Funding is requested to:

- (a) Maintain systems that enhance productivity, by incorporating those that reduce the manual processing of benefits, enhance participant and beneficiary processing and relate to the new banking and accounting system interfaces;
- (b) Maintain systems recently completed as part of the re-engineering effort by including the Web enablement, data collection and data warehousing systems;
- (c) Complete new projects, including legacy system stabilization, the Lawson accounting system upgrade, the correspondence system and the disability monitoring system.

(b) Information Technology Operations Unit**Major objectives and indicators of achievement**

95. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1: support system and business activities requiring technology and automation.** The Fund's service-level agreement will be used as the basis for reporting performance. Metrics for response time, system availability and network performance will be tracked.
- **Objective 2: develop, implement and monitor the Fund's technology infrastructure.**
- **Objective 3: maintain systems associated with the re-engineering projects by incorporating knowledge management and workflow.** Support each business unit in defining requirements and implementing solutions using established project management and systems development methodologies.
- **Objective 4: follow ISO 17799 guidelines to support the security system for data protection and business continuity.**

96. Funding is requested to:

- (a) Maintain and support the information technology infrastructure and operating environment of the Information Management Systems Service, including new technology deployed as a result of the re-engineering projects, namely, knowledge management, workflow upgrade, ethernet migration, security systems, Web enablement, data warehouse and data collection initiatives;

- (b) Enhance the consolidated website and supporting infrastructure;
- (c) Transport computing operations to the new data centre at One Dag Hammarskjöld and install a state-of-the-art infrastructure, including a new storage area network;
- (d) Upgrade the knowledge management system to accommodate customized portals and enhanced search functionality.

Analysis of resource requirements (before recosting)

	<i>Cost estimate</i>	<i>Variance</i>	
Posts	\$5 452.6	\$256.8	4.9%

97. The amount of \$5,452,600 provides for the salaries, common staff costs and staff assessment for 23 continuing posts, one additional post at the P-4 level and the reclassification of two posts (P-4 to P-5).

Posts

- a. Reclassification of two posts of Senior Information Management Officer

98. The reclassification of the two posts of Senior Information Management Officer from P-4 to P-5 is requested. This recommendation is made in recognition of the increased responsibilities assigned to the Chief of the Information Systems Unit and the Chief of the Information Technology Operations Unit.

99. The Information Systems Unit has recently completed all tasks associated with the Fund's ICT re-engineering effort and now manages all global systems, which provide support to over 140,000 participants and beneficiaries in over 190 countries. Budget responsibilities have increased from approximately \$1 million in the 1992-1993 biennium, when the post was last reclassified, to over \$8 million currently. The post is now responsible for the supervision of seven professionals and approximately five consultants. As the Fund has grown over the years, the Information Management Systems Service has been called upon to align business needs with technological solutions, in an operating environment that is complex and unique. The Chief of the Information Systems Unit supports the computer application systems that service the Fund's operations in the areas of financial services, client services, participation and separations, and also supports certain projects in the Investment Management Service. The Pension Fund, as with most large financial institutions, relies on its computer systems to deliver accurate, timely and cost-effective services to its participants and beneficiaries. With the steady growth in the number of participants and beneficiaries, the Chief of the Unit has the added responsibility of providing information over the Internet. The Chief of the Unit aligns business requirements with technical solutions, while considering changes in the Pension Fund's regulations and rules, which are now considered unequalled in their complexity, compared to other pension funds and similar financial institutions. In July 2003, during its consideration of the budget proposals for the biennium 2004-2005, the working group formed by the Standing Committee to review the budget proposals concluded that this reclassification, which had been proposed by management, would be looked upon favourably in the biennium 2006-2007.

100. The Information Technology Operations Unit has completed all tasks associated with the Fund's ICT re-engineering effort and is now responsible for the new computing infrastructure supporting member organizations, participants and beneficiaries. Budget responsibilities have increased, from under \$1 million in the 1992-1993 biennium when the post was last reclassified to over \$12 million in the 2004-2005 biennium. The number of staff supervised has also increased from one to seven, with approximately six consultants contracted. The Chief of the Unit plays a pivotal role in the introduction of technology that improves productivity and enhances security. The Fund's new independent data centre and expanded network provides links to all United Nations organizations and specialized agencies. The Information Technology Operations Unit has also established enhanced disaster recovery services and absorbed an increased workload in procurement and training activities. In July 2003, during its consideration of the budget proposals for the biennium 2004-2005, the working group formed by the Standing Committee to review the budget proposals concluded that the reclassification of this post, which had been proposed by management, would be looked upon favourably for the biennium 2006-2007.

b. Creation of one post of Security Officer (P-4)

101. The Security Officer function is currently performed at the P-4 level by the Information Technology Officer and, as a result of the Fund's expanded usage of distributed systems and the Internet, ICT security oversight has become a major factor of internal control, requiring a dedicated resource. The Security Officer will oversee and be accountable for monitoring the Fund's compliance with its security policy and standards and will report incidents to senior management as they arise. The Security Officer will also be responsible for ensuring that all technology meets rigid security standards before deployment.

c. Conversion of temporary posts to established posts

102. The conversion of a General Service (Other level) post is requested for the Information Technology Unit for the performance of production control functions. Hardware and software changes must be coordinated and implemented regularly and consistently in the Fund's dynamic and integrated technology environment. The incumbent of this post also provides help desk assistance, and reports to the Computer Information Systems Officer.

103. The conversion of a General Service (Other level) post is requested for the Information Management Systems Service for the performance of the functions of Computer Assistant. This post provides support for the Information Technology Operations Unit and Information Systems Unit, which will see additional administrative activity as a result of the recently completed re-engineering project.

104. The conversion of a Professional post at the P-3 level is requested for the Information Management Systems Service for the performance of the functions of Contracts Officer. As the Fund continues to rely on contractors to perform critical functions, especially those performing maintenance activities related to completed re-engineering projects, the administration of contracts becomes a time-consuming activity, with significant financial impact. The Contracts Officer will ensure that consultants and vendors are satisfying the terms of their contracts, including the on-time delivery of goods and services, and will also centrally manage the

development, distribution and evaluation of requests for proposals. Invoice review and inventory tracking represent other important tasks to be performed by the incumbent of this post.

105. The conversion of a Professional post at the P-4 level is requested for the Information Technology Unit for the performance of the functions of Technology Officer. The incumbent will be responsible for identifying technologies for use in the Fund's operation as they relate to the overall systems environment. In-depth reviews will be undertaken, followed by the development of recommendations to senior management. The Fund operates a global network which reaches clients in over 190 countries and uses a multiplatform computing environment with a large Web presence. New technologies associated with global networking and enterprise resource planning systems will be evaluated in the 2006-2007 biennium and beyond by the Technology Officer.

106. The conversion of two Professional posts at the P-4 level for the Information Systems Unit is requested for purposes of forming the project management team. Each ICT Project Manager is responsible for providing support for all projects that affect their assigned systems. Frequent collaboration with business process owners is required to ensure that all components of the development life cycle of the system are completed to the satisfaction of users. Formal contracts or service-level agreements are developed, which clearly state the expected performance of systems, with appropriate benchmarks and remedies to address malfunctions. Project deliverables are monitored and reported frequently. These posts of Project Manager have proven to be extremely valuable as the Fund continues to rely on technology as a driver of performance improvement. Maintaining systems associated with the recently concluded re-engineering project will also occupy a large portion of each Project Manager's time.

107. The post conversions required above will bring overall information technology staffing to the minimal acceptable level necessary to support the Fund's objectives and will be in line with staffing ratios of other financial institutions of similar size and complexity. The Fund's information technology staff currently represent less than 15 per cent of its total staff, which is in the low-to-acceptable range for an organization of its size.

	<i>Cost estimate</i>	<i>Variance</i>
Other staff costs	\$205.0	(\$185.8) (47.5%)

108. The provision of \$205,000 is required for the training of staff in technology administration, programming and systems analysis. The reduction in this provision is because the revised estimates for the 2004-2005 biennium provided for an additional appropriation of \$328,200 for general temporary assistance which is not required for the 2006-2007 biennium.

	<i>Cost estimate</i>	<i>Variance</i>	
Travel	\$54.0	(\$18.0)	(25.0%)

109. The estimated requirement of \$54,000 relates to travel of staff to member organizations, technical conferences and seminars and representation at ICT meetings of the International Computing Centre (ICC) and the United Nations.

	<i>Cost estimate</i>	<i>Variance</i>	
Contractual services	\$11 874.9	\$1 493.6	14.4%

110. The estimated requirement of \$11,874,900 for contractual services is related to the cost of new projects (\$4,350,000), inclusive of prorated maintenance (\$458,200), and of maintenance of existing systems (\$7,524,900), of which \$5,862,200 will be undertaken by ICC. The Fund now relies on ICC to maintain and support its Internet, messaging and networking services, along with mainframe hosting. Consulting services now include project management, UNIX administration in Geneva, system administration in New York and help-desk services.

	<i>Cost estimate</i>	<i>Variance</i>	
General operating expenses	\$457.8	\$307.8	205.2%

111. Of the provision made for general operating expenses, \$208,800 relates to communications, which covers the usage of handheld devices and cellphones (\$75,000), and spare parts for and repair and maintenance of the Fund's telephone network at One Dag Hammarskjöld Plaza (\$132,800). In addition, provision is made for the IBM disaster recovery facility which supports the Fund's New York computing infrastructure (\$250,000).

	<i>Cost estimate</i>	<i>Variance</i>	
Supplies and materials	\$105.0	(\$165.0)	(61.1%)

112. The estimated requirement for supplies and materials of \$105,000 relates to miscellaneous supplies, such as optical disks, print cartridges and cables.

	<i>Cost estimate</i>	<i>Variance</i>	
Furniture and equipment	\$3 885.0	(\$64.1)	(1.6%)

113. The estimated requirement of \$3,885,000 for furniture and equipment relates to the replacement of equipment as part of the Fund's replacement programme, under which information technology equipment is replaced every four years (\$2,260,000), and for equipment required for projects, exclusive of relocation-related hardware (\$925,000). As part of the relocation of the Fund to its new premises, New York-based host systems and servers have remained in the Secretariat building as a security precaution until such time as new replacement

equipment can be purchased. Provision is therefore made to replace this equipment (\$700,000).

Projects to be undertaken in the 2006-2007 biennium (\$6,000,000)

a. Storage area network (\$818,200)

114. As a consequence of the continuing increase in the volume of data collected from member organizations, participants and beneficiaries, it is recommended that a central repository for data storage be created. Storage area network (SAN) technology provides a platform for storing large amounts of information which is centrally managed and accessible over high-speed networks. As a result, the Fund will have greater control over data access and distribution, which will enhance security and further protect the confidentiality of sensitive information. Specifically, the Fund will implement SAN to: (a) capture and make available over four million document images, which will be migrated from the optical platters of the optical-based imaging system to SAN (this will provide a far superior storage and retrieval performance for the entire workflow system); (b) physically relocate the data warehouse, thereby improving response time; (c) create a heterogeneous storage environment, which will integrate the Fund's many host systems into a centrally managed and open system; and (d) decrease the risk of data loss while providing a conduit for data import and distribution, which will improve security and protect the privacy of sensitive information.

b. Data centre migration (\$718,200)

115. In 2006, the United Nations Joint Staff Pension Fund will relocate its core data centre equipment and services from its current location on the sixth floor of the United Nations Secretariat building to the new data centre facility at One Dag Hammarskjöld Plaza. The new data centre was completed in 2005 and currently supports the Fund's local network. In the budget for 2006-2007, requests are made for the equipment, software, communication devices and contractual services required to support the data centre relocation project. The major components of the relocation include: (a) expanded communication services with the United Nations and ICC; (b) physical relocation services from equipment vendors; (c) inspection and verification services; (d) configuration (network and security) services; (e) project management services; and (f) upgrades of the uninterrupted power supply of the data centre at One Dag Hammarskjöld Plaza.

c. Data collection system (\$1,066,200)

116. The data collection system comprises a series of computer applications that permit the sharing of data between member organizations and the Fund. Each subsystem is customized to accommodate the computing environment of a particular member organization and takes into consideration unique business rules. The Fund's re-engineering project called for the electronic transmission of human resources-related data, with 50 per cent of all participant data to be captured in 2004 and 75 per cent captured by the end of 2005. Based on the anticipated success of this effort, the Information Management Systems Service intends to expand the scope of the project to all remaining organizations, including those migrating to an enterprise resource planning system (e.g., SAP, Oracle, Peoplesoft). The project will be expanded in the 2006-2007 biennium to include the electronic transmission of

financial data between the Fund and member organizations, which calls for the systematic assembly of relevant data stored in multiple systems and file formats that require the translation, modification and transfer of information among different database management systems for eventual inclusion in the Fund's data warehouse. Member organizations will share a common application system template, which can be modified as necessary. Representatives of the Information Management Systems Service will work with the ICT staff of member organizations to design, develop, test and maintain these applications. The resulting automated linkages will significantly reduce the manual processing effort now necessary and will, in turn, provide performance, productivity and quality-of-service improvements. Major initiatives surrounding the new financial interface include: (a) the redesign of procedures for resolving and reporting pensionable remuneration errors, including the design and development of a system-assisted reporting tool; (b) an electronic interface between the Fund and the peacekeeping missions; (c) an electronic interface between the Fund and member organizations for recording financial data schedules relating to the yearly participant account reconciliation.

d. Web initiatives (\$200,000)

117. It is envisioned that access to information over the Web will continue to grow in popularity in the coming years. The web applications provided thus far include benefit estimates of future entitlements, benefit case tracking, certificate of entitlement follow-up, and electronic annual statements. The standard web features, currently provided by the Fund, have also been integrated into a new redesigned system. In the coming biennium, the Fund will expand its web offerings to include participant and beneficiary profiles which permit the viewing of data contained in the Fund's database.

e. Legacy systems stabilization and infrastructure enhancements (\$318,200)

118. As the Fund studies the possibility of integrating its ICT infrastructure into an enterprise resource planning system, it will be necessary to ensure that the existing legacy systems are capable of providing support over the next five years. At a minimum, it will be necessary to: (a) integrate and host an independent pension domain from within the new data centre at One Dag Hammarskjöld Plaza; (b) allow greater flexibility and reliability in configuring mission-critical applications and messaging services; (c) integrate all pension locations within one virtual network; (d) implement thin-client architecture for desktops (this will streamline desktop management and application support); and (e) consolidate multiple directories under a single structure to allow single directory authentication of multiple platforms.

f. Correspondence systems (\$626,400)

119. The letter writing system Office Vision currently supports over 80 per cent of the Fund's correspondence. This product has been discontinued by the vendor and must be replaced with a compatible system that supports multiple languages in a multi-host environment. The new system must also link to the Fund's workflow and mainframe systems in order to receive participant and beneficiary data for inclusion in standard and dynamically created correspondence.

g. Content manager enhancements (\$419,200)

120. The content manager system is a core application supporting the operations and finance activities of the Fund. This system was successfully upgraded in the

2004-2005 biennium from the workflow system that had been used by the Fund for over 10 years. While the upgrade was successful, there remain several enhancements that must be completed before maximum value can be realized. The enhancements include: (a) the importing of signatures from an external source for purposes of comparison; (b) disability case processing improvements; and (c) enhancing communications with participants and beneficiaries with the introduction of client relationship management collaborative software and a computer telephone interface.

h. Upgrade of Lawson accounting system (\$970,200)

121. The Lawson software system is used to perform core financial services and functions for the Fund. The system was first installed in 1999 as a result of year 2000 concerns over a flaw in computer program design and required significant customization to accommodate the unique requirements of the Fund. In 2003, the Lawson Software company announced that a mandatory upgrade was necessary for all customers and that organizations which did not convert systems to the new version would not be supported under the standard maintenance agreement. This has forced the Fund to rely on external contractors to provide general system maintenance. The Fund will be prepared to perform the necessary upgrade in the 2006-2007 biennium and requests funding to support migration to the new version, including all customization services needed for compliance with the financial policies of the United Nations and the Pension Fund. The benefits to be derived from the upgrade include enhanced functionality and reporting.

i. Enterprise resource planning (\$500,000)

122. In response to the need to replace the mainframe-driven pension application (PENSYS) which has been in use for approximately 15 years, the Fund requests funding to study and determine the scope of the effort and the resources necessary to replace the system with the Lawson enterprise resource planning system. The study will involve both a business process and technology review. The business process review will follow a hybrid approach, whereby a process analysis will be completed using Lawson software mapping tools. From this analysis, the Fund will identify the process changes that will lead to an overall improvement in performance, productivity and quality of service. The technology review and assessment will identify the technology necessary to implement the system. The Fund will present a recommendation with all associated costs to the Standing Committee in 2007 as part of its 2008-2009 budget submission.

j. Knowledge management system, phase II: workplace portal with enterprise search and performance reporting systems (\$363,400)

123. The first phase of the knowledge management system was successfully completed in the 2002-2003 biennium. The knowledge management system is now available and provides a facility to identify and consolidate all relevant policy, procedural and operational material into a common database, making this information readily available to staff. The system offers collaboration functionality and permits the capture, assignment, retention and display of information. Advanced features, including hyperlinks to other sources, intelligent search engines and integration with other databases, are also present in the underlying infrastructure of the system. The second phase of the project will deliver specific information to staff and clients, using a customized presentation format.

Table 22
Summary of project costs, 2006-2007 biennium
 (United States dollars)

<i>Project</i>	<i>Hardware/ software</i>	<i>Development</i>	<i>Training</i>	<i>Total</i>
Storage area network	525 000	268 200	25 000	818 200
Data centre migration	700 000	18 200		718 200
Data collection		1 066 200		1 066 200
Web initiatives		200 000		200 000
Legacy systems stabilization and infrastructure enhancements	300 000	18 200		318 200
Correspondence systems		626 400		626 400
Content manager enhancements	100 000	319 200		419 200
Upgrade of Lawson accounting system		970 200		970 200
Enterprise resource planning: study and dimension		500 000		500 000
Knowledge management system, phase II: workplace portal with enterprise search and performance reporting systems		363 400		363 400
Total	1 625 000	4 350 000	25 000	6 000 000^a

^a As in previous bienniums, the request for \$6,000 000, representing the cost of projects for the 2006-2007 biennium, is not subject to cost-sharing with the United Nations.

4. Executive Office

124. Reporting directly to the Chief Executive Officer, the Executive Office is responsible for:

- (a) Efficient and accurate administration of expenditures by certifying and monitoring all expenditure and the issuance of allotments;
- (b) Provision of day-to-day administrative support for all issues related to human resources, including recruitment, staff welfare and conditions of service, duties and responsibilities, staff development and performance appraisal, and ensuring the efficient administration of entitlements and benefits under the Staff Regulations and Rules;
- (c) General administrative matters, including travel of staff, issuance of building passes, approval of documentation in connection with visa status and for office machinery, and the movement and relocation of staff;
- (d) Administration of office accommodation, including maintenance of all contracts related to the office space, such as cleaning, air conditioning and fire prevention equipment.

Major objectives and indicators of achievement

125. The following objectives are to be met during the 2006-2007 biennium:

- **Objective 1.** Improvements in post management and filling of posts by reducing the recruitment/selection time.

- **Objective 2.** Improvement of accounting methodology and the ability to produce expenditure reports.
- **Objective 3.** Efficient management of the new office space at One Dag Hammarskjöld Plaza.

Table 23

Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
P-5	1	1	—	—	—	—	1	1
P-4	—	—	—	—	—	—	—	—
P-3	1	2	—	—	—	—	1	2
Subtotal	2	3	—	—	—	—	2	3
General Service								
Principal level	—	—	—	—	—	—	—	—
Other level	3	3	—	—	—	—	3	3
Subtotal	3	3	—	—	—	—	3	3
Total	5	6	—	—	—	—	5	6

Table 24

Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	872.3	947.2	127.8	13.5	1 075.0	120.4	398.5	796.9	1 195.4
Supplies and materials	—	—	204.4	—	204.4	7.7	70.7	141.4	212.1
Furniture and equipment	—	—	50.0	—	50.0	1.9	—	51.9	51.9
Total	872.3	947.2	382.2	40.4	1 329.4	130.0	469.2	990.2	1 459.4

Analysis of resource requirements (before recosting)

Posts	Cost estimate	Variance
	\$1 075.0	\$127.8 13.5%

126. The amount of \$1,075,000 provides for the salaries, common staff costs and staff assessment for five continuing posts and one additional post (P-3).

Posts

Creation of one new post of Budget Officer (P-3)

127. The Fund's management has previously presented to the Standing Committee and to the Pension Board a strong case in support of its request for a budget officer. The whole-office review conducted at the request of the Standing Committee and submitted to the Pension Board at its 2002 session supported the addition of a programme budget analyst (P-3). In its report to the General Assembly, the Board "found the proposed structure acceptable as a blueprint and endorsed it in principle".³

128. In its 2003 audit report of the Fund's budget process, the Office of Internal Oversight Services concluded that the workload of the Executive Officer appeared excessive, that risks were generally high and that there was a situation of inadequate segregation of duties, particularly among the certifying and approving, record-keeping and verification and performance review functions of the budget process. The Office of Internal Oversight Services recommended the establishment of a separate budget unit within the Executive Office. There is currently no post established to perform activities related to budgetary and programme performance reports. It should be recalled that the Executive Office has only two staff members at the Professional level — the Executive Officer and an Administrative Officer (Human Resources Officer) — to carry out administrative duties and budgetary and finance functions for the Fund's secretariat and for the Investment Management Service.

129. Once the post is established, the Budget Officer will perform the finance functions which include the certification of payments and annual reporting of expenditure on administrative expenses. As the focal point for the budget, the Budget Officer will be responsible for data collection, the development of performance indicators, the calculation of budget proposals, the layout and presentation of the budget and performance reports and the subsequent issuance of budgetary advices. In addition, the relocation of the Fund to commercial premises has given rise to many additional functions which, in the Secretariat building, are the responsibility of the Department of Management.

	<i>Cost estimate</i>	<i>Variance</i>	
Supplies and materials	\$204.4	\$204.4	—

130. The provision of \$204,400 is made for supplies and materials such as stationery, copy paper and envelopes for the biennium. For the 2004-2005 biennium, supplies and materials was requested under Office of the Chief Executive Officer.

	<i>Cost estimate</i>	<i>Variance</i>	
Furniture and equipment	\$50.0	\$50.0	—

131. The provision of \$50,000 is made for the purchase of office equipment, small items of furniture and miscellaneous equipment. For the 2004-2005 biennium, furniture and equipment was requested under Office of the Chief Executive Officer.

B. Investment costs

Resources requested (before recosting): \$47,174,600

132. The budget request for the biennium 2006-2007 is based on the recommendation of the consulting company hired to conduct a comprehensive review of the Fund's investment practices. The review and recommendations reflect a market environment that has become increasingly complex over the past decade. The awareness of plan sponsors of the importance of pension fund management has driven the investment methodology and technology applied in pension funds, which has become more and more sophisticated.

133. The economy of the developed countries is maturing, which results in diminishing investment returns in those countries in general. The disinflation and ample liquidity created by the accommodative monetary policy of central governments have driven the market interest rates down to the extent that the fixed-income markets no longer offer the returns that investors have enjoyed in the past. Circumstances have forced more and more investors to look for new investment opportunities by adding unconventional asset classes and applying new investment theories and technologies to meet their investment requirements. In addition, new methodologies have been developed for more sophisticated risk control.

134. It is now broadly recognized in the industry that the probability of achieving higher returns could be enhanced if the investment frontier were expanded and more sophisticated methodologies and technologies were applied appropriately. The general environment surrounding money management is also more and more complex, calling for tighter and more comprehensive risk management and proactive action as regards the trends and requirements of the industry.

135. At the same time, the asset value of the United Nations Joint Staff Pension Fund has grown, from \$7.0 billion to \$29.4 billion as at the end of 2004. This volume of assets allows the Fund to expand its investment frontier and requires it to build up a risk control mechanism, to control comprehensively not only investment risk but also operational risk and technology risk.

136. Moreover, total benefit payments have recently outgrown the contributions to the Fund. When contributions can no longer cover benefit payments, investment income and capital returns will have much bigger implications for achieving the Fund's mission of going forward. Any investment loss can be recovered over time as long as the Fund's assets are untouched. When contributions are larger than benefit payments, short-term mismanagement of investments may not always be detrimental. However, if benefits have to be paid out of the Fund when the Fund's value is depressed, a portion of the Fund will never be able to enjoy high returns in any subsequent boom and thus will never be recovered. At this critical juncture, the Office of Internal Oversight Services conducted an audit of the Investment Management Service and found a number of deficiencies that required urgent action. Understanding the importance of the situation, the representative of the Secretary-General initiated a comprehensive review of the Fund's investment practices.

137. Under the circumstances, the Investment Management Service has received a number of audit recommendations in the past few years. Outstanding issues include the following:

(a) The Investment Management Service should review the possibility of further diversifying its investment portfolio (asset classes) using alternative investments, within its tenets of safety, profitability, liquidity and convertibility, and

inform the Pension Board of the results of the review for its consideration (AS2003/801/02/003);

(b) In order to establish accountability, the Investment Management Service should either: (i) ensure that the fixed-income investment officer acts with greater independence in the management of the portfolio; or (ii) consider outsourcing the fixed-income portfolio while maintaining the investment officer to monitor the performance of the outsourced portfolio (AS2003/801/02/011);

(c) The Investment Management Service should conduct a cost-benefit analysis of the options of (i) outsourcing the investment management service to reduce operational risk, or (ii) increasing the number of investment staff to ensure adequate resources and back-up availability, and report the results of the review to the Pension Board for its consideration (AS2003/801/02/014);

(d) In view of the size and diversification of the investment portfolio, the Investment Management Service should increase the number of investment managers or review the possibility of hiring additional discretionary investment advisers (AS2001/95/1/14);

(e) The Service should reassess the requirements for additional investment officers, especially for North American securities, and/or consider outsourcing a portion of the North American equity portfolio to outside discretionary investment managers (AS2001/95/1/22).

138. With this background, Deloitte and Touche, the consulting company, reviewed the current practices as regards the Fund's investments and has recommended a fundamental change of the investment alignment. The recommendations include:

(a) Outsource a part of equity investments and utilize index-tracking management in the developed markets for better risk control;

(b) Continue to outsource small capitalization equity investments so as to maximize the benefits to be derived from the field research capability of external specialists while keeping the number of members of the Service's investment team to a minimum;

(c) Outsource fixed-income investments and real estate investments to achieve broadened coverage of fixed-income and labour-intensive analysis for real estate with the minimum number of in-house portfolio managers;

(d) Retain the in-house management of emerging market equities and create a team specialized in emerging markets and alternative investments to seek improvement in the risk/return profile of the Fund;

(e) Create a risk and compliance section for better risk control of investments and operations;

(f) Strengthen the information technology infrastructure to support investment and operational processes;

(g) Create an oversight position of chief of operations, information technology and risk to seek the benefits that obtain to an interwoven approach in those areas. This person will oversee the operations risk and compliance and information systems.

139. Historically, the increase of the Fund's value and the speed of the evolution of the market environment have outpaced the build-up of investment and operational capability in the Investment Management Service. The Service requests an increase

of some 30 per cent in its staffing and 50 per cent in its financial budget. This degree of increase is not unprecedented, and the total of 36 posts after the increase is not as large as many other pension funds of this size. Moreover, most of the increase in the budget comes from the estimated fee for outside managers based on the current asset value, which is subject to market movements and negotiation of fees. By realigning the Fund's investment, infrastructure and team configuration, a number of the audit recommendations made to the Investment Management Service in the past few years can be implemented. The resources requested will be used to realign the Fund's investments so as to catch up with the development of the investment environment and build a strong foundation for the next decade.

Table 25
History of the Investment Management Service

A. Budget

(Thousands of United States dollars)

<i>Biennium</i>	<i>Budget</i>	<i>Year-to-year percentage change</i>	<i>Cumulative percentage change</i>
1986-1987	12 698.3		
1988-1989	15 557.5	23	23
1990-1991	21 885.4	41	72
1992-1993	27 929.1	28	120
1994-1995	27 208.2	-3	114
1996-1997	30 805.6	13	143
1998-1999	39 744.3	29	213
2000-2001	39 297.8	-1	209
2002-2003	41 255.5	5	225
2004-2005	43 014.1	4	239

B. Staffing

<i>Biennium</i>	<i>Number of staff</i>	<i>Year-to-year change (percentage)</i>	<i>Cumulative change (percentage)</i>
1986-1987	14		
1988-1989	17	21	21
1990-1991	23	35	64
1992-1993	24	4	71
1994-1995	24	0	71
1996-1997	30	25	114
1998-1999	32	7	129
2000-2001	32	0	129
2002-2003	32	0	129
2004-2005	32	0	129

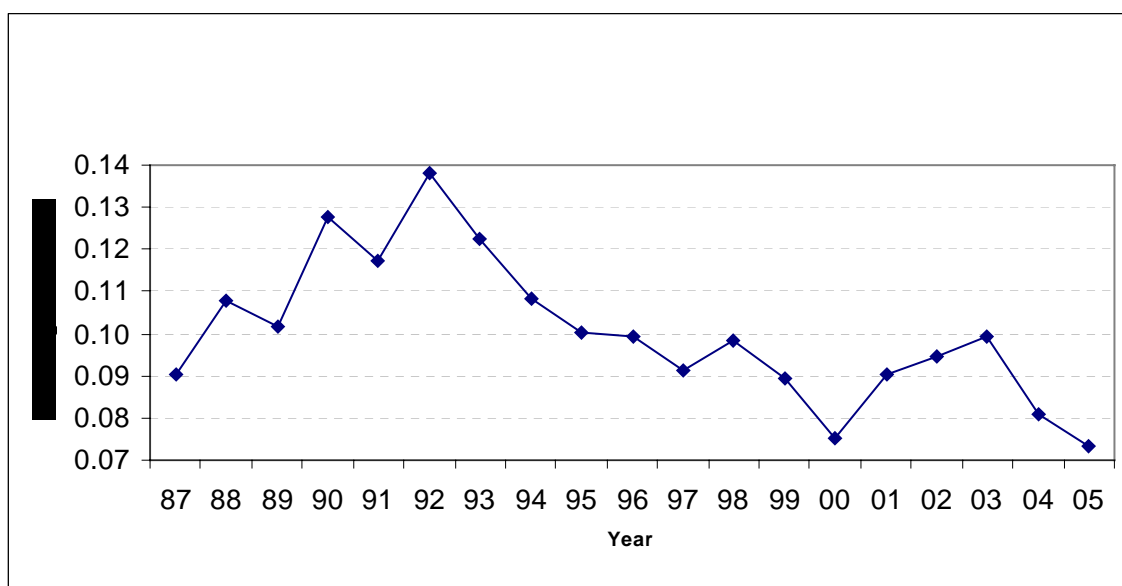
C. Value of the Fund

(Millions of United States dollars)

<i>Reporting date</i>	<i>Total</i>	<i>Year-to-year percentage change</i>	<i>Cumulative percentage change</i>	<i>Percentage of the budget against the value of the Fund</i>
31 March 1987	7 016			0.09
31 March 1988	7 229	3.04	3	0.11
31 March 1989	7 632	5.57	9	0.10
31 March 1990	8 558	12.13	22	0.13
31 March 1991	9 337	9.10	33	0.12
31 March 1992	10 111	8.29	44	0.14
31 March 1993	11 407	12.82	63	0.12
31 March 1994	12 534	9.88	79	0.11
31 March 1995	13 567	8.24	93	0.10
31 March 1996	15 539	14.54	121	0.10
31 March 1997	16 856	8.48	140	0.09
31 March 1998	20 170	19.66	187	0.10
31 March 1999	22 192	10.02	216	0.09
31 March 2000	26 056	17.41	271	0.08
31 March 2001	21 793	-16.36	211	0.09
31 March 2002	21 789	-0.02	211	0.09
31 March 2003	20 741	-4.81	196	0.10
31 March 2004	26 589	28.20	279	0.08
31 December 2004	29 420	10.65	319	0.07

Figure 18

Cost of management of the Fund's portfolio by the Investment Management Service



140. The rules and regulations of the United Nations Joint Staff Pension Fund provide that the investment of the assets of the Fund will be decided upon by the Secretary-General, who has delegated fiduciary responsibility to a designated representative. The Investment Management Service is responsible for the day-to-day management of the assets of the Fund and for the maintenance of detailed accounts of all investments and other transactions relating to the Fund. In carrying out its mandate, the Service aims to achieve the goals and objectives of the Fund's investments, which are to:

- (a) Preserve the principal of the Fund in real terms;
- (b) Obtain optimal return without undue risk;
- (c) Diversify the portfolio in respect of asset type, currency and geography;
- (d) Obtain the required 3.5 per cent annualized real rate of return for the investments of the Fund over the long term after adjustment based on the United States consumer price index.

141. To carry out the mission and achieve the Fund's goals and objectives, the Investment Section of the Investment Management Service actively manages portfolios of equity, fixed-income, real estate and short-term investments, constantly analysing capital markets and investment opportunities. The Operations Section is responsible for, inter alia, accounting, auditing, cash management and forecasting, settlement authorization and reconciliation, regular retrieval of reporting information, record maintenance and other operational responsibilities. The Information Systems Section is responsible for the development, administration and maintenance of the information systems infrastructure of the Investment Management Service, including strategy and planning, administration and implementation, communication and data feed systems, and training. The Office of the Director is responsible for providing the necessary administrative support to the Director and staff in all tasks and responsibilities relating to the mandate and workplan of the Service, carrying out administrative services in the areas of administration, personnel, official travel, finance etc., and maintains relevant files and records. The Unit also serves as the secretariat of the Investments Committee.

Table 26

Requirements by component

Category	Resources (thousands of United States dollars)		Number of posts	
	2004-2005	2006-2007	2004-2005	2006-2007
Executive direction and management				
Programme of work	4 502.9	5 026.1	5	6
(a) Investments	34 022.6	35 261.1	14	14
(b) Chief, Operations, Information Technology and Risk	—	—	—	—
(c) Financial operations and cash management	1 636.5	1 636.5	10	10
(d) Risk and compliance	—	338.3	—	2
Subtotal, programme of work	35 659.1	37 235.9	24	26
Programme support				
Information Systems Section	2 852.1	4 912.6	3	4
Total	43 014.1	47 174.6	32	36

1. Office of the Director

142. The office of the Director is responsible for the overall operations of the Investment Management Service. The office coordinates all investment activities and decisions, the implementation of control procedures, investment committee functions and the financial statements of the Service. Specifically, the Director is responsible for all staff of the Service, including those in its front office, and in its investment, information technology, operations and risk and compliance areas. The office of the Director also coordinates the reviews of the internal and external audit functions and ensures the implementation of audit recommendations. The office is also responsible for the issuance of all reports of the Investment Management Service to the governing United Nations committees and the Investments Committee.

Table 27
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
D-2	1	1	—	—	—	—	1	1
D-1	—	—	—	—	—	—	—	—
P-5	—	—	—	—	—	—	—	—
P-4	1	1	—	—	—	—	1	1
P-3	—	—	—	—	—	—	—	—
P-2/1	—	—	—	—	—	—	—	—
Subtotal	2	2	—	—	—	—	2	2
General Service								
Principal level	—	—	—	—	—	—	—	—
Other level	3	4 ^a	—	—	—	—	3	4 ^a
Subtotal	3	4	—	—	—	—	3	4
Total	5	6	—	—	—	—	5	6

^a One post redeployed from the Investments Section.

Table 28
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	761.9	1 077.3	126.2	11.7	1 203.5	131.9	—	1 335.4	1 335.4
Other staff costs	74.8	319.0	33.4	10.5	352.4	13.4	—	365.8	365.8
Consultants	—	—	900.0	—	900.0	34.0	—	934.0	934.0
Travel	588.0	1 062.9	64.5	6.1	1 127.4	42.7	—	1 170.1	1 170.1
Hospitality	14.6	16.8	—	—	16.8	0.6	—	17.4	17.4
General operating expenses	3 079.8	1 897.2	(523.2)	(27.6)	1 374.0	16.6	—	1 390.6	1 390.6
Supplies and materials	58.8	78.2	(26.2)	(33.5)	52.0	2.0	—	54.0	54.0
Furniture and equipment	—	51.5	(51.5)	(100.0)	—	—	—	—	—
Total	4 577.9	4 502.9	523.2	11.6	5 026.1	241.2	—	5 267.3	5 267.3

Analysis of resource requirements (before recosting)

	Cost estimate	Variance	
Posts	\$1 203.5	\$126.2	11.7%

143. The amount of \$1,203,500 provides for the salaries, common staff costs and staff assessment for five continuing posts and the redeployment of one General Service (Other level) post from the Investments Section.

	Cost estimate	Variance	
Other staff costs	\$352.4	\$33.4	10.5%

144. Provision is made for general temporary assistance to assist in dealing with unexpected peaks in workloads (\$31,600) and to cover for staff on maternity and extended sick leave (\$31,600). Provision is also made for overtime (\$20,400). The estimated requirement for training (\$268,800) represents an increase of \$64,600, reflecting an increase in staff and the need for the staff of the Investment Management Service to stay current in an ever-changing investment environment.

	Cost estimate	Variance	
Consultants	\$900.0	\$900.0	—

145. Consultancies are required, as set out below.

Asset and liability management study in accordance with industry standards (\$400,000)

146. The integrated risk and return management method is a practical approach that should be adopted by any pension fund. This approach enables the investment decision maker to establish a strategic asset allocation (a long-term policy guideline), in accordance with the fund's liability structure.

147. Asset and liability management is the process of controlling the relationship of assets to liabilities — that is, managing the spread between them. This is necessary to ensure benefit security within acceptable cost parameters. Liabilities grow with additional services and future inflation. Assets grow with contributions and vary with investment performance. Minimizing the fluctuation between assets and the present value of liabilities requires matching the characteristics of liabilities with assets with similar characteristics and adjusting for inflation. The primary objective of an asset and liability study is to identify the optimal mix of strategic assets (i.e., equities vs. fixed income) for a pension fund.

148. For a pension fund, the choice of strategic asset allocation is the most important factor in determining both expected returns and risk, typically contributing 85 per cent or more of returns (an index-tracking implementation raises this to nearly 100 per cent). Investment strategy is simply the long-term allocation of monies among the various asset types and investment markets. The generic decision-making process for long-term asset allocation for an ongoing pension fund is:

- (a) The balance between equity-type assets and other assets, such as bonds;
- (b) The split between domestic and overseas investments and the regional allocation within the overseas portfolio and the associated currency decisions;
- (c) The allocation of bonds and other non-equity investments, including determination of the nature, term and credit rating of appropriate bonds/portfolios.

The first of the above steps is generally accepted to have the most significant influence on expected return and risk.

149. The key considerations in setting the strategy should be:

- (a) Nature and term of the liabilities;
- (b) Surplus/deficit position of the fund;
- (c) Any accounting constraints;
- (d) Contribution and expense flows;
- (e) Any tax considerations.

The fund's objectives, typically, are those of (a) maximizing risk-adjusted returns, (b) security of capital and (c) liquidity, and their respective attitudes to risk.

150. Implementation of the strategy requires:

- (a) Establishing appropriate benchmark indices, proportions and performance targets;
- (b) Establishing limits to the permitted deviation of actual asset allocation from the long-term strategy due to relative market movements or active tactical decisions;

(c) Setting an efficient and planned transition to the new structure, including managerial appointments or changes of mandate;

(d) Fulfilling compliance and accounting requirements, such as redrafting a statement of investment policy.

151. Asset allocation normally requires the use of an asset and liability model: effectively, multiple actuarial valuations into the future over a variety of time horizons and economic scenarios which explore the impact of following different asset allocation strategies in terms of expected returns and risk.

152. Once accepted, the study would be conducted by a specialized consulting firm and carried out concurrently with the next actuarial valuation.

Detailed analysis of the Fund's investment and operational transactions (\$500,000)

153. In today's increasingly complex world, there will be a continuing need for detailed analysis of the Fund's investment and operational transactions. For example, the Office of Internal Oversight Services suggested that the Investment Management Service review in detail the operational steps related to real estate investments, which will require the opinion of specialists. Growing awareness of socially responsible investments and the stance of the United Nations towards such issues have made it necessary for the Investment Management Service to carefully analyse the issues and develop an investment policy that particularly addresses them. As this will require an industry survey and specialist opinions, the involvement of consultants is expected. Hiring outside managers for alternative asset classes will also require the involvement of consulting companies, as is done by many plan sponsors in order to receive industry data and technical advice that are not publicly available.

	<i>Cost estimate</i>	<i>Variance</i>	
Travel	\$1 127.4	\$64.5	6.1%

154. The estimated requirement of \$1,127,400, involving a total growth of \$64,500 mainly as a result of the increase in staff, relates to: (a) staff travel (\$430,000), increased by \$64,500, for visits to companies and investment institutions to obtain the up-to-date, reliable information needed to make sound investment decisions, participation in investment-related conferences and seminars, custody-related activities, and meetings of the Pension Board and Investments Committee; and (b) travel of representatives to meetings of the Investments Committee (\$697,400), at the same level as 2004-2005.

	<i>Cost estimate</i>	<i>Variance</i>	
Hospitality	\$16.8	—	—

155. The estimated requirement of \$16,800 for hospitality relates to Investments Committee lunches and reflects no increase from the current biennium.

	<i>Cost estimate</i>	<i>Variance</i>
General operating expenses	\$1 374.0	(\$523.2) (27.6%)

156. In April 2005, as part of the relocation of the Fund, the Investment Management Service was relocated to its new premises on the 4th floor of One Dag Hammarskjöld Plaza. The costs of occupying commercial building premises are not limited to rent but include many additional charges which would normally fall under the purview of the Department of Management. These additional charges include costs for such items as utilities, cleaning of office accommodation and various maintenance contracts (supplementary air conditioners for the data centre and conference rooms, fire equipment for the data centre and office accommodation, rodent control and electric lamp replacement, etc.). While these maintenance contracts ensure that equipment is kept in good working order, they do not cover the costs of breakdowns or spare parts, or the labour associated with such parts. In addition, the use of many of the building's facilities, such as the issuance of building passes, use of the freight elevator out of hours or hampers for the disposal of excessive waste, will incur charges.

157. The amount of \$1,374,700 refers to the rental of premises (\$937,100), utilities, including out of normal working hour charges (\$47,000), and maintenance contracts (\$68,300). Provision is also made for spare parts and labour for actual breakdowns, for major repairs and for future minor alterations to the premises (\$189,900). In addition, provision is made for miscellaneous expenses (\$38,000). Provision is also made for the hire of photocopiers (\$16,600), external printing (\$20,000), and freight, mail and pouch services (\$57,100).

	<i>Cost estimate</i>	<i>Variance</i>
Supplies and materials	\$52.0	(\$26.2) (33.5%)

158. The provision of \$52,000 for supplies and materials reflects costs incurred for subscriptions (\$12,000) and office supplies (\$40,000).

2. Investment Section

159. The Investment Section provides the services and activities required to realize the goals and long-term objectives of the Fund, namely: (a) to preserve the principal of the Fund in real terms; (b) to obtain optimal investment returns while avoiding undue risk; and (c) to diversify the portfolio in respect of asset type, currency and geography. To those ends, efficiency and effectiveness require thorough research of investment opportunities throughout the world and the ability to obtain accurate and reliable information quickly in order to facilitate decision-making in an environment of rapid change in financial markets.

160. The resources request for the investment team are to build up its capacity to implement the following recommendations:

(a) **Continue to outsource small capitalization equity investments.** Small capitalization equity investments require frequent visits to companies for purposes of research as less information is provided by investment advisers and brokerage houses on these types of investments. Since the Fund invests in small capitalization equities in the United States of America, Europe and Japan, in-house management would require a significant number of portfolio managers and analysts dedicated to

research. Considering the relatively small portion of the Fund's assets invested in such equities, one can easily understand that outsourcing this type of investment is a reasonable option;

(b) **Retain the in-house management of emerging market equities and create a team specialized in emerging markets and alternative investments.** Maturing economies in developed countries and the characteristics of the United Nations Joint Staff Pension Fund, where relevant parties such as plan participants and member States have a natural interest in their home countries, would make it a viable option to explore more investment opportunities in developing countries. Also, an investment team specialized in developing countries and in alternative investments would increase the probability of higher investment returns and would also offer a better risk-management capability as a result of further diversification.

Table 29
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
P-5	3	7	—	—	—	—	3	7
P-4	3	—	—	—	—	—	3	—
P-3	—	—	—	—	—	—	—	—
P-2/1	—	—	—	—	—	—	—	—
Subtotal	6	7	—	—	—	—	6	7
General Service								
Principal level	4	4	—	—	—	—	4	4
Other level	4	3 ^a	—	—	—	—	4	3 ^a
Subtotal	8	7	—	—	—	—	8	7
Total	14	14	—	—	—	—	14	14

^a One post redeployed to office of the Director.

Table 30
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	2 939.7	3 053.3	207.8	6.8	3 261.1	317.9	—	3 579.0	3 579.0
Contractual services	30 616.4	30 969.3	1 030.7	3.3	32 000.0	1 209.6	—	33 209.6	33 209.6
Total	33 556.1	34 022.6	1 238.5	3.6	35 261.1	1 527.5	—	36 788.6	36 788.6

Analysis of resource requirements (before recosting)

	<i>Cost estimate</i>	<i>Variance</i>	
Posts	\$3 261.1	\$207.8	6.8%

161. The amount of \$3,261,100 provides for the salaries, common staff costs and staff assessment for 13 continuing posts, although this includes the redeployment of one General Service (Other level) post to the office of the Director, the creation of one post at the P-5 level and the reclassification of three posts (P-4 to P-5).

Posts

a. Creation of one post of Investment Officer (P-5)

162. A new post is requested to manage alternative investments. The P-5 level is considered appropriate for the post because of the expertise and broad coverage required. The justification for the post is as follows:

(a) A significant number of large pension funds have investments in the following additional asset classes: inflation protected securities, high-yield bonds and alternative investments (e.g., hedge funds, commodities, forestry and private equities). In addition, several large pension funds are utilizing derivative instruments to modify the risk/return profile of the portfolio;

(b) An allocation to high-yield bonds will provide further diversification benefits to the portfolio, more than compensating for the risk of this asset category;

(c) An allocation to emerging market debt may be an optimal method of achieving exposure to the potentially high-risk/high-return profile of developing countries;

(d) Alternative investments offer the opportunity for an enhanced risk return profile for a pension investment portfolio. The historical performance of hedge funds and private equities is generally higher than that of publicly traded equities, and lower correlation with other asset classes provides opportunities for risk reduction;

(e) The new investment officer will be specialized in alternative asset management, the skills for which significantly differ from those for conventional portfolio management. The investment officer will conduct research to recommend appropriate alternative asset classes for the Fund, plan appropriate investment deployment, initiate and lead the selection of external alternative managers, and monitor and evaluate those managers in order to ensure that the alternative investments add value to the Fund's overall investments in terms of both return enhancement and diversification.

b. Reclassification of three posts of Investment Officer, from P-4 to P-5

163. Although one new post of Investment Officer has been recommended by the Office of Internal Oversight Services for real estate investments, it has been decided that it would be more beneficial to the management of the Fund to redeploy the current investment officer posts by expanding the responsibilities of each. Therefore, the request for upgrading the three P-4 posts to P-5 has been presented, rather than a request for a new P-5 post.

164. Currently, the investment section has six investment officers who cover global equity markets and fixed-income investments. There is no investment officer to cover real estate investments. One of the two investment officers who together cover the European equity markets would be assigned to real estate investments. Because of the significant responsibility, the post should be upgraded from P-4 to P-5. The post of the other officer should also be upgraded from P-4 to P-5 because of the expansion of the responsibility to cover the entire European market.

165. The investment officer who covers the emerging markets would be assigned to head the team dealing with emerging markets, real estate investments and alternative investments. The investment officer who covers the Japanese and Australian equity markets would become responsible for all developed Asian markets, with coverage expanded to Singapore and Hong Kong which are at present covered by the investment officer in charge of the emerging equity markets. Because of the expansion of the responsibility, the post should be upgraded to P-5.

	<i>Cost estimate</i>	<i>Variance</i>	
Contractual services	\$32 000.0	\$1 030.7	3.3%

External legal and data and market research consultants

166. The provision of \$32,000,000 for contractual services is made for third-party service providers (\$31,750,000) and external legal consultants (\$250,000), primarily for the real estate portion.

Retention of the external legal consultant (\$250,000)

167. The real estate investments of the Fund require legal reviews of each investment opportunity. As the legal reviews need highly specialized knowledge, the Office of Legal Affairs has recommended that the Investment Management Service retain an outside legal firm. Together with the fees for other legal opinions which the Service will seek for clarification of the various issues that arise during the course of investments, \$250,000 is estimated for the biennium.

Third-party service providers

168. Financial requirements for third-party service providers are as follows:

(a) *Master record keeper/custodian and advisers*

	<i>United States dollars</i>
Master record keeper/custodian	7 144 100
Advisers	13 000 000
Subtotal	20 144 100

(b) *Portfolio management*

Equities, small capitalization	10 191 900
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(c) *Market data service*

	1 414 000
Total third-party service providers	31 750 000

169. The total third-party service provider costs of \$31,750,000 consist of the following:

(a) **Master record keeper/custodian (fixed fee).** The request of \$7,144,100 is \$814,900 below the level for the 2004-2005 biennium. There may be some savings to be realized as the Investment Management Service is in the process of changing to one global custodian to replace the master record keeper and three regional custodians. The request for proposal for the global custodian is in progress;

(b) **Investment advisers (fixed fee).** The request for \$13,000,000 represents a decrease from the \$3,235,800 requested for the 2004-2005 biennium. The four advisory contracts expire in 2006. Savings are anticipated upon their renewal in 2007. The fixed-income portion of the advisory services plan is to be discontinued, based on the planned outsourcing of the fixed-income portfolio. The level of the investment advisers' fees is dependent on the market value of the Fund and the prevailing fee structures. It is therefore recommended that the costs associated with investment advisers be separated from other operational expenses.

Portfolio management

170. A provision of \$10,191,900 is made for contractual services for portfolio management. As described below, the level of costs for contractual services depends mainly on the market value of the Fund and the fee structures of the investment firms used for particular investment expertise. Thus, it is recommended that the following costs, associated with contractual services, be separated from other operational expenses:

(a) **Equities: small capitalization.** The request for \$10,191,900 reflects an increase from the \$3,766,500 requested for the 2004-2005 biennium. The increase in costs is primarily due to the substantial increase in the market value of the small capitalization portfolios, the management of which is billed on the basis of market value. Small capitalization equity investments require frequent visits to companies for purposes of research as less information is provided by investment advisers and brokerage houses on these types of investments. Since the Fund invests in small capitalization equities in the United States, Europe and Japan, in-house management would require a significant number of portfolio managers and analysts dedicated to research. Considering the relatively small portion of the Fund's asset invested in such equities, one can easily understand that outsourcing this type of investment is a reasonable option. It is assumed that 4.3 per cent of the Fund's assets are invested in small capitalization funds. The fee for outsourcing is calculated at 41 basis points;

(b) **Market data service.** The estimated requirement of \$1,414,000, representing a growth of \$289,600, relates to electronic indexes information (benchmarks for the Fund's asset returns), major stock exchange houses fees, and the securing of electronic access to international market financial databases so as to obtain accurate information on a timely basis. The technology for obtaining investment information is constantly being upgraded; the resources requested would provide coverage for the existing systems and maintenance of equipment already purchased.

3. Operations Section

171. The Operations Section is responsible for the back office operations and accounting of investment transactions. It works closely with the custodians to ensure that all trades are settled in a timely and accurate manner and all investment activity is properly recorded for the preparation of financial statements and performance reporting. The Section is also responsible for the production of daily cash projections to aid the investment officers in the proper management of cash. Moreover, the Operations Section maintains the budget of the Investment Management Service, monitoring expenditures against budget allocations and processing payments.

172. The planned new environment will consolidate the master record-keeping (accounting, reconciliation and performance reporting) and custodial services into a single master record keeper/global custodian). It is expected that this will bring new efficiencies to the operational and accounting processes and procedures of the Investment Management Service. It will also introduce new team configurations, work processes and technologies which will replace manual tasks and bring these new efficiencies into fruition. Such a framework requires new sets of skills.

Table 31
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
P-5	1	1	—	—	—	—	1	1
P-4	—	—	—	—	—	—	—	—
P-3	1	1	—	—	—	—	1	1
P-2/1	—	—	—	—	—	—	—	—
Subtotal	2	2	—	—	—	—	2	2
General Service								
Principal level	1	1	—	—	—	—	1	1
Other level	7	7	—	—	—	—	7	7
Subtotal	8	8	—	—	—	—	8	8
Total	10	10	—	—	—	—	10	10

Table 32
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	1 308.6	1 636.5	—	—	1 636.5	165.1	—	1 801.6	1 801.6
Total	1 308.6	1 636.5	—	—	1 636.5	165.1	—	1 801.6	1 801.6

Analysis of resource requirements (before recosting)

	<i>Cost estimate</i>	<i>Variance</i>
Posts	\$1 636.5	—

173. The amount of \$1,636,500 provides for the salaries, common staff costs and staff assessment for 10 continuing posts.

4. Information Systems Section

174. The Information Systems Section is responsible for the development, administration and maintenance of the information systems infrastructure. The reasons for strengthening the information technology infrastructure are as follows:

(a) The Investment Management Service requires a detached information technology infrastructure given the nature of its financial functions, its fiduciary responsibility and the highly confidential and time-sensitive data with which it deals. It uses special and very specific financial communication protocols to interact securely with its custodians, brokers and various investment institutions. This configuration demands a complete technical and logical separation from any other infrastructure with different functions or competency;

(b) The Investment Management Service therefore requires a dedicated information technology staff specialized in financial applications and communications, with expertise in response-time requirements. There is a need for technical engineers with a financial background in order to ensure that best practices are followed in the area of investment management;

(c) Improving the efficiency and flexibility of the Investment Management Service in adopting new investment approaches requires a stronger and more sophisticated infrastructure. The Information Systems Section of the Service provides data analysis and technological tools to support investment decisions and accurate accounting. The Information Systems Section maintains the databases and software infrastructure of the Service, including the customized financial systems for order and trading execution, performance attribution and risk analysis, compliance, data warehousing, data quality assurance, investment research, and decision support;

(d) A consolidation of data in a single database is an important step in increasing the overall operational efficiency of the investment process. This data warehouse system, as the core of the infrastructure of the Investment Management System, would integrate with the other specialist investment applications which support risk and performance, compliance, trading, accounting and internal reporting functions. Data feeds from multiple market data providers can also be processed and managed by some data warehouses currently available in the market;

(e) Acquiring the above-mentioned new and complex financial systems requires highly qualified information systems staff who can ensure the optimal operability and accuracy of the data processed. The new systems will be used for all regions and asset classes of the Fund's portfolio; a new professional and assistant are therefore required. The new staff members will have to cover global trading hours and database maintenance hours as well;

(f) The introduction of server-based software, such as the data consolidation tool, requires upgrades to the existing servers. At least two servers would be required: one for quality assurance to test new releases and one for production. Furthermore, if customized reporting is required, which is often the case, a development server may be needed. This function could be shared on the quality assurance server. The introduction of high-end investment tools, such as those for risk management, may require upgrading the workstations that support this software. Some risk and performance measurement applications perform all of their calculations on the server side; this would minimize the need for upgraded desktops, but increase the server requirements;

(g) Strengthening of the information systems staff is necessary for managing a larger and more complex fund, providing better and more efficient liaisons with financial institutions, and for providing sophisticated financial data analysis and reporting. This will need state-of-the-art data warehouse systems to consolidate data from various sources. In addition, the high quality of data can be assured by closely monitoring information, strengthening controls and allowing in-depth auditing;

(h) This new infrastructure and its financial communication protocols also require highly qualified technical staff to support the uninterrupted operation of the network, access security, communications and network systems. Therefore, a professional and assistant are required to cover all electronic communications of the network and its maintenance hours in support of the new infrastructure, as well as a suitable disaster recovery plan.

Major objectives and indicators of achievement

175. The following objectives are to be met by the Information Systems Section during the 2006-2007 biennium:

(a) Develop, administer and maintain systems for the investment management of the assets of the Fund and for the processing of equity recommendations and orders, and administer the data consolidation and research systems supplied by financial institutions. The goals to be achieved relate to the acquisition, customization, installation and maintenance of investment management systems;

(b) Develop, administer and maintain system interface with investment advisers, custodians, bankers and all related financial institutions, and maintain the infrastructure and portfolio management and operational systems of the Investment Management Service;

(c) Continue the upgrading of network administration for the smooth operation of the local area network of the Investment Management Service and of its own e-mail and Internet arrangements so as to enable the staff of the Service to communicate effectively with the financial community, and upgrade software and hardware, such as the servers used in interfacing with financial institutions, which tend to change faster than those used by the Investment Management Service.

Table 33
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
P-5	1	1	—	—	—	—	1	1
P-4	1	2	—	—	—	—	1	2
P-3	—	—	—	—	—	—	—	—
P-2/1	—	—	—	—	—	—	—	—
Subtotal	2	3	—	—	—	—	2	3
General Service								
Principal level	—	—	—	—	—	—	—	—
Other level	1	1	—	—	—	—	1	1
Subtotal	1	1	—	—	—	—	1	1
Total	3	4	—	—	—	—	3	4

Table 34
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	719.8	739.7	155.8	21.1	895.5	105.6	—	1 001.1	1 001.1
Contractual services	903.5	1 122.4	(443.3)	(39.5)	679.1	25.7	—	704.8	704.8
General operating expenses	61.0	261.2	66.8	25.6	328.0	12.4	—	340.4	340.4
Supplies and materials	—	—	10.0	—	10.0	0.4	—	10.4	10.4
Furniture and equipment	245.4	728.8	2 271.2	311.6	3 000.0	113.4	—	3 113.4	3 113.4
Total	1 929.7	2 852.1	2 060.5	72.2	4 912.6	257.5	—	5 170.1	5 170.1

Analysis of resource requirements (before recosting)

Posts	Cost estimate	Variance
	\$895.5	\$155.8 21.1%

176. The amount of \$895,500 provides for the salaries, common staff costs and staff assessment for three continuing posts and one new post at the P-4 level.

177. In order to cope with the proposed reorganization of the Service, the Information Systems Section must adapt to new requirements by increasing the number of its technical staff accordingly.

Posts

Creation of one post of Infrastructure Manager (P-4)

178. A post of Infrastructure Manager (P-4) is requested. The Infrastructure Manager is responsible for the overall management and day-to-day operations of the information technology infrastructure which supports all staff of the service. This includes communications, disaster recovery maintenance, data backup, network administration, and maintenance of hardware and software.

179. The Infrastructure Manager will be a network and communications administrator specialized in financial protocols to ensure online trading and direct connection with brokers and the master record keeper/global custodian, as well as in real-time financial and market data communications. The incumbent of the post will also: (a) supervise the implementation and management of firewalls, virtual private network and remote access, routers and switches/hubs, Internet mail relay, electronic messaging systems, domain name systems, DMZ, remote monitoring, user services, technical support and technical upgrades; (b) manage and monitor the security measures, policies, and procedures which safeguard the integrity of access to enterprise systems and data; (c) develop security policies and procedures encompassing encryption, firewalls, intrusion detection systems, virtual private networks, vulnerability assessment techniques and penetration testing; (d) develop standards and guidelines for technical specifications and hardware and software, including testing paradigms; (e) recommend strategies to address specific infrastructure requirements and needs; (f) track and measure the progress of infrastructure projects against plans, requirements, quality measures and standards; (g) liaise with users on all aspects and during all phases of development and implementation; (h) develop hot site disaster recovery plans and testing and training of those responsible; and (i) ensure that the information systems and other critical resources are available, backed-up and remain uncompromised.

	<i>Cost estimate</i>	<i>Variance</i>	
Contractual services	\$679.1	(\$443.4)	(39.5%)

180. The provision of \$679,100 for contractual services relates to: (a) two-year technical support and maintenance of investment and financial-oriented systems (\$240,000), including a portfolio risk analysis and performance attribution system, an electronic order and trade management system, a pre-trade and post-trade compliance system, a data warehouse consolidation management system and an investment decision support system; (b) two-year technical support, maintenance and upgrade of the office's software (\$110,100), namely, desktop office software packages and an electronic data workflow management system; (c) two-year technical support and maintenance of network components and software upgrades (\$289,000), namely, routers, firewalls (software, hardware), cabling/cards, hubs/switches, virtual private network and remote access connection systems, certificate remote access system, electronic mail system, remote monitoring,

encryption system, intrusion detection system upgrades, and antivirus upgrades; and (d) two-year technical support and maintenance of desktop hardware, monitors, servers, printers, scanners, handheld consoles, and computer accessories (\$40,000). The total provision under this budget line is a recurring cost.

	<i>Cost estimate</i>	<i>Variance</i>	
General operating expenses	\$328.0	\$66.8	25.6%

181. The estimate of \$328,000 for general operating expenses for the biennium 2006-2007 is for Internet service provider and off-site electronic data backup storage services (\$110,000) and for disaster recovery services (\$218,000) which will provide fully equipped, off-site office facilities for staff in case of disaster and to maintain business operations.

	<i>Cost estimate</i>	<i>Variance</i>	
Supplies and materials	\$10.0	\$10.0	—

182. The estimated requirement of \$10,000 is for miscellaneous supplies, such as optical disks, print cartridges and cables.

	<i>Cost estimate</i>	<i>Variance</i>	
Furniture and equipment	\$3 000.0	\$2 271.2	311.6%

183. The provision of \$3,000,000 made for furniture and equipment relates to the cost of new projects (\$2,590,000), the purchase of an electronic data workflow management system and servers to host the system (\$60,000), and desktop computers for additional staff (\$350,000). The total provision made under this budget line is a non-recurring cost.

Projects to be undertaken in the biennium 2006-2007 (\$2,590,000)

a. Portfolio risk analysis and performance attribution system (\$875,000)

184. An automated solution will be implemented to achieve effective monitoring of investment performance and risks undertaken and the prompt identification of the Fund's investment income and assets. A state-of-the-art system will allow the Investment Management Service to rapidly and accurately handle complex investment data and analyse the portfolio risk and its performance. The system will allow the Service to prepare, on a regular basis, comprehensive risk and performance analyses for senior management and the Investment Committee. The project will assist the Investment Management Service in mitigating exposure to various risk factors. The performance analysis will comprise an attribution analysis, to determine the driving forces behind investment performance of each manager, a returns analysis, and risk statistics related to each investment manager, sector, industry, currency and region. The system will be fed by multiple data sources and will allow the application of suitable risk and performance models for all asset classes, as well as stressing scenarios. Failure to establish an integrated approach to

the multidimensional risks that arise in various ways during investment and operational transactions and processes may not only result in less-than-optimal investment performance but also endanger the Fund as a consequence of the loss of substantial income.

b. Electronic order management and trading system (\$220,000)

185. An order management and electronic trading system will be implemented, with one-time capital expenditure of \$220,000. Electronic trading achieves transparency, security and control, and expedites the execution of all transactions. This project will provide a trading system with integrated compliance and risk and cross asset class coverage, and cash management and electronic trading capabilities for improved, straight-through processing. A single system for all trading improves trader productivity and performance by giving better access to liquidity pools through electronic communication networks and reduces trade failures through improved, straight-through processing facilities. This project will implement a full-featured trading system integrated with the systems supported by the master record keeper/custodian. The electronic order management and trading system will streamline trading operations across multiple trading desks, security types and time zones. It will significantly improve investment performance by streamlining and organizing the daily workflow. Through the automation of trade placement, execution, allocation and broker management, the system application saves time and eliminates errors and redundancies. Real-time execution, electronic liquidity connections to over 300 brokers and financial protocols will help the Investment Management Service to achieve best execution of transactions. The system is integrated with pre-trade and post-trade capabilities which will reduce the operational risk exposure of the Investment Management Service. The project will provide the Service with a truly global trading system that handles all asset types and supports continuous trading operations, 24 hours a day, seven days a week. The system application also provides links to accounting, custodial and virtual matching utilities to streamline downstream trade processing.

c. Compliance pre-trading and post-trading system (\$200,000)

186. A compliance module application will be implemented, with one-time capital expenditure of \$200,000. This integral module completes the previously mentioned electronic trading system and allows the Investment Management Service and its Compliance Section to audit and set up more than 1,000 transaction rules. This module will allow the Investment Management Service to perform an improved trade validation in order to ensure that, prior to settlement, all trades are validated and confirmed with the counterparty and that trading and settlement instructions are understood, that all daily purchases and sales are properly recorded and that trade status is monitored. The pricing and valuation function of the module ensures that investments are accurately priced, supporting the development of accurate performance statistics. The module also monitors and calculates daily profits and losses, and, for purposes of operational monitoring, ensures that operational risk, including risk resulting from sub-adviser and service provider relationships, is monitored and managed appropriately.

d. Data warehouse consolidation system (\$1,195,000)

187. A data warehouse consolidation system will be implemented, with one-time capital expenditure of \$1,195,000. The system is a financial industry standard, which consolidates into a unique and integral database all of the various financial data sources of the Investment Management Service, allowing the certification of data accuracy by the Service and the creation of metadata and benchmark indices, which are essential for improved investment analytical processes. As a consequence of the continuing increase in the volume of data related to the Fund's investments, it is recommended that a central repository for data storage be created. The data warehouse consolidation system will provide a secure, centrally administered data repository for all information imported from all investment data sources. It will also provide sophisticated data transformation and reporting capabilities in a multisystem database environment. The Investment Management Service will be easily able to use retained historical data from all data sources and will be better positioned to proactively verify data and perform in-depth analysis and internal audit. The analytical features of the data warehouse system will improve the performance of the management of the Fund's investments.

e. Investment decision support system (\$100,000)

188. The expected return and risk profile of the Fund's portfolio should be based on long-term capital market assumptions which reflect forward-looking expectations for investment performance over the long-term, while taking into account historical relationships among asset classes. This project will implement and enable a powerful analytical tool that will allow the Investment Management Service to recognize the role played by the asset allocation strategy in determining expected returns and the level of risk relative to changes in the value of the Fund's liabilities. This project will provide tools to analyse the asset allocation process. The system application will allow the Service to create multiple investment scenarios, weighing risks and multiple derivations.

5. Risk and Compliance Section

189. The resource request for the Risk and Compliance Section is made in the light of the following considerations:

(a) The increasing complexity of the market and operational environment has made it imperative for investment management organizations to build a strong compliance monitoring capability;

(b) It is essential to create an independent body responsible for the assessment of compliance risks in order to make the monitoring function valid;

(c) The day-to-day monitoring of investment and operational activities is critical;

(d) It is imperative to develop policies outlining the standards of the Investment Management Service that specifically focus on portfolio management and trading practices, independent pricing and valuation of portfolio securities, safety and custody of assets, disclosure to Fund participants, disclosure of potential conflicts of interest, privacy protection, protection of non-public information, business continuity and standards of ethical behaviour for investment staff;

(e) The increasing complexity of the market in a rapidly changing environment requires the regular review of compliance with policies and procedures so as to ensure their adequacy and effectiveness;

(f) Compliance processes are needed for monitoring the adherence of advisers and service providers to the standards of the Investment Management Service;

(g) It is important to have a function within the Investment Management Service that will play an independent liaison role in the Fund's governance structure in regard to compliance issues.

Table 35
Human resource requirements

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007	2004-2005	2006-2007
Professional and above								
P-5	—	1	—	—	—	—	—	1
P-4	—	1	—	—	—	—	—	1
P-3	—	—	—	—	—	—	—	—
P-2/1	—	—	—	—	—	—	—	—
Subtotal	—	2	—	—	—	—	—	2
General Service								
Principal level	—	—	—	—	—	—	—	—
Other level	—	—	—	—	—	—	—	—
Subtotal	—	—	—	—	—	—	—	—
Total	—	2	—	—	—	—	—	2

Table 36
Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
Posts	—	—	—	—	338.3	27.3	—	365.6	365.6
Total	—	—	—	—	338.3	27.3	—	365.6	365.6

Analysis of resource requirements (before recosting)

	<i>Cost estimate</i>	<i>Variance</i>	
Posts	\$338.3	\$338.3	—

190. The amount of \$338,300 provides for the salaries, common staff costs and staff assessment for two new posts (1 P-5, 1 P-4).

Posts

a. Creation of a post of Chief, Risk and Compliance Section (P-5)

191. Registered investment companies and investment advisers are required to adopt strong compliance controls, managed by a chief risk officer and administered by a chief compliance officer. Although the Investment Management Service is not a registered investment company, the goal of the Risk and Compliance Section would be to enhance the compliance function and, in doing so, foster improved compliance.

192. A post of Chief of the Risk and Compliance Section (P-5) is requested. The chief will be responsible for risk control of the Fund's investments as a whole in terms of portfolio risk, operational risk and compliance risk, and will plan and perform the oversight of performance measurement, investment risk analysis and operational risk analysis, including risk arising from sub-adviser and service provider relationships. The Chief will also manage and report on trading, cash and equity validation and settlement oversight programmes by managing the pricing and securities databases, bank account relationships and the oversight of cash activities, and establish and conduct independent performance calculations. The Chief will also be responsible for managing business continuity programmes.

193. The Chief of the Risk and Compliance Section will develop a comprehensive risk monitoring mechanism for the investments of the Fund, apply and oversee the process, develop a methodology for a risk and performance analysis appropriate for the investments of the Fund and oversee the reporting. The Chief will alert supervisors when the Fund is exposed to unwarranted risk, or to issues affecting the safety and custody of the assets, disclosure to Pension Fund participants, disclosure of potential conflict of interest and privacy protection of non-public information. The Chief will act as independent liaison in regard to compliance issues in the Fund's governance structure.

b. Creation of one post of Compliance Officer (P-4)

194. A post of Compliance Officer is requested. The Compliance Officer will establish the policies of the Investment Management Service in regard to standards of ethical behaviour, review the Service's procedures to ensure their adequacy and effectiveness and monitor the adherence of sub-advisers and service providers to the standards of the Service. The Compliance Officer will be also involved in the legal aspects of the Service's activities, developing and maintaining its contracts. In this capacity, the Compliance Officer will serve as an adviser on legal issues to the Chief of the Risk and Compliance Section.

195. The Compliance Officer will conduct an annual review of the policies and procedures of the Investment Management Service, will be responsible for developing and enforcing any relevant new procedures, and will maintain a copy of the policies and procedures, along with the records that document their annual review and updates for internal oversight purposes.

196. As well as responsibility for the operational policies and procedures, the Risk and Compliance Section provides overall control, such that pre-settlement activities are managed and monitored and that risk, up to trade settlement, is controlled. To accomplish this, the Section validates and monitors trades, ensures accurate pricing and position valuation, and is responsible for monitoring external relationships, including all service provider and sub-adviser relationships.

C. Audit costs

Resources requested (before recosting): \$1,657,900

Table 37

Financial resource requirements

(Thousands of United States dollars)

Category	2002-2003 expenditure	2004-2005 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2006-2007 estimate
			Amount	Percentage			United Nations	Pension Fund	
External audit	422.9	489.4	(27.0)	(5.5)	462.4	17.5	80.0	399.9	479.9
Internal audit	734.5	1 242.4	(46.9)	(3.8)	1 195.5	45.2	206.7	1 034.0	1 240.7
Total	1 157.4	1 731.8	(73.9)	(4.3)	1 657.9	62.7	286.7	1 433.9	1 720.6

197. The amount of \$1,657,900 covers the estimated requirements for external audit (\$462,400) as requested by the Board of Auditors, and for internal audit (\$1,195,500) as requested by the Office of Internal Oversight Services.

External audit

198. The reduction in the estimated costs of external audit reflects a reduced provision by the Board of Auditors (\$27,000). Under the cost-sharing arrangements, it is estimated that approximately one half of external audit costs are expended on the audit of administrative operations and one half on investment operations. Of the costs apportioned to administrative operations, one third (or one sixth of the total) is borne by the United Nations. In previous bienniums, the gross amount was requested by the Fund, with one sixth being reimbursed by the United Nations.

Internal audit

199. The reduction of \$46,900 in the costs of internal audit is the net effect of the request made by the Office of Internal Oversight Services. Provision is made for the continuation of general temporary assistance to cover posts at the current levels (one P-5, one P-4 and one General Service (Other level)). In addition, provision is made to cover an additional 12 months of general temporary assistance at the P-4 level to

employ a specialist in information technology systems audit. This additional resource is required to provide audit coverage of the risks associated with the number and complexity of the Fund's information technology systems and with related projects to upgrade the existing information technology capabilities. This has enabled a reduction in contractual services and travel to be made. Provision is therefore made for internal audit (\$1,195,500) to cover costs of general temporary assistance (\$908,000), consultancy (\$250,000), travel of staff (\$10,000) and training, equipment, communications and supplies, furniture and equipment (\$27,500).

IV. Emergency fund

200. The General Assembly, in section X of its resolution 58/272, authorized the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund for the biennium 2004-2005 by an amount not exceeding \$200,000.

201. 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 2006-2007 by an amount not exceeding \$200,000.

Notes

¹ International Labour Organization, United Nations Educational, Scientific and Cultural Organization, World Health Organization, World Intellectual Property Organization, International Telecommunication Union, World Meteorological Organization, International Atomic Energy Agency, United Nations Industrial Development Organization, International Maritime Organization, International Fund for Agricultural Development, International Centre for Genetic Engineering and Biotechnology, World Trade Organization, International Tribunal for the Law of the Sea, International Centre for the Study of the Preservation and Restoration of Cultural Property, European and Mediterranean Plant Protection Organization, International Criminal Court and Inter-Parliamentary Union.

² United Nations Office at Geneva, Office of the United Nations High Commissioner for Refugees, Economic Commission for Africa, United Nations Office at Vienna, United Nations Office at Nairobi, United Nations Environment Programme, United Nations Centre for Human Settlements, Economic and Social Commission for Western Asia, International Court of Justice and United Nations Relief and Works Agency for Palestine Refugees in the Near East.

³ *Official Records of the General Assembly, Fifty-seventh Session, Supplement No. 9 (A/57/9)*, para. 104.

Annex I

Discussions in the Standing Committee of the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2004-2005 and on the budget estimates for the biennium 2006-2007

A. Revised budget estimates for the biennium 2004-2005

1. The Standing Committee noted that, pursuant to the revised budget estimates for the biennium 2004-2005 contained in document JSPB/SC/188/R.10, an additional appropriation for the biennium amounting to \$4,069,600, all of it chargeable to the Fund, had been requested, for a revised total of \$89,563,100 (excluding extrabudgetary resources totalling \$642,400). As noted in the aforementioned document, the necessity for the revised appropriation was linked to growth in the market value of the small capitalization portfolio, which had led to a corresponding increase in management fees.

B. Budget estimates for the biennium 2006-2007

2. The Standing Committee had before it the proposed budget estimates submitted by the Secretary/Chief Executive Officer for the biennium 2006-2007, which provided for expenditures of \$130,359,700, compared with \$99,503,900 for the biennium 2004-2005. The budget submission was presented in gross terms, including the United Nations cost-sharing, and, for further clarity, the provision for each category of expenditure was apportioned between the Fund and the United Nations under the cost-sharing agreement. The resources requested by the Secretary/Chief Executive Officer for the biennium 2006-2007 comprised \$61,881,300 for administrative costs, \$66,757,800 for investment costs and \$1,720,600 for audit costs. In addition, the estimates included extrabudgetary costs in the amount of \$131,000 for after-service health insurance.

3. The Secretary/Chief Executive Officer introduced the document and addressed each of the three components of the budget, namely administrative, investment and audit costs. He referred to the Fund's management charter (JSPB/SC/188/R.16) and explained that the budget reflected the Fund's priorities for the biennium 2006-2007 (the management charter was considered by the Standing Committee under item 8 (d) of the agenda). With regard to administrative costs, the requests for additional resources related primarily to the request for 14 additional posts and the reclassification of 7. The request to convert 6 temporary posts to established posts would be done at no cost. In addition, within the Information Management Systems Service the increase in resources was related to projects to be undertaken during the biennium. These requests were based on continuing growth in both the number of participants and periodic benefits in payment. The United Nations reiterated its support for continuation of the cost-sharing arrangements made with the Pension Fund, in consideration of the pension administrative services provided by the Fund's secretariat as the Staff Pension Committee of the United Nations.

4. Under investment cost, the Secretary/Chief Executive Officer explained that the additional resources requested were directly linked to the recommendations

made in the report of Deloitte and Touche on the investment process, operations and organization of the Investment Management Service. The main thrust of the report was to recommend a new hybrid structure for the Service, in which a combination of internal management and permanent/temporary external outsourcing of the management of the Fund's investments would be used. In broad terms, this entailed a reorganization of the Service and additional outsourcing. In particular, additional resources were requested for 10 new posts, the reclassification of 6 posts and the outsourcing of additional investments.

5. The provision under audit costs reflected a reduction in the costs of both external and internal audit, reflecting the resource levels recommended by the Board of Auditors and the Office of Internal Oversight Services.

6. The Committee decided to form a working group, composed of two members from each of the constituent groups and two representatives of the Federation of Associations of Former International Civil Servants, to review the budget proposals and to make recommendations to the Committee.

1. Discussions of the working group

7. The working group reached consensus on the conclusions summarized below.

General comment

8. In reviewing the budget proposal, the working group noted that it was difficult to evaluate the budget increases in certain budget lines as there was no indication of whether the increases or decreases related to non-recurrent costs or recurrent costs.

9. In addition, the recosting method used by the secretariat was unfamiliar to most members and required explanation.

Administrative costs

10. The proposals of the Secretary/Chief Executive Officer relating to administrative costs were accepted in full, with the exception of the following:

(a) For the Geneva Office, the working group suggested that, in the light of its recommending approval of two additional posts for General Service (Other level) staff general temporary assistance remain at the 2004-2005 biennium level of \$53,700 (see para. 83 of the present report);

(b) The working group suggested that the provision for supplies and materials remain at the 2004-2005 biennium level of \$60,000 (see para. 87);

(c) In relation to software systems, the working group considered that the documentation provided did not permit it to properly consider them on their own merits and in order of priority. The working group noted that maintenance costs were budgeted for the projects under study, such as the enterprise resource planning project, that maintenance costs were included for redevelopments (such as the upgrade of the Lawson accounting system) and that maintenance costs consumed a considerable portion of the budget. The working group agreed to support a total amount of \$6,000,000 for the software projects (see paras. 114-123). It requested that detailed information on staffing, hardware and software for the projects planned and being implemented be provided to the Board at its next meeting. The working

group noted that coverage of existing systems and equipment was included under the line item, market data service.

11. In addition the working group commented as follows:

(a) In respect of general operating expenses (see para. 27 (a)), the working group considered that the amount of \$780,100 was considerable and should be subject to prudent management. The working group noted that a breakdown by detail expense would assist in better understanding the total amount;

(b) The working group noted the redeployment of general temporary assistance from other budget lines of the previous budgets (see para. 37);

(c) The working group also noted that bank interest was accounted for elsewhere (see para. 69).

12. The working group supported the following requests in regard to staffing:

<i>Paragraph of the report of the Standing Committee</i>	<i>Section</i>	<i>Request</i>	<i>Post</i>	<i>Number of posts</i>	<i>Category and level</i>
Administration					
21	Office of the Chief Executive Officer	New post	Statistician	1	P-3
32	Operations ^a	Reclassification ^b	Chief of Operations	1	D-1 to D-2
46	Accounts Unit	New post	Deputy Chief	1	P-3
47		New post	Accounting Assistant	2	General Service (Other level)
54	Payments Unit	New post	Finance Officer	1	P-3
61	Cashier	New post	Treasury Assistant	2	General Service (Other level)
81	Geneva Office	New post	Benefits Officer	1	P-4
82		New post	Benefits Assistant	2	General Service (Other level)
99,100	Information Management Systems Service	Reclassification	Senior Information Management Officer	2	P-4 to P-5
101		New post	Security Officer	1	P-4
105, 106		Conversion		3	P-4
104		Conversion		1	P-3
102, 103		Conversion		2	General Service (Other level)
127	Executive Office	New post	Budget Officer	1	P-3

^a The working group suggested that the future organizational structure be attached to the budget document.

^b The Chief Executive Officer informed the group that the Office of Human Resources Management would consider reclassification of the post at the level requested.

13. The working group did not support the following requests:

<i>Section</i>	<i>Request</i>	<i>Post</i>	<i>Number of posts</i>	<i>Category and level</i>
Administration				
Pension Entitlements and Client Services Section	New post ^a	Benefits Officer	1	P-3
Financial Services Section	Reclassification ^b	Chief	1	P-5 to D-1
	New post ^c	Business Analyst	1	P-4
Information Management Systems Service	Reclassification	Information Systems Officer	2	P-3 to P-4
Executive Office	Reclassification ^d	Administrative Assistant	1	General Service (Other level) to General Service (Principal level)

^a It was noted that the need for the post was related to retirements, as well as to permit proper interfacing with development teams in relation to information system projects. The working group suggested that, rather than creating a new post, any additional costs related to user input to systems development be covered under the cost of the project.

^b The working group deferred consideration of the reclassification.

^c The working group noted that many of the responsibilities of this post would normally be covered by the Chief of the Financial Services Section.

^d In the light of the decision to support the creation of the post of Budget Officer in the Fund's Executive Office, the need to increase the responsibilities of the General Service (Other level) post was questioned and the request not supported.

Investment costs

14. The working group welcomed the initiatives taken by the Investment Management Service with a view to controlling risks, and diversifying and modernizing its operations. The working group noted that the budget, as planned, would implement a significant policy change as regards outsourcing, as well as restructuring of the Investment Management Service. However, the change in policy had not yet been reviewed by the Board or by the Investments Committee. It therefore agreed that, as an exceptional measure, only such expenditures considered essential, irrespective of any policy review, be recommended for approval. It was expected that the policy review would be undertaken by the Board at its next meeting, in 2006. This implied that the proposed budget should be communicated to the General Assembly with the clear understanding that any additional expenditures which might result from the approval of the re-engineering of the Investment Management Service would need to be approved in 2006.

15. Under investment costs, all proposals other than those for posts were accepted, with the exception of the following:

(a) Based on the information provided by the Investment Management Service, which stated that new outsourcing could not begin before 2006, the increase in contractual services permitting additional outsourcing was not supported. It was considered that the amount should be revised to reflect the present level of fees. It was agreed that \$32,000,000 should be provided under contractual services, which would encompass the costs for the master record keeper custodian and

advisers, management of the small capitalization portfolio and market data services (see paras. 166-167);

(b) With regard to costs of furniture and equipment, which included computer and related systems, the working group noted that it was likely that not all systems could be implemented immediately and it supported an amount of \$3,000,000 for the biennium. The working group requested that detailed information on staffing, hardware and software for the projects planned and being implemented be provided to the Board at its next meeting (see paras. 184-188).

16. The working group supported the following requests in regard to staffing:

<i>Paragraph of the report of the Standing Committee</i>	<i>Section</i>	<i>Request</i>	<i>Post</i>	<i>Number of posts</i>	<i>Category and level</i>
Investment					
162	Investments Section	New post	Investment Officer	1	P-5
163		Reclassification ^a	Investment Officer	3	P-4 to P-5
178	Information Systems Section	New post ^b	Infrastructure Manager	1	P-4
192		New post	Chief	1	P-5
194	Risk and Compliance Section	New post	Compliance Officer	1	P-4

^a The reclassification of the posts was supported in the light of their similar responsibilities. There were, however, significant concerns that the upgrades were proposed, rather than creation of a new post. It was noted that the reclassifications would be subject to review by the Office of Human Resources Management.

^b The working group supported the creation of one P-4 post, to be selected by management, in the Information Technology Section. However, it strongly recommended that efforts be made to centralize the information technology operations of the Fund with a view to streamlining both operations and benefits.

17. The working group did not support the following:

<i>Section</i>	<i>Request</i>	<i>Post</i>	<i>Number of posts</i>	<i>Category and level</i>
Investment				
Office of the Director	Reclassification ^a	Administrative Officer	1	P-4 to P-5
Operations, Information Technology and Risk Service	New post	Chief	1	D-1
Operations Section	New post	Finance Officer	1	P-4
	Reclassification	Accounting Assistant	1	General Service (Other level) to General Service (Principal level)
	New temporary post	Accounting Assistant	1	General Service (Other level)

<i>Section</i>	<i>Request</i>	<i>Post</i>	<i>Number of posts</i>	<i>Category and level</i>
Information Systems Section	New post	Systems Investment Manager	1	P-4
	New post	Infrastructure Analyst	1	General Service (Principal level)
	Reclassification	Investment Systems Analyst	1	General Service (Other level) to General Service (Principal level)
Risk and Compliance Section	New post	Due Diligence Assistant	1	General Service (Principal level)

^a The reclassification from P-4 to P-5 was not supported.

Audit costs

18. The working group fully supported the resources requested for external audit (\$479,900) and internal audit (\$1,240,700).

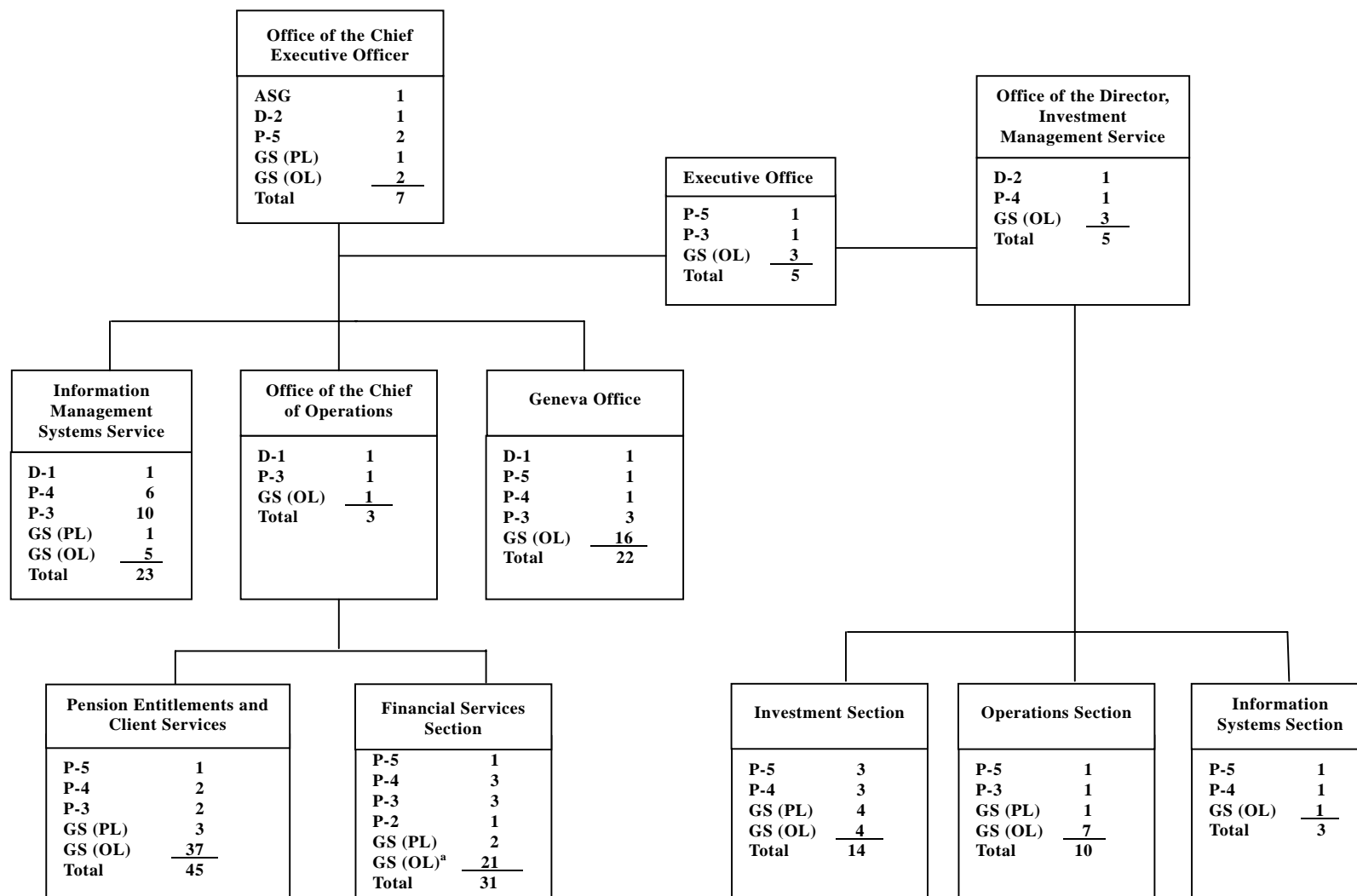
2. Discussions of the Standing Committee

19. The Standing Committee approved, for submission to the General Assembly, the proposed budget estimates of \$108,552,700, comprising administrative costs (\$57,439,000), investment costs (\$49,393,100) and audit costs (\$1,720,600). Of this amount, \$91,968,400 would be apportioned to the Fund and \$16,584,300 to the United Nations under the cost-sharing agreement. In addition, the Standing Committee approved resources amounting to \$131,000 for one General Service (Other level) post from extrabudgetary funding for processing the payment of premiums for after-service health insurance.

20. Members of the Standing Committee stated that, in future, the Fund's budget should be based on the resources required to achieve its objectives, similar to the format of results-based budgets.

21. It was noted that the support of the representatives of the Secretary-General for the recommendation to reduce contractual services for the Investment Management Service was made on the proviso that the subject would be revisited by the Board in 2006, taking into account discussions and decisions concerning the implementation of the recommendations of Deloitte and Touche over the 2006-2007 biennium.

United Nations Joint Staff Pension Fund: organization chart for the biennium 2004-2005

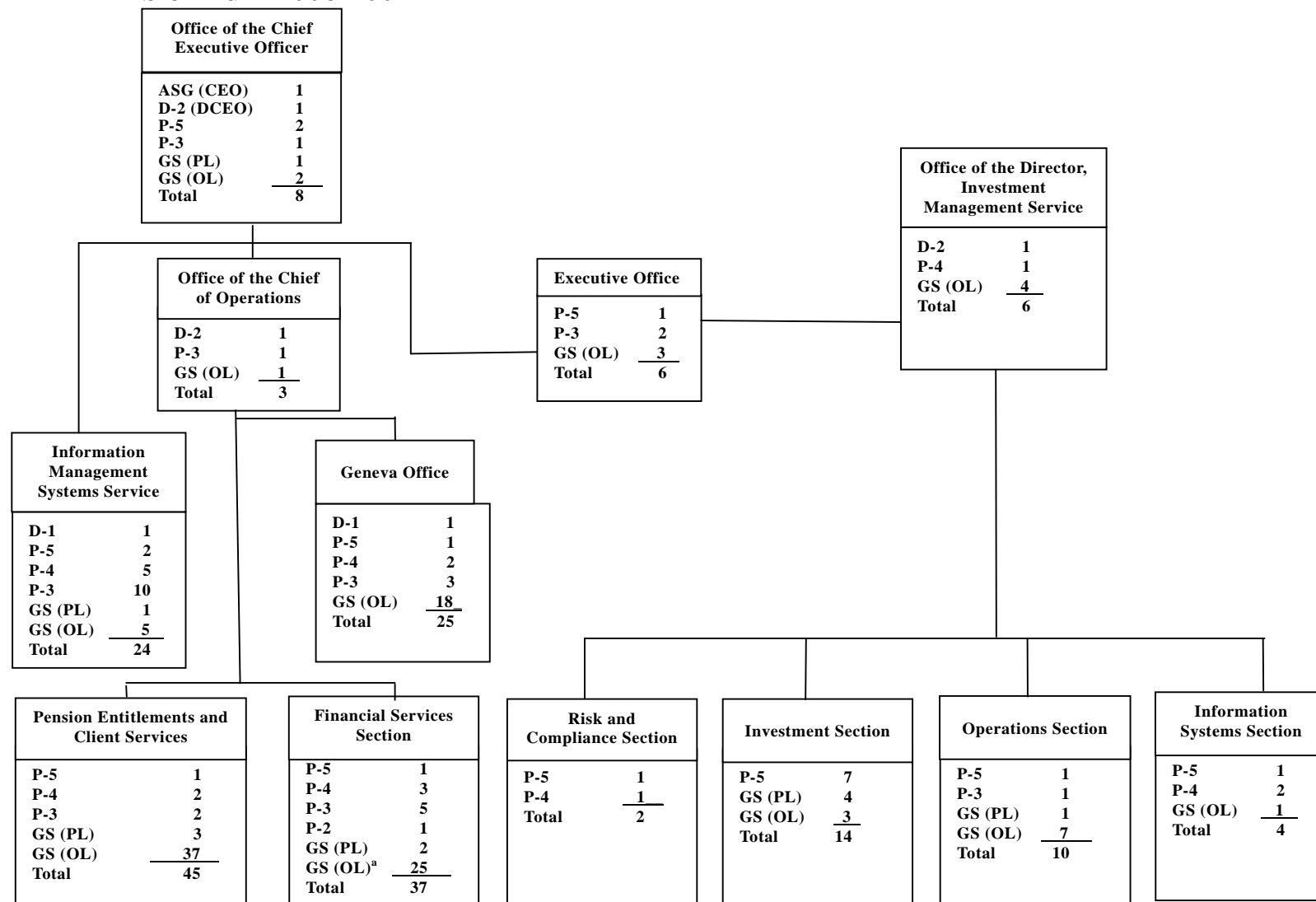


Abbreviations: GS (PL), General Service (Principal level); GS (OL), General Service (Other level).

^a One extrabudgetary post is funded by member organizations.

Annex III

United Nations Joint Staff Pension Fund: proposed organization chart for the biennium 2006-2007



Abbreviations: CEO, Chief Executive Officer; DCEO, Deputy Chief Executive Officer; GS (PL), General Service (Principal level); GS (OL), General Service (Other level).

^a One extrabudgetary post is funded by member organizations.

Annex IV

Budget methodology

1. The methodology used in preparing the financial requirements for the United Nations Joint Staff Pension Fund is similar to that used for the programme budget, as endorsed by the General Assembly in its resolution 47/212 A of 23 December 1992. There are, however, exceptions, which are explained below.

2. The starting point against which changes are calculated would, under the programme budget, be the revised appropriations as at December 2004. In this respect, the Fund does not revise its appropriations and therefore the starting point is the appropriation approved by the General Assembly in resolution 58/272 of 23 December 2003. Although this appropriation was amended by the General Assembly in resolution 59/269 of 23 December 2004, this was not a revision based upon a recalculation of costs. To use the appropriations approved in December 2003 as a starting point would result in an inflated resource growth prior to recosting caused by: (a) an increase in the full resource provision in the biennium 2006-2007 for new posts approved by the General Assembly and costed in 2004-2005 with a delayed recruitment factor of 50 per cent for Professional posts and 65 per cent for General Service posts; (b) the additional posts requested for the 2006-2007 biennium; and (c) the increase due to inflation that would, under the programme budget, revise the appropriations in December 2004. In order to indicate a more accurate resource growth as a result of posts approved for the 2004-2005 biennium and posts requested for the 2006-2007 biennium only, the amount that would have been requested as a revised appropriation in December 2004 has been calculated and included as an element of recosting rather than as resource growth.

3. In addition, and in order to reflect a more appropriate allocation among object classes, the appropriations for the 2004-2005 biennium have been adjusted from those shown in table 23 of the previous report of the Standing Committee (A/58/214 and Corr.1). While adjustment of the appropriations makes a comparison with the estimates for the 2006-2007 biennium more meaningful, the opportunity has been taken to indicate costs where they should more rightfully fall. For this reason, a number of resources requested for the 2006-2007 biennium are not shown within the same section as in the previous report of the Standing Committee.

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

(a) Delayed recruitment factors for both New York and Geneva for 2006 and 2007 have been applied to continuing Professional posts (95.1 per cent), new Professional posts (50.0 per cent), continuing General Service posts (98.5 per cent) and new General Service posts (65.0 per cent);

(b) The average annual rate of inflation applied for 2006 and 2007 for New York is 2.5 per cent and for Geneva 1.1 per cent;

(c) The exchange rate applied for 2006 and 2007 for Geneva is 1.255.

Annex V

United Nations Joint Staff Pension Fund: number of participants by member organization, as at 31 December 2004

Organization	Number of participants									
	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
United Nations	44 059	43 869	43 864	43 751	44 958	50 126	54 953	56 287	57 541	59 542
International Labour Organization	2 823	2 632	2 599	2 620	2 612	2 650	2 747	2 863	3 044	3 221
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
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
World Health Organization	6 125	5 965	5 935	6 180	6 409	6 817	7 375	8 181	8 966	9 498
International Civil Aviation Organization	820	826	852	852	841	867	873	883	863	863
World Meteorological Organization	333	316	312	314	327	329	322	310	303	287
General Agreement on Tariffs and Trade ^a	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
International Maritime Organization	315	324	323	310	315	325	330	340	344	351
International Telecommunication Union	908	885	905	921	965	953	967	1 006	971	875
World Intellectual Property Organization	611	672	712	807	955	1 033	1 106	1 189	1 240	1 206
International Fund for Agricultural Development	302	295	298	332	338	344	383	435	462	488
International Centre for the Study of the Preservation and Restoration of Cultural Property	29	31	29	32	35	37	33	36	34	39
European and Mediterranean Plant Protection Organization	10	11	11	12	12	12	12	11	11	11
United Nations Industrial Development Organization	1 455	1 163	1 064	921	851	810	813	821	786	791
International Centre for Genetic Engineering and Biotechnology	—	136	138	141	142	145	145	150	152	162
World Tourism Organization	—	70	72	74	78	79	79	83	88	95
International Tribunal for the Law of the Sea	—	—	18	20	25	27	30	33	34	34
International Seabed Authority	—	—	3	30	28	31	28	34	34	28
International Criminal Court ^b	—	—	—	—	—	—	—	—	—	298
Total number of participants	68 708	67 997	67 740	67 971	68 935	74 432	80 082	82 715	85 245	88 356
Total number of member organizations	16	18	20	20	19	19	19	19	19	20

^a The General Agreement on Tariffs and Trade withdrew from the United Nations Joint Staff Pension Fund as from 31 December 1998.

^b The International Criminal Court became the twentieth member organization of the Fund, with effect from 1 January 2004. The Inter-Parliamentary Union, which became the twenty-first member as at 1 January 2005, is not reflected in the present annex.

Annex VI

United Nations Joint Staff Pension Fund statistics, 1995-2004

	1995 ^a	1996 ^a	1997 ^a	1998 ^a	1999 ^a	2000 ^a	2001 ^a	2002 ^a	2003 ^a	2004 ^a
Number of participants	68 708	67 997	67 740	67 971	68 935	74 432	80 082	82 715	85 245	88 356
Number of benefits in payment	38 914	41 433	43 149	44 633	46 199	48 069	49 416	51 028	52 496	53 879
Subtotal	107 622	109 430	110 889	112 604	115 134	122 501	129 498	133 743	137 741	142 235
Ratio (participants: beneficiaries)	1.8:1	1.6:1	1.6:1	1.5:1	1.5:1	1.5:1	1.6:1	1.6:1	1.6:1	1.6:1
(United States dollars)										
Employee contributions	260 032 145	264 954 975	263 026 833	267 906 544	272 834 270	285 313 778	310 247 322	337 543 758	379 532 117	413 615 038
Employer contributions	517 518 358	535 782 481	524 463 230	533 885 385	543 823 112	569 233 081	618 386 756	672 139 198	756 900 421	825 215 258
Total contributions	777 550 503	800 737 456	787 490 063	801 791 929	816 657 382	854 546 859	928 634 078	1 009 682 956	1 136 432 538	1 238 830 296
Total benefit payments	788 780 095	915 073 197	883 717 490	927 980 457	1 069 584 133	1 029 116 358	1 064 800 996	1 140 697 639	1 215 205 313	1 306 912 950
Contributions minus benefit payments	-11 229 592	-114 335 741	-96 227 427	-126 188 528	-252 926 751	-174 569 499	-136 166 918	-131 014 683	-78 772 775	-68 082 654
Market value (billions)	15.2	16.9	18.5	21.8	25.6	23.8	21.5	20.6	25.7	29.2

^a As at 31 December.