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**Programme budget for the biennium 2016-2017**

**Proposed programme budget for the biennium 2018-2019**

## **Administrative expenses of the United Nations Joint Staff Pension Fund**

### **Report of the United Nations Joint Staff Pension Board**

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\* A/72/150.



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\*\* The annex is being circulated in the language of submission only and without formal editing.

## Summary

The present report contains the revised budget for the United Nations Joint Staff Pension Fund for the biennium 2016-2017, which indicates a reduction in appropriations amounting to \$5,091,100. This reduction comprises amounts under expenditures for investment costs (\$10,178,300) and audit costs (\$78,000), offset in part by increased administrative costs of \$5,165,200. The revised appropriations for the biennium 2016-2017 would then amount to \$174,964,300, divided into administrative costs (\$96,543,600), investment costs (\$74,630,400), audit costs (\$2,824,700) and Pension Board expenses (\$965,600). Of this amount, \$20,373,300 is chargeable to the United Nations under the cost-sharing arrangement. The revised estimate for extrabudgetary costs in 2016-2017 is \$201,400.

The report also contains budget estimates for the period from 1 January 2018 to 31 December 2019, which amount to \$194,664,800 (before recosting), to cover administrative costs (\$105,018,900), investment costs (\$85,586,400), audit costs (\$2,929,200), Pension Board expenses (\$965,600) and extrabudgetary costs (\$164,700). The report provides for a total of 269 continuing established posts, nine new established posts, the reclassification of two posts and one extrabudgetary post.

### Resource requirements

(Thousands of United States dollars)

Category	Resources		Posts	
	Appropriation 2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Administrative costs	91 378.4	105 018.9	186	195
Investment costs	84 808.7	85 586.4	85	85
Audit costs	2 902.7	2 929.2		
Board expenses	965.6	965.6		
Extrabudgetary <sup>a</sup>	164.7	164.7	1	1
<b>Total</b>	<b>180 220.1</b>	<b>194 664.8</b>	<b>272</b>	<b>281</b>

<sup>a</sup> One extrabudgetary General Service (Other level) post funded by member organizations.

## I. Overview

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and such other organizations as might be admitted to membership. It is a multi-employer defined benefit plan that as of 31 December 2016 was servicing 23 member organizations with a combined number of 203,050 active participants and beneficiaries consisting of 74,788 retirees and beneficiaries receiving monthly pension payments and 128,262 active participants accumulating pension rights and continuing to be serviced by the Fund. The value of the net assets of the Fund stood at \$54.5 billion at the end of 2016.

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

3. The day-to-day operations of the Fund secretariat, which currently has 187 posts, are overseen by the Chief Executive Officer. The Representative of the Secretary-General manages the Fund's Investment Management Division and its 85 posts. A detailed description of the Fund and its operations and activities is included in the present budget document and the accompanying supplementary information.

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

5. The main document concentrates on the overall description of the management vision, the new approach and the plans to transform the Fund into a responsive, agile and service-oriented organization that is able to meet evolving and increasing demand. The supplementary document includes detailed description and justification for the requested resources.

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## II. Budget estimates for the biennium 2016-2017: performance report

6. Table 1 summarizes the total estimated expenditures for the biennium 2016-2017. In order to make the performance report of the Fund more meaningful, the expenditures for the biennium comprise two distinct elements: (a) actual expenditures for the 16-month period from 1 January 2016 to 30 April 2017; and (b) estimated expenditures for the 8-month period from 1 May 2017 to 31 December 2017.

7. In its resolutions [70/248](#) and [71/265](#), the General Assembly approved appropriations for the biennium 2016-2017 totalling \$180,055,400, comprising administrative costs (\$91,378,400), investment costs (\$84,808,700), audit costs (\$2,902,700) and Board expenses (\$965,600). Of this amount, \$158,190,100 is chargeable directly to the Fund and \$21,865,300 is the share of costs borne by the United Nations. In addition, resources amounting to \$164,700 were authorized for extrabudgetary costs and funded by a number of member organizations.

Table 1  
**Revised estimates for the biennium 2016-2017 by object of expenditure**

(Thousands of United States dollars)

	<i>Approved appropriation</i>			<i>Expenditure 1 January 2016-30 April 2017</i>			<i>Estimated expenditure 1 May-31 December 2017</i>			<i>Increase (decrease) for 2016-2017</i>			<i>Proposed final appropriation 2016-2017</i>		
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>
	(a)			(b)			(c)			(d)=(b)+(c)-(a)			(e)=(a)+(d)		
<b>Administrative costs</b>															
Posts	31 944.5	14 309.2	46 253.7	19 244.1	8 430.9	27 675.0	10 731.9	4 912.0	15 643.9	(1 968.5)	(966.3)	(2 934.8)	29 976.0	13 342.9	43 318.9
Other staff costs	8 361.5	283.2	8 644.7	6 286.3	308.1	6 594.4	5 251.2	214.7	5 465.9	3 176.0	239.6	3 415.6	11 537.5	522.8	12 060.3
Hospitality	6.2	–	6.2	–	–	–	6.2	–	6.2	–	–	–	6.2	–	6.2
Consultants	631.6	–	631.6	192.6	–	192.6	139.2	–	139.2	(299.8)	–	(299.8)	331.8	–	331.8
Travel	1 025.2	–	1 025.2	492.1	–	492.1	432.8	–	432.8	(100.3)	–	(100.3)	924.9	–	924.9
Contractual services	13 154.2	2 394.3	15 548.5	11 616.1	2 425.5	14 041.6	10 095.0	(31.2)	10 063.8	8 556.9	–	8 556.9	21 711.1	2 394.3	24 105.4
General operating expenses	13 416.9	3 712.8	17 129.7	7 953.7	3 205.1	11 158.8	3 638.2	203.5	3 841.7	(1 825.0)	(304.2)	(2 129.2)	11 591.9	3 408.6	15 000.5
Supplies and materials	127.1	63.6	190.7	25.9	7.5	33.4	39.2	24.7	63.9	(62.0)	(31.4)	(93.4)	65.1	32.2	97.3
Furniture and equipment	1 329.7	618.4	1 948.1	181.9	38.8	220.7	314.7	162.9	477.6	(833.1)	(416.7)	(1 249.8)	496.6	201.7	698.3
<b>Subtotal</b>	<b>69 996.9</b>	<b>21 381.5</b>	<b>91 378.4</b>	<b>45 992.7</b>	<b>14 416.0</b>	<b>60 408.7</b>	<b>30 648.4</b>	<b>5 486.5</b>	<b>36 134.9</b>	<b>6 644.2</b>	<b>(1 479.0)</b>	<b>5 165.2</b>	<b>76 641.1</b>	<b>19 902.5</b>	<b>96 543.6</b>
<b>Investment costs</b>															
Posts	25 818.6	–	25 818.6	13 759.6	–	13 759.6	8 733.0	–	8 733.0	(3 326.0)	–	(3 326.0)	22 492.6	–	22 492.6
Other staff costs	3 501.4	–	3 501.4	450.1	–	450.1	1 389.0	–	1 389.0	(1 662.3)	–	(1 662.3)	1 839.1	–	1 839.1
Hospitality	27.5	–	27.5	0.7	–	0.7	26.8	–	26.8	–	–	–	27.5	–	27.5
Consultants	1 114.0	–	1 114.0	149.2	–	149.2	814.8	–	814.8	(150.0)	–	(150.0)	964.0	–	964.0
Travel	2 143.1	–	2 143.1	501.1	–	501.1	843.5	–	843.5	(798.5)	–	(798.5)	1 344.6	–	1 344.6
Contractual services	43 639.4	–	43 639.4	19 429.0	–	19 429.0	19 775.6	–	19 775.6	(4 434.8)	–	(4 434.8)	39 204.6	–	39 204.6
General operating expenses	7 350.6	–	7 350.6	8 207.7	–	8 207.7	(612.1)	–	(612.1)	245.0	–	245.0	7 595.6	–	7 595.6
Supplies and materials	253.4	–	253.4	39.6	–	39.6	162.1	–	162.1	(51.7)	–	(51.7)	201.7	–	201.7

	Approved appropriation			Expenditure 1 January 2016-30 April 2017			Estimated expenditure 1 May-31 December 2017			Increase (decrease) for 2016-2017			Proposed final appropriation 2016-2017		
	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total
	(a)			(b)			(c)			(d)=(b)+(c)-(a)			(e)=(a)+(d)		
Furniture and equipment	960.7	–	960.7	157.0	–	157.0	803.7	–	803.7	–	–	–	960.7	–	960.7
<b>Subtotal</b>	<b>84 808.7</b>	<b>–</b>	<b>84 808.7</b>	<b>42 694.0</b>	<b>–</b>	<b>42 694.0</b>	<b>31 936.4</b>	<b>–</b>	<b>31 936.4</b>	<b>(10 178.3)</b>	<b>–</b>	<b>(10 178.3)</b>	<b>74 630.4</b>	<b>–</b>	<b>74 630.4</b>
<b>Audit costs</b>															
External audit	655.4	131.1	786.5	327.6	65.5	393.2	327.8	65.6	393.3	–	–	–	655.4	131.1	786.5
Internal audit	1 763.5	352.7	2 116.2	995.7	199.1	1 194.8	702.8	140.6	843.4	(65.0)	(13.0)	(78.0)	1 698.5	339.7	2 038.2
<b>Subtotal</b>	<b>2 418.9</b>	<b>483.8</b>	<b>2 902.7</b>	<b>1 323.3</b>	<b>264.7</b>	<b>1 587.9</b>	<b>1 030.6</b>	<b>206.2</b>	<b>1 236.8</b>	<b>(65.0)</b>	<b>(13.0)</b>	<b>(78.0)</b>	<b>2 353.9</b>	<b>470.8</b>	<b>2 824.7</b>
<b>Board expenses</b>	<b>965.6</b>	<b>–</b>	<b>965.6</b>	<b>587.9</b>	<b>–</b>	<b>587.9</b>	<b>377.7</b>	<b>–</b>	<b>377.7</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>965.6</b>	<b>–</b>	<b>965.6</b>
<b>Total resources</b>	<b>158 190.1</b>	<b>21 865.3</b>	<b>180 055.4</b>	<b>90 597.9</b>	<b>14 680.6</b>	<b>105 278.6</b>	<b>63 993.0</b>	<b>5 692.7</b>	<b>69 685.7</b>	<b>(3 599.1)</b>	<b>(1 492.0)</b>	<b>(5 091.1)</b>	<b>154 591.0</b>	<b>20 373.3</b>	<b>174 964.3</b>
<b>Extrabudgetary costs (after-service health insurance system)</b>															
<b>Operational activities</b>	<b>164.7</b>	<b>–</b>	<b>164.7</b>	<b>132.7</b>	<b>–</b>	<b>132.7</b>	<b>68.7</b>	<b>–</b>	<b>68.7</b>	<b>36.7</b>	<b>–</b>	<b>36.7</b>	<b>201.4</b>	<b>–</b>	<b>201.4</b>

8. Total expenditure for the biennium 2016-2017 is estimated at \$174,964,300, comprising administrative costs (\$96,543,600), investment costs (\$74,630,400), audit costs (\$2,824,700) and Board expenses (\$965,600), resulting in underexpenditure of \$5,091,100, or 2.8 per cent of the total appropriation. The projected expenditure of \$201,400 for extrabudgetary costs will result in overexpenditure of \$36,700, or 22.3 per cent of the extrabudgetary appropriation.

## **A. Administrative costs**

9. The \$96,543,600 in estimated administrative costs for the biennium 2016-2017 will result in overexpenditure of \$5,165,200, or 5.7 per cent. The main variances contributing to the overexpenditure are attributable to the increase in other staff costs and contractual services. The main variances are set out below.

### **Posts — underexpenditure of \$2,934,800**

10. The underexpenditure of \$2,934,800, or 6.3 per cent, is attributable to the time required for the recruitment of staff to fill new posts approved in the biennium 2016-2017, as well as the “domino effect” of recruitment where filling a post with internal candidates (who have the required expertise and knowledge in pension administration and in the Fund’s very complex and unique plan design) opens up a series of other posts.

### **Other staff costs — overexpenditure of \$3,415,600**

11. The overexpenditure of \$3,415,600, or 39.5 per cent, is attributable to increased requirements for general temporary assistance staff and overtime mainly to provide support for additional benefit-processing capacity, the end-to-end review and information and communications technology services.

### **Consultants — underexpenditure of \$299,800**

12. The underexpenditure of \$299,800 or 47.5 per cent is mainly due to the redeployment of resources related to accounting advice and risk assessment study to contractual services in line with expenditure recording in Umoja.

### **Travel — underexpenditure of \$100,300**

13. The underexpenditure of \$100,300, or 9.8 per cent, is attributable to efforts to reduce travel costs through the use of video and teleconferencing and travel related to training.

### **Contractual services — overexpenditure of \$8,556,900**

14. The overexpenditure of \$8,556,900, or 55.0 per cent, is attributable to additional requirements for the end-to-end review, the call centre, the business intelligence pilot project and production deployment, the interface project and consultancy services on the Integrated Pension Administration System (IPAS). The increase also reflects the inward redeployment of resources related to training from other staff costs, accounting advice and risk assessment study from consultants and licence fees for access to International Bank Account Number (IBAN) data from general operating expenses in line with expenditure recording in Umoja.

### **General operating expenses — underexpenditure of \$2,129,200**

15. The underexpenditure of \$2,129,200, or 12.4 per cent, is attributable to savings in the maintenance of premises mainly related to chilled water and

electricity, minor repairs and office renovations, savings under bank fees and communications costs. The reduced amounts also reflect the outward redeployment of resources related to licence fees for access to IBAN data to contractual services in line with expenditure recording in Umoja.

#### **Supplies — underexpenditure of \$93,400**

16. The underexpenditure of \$93,400, or 49.0 per cent, is attributable to lower than anticipated requirements for supplies and materials.

#### **Furniture and equipment — underexpenditure of \$1,249,800**

17. The underexpenditure of \$1,249,800, or 64.2 per cent, is related mostly to savings in information technology software and equipment within the Information Management Systems Service.

18. In order to balance the contractual services overexpenditure, the expenditures under furniture and equipment had to be optimized. The efforts focused on the following:

(a) The replacement of monitors and desktops and the upgrading of obsolete technology continued to be staggered, while being partially reduced and planned for the next budget cycle;

(b) The storage technology and infrastructure required to support the existing storage area network have been reduced;

(c) The package acquisition for server application software has been optimized to achieve the required desktop productivity and application development;

(d) Miscellaneous software purchase provisions have been reduced, with the understanding that some software licence upgrades will be made during the next biennium.

#### **Projects undertaken during the biennium 2016-2017**

##### **1. Pension interface projects**

19. The scope of the project included two main interfaces, consisting of the common human resources interface and the common financial (contribution) interface.

20. The Fund started the implementation of the common human resources interface in 2013. At present, all but three member organizations have been migrated to the common human resources interface. As a matter of course, the Fund assists in the implementation of the interfaces, but the pace, timing and resources required for the implementation thereof depends on the availability of the organizations. The three member organizations for which migration to the interface is pending are scheduled to be migrated during the third quarter of 2017.

21. The Fund started the implementation of the common financial interface in 2014, with an expected progression based on the prerequisite adoption by the member organizations of the common human resources interface. In 2016, more member organizations started to adopt the common financial interface for processing their contribution data. One of the benefits derived from the implementation of the common financial interface has been the ability of the member organizations to transfer financial contribution data based on their defined frequency (i.e., monthly). Indeed, in 2016, five member organizations started to deliver their financial contribution data on a monthly basis and several more are

have expressed their availability to adopt the same frequency before the end of 2017. Through the full adoption by all member organizations and reporting entities of the monthly transmissions of financial contribution data, the Fund will be able to process contribution data into its own IPAS system, with the same monthly frequency, with significant benefits expected in terms of reduced pension reconciliation exceptions.

22. Overall, the implementation of the two common interfaces has already provided tangible benefits because, in addition to the adoption of monthly data transfers, it has also enabled the efficient transferring and improved quality of data received from peacekeeping missions as they are being consolidated into the enterprise resource planning system, Umoja.

## **2. Business intelligence project**

23. Following the proof-of-concept phase for the business intelligence project conducted in 2015/2016, a new business intelligence application was successfully developed in 2016/2017. The new application provides the Fund management and business users with draft dashboards, data analysis and business planning functionalities, all of which are currently being tested.

24. The main activities conducted and results achieved with the business intelligence project include:

- (a) Initial definition of reports and key performance indicators;
- (b) Establishment of the infrastructure, software environments, staging and data warehouse databases;
- (c) Implementation of automated data synchronization between IPAS and the business intelligence system, with automated import of monthly historical snapshots;
- (d) Initial design, development and implementation of business intelligence reports and dashboards, including outstanding entitlement case reports, benchmark reports of entitlement cases, released benefits reports, periodic benefits reports and participants' reports;
- (e) Initial review, testing and redrafting of dashboards and reports by Fund management and business users.

## **3. Information security management system**

25. The Fund developed and implemented an Information Security Management System programme in accordance with its risk management framework and the best practices recommended by the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC) for ISO/IEC standard 27001 (relating to information technology and security techniques).

26. The objectives of the Information Security Management System were to protect the confidentiality, integrity and availability of Pension Fund data, with a particular focus on the Integrated Pension Administration System. The scope of the System included the identification of critical information assets, the risks to which they are exposed and the corresponding mitigating controls to be implemented by the Fund.

27. The Information Security Management System of the Fund was independently and formally certified by a third party service provider in March 2016, and its validity was subsequently reconfirmed during the yearly surveillance audit conducted in March 2017.

#### 4. Information and communications technology service management

28. The Fund started the development and implementation of the professional best practices for managing information and communications technology service in accordance with international standard ISO/IEC 20000. The standard supports organizations in achieving evidence-based benchmarks to continuously improve their delivery of information and communications technology services.

29. The main goals of the Fund's ISO/IEC 20000 compliance project were to define and implement a comprehensive information and communications technology service management system and achieve the ISO/IEC 20000 certification for the services provided by the information and communications technology infrastructure team.

30. In 2016/2017, the Fund conducted a gap assessment and started the implementation of relevant controls in the light of the independent third party formal certification process, which was achieved and a certificate issued on 25 July 2017.

#### B. Investment costs

31. Total expenditure for the biennium 2016-2017 is estimated at \$74,630,400, resulting in underexpenditure of \$10,178,300, or 12.0 per cent. The main variances contributing to the net underexpenditure are set out below.

##### **Posts — underexpenditure of \$3,326,000**

32. The underexpenditure of \$3,326,000 million, or 12.9 per cent, is attributable mostly to the delayed recruitment or onboarding of staff, as well as the processing time for the reclassification of posts.

##### **Other staff costs — underexpenditure of \$1,662,300**

33. The underexpenditure of \$1,662,300, or 47.5 per cent, is attributable to the decreased requirements under general temporary assistance as compared to the budgeted amounts, due to the difficulty in recruiting suitable candidates and obtaining agreements to release the selected candidates, as well as to the redeployment of training resources to the contractual services, in line with expenditure recording in Umoja.

##### **Consultants — underexpenditure of \$150,000**

34. The underexpenditure of \$150,000, or 13.5 per cent, is mainly attributable to outward redeployment of resources related to accounting advice and risk assessment study to contractual services, in line with expenditure recording in Umoja.

##### **Travel — underexpenditure of \$798,500**

35. The underexpenditure of \$798,500, or 37.3 per cent, is attributable to the decrease in the travel of representatives due to non-attendance by Investments Committee members at meetings; and to a decrease in the travel of staff, largely due to the fact that, apart from ensuring business continuity and work priorities, the Investment Management Division is still moving towards its full staff complement, as well as to the replacement of travel with videoconferences.

**Contractual services — underexpenditure of \$4,434,800**

36. The underexpenditure of \$4,434,800 or 10.2 per cent in advisory services and custodial services is due to restructuring and a reduction in non-discretionary advisory services, as well as a decrease in costs for custodial services. The underexpenditure in electronic data processing services is primarily a result of the postponement of several business application acquisitions until the completion of the target operating model study. The underexpenditure in training is primarily attributable to the fact that the Investment Management Division is still moving towards its full staff complement, and as such, existing staff members would temporarily have to cover a larger scope of work.

**General operating expenses — overexpenditure of \$245,000**

37. The overexpenditure of \$245,000 or 3.3 per cent results mainly from the costs associated with the renovation of the new office space for the Investment Management Division and the higher than anticipated building operating expenses, partially offset by the underexpenditure under communications requirements.

**Supplies and materials — underexpenditure of \$51,700**

38. The underexpenditure of \$51,700 or 20.4 per cent relates to the reduced requirements under office supplies, compared with the budgeted amounts.

**Projects undertaken during the biennium 2016-2017**

39. Several projects were implemented during the biennium 2016-2017, as follows:

(a) Bloomberg AIM: in July 2015, the Investment Management Division procured Bloomberg AIM, an asset investment management solution that delivers global, multi-asset and multi-currency solutions for portfolio management, electronic trading, compliance monitoring, cash management and forecasting, back office operations, risk analysis, performance attribution, transaction and position reconciliation, as well as equity broker transaction cost analysis. The Division completed the implementation thereof in January 2016. In January 2017, two additional Bloomberg trading platforms were integrated for fixed income and foreign exchange electronic transactions, and the equity broker transaction cost analysis was completed in February 2017. Bloomberg provides help-desk support 24 hours a day, seven days a week, with a state-of-the-art biometrics security access and built-in disaster recovery infrastructure. As a result of the implementation of the platform, all processes supporting the investment cycle at the Division have been streamlined and integrated.

(b) iNeed: in March 2016, the Division implemented the customer relationship management tool of the Office of Information and Communications Technology, iNeed, for the purpose of supporting the Division's information and communications technology service desk. The service desk enhances the processing of users' service requests and efficiently addresses technical issues.

(c) The Division is finalizing the process of separating its network infrastructure from that of the Fund secretariat, in collaboration with the United Nations International Computing Centre and the Office of Information and Communications Technology. The Division's network is located across three data centres: one in New York, a primary data centre in New Jersey, and a disaster recovery data centre in Geneva. The network is now more resilient and better supports the business continuity and disaster recovery plan of the Division.

40. The following projects are being undertaken in 2017:

(a) Upgrade of the Division's website: the Investment Management Division website capabilities will be upgraded, so as to have a multilingual website with static data to supplement the Division's existing website, which provides dynamic data. The new multilingual website will be developed with assistance from both the Office of Information and Communications Technology (for website design and hosting) and the Department of Public Information (for translation services). Access to the multilingual version of the website will be available through a link from the United Nations website, and vice versa. In addition to making the website more user-friendly, the IMD website will have a general public section and a restricted section, which will only be available to users with a privileged level of access;

(b) Global custody services: a request for proposals for global custody services was launched in October 2016, to identify a vendor for the provision of comprehensive global custody and accounting/reporting services for the Fund's investments, in order to consolidate the services of the two global custodians (currently Northern Trust for developed markets and Citibank for emerging and frontier markets) and of the master record-keeper (currently Northern Trust) under one global custodian;

(c) Bloomberg Vault, a secure managed service for information governance, data analytics and trade reconstruction, will be contracted and implemented in 2017. The service also incorporates, among other features, the archiving of Bloomberg's communications by chat or email; provides biometric access controls and a complete audit trail; supports transport layer security (TLS) encryption, which ensures secure end-to-end transit between the Fund and the gateway;

(d) A request for proposals is being launched in 2017 for the global tax advisory services, as the current contract will expire in January 2018;

(e) An information security and business continuity assessment will be undertaken by a consultant firm in 2017, to be identified through a request for proposals. The comprehensive assessment will result in a detailed plan to address any security issues that may be identified and to present and implement recommendations regarding: (i) information and communications technology security; (ii) information and communications technology risk management; (iii) business impact analysis; and (iv) disaster recovery and business continuity plans.

### **C. Audit costs**

41. Total expenditure for the biennium 2016-2017 is estimated at \$2,824,700, resulting in slight underexpenditure of \$78,000, attributable mostly to reduced requirements under other staff costs, partly offset by the increased requirements under general operating expenses.

### **D. Board expenses**

42. Total expenditure for the biennium 2016-2017 is estimated at \$965,600, with no variance from the approved budget.

## **E. Extrabudgetary costs**

43. Total expenditure for the biennium 2016-2017 is estimated at \$201,400, resulting in overexpenditure of \$36,700, or 22.3 per cent. This is attributable mainly to a higher actual staff salary cost compared with the budgeted standard salary cost for a General Service (Other level) post.

## **III. Budget estimates for the biennium 2018-2019: results-based-budgeting frameworks and analysis of resource requirements**

### **A. Introduction**

44. The current budget proposal addresses both the long-term objectives and the priorities reflected in the strategic framework for 2018-2019. It is based on the Fund's commitment to continue with its transition and change management approach, which was initiated in the biennium 2010-2011, and is formulated in response to the recent surge in the number of separation cases, following the implementation of the Fund's new operating platform. The proposal is aimed at providing the necessary financial resources for the realization of an agile, service-oriented Fund capable of meeting the growing requirements of its global clientele.

45. The proposal for the biennium 2018-2019 for the Fund secretariat should not be a comparative exercise between a specific baseline, such as the previous approved budget for biennium 2016-2017. Instead, it should be seen as a necessary cumulative realignment and strengthening to account for previous growth that has been occurring each year since the inception of the Fund and the growth that is anticipated to continue well into the future. The long-term ongoing growth is clearly demonstrated in the information provided in the charts and graphs presented in the supplementary information and, in particular, in figures I to III, provided below. In the first instance, the Fund is aiming to strengthen its overall standing structure, with a minimal amount of new regular posts, in order to more appropriately address its ongoing workloads associated with its past growth, including the fact that its growing population has been ageing and becoming increasingly dispersed with each passing year. While these already well-established trends are certain to continue, the Fund's staffing levels have not kept pace. It should be recalled that between 2010 and 2015, the Fund had made proposals for 46 posts, however only eight posts were approved during that time, owing to the strict budgetary constraints of the organizations and the overall reluctance to approve Fund secretariat posts while it was implementing IPAS.

46. In its assessment of the current state of the Fund's client services activities, carried out as part of the whole office review in 2016, an independent consultant concluded that the "Client Services areas of the Fund are clearly understaffed". As further noted in the Fund's strategic framework (2018-2019), presented to and approved by the Board in 2016, while the goal is constant modernization and an efficiency-driven culture of "doing more with less", of identifying synergies with employing organizations, and of finding innovative solutions and leveraging technology, there will be a need to strengthen the staffing levels, particularly in the operations and client services areas. This should be done by modestly increasing the permanent structure and creating a flexible and agile temporary workforce to address "surges" in volume, cyclical operational peaks or unforeseen events, such as the need to supplement data cleansing as a result of efforts by member organizations to establish or modernize their enterprise resource planning systems (as is the case

with Umoja). In addition, in 2014 the Fund secretariat had also carried out its own review that culminated in its report on possible options for strengthening the Fund's client servicing capabilities. On the basis of the third-party assessment (JSPB/63/R.19 and Add.1), the findings presented in the strategic framework (JSPB/63/R.25/Rev.1) and the Fund's internal review (JSPB/61/R.48), the proposals for regular posts for biennium 2018-2019 are aimed at addressing the already well-established trends:

#### **Trends**

- Ongoing growth in the overall numbers of individuals being serviced
- Increasing geographic dispersion of such individuals
- Continued improvements in longevity and thus the ageing of its retirees and other beneficiaries

47. The logistical challenges of administering the Fund, with a large and growing population (both active and retired), increasingly dispersed over some 190 countries, including the unique provisions of the Fund's two-track feature of its adjustment system along with all the ensuing and necessary controls required of such a system, result in particular client servicing challenges not experienced in any other pension fund. The primary focus of the Fund is to provide proactive and timely service to its participants, retirees and other beneficiaries in accordance with its Regulations and pension adjustment system, from the date of participation in the Fund through the death of the participant and any eligible survivors. It is normally expected that a fund that has been in existence for nearly 70 years and is maturing would have a stable or even slightly declining population. However, owing to the particular circumstance of the Fund, which is composed of 23 different organizations with different needs and human resources policies, the Fund has observed an atypically high rate of growth in the number of active participants (growth of 86 per cent over the past two decades). The number of retirees and other beneficiaries has also experienced significant growth (67 per cent, over the same period). The number of active participants, retirees and other beneficiaries drives the workloads in the Fund.

48. Figure I reflects the overall growth of the Fund in terms of the number of active participants, retirees and other beneficiaries since biennium 1998-1999. As a large number of active participants begin moving into their retirement years and since the retirees and other beneficiaries are living longer and the member organizations have grown in size over the long term and new member organizations have been joining the Fund, the increases in the overall number of clients (active participants, retirees and other beneficiaries) have been significant and ongoing since the inception of the Fund. Of greater significance is the fact that the growth and increasing geographic dispersion in the total number of individuals being serviced by the Fund is anticipated to continue in the coming decades. By 31 December 2016, the total number of individuals covered by the Fund increased to 203,050, representing an increase of nearly 13,000 additional individuals being serviced in just three years. The total figures as at 31 December 2017 are estimates.

Figure I  
**Growth in the number of participants, retirees and beneficiaries at the end of each biennium, since 1998-1999**

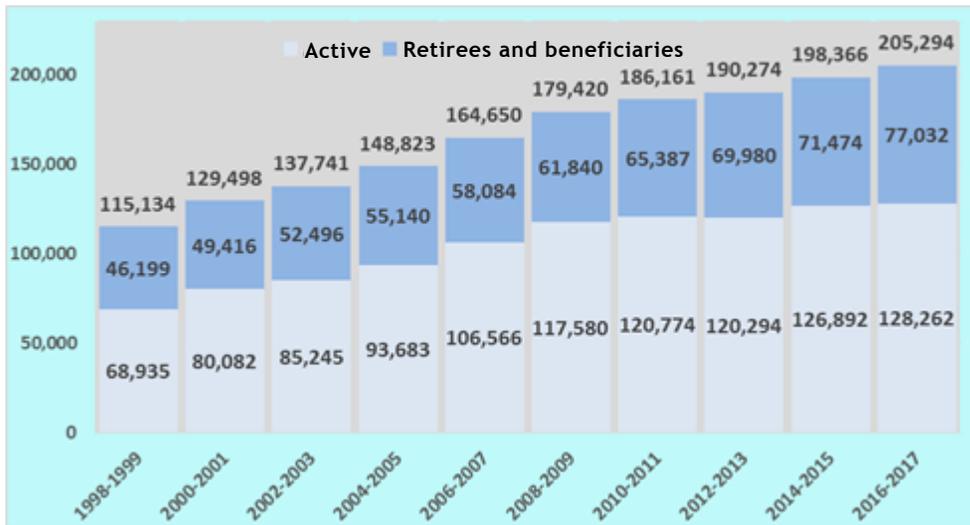
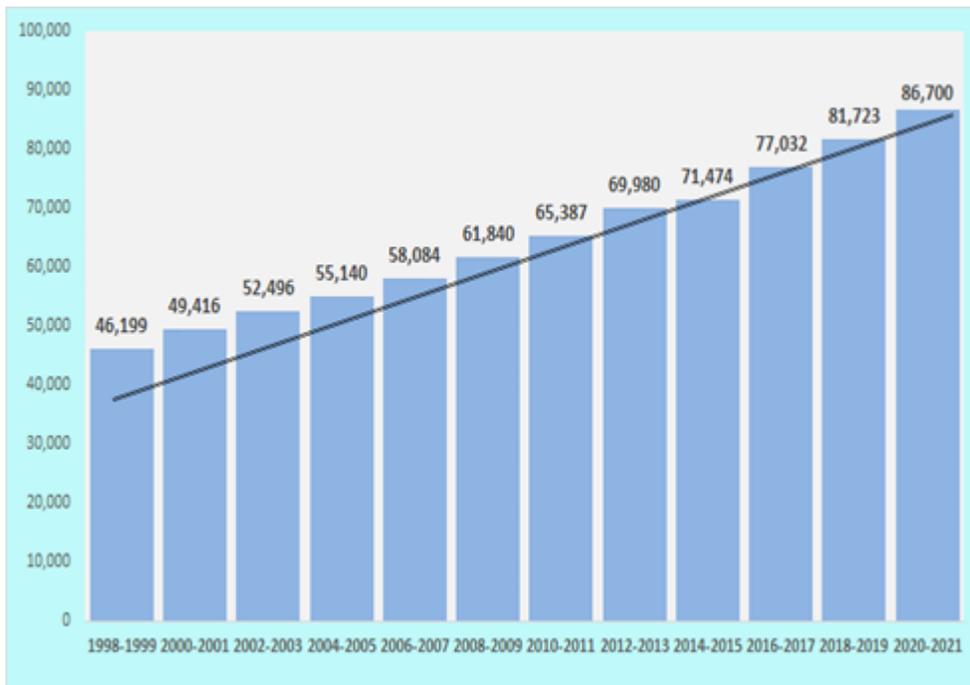


Figure II  
**Number of periodic benefits in payment (2017-2021 projected)**

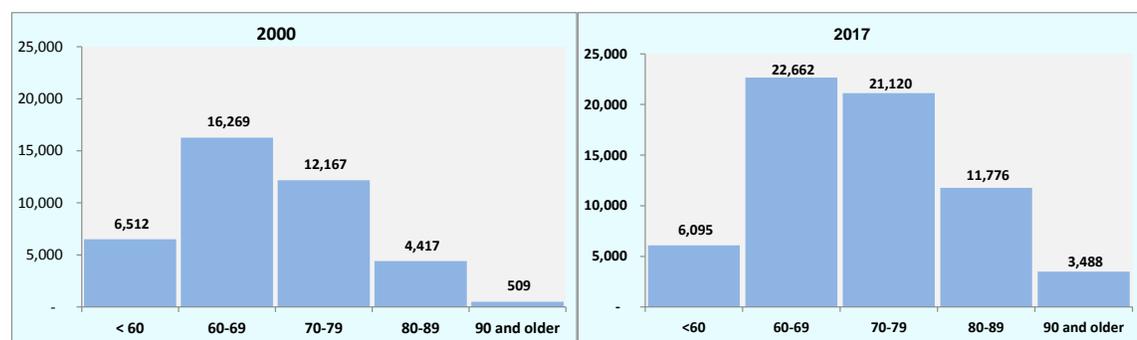


49. Figure II reflects the actual number of periodic benefits in payment at the end of each biennium from 1998-1999 and projects the number of periodic benefits expected to be in payment status at the end of each biennium from 2016-2017. The Fund manages the largest and most complex payroll in the United Nations system.

50. It should be stressed that even if there were no increases at all in the number of measurable work-cases (which is strictly hypothetical as the number of work-cases will certainly continue increasing well into the future, given the well

anticipated growth in the overall number of individuals being serviced), the amount of work, time and effort involved in processing a given (or fixed) number of work-cases will continue to increase as well. This is a direct consequence of the overall ageing of the Fund's retirees and other beneficiaries owing to increasing longevity, as well as of the growing geographical dispersion of all clients being serviced. The ageing of the Fund's retirees and other beneficiaries is clearly evident in figure III below. As will be noted from the graph provided, there has been a nearly sevenfold increase in the number of retirees and other beneficiaries aged 90 or above since 2000. As the Fund's retirees and other beneficiaries continue to show improvements in longevity, experience has shown that the Fund will be increasingly dealing with a growing number of formal guardianships and other third-party relationships, all of which are more time-consuming than dealing directly with a retiree or other beneficiary, thus further increasing the overall resource requirements.

Figure III  
**Ageing of the retirees and other beneficiaries of the Fund**



51. In addition, as a result of the increasing geographical dispersion, the Fund is also dealing with a growing number of clients residing outside the New York and Geneva areas (the Fund's two offices), as well as consequently increasing the number of two-track cases and thus necessitating increases in detailed estimates and consultations in highly complex matters that have significant financial implications for the retirees and other beneficiaries concerned. This all results in additional requirements of time, effort and thus resources for the Fund. For example, in 2010 there were 555 retirees and other beneficiaries residing in Kenya, but by 2017 there were 1,010 Fund clients residing in Kenya. More importantly, however, this development is also translating into increasing numbers of retirees and beneficiaries inquiring about and/or opting for the two-track feature of the Fund's pension adjustment system in many countries where, until recently, the Fund had no retirees on the two-track system. More specifically, in 2000 there were zero retirees and other beneficiaries on the Fund's two-track system in Colombia, whereas by 31 December 2016, there were 75 such individuals being paid according to the two-track feature for Colombia.

52. In addition to strengthening the underlying structure of the Fund with a limited number of both existing and additional regular posts in order to keep a stable and strong organizational structure that is able to deal with recurring functions, the Fund aims to become more flexible and agile, which was stressed as an important long-term objective in its strategic framework for 2018-2019, which was approved by the Board in 2016. Therefore, the majority of requests for additional resources for biennium 2018-2019 are to create a flexible temporary workforce team to add capacity, where required, without increasing the fixed base of posts.

53. The agile approach will better enable the Fund to function more effectively and efficiently, a vision which was facilitated in large part through the successful

implementation of IPAS and the task forces created to successfully deal with priorities, risks and challenges.

54. Further enhancements and refinements to IPAS are expected during the biennium 2018-2019, together with a new website that will become increasingly integrated with the IPAS platform. Both of those developments will provide the necessary leverage for the Fund to manage its growing and increasingly dispersed population well into the future.

55. Accordingly, the creation of flexible task forces, as required, is being proposed while the Fund continues to refine its new systems for greater efficiencies and in order to address its increased workloads, owing to the higher than normal rate of separations resulting from the recent downsizing exercises, primarily in peacekeeping operations. More specifically, and as fully explained in the present document and in the supplementary information, the recent surge in the number of separations, which continues to be addressed, along with other frequent but unexpected spikes in work cases, require a new approach to managing the Fund that only an agile approach and flexible workforce can provide without incurring very significant fixed costs of increasing its permanent workforce by the necessary additional capacity. The Fund has therefore been piloting a number of initiatives during biennium 2016-2017 with this in mind and, given the proven success, it hopes to continue with this agile and flexible approach in 2018-2019. The specific justifications for the limited number of both existing and additional regular posts and other resources for the flexible task forces are provided under each specific work unit in the respective section of the supplementary information.

#### *Main challenges*

56. The Fund is facing a number of challenges that require a flexible management approach, which will enable it to address and respond to its incoming work in a more opportune, efficient and effective manner, with due regard to risk management. The short- and medium-term challenges that the Fund is facing include:

#### **Main challenges**

- Increasing servicing demands from the elevated number of active participants; continued growth in the number of retirees and other beneficiaries (including survivors).
- Fluctuating surges in the number of cases to be processed.
- Increasing geographical dispersion of its clients and the growing demands for more global reach.
- Increasing longevity of the Fund's clients and growing demands for more personal service.
- Growing number of third-party guardians who are not familiar with United Nations processes and terminology or with the working languages of the United Nations system.
- Overall increase in client service expectations, in particular among those clients who are becoming more savvy with the use of modern communication tools and evolving social media, thus resulting in greater expectations for real-time information, first-hand access to data and an "on demand" approach to customer service.
- Rising requirements from a diverse group of stakeholders.

- Complex governance structure and an inflexible administrative, human resources and procurement framework that was not developed considering the nature and needs of the Fund.
- Truly global nature of the Fund, which is unique and introduces many complexities, including those relating to: time zones, currency, language, culture, customs and regulations; the increasing number of retirees and other beneficiaries on and/or selecting the two-track feature of the pension adjustment system, which adds further complexity to operational and benefit processing (i.e., the need to monitor exchange rates and the cost of living in more than 190 countries, with ongoing quarterly comparisons for both tracks all being made in respect to more than 20,000 retirees and other beneficiaries).

### *Budget strategy*

#### **Budget strategy**

- In summary, the current budget proposal is built on the strategy of separating the Fund's core and standard services from other ad hoc needs and demands, such as unforeseen surges in service delivery volumes, caseload peaks and other urgent situations, by creating flexible task forces that add temporary capacity without creating long-term fixed costs.
- The Fund will concentrate its efforts and resources on enhancing its client servicing, strengthening its core functions and improving communications. The Fund is restructuring its client service area in a way that will have a fundamental impact not only on becoming a more responsive organization but on leveraging to its full potential the new installed technology.
- Therefore, the biennium 2018-2019 should be considered as the first phase of the next medium-term modernization initiative.

57. Although the growth trends in the number of clients and cases and in the complexity thereof are certain to continue, the Fund is now in a better position to respond to and handle the growing demand on account of the new IPAS platform and the opportunities brought about through its successful implementation.

58. The budget proposal for the biennium 2018-2019 is based on the conviction that the Fund will emerge as a more flexible, proactive, efficient and effective organization, one that will be more responsive and able to deal with numerous challenges, risks and demands and provide better services to its diverse and growing client base.

59. The Fund is therefore concentrating its efforts in 2018-2019 on the following themes: enhancing client services and outreach activities; improving management and performance reporting; strengthening and expanding the information technology infrastructure; streamlining transactional processes; improving liaison with member organizations; and developing a more proactive and interactive communications strategy.

60. The budget proposal for 2018-2019 has been prepared with a view to providing the Fund with adequate, appropriately allocated and flexible financial resources, in order for the Fund to continue with its strengthening and modernization into an agile and more responsive service-oriented organization,

including full implementation of the pilot projects tested and implemented during the biennium 2016-2017 biennium, including:

#### **Pilot initiatives**

- Use of funding for temporary flexible task forces to address, among other evolving circumstances, peak workload periods, respond to surges in demand, data clean-up efforts, peak workloads during cyclical activities.
- Task forces to address special demands.
- Call centre (working 12 hours a day) responding to more than 80 per cent of calls and providing tier 1 service, as well routing priority calls (i.e., directing calls regarding survivors' benefits to tier 2 specialists).
- Enhancements and expansion of opportunities and new services enabled by IPAS, including the substantial leverage to be realized through the continued development of the Fund's new website and its further integration with the new IPAS platform.
- Proactive, anticipatory and practical communications and outreach strategies.
- Utilization of new opportunities provided by the Internet and social media.
- Intensified training efforts, such as pension workshops, Internet-based courses, information and self-learning tools and town hall meetings.
- Capacity-building for human resources and/or payroll staff of employing organizations (especially in the field and service centres).
- Development of pilot demo for smart forms, which would enable paperless communication with the Fund.
- Establishment of a dashboard for monitoring the case status for separating staff.
- Pilot remote printing of certificates of entitlement (for United States dollar track retirees and beneficiaries).
- Draft management dashboard using the business intelligence tool.
- Innovative communication methods, including a series of whiteboard videos.
- Establishment of regional client service centres.

61. This will enable the Fund to quickly and proactively respond, in a more innovative, modern and creative way, in order to address the changing operating environment and the regularly evolving demands for services. During the biennium 2018-2019, the Fund will complete its enhancements to the IPAS platform. This will set the stage for a Fund that is more proactive in its relationship with its member organizations; better able to reach out to its clients, no matter where they reside; and better equipped, with secure and safe data management and processing systems. The Fund will also be taking steps to improve its management and performance reporting and will continue innovating in its utilization of information and communications technology. More specifically, it will seek to adopt innovative and creative service delivery approaches by leveraging technology to achieve more with less. This will be done by introducing new approaches to service delivery through the Fund's new and more comprehensive website and by building on and expanding the pilot initiatives initiated and tested on a smaller scale during the biennium 2016-2017.

*Long-term objectives and priorities for biennium 2018-2019*

62. In the strategic framework for 2018-2019, the following long-term objectives were introduced: (a) strengthened governance; (b) ensuring the Fund is an agile organization; (c) enhancing the service-oriented nature of the organization; (d) using information technology as agent for change; and (e) achieving the long-term investment objective.

63. In addition, the priorities for 2018-2019 were determined as follows: (a) consolidate the target operating model for IPAS; (b) state-of-the-art client servicing model; (c) reinforced communication; and (d) data management.

*Strengthened governance and ensuring that the Fund is an agile organization*

64. In line with the Fund's long-term objectives and with the new abilities provided by the implementation of IPAS, the Fund is adopting a more agile management approach. The current budget request is based on this new approach in that it proposes utilization of funding for flexible temporary resources to establish task forces, as required, for the initiation and further continuation of several pilot projects. The successful implementation of this agile and flexible management approach requires that management has the ability to redeploy resources in an expeditious and flexible manner, in order to respond to fluctuating demand and to further test new service delivery models when required. It also allows the Fund to explore additional opportunities for achieving more with less. More importantly it allows for a flexible allocation of resources, on an "as needed" basis, to the areas where and when they are mostly urgently needed. This would include, for example, better enabling the Fund to respond to surges in the number of separations, cleansing and quality control of the data received from employing entities, providing additional services to missions that are downsizing and assisting in year-end accounting exercises and in the preparation of the subsequent financial statements and other periodic activities of the Fund.

65. Management is also aware that increased flexibility requires improved accountability. Therefore during the biennium, more attention will be placed on enterprise risk management to ensure that the Fund has more robust governance and the appropriate tools to adequately deal with and manage operational, financial and investment risks. Sufficient controls will be developed to ensure secure data processing and reliable statistical and financial data. Controls will also be focused on productivity and performance metrics for enhanced performance benchmarking, including reporting on operational activities, as well as for improved expenditure monitoring and reporting. Improved performance measures will be aimed at key events covering timeliness and quality of client services, as well as client and member organization satisfaction. Performance metrics already exist for each section within the Fund secretariat; however, the further development of those metrics and their implementation will be an integral part of the stabilization and enhancement phase of the Fund's new IPAS platform. More consistent and meaningful management information, with improved performance metrics and reporting, will enable the Chief Executive Officer of the Fund and his senior management team, the legislative bodies and constituent groups to make better informed business decisions through a better understanding and analysis of the operational activities of the Fund.

66. Specifically, during the biennium, the main restructuring action being planned to strengthen the governance and functioning of the Fund secretariat involves transforming the role of the Fund's office in Geneva to strengthen the unified governance of the Fund's activities and services by streamlining that office's functions under each line function in the New York headquarters. This will ensure

the same quality approach in service delivery and uniform application of the provisions of the Fund's Regulations, Rules and Pension Adjustment System, while improving consistency in the working practices of both offices; it will also encourage greater sharing of knowledge and of lessons learned between the offices, while strengthening the development of enterprise-wide technical specialists; it will clearly separate client service activities from pension entitlement processing activities by establishing a separate dedicated client service model; and it will realign the provision of administrative support services to more appropriately respond to the particular needs of the Fund by following, as appropriate, the principles of the restructuring being considered by the United Nations of such services after the implementation of Umoja. More detailed descriptions of all such activities are provided in the supplementary information.

*Enhancing the service-oriented nature of the organization*

67. During the biennium 2018-2019, the Fund secretariat will also make a more concerted effort to strengthen and broaden its client service model. This is in response to the increasing demands for more efficient and responsive dialogue with the participants, retirees and other beneficiaries, but also as a result of the implementation of IPAS, which provided the Fund with better capability to implement a new client service model that takes into consideration the Fund's unique characteristics and complex plan design, the unique pension payroll, governance and the increasing geographical dispersion of its clients. The Fund provides services to clients in over 190 countries. More outreach is therefore urgently needed to ensure delivery of the same quality of service to all clients, and not just to those living in close proximity to the Fund's headquarters and the other major duty stations.

68. As described in the 2016 whole office review (JSPB/63/R.19), the Fund's stakeholder population is large and diverse, with 23 member organizations covering 80 reporting entities. The 2016 study also reaffirmed the findings of the 2008 whole office review (JSPB/57/R.21), as regards the fact that the United Nations Joint Staff Pension Fund, in comparison to other defined benefit public pension schemes, is unique, complex, large and important to its member organizations as a tool for attracting and retaining staff. All the above-mentioned characteristics are valid not only in the present, but also, in some cases, are expected to be of even greater significance in the future, and thus present increasing operational challenges for the Fund. Notwithstanding those increasing challenges, the Fund must ensure that it continues to meet its mandate, to set appropriate business objectives, to maintain a sustainable pension plan, to mitigate risks and to deliver a cost-efficient service, while meeting the increasing customer demands of a growing population.

69. In both the 2016 whole office review and the related report on the new client service model (JSPB/63/R.19/Add.1), it was recommended that the pension entitlement and client service activities be separated into two separate organizational units. In line with that recommendation, the Fund management is proposing the establishment of a separate organizational unit for client services that will strengthen the governance, management, planning and delivery of client servicing activities. The new client service model will enhance the service-oriented nature of the Fund by intensifying the organization's focus on and streamlining of the ownership of customer engagement responsibilities, enabling the flexible use of resources and enabling a more coordinated and consistent approach to outreach. Separating the two services into segregated organizational units will also provide clearer segregation of "front office" client service activity from "back office" processing activity. It will facilitate clearer separation between teams dedicated to

servicing clients from teams whose main responsibilities relate to processing and calculating entitlements.

70. An important and integral part of the new client service model is the need for increased communications not only with clients but also with the member organizations, the governing bodies and other stakeholder groups. Given the diverse stakeholder group and the Fund's global reach, communications are an important and indeed integral aspect of the Fund's business. Restoring and building trust through transparent and reinforced communications will be one of the priorities of the Fund during the 2018-2019 budget cycle. The Fund will seek to lead the pension-related discussions through open and transparent communications and the sharing of success stories, as well as by providing for transparent discussions on issues and problems that might require attention and appropriate action. The Fund's communication strategy will address the growing expectations of its clients as regards communication and information-sharing, to the extent possible, while also respecting and securing the confidentiality of its data and the privacy of its clients.

*Using technology as an agent of change*

71. Through the implementation of the IPAS system, the Fund has established more streamlined business processes, a more robust infrastructure and a powerful pension application based on modern technology, as envisioned in the IPAS target operating model. However, as with the implementation of any major enterprise resource planning system, the implementation of IPAS will be followed by a period of stabilization, enhancements and ongoing refinements.

72. The main goal of the IPAS project was to replace the old fragmented and increasingly vulnerable and risky operational platform with a new platform that would enhance and increase the Fund's case processing capacity, so that it will be viable well into the future. The new platform now allows for improved client services and provides a more long-term secure operational viability for data management and reporting. It is a modern web-based integrated operating system that provides a new platform for the Fund to build real-time interfaces with member organizations, participants, retirees and other beneficiaries, while enabling the quick redeployment of resources, when required, and more proactive action in dealing with backlogs and workload surges.

73. In addition, the new system has brought about new efficiencies in areas such as the processing of benefits and payroll, the management of contributions and the response to enquiries from clients. During the biennium 2018-2019, the focus will shift from designing, developing and initial implementing of the new system towards maintaining, further stabilizing and refining the new platform. The Fund will also be expanding the range of services in respect to its monitoring and reporting modules.

*Achieving the long-term investment objective*

74. The 2018-2019 budget proposal for the Investment Management Division is intended to support the mission of the Division to meet the Fund's investment goal of a 3.5 per cent real return over the long-term. The majority of the 2018-2019 budget proposal is comprised of costs for posts and contractual services to support this operation, reflecting the fact that approximately 85 per cent of the Fund's assets are internally managed by the Division. The budget proposal for 2018-2019 is approximately \$3.2 million higher than the biennial budget for 2016-2017. While that represents an increase in the absolute cost level of the budget, it does not represent an increase in cost in relative terms, since the size of the Fund has grown from \$52.1 billion, as at 31 December 2015, to \$58.7 billion, as at 31 May 2017. In

order to continue to deliver returns over time that are consistent with the Fund's long-term investment objective, during the biennium 2018-2019, the Division will focus on strengthening risk management, implementing an enhanced target operating model and conducting an asset-liability management study. The combined cost of those initiatives accounts for most of the \$3.2 million increase in the 2018-2019 budget proposal. It should also be noted that the new posts, which were approved as part of the budget 2014-2015, are expected to be filled during the biennium 2018-2019 and part of the 2018-2019 budget proposal includes expenses related to those functions. In summary, the Division remains committed to delivering results that are consistent with its mission in a cost-effective manner.

*Results-based budgeting, methodology and terminology*

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

76. The Fund consists of the Fund secretariat and the Investment Management Division. Although the overall resources are requested in totality, the breakdown of post and non-post requirements is presented separately under subsections for the secretariat and the Investment Management Division. In order to facilitate the comparison between the proposals for 2018-2019 and the baseline of the appropriation for 2016-2017, the latter has been technically adjusted according to the new Umoja-based expenditure structure (see table 4).

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

(a) Delayed recruitment factors for both New York and Geneva for 2018 and 2019 have been applied to continuing Professional posts (incumbency rate of 89.9 per cent), new Professional posts (50.0 per cent), continuing General Service posts (92.9 per cent) and new General Service posts (50.0 per cent). Those factors have been applied to version 16 of the standard salary tables for 2016-2017;

(b) The average annual rate of inflation applied for Geneva is 0.5 per cent and for New York is 2.1 per cent, for both 2016 and 2017;

(c) The exchange rate applied for Geneva is 0.960;

(d) Within the framework of the cost-sharing arrangement between the United Nations and the Fund, the ratios of one third and two thirds will continue to be applied to specific elements of administration, with the exception of the cost of posts in the Information Management Systems Service and the Executive Office. On the basis of the ratio of the approved established posts for the secretariat for 2016-2017 (186) to those for the Investment Management Division (85), plus one extrabudgetary post, only 66.7 per cent of the cost of the posts in the Information Management Systems Service and the Executive Office will be subject to the cost-sharing arrangement.

**Overall resources requested**

78. The human and financial resources requested for the Fund as a whole are set out below, along with estimated extrabudgetary resources and details regarding additional post requirements.

79. The estimated percentage distribution of resources by component and the estimated resource requirements by component are summarized in tables 2 and 3, respectively.

Table 2  
**Percentage distribution of resources by component**

<i>Component</i>	<i>Regular budget</i>	<i>Extrabudgetary</i>
A. Executive direction and management		
1. Administration	2.3	–
2. Investment	5.2	–
<b>Subtotal, A</b>	<b>7.5</b>	<b>–</b>
B. Programme of work		
1. Administration	30.6	100.0
2. Investment	34.8	–
<b>Subtotal, B</b>	<b>65.4</b>	<b>100.0</b>
C. Support <sup>a</sup>		
1. Administration	21.1	–
2. Investment	4.0	–
<b>Subtotal, C</b>	<b>25.1</b>	<b>–</b>
D. Audit	1.5	–
E. Pension Board	0.5	–
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>a</sup> The Fund secretariat has classified information technology as a support function, although it is embedded in the substantive processes and without information technology, the Fund would be unable to reach its over 203,000 participants, retirees and beneficiaries residing in over 190 countries. In the Investment Management Division, information technology is reflected under programme of work.

Table 3  
**Resource requirements by component**

(Thousands of United States dollars)

<i>Component</i>	<i>2016-2017 appropriation</i>	<i>Resource growth</i>		<i>Total before recosting</i>	<i>Recosting</i>	<i>Apportionment</i>		<i>2018-2019 estimate</i>
		<i>Amount</i>	<i>Percentage</i>			<i>United Nations</i>	<i>Pension Fund</i>	
<b>Regular budget</b>								
A. Executive direction and management								
Administration	5 562.7	(1 055.9)	(19.0)	4 506.8	57.2	627.7	3 936.3	4 564.0
Investment	9 189.9	826.0	9.0	10 015.9	147.9	–	10 163.8	10 163.8
<b>Subtotal, A</b>	<b>14 752.6</b>	<b>(229.9)</b>	<b>(1.6)</b>	<b>14 522.7</b>	<b>205.1</b>	<b>627.7</b>	<b>14 100.1</b>	<b>14 727.8</b>
B. Programme of work								
Administration	46 076.6	13 489.3	29.3	59 565.9	(1 809.8)	13 062.5	44 693.6	57 756.1
Investment	68 619.9	(860.8)	(1.3)	67 759.1	1 459.8	–	69 218.9	69 218.9
<b>Subtotal, B</b>	<b>114 696.5</b>	<b>12 628.5</b>	<b>11.0</b>	<b>127 325.0</b>	<b>(350.0)</b>	<b>13 062.5</b>	<b>113 912.5</b>	<b>126 975.0</b>

Component	2016-2017 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2018-2019 estimate
		Amount	Percentage			United Nations	Pension Fund	
C. Support								
Administration	39 739.1	1 207.1	3.0	40 946.2	782.2	8 707.3	33 021.1	41 728.4
Investment	6 998.9	812.5	11.6	7 811.4	75.7	–	7 887.1	7 887.1
<b>Subtotal, C</b>	<b>46 738.0</b>	<b>2 019.6</b>	<b>4.3</b>	<b>48 757.6</b>	<b>857.9</b>	<b>8 707.3</b>	<b>40 908.2</b>	<b>49 615.5</b>
D. Audit	2 902.7	26.5	0.9	2 929.2	(23.2)	484.4	2 421.6	2 906.0
E. Pension Board	965.6	–	–	965.6	40.9	–	1 006.5	1 006.5
<b>Total</b>	<b>180 055.4</b>	<b>14 444.7</b>	<b>8.0</b>	<b>194 500.1</b>	<b>730.7</b>	<b>22 881.9</b>	<b>172 348.9</b>	<b>195 230.8</b>
<b>Extrabudgetary</b>	<b>164.7</b>	<b>–</b>	<b>–</b>	<b>164.7</b>	<b>(2.3)</b>	<b>–</b>	<b>162.4</b>	<b>162.4</b>

80. As indicated in table 4, the overall increase in resources requested amounts to \$14,444,700 before recosting, or 8 per cent, reflecting increases in administrative costs (\$13,640,500), investment costs (\$777,700) and audit costs (\$26,500).

81. The increase in resources of \$13,640,500 in administrative costs comprises the net effect of the proposed increase in established posts (\$3,451,800), of which \$244,300 is attributable to the delayed impact of three new posts approved in the biennium 2016-2017, and non-post resources (\$10,188,700). The increase in non-post costs is attributable primarily to the increase in other staff costs (\$4,800,600), contractual services (\$4,310,900), general operating expenses (\$722,900), furniture and equipment (\$267,000), travel of staff (\$91,700) and supplies and materials (\$18,400), partially offset by the decrease in consultants (\$22,800).

82. The increase in resources of \$777,700 in investment costs comprises the increase in non-post costs due primarily to the increases in other staff costs (\$550,800), general operating expenses (\$663,500), furniture and equipment (\$391,000) and travel of staff (\$27,900), partially offset by the decrease in contractual services (\$750,200), supplies and materials (\$70,800), consultants (\$34,000) and hospitality (\$500).

83. The increase in resources for audit costs, amounting to \$26,500, relates mostly to the estimated increase in audits of the actuarial process.

Table 4  
**Financial resource requirements**

(Thousands of United States dollars)

Category	2014-2015 expenditure	2016-2017 appropriation <sup>a</sup>	Resource growth		Total before recosting	Recosting <sup>b</sup>	Apportionment		Estimate		
			Amount	Percentage			United Nations	Pension Fund	2018-2019	2018	2019
<b>Administrative costs</b>											
Posts	42 257.2	46 253.7	3 451.8	7.5	49 705.5	(2 240.0)	14 786.2	32 679.3	47 465.5	23 671.1	23 794.4
Other staff costs	5 078.3	8 035.5	4 800.6	59.7	12 836.1	(142.0)	681.1	12 013.0	12 694.1	6 250.5	6 443.6
Hospitality	1.4	6.2	–	–	6.2	–	–	6.2	6.2	3.1	3.1
Consultants	348.8	248.3	(22.8)	(9.2)	225.5	9.5	–	235.0	235.0	93.8	141.2
Travel	952.5	1 025.2	91.7	8.9	1 116.9	37.3	–	1 154.2	1 154.2	612.5	541.7
Contractual services	25 094.1	16 834.7	4 310.9	25.6	21 145.6	896.9	2 240.6	19 801.9	22 042.5	11 220.0	10 822.5
General operating expenses	11 845.3	16 836.0	722.9	4.3	17 558.9	370.6	3 948.0	13 981.5	17 929.5	8 846.4	9 083.1
Supplies and materials	149.5	190.7	18.4	9.6	209.1	7.0	72.1	144.0	216.1	107.0	109.1
Furniture and equipment	1 062.8	1 948.1	267.0	13.7	2 215.1	90.3	669.5	1 635.9	2 305.4	1 242.5	1 062.9
<b>Total</b>	<b>86 789.9</b>	<b>91 378.4</b>	<b>13 640.5</b>	<b>14.9</b>	<b>105 018.9</b>	<b>(970.4)</b>	<b>22 397.5</b>	<b>81 651.0</b>	<b>104 048.5</b>	<b>52 046.9</b>	<b>52 001.6</b>
<b>Investment costs</b>											
Posts	19 424.5	25 818.6	–	–	25 818.6	(430.1)	–	25 388.5	25 388.5	12 698.7	12 689.8
Other staff costs	1 199.6	2 968.2	550.8	18.6	3 519.0	(18.0)	–	3 501.0	3 501.0	1 735.4	1 765.6
Hospitality	21.6	27.5	(0.5)	(1.8)	27.0	1.1	–	28.1	28.1	14.6	13.5
Consultants	756.0	1 114.0	(34.0)	(3.1)	1 080.0	45.8	–	1 125.8	1 125.8	621.3	504.5
Travel	1 169.1	2 143.1	27.9	1.9	2 171.0	92.1	–	2 263.1	2 263.1	1 200.0	1 063.1
Contractual services	33 261.7	44 172.6	(750.2)	(1.7)	43 422.4	1 843.1	–	45 265.5	45 265.5	22 381.0	22 884.5
General operating expenses	8 486.3	7 473.2	663.5	8.9	8 136.7	89.5	–	8 226.2	8 226.2	4 032.4	4 193.8
Supplies and materials	81.3	130.8	(70.8)	(54.1)	60.0	2.6	–	62.6	62.6	31.3	31.3
Furniture and equipment	586.1	960.7	391.0	40.7	1 351.7	57.3	–	1 409.0	1 409.0	852.7	556.3
<b>Total</b>	<b>64 986.2</b>	<b>84 808.7</b>	<b>777.7</b>	<b>0.9</b>	<b>85 586.4</b>	<b>1 683.4</b>	<b>–</b>	<b>87 269.8</b>	<b>87 269.8</b>	<b>43 567.4</b>	<b>43 702.4</b>

Category	2014-2015 expenditure	2016-2017 appropriation <sup>a</sup>	Resource growth		Total before recosting	Recosting <sup>b</sup>	Apportionment		Estimate		
			Amount	Percentage			United Nations	Pension Fund	2018-2019	2018	2019
<b>Audit costs</b>											
External audit	774.6	786.5	(0.1)	–	786.4	–	131.1	655.3	786.4	393.2	393.2
Internal audit	1,698.0	2 116.2	26.6	1.3	2 142.8	(23.2)	353.3	1 766.3	2 119.6	1 054.8	1 064.8
<b>Total</b>	<b>2 472.6</b>	<b>2 902.7</b>	<b>26.5</b>	<b>0.9</b>	<b>2 929.2</b>	<b>(23.2)</b>	<b>484.4</b>	<b>2 421.6</b>	<b>2 906.0</b>	<b>1 448.0</b>	<b>1 458.0</b>
<b>Board expenses</b>	228.8	965.6	–	–	965.6	40.9	–	1 006.5	1 006.5	494.3	512.2
<b>Total resources required</b>	<b>154 477.5</b>	<b>180 055.4</b>	<b>14 444.7</b>	<b>8.0</b>	<b>194 500.1</b>	<b>730.7</b>	<b>22 881.9</b>	<b>172 348.9</b>	<b>195 230.8</b>	<b>97 556.6</b>	<b>97 674.2</b>
<b>Extrabudgetary costs</b>											
<b>Operational activities</b>	<b>162.3</b>	<b>164.7</b>	–	–	<b>164.7</b>	<b>(2.3)</b>	–	<b>162.4</b>	<b>162.4</b>	<b>81.2</b>	<b>81.2</b>

<sup>a</sup> Reflects technical adjustments for presentation purposes, as described in paragraph 76 of the present report.

<sup>b</sup> Subject to established procedures of the United Nations.

Table 5  
Post resources

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2016-2017	2018-2019	2016-2017	2018-2019	2016-2017	2018-2019	2016-2017	2018-2019
<b>Administration</b>								
<b>Professional and higher</b>								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	5	6	–	–	–	–	5	6
P-5	10	12	–	–	–	–	10	12
P-4	21	24	–	–	–	–	21	24
P-3	30	33	–	–	–	–	30	33
P-2/1	1	1	–	–	–	–	1	1
<b>Subtotal</b>	<b>69</b>	<b>78</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>69</b>	<b>78</b>
<b>General Service</b>								
Principal level	10	10	–	–	–	–	10	10
Other level <sup>a</sup>	107	107	–	–	1	1	108	108
<b>Subtotal</b>	<b>117</b>	<b>117</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>118</b>	<b>118</b>
<b>Total, administration</b>	<b>186</b>	<b>195</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>187</b>	<b>196</b>
<b>Investment</b>								
<b>Professional and higher</b>								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	4	4	–	–	–	–	4	4
P-5	10	10	–	–	–	–	10	10
P-4	23	23	–	–	–	–	23	23
P-3	17	17	–	–	–	–	17	17
P-2	1	1	–	–	–	–	1	1
<b>Subtotal</b>	<b>57</b>	<b>57</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>57</b>	<b>57</b>
<b>General Service</b>								
Principal level	14	14	–	–	–	–	14	14
Other level	14	14	–	–	–	–	14	14
<b>Subtotal</b>	<b>28</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28</b>	<b>28</b>
<b>Total, investment</b>	<b>85</b>	<b>85</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>85</b>	<b>85</b>
<b>Total, Pension Fund</b>	<b>271</b>	<b>280</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>272</b>	<b>281</b>

<sup>a</sup> One extrabudgetary General Service (Other level) post funded by member organizations.

84. As indicated in table 5, the present submission provides for the establishment of 9 additional posts (1 D-1, 2 P-5, 3 P-4, 3 P-3), and also provides for two reclassifications (P-4 to P-3 and P-3 to P-4) for the Fund secretariat. The proposal also includes the redeployment of 20 posts (19 in the Fund secretariat and one in the Investment Management Division), on a cost-neutral basis.

85. The additional posts requested are summarized below in table 6.

Table 6  
Summary of post requirements

<i>Section</i>	<i>Action</i>	<i>Post</i>	<i>Number</i>	<i>Category</i>
<b>Administration</b>				
<b>Programme of work</b>				
Operations	New post	Deputy Chief of Section, Pension Entitlements	1	P-4
	New post	Benefits Officer	1	P-3
Client services and outreach	New post	Chief of Services	1	D-1
	New post	Senior Public Information Officer	1	P-5
	New post	Programme Officer	1	P-4
	New post	Benefits Officer	2	P-3
Financial services	New post	Chief of Section, Accounts	1	P-5
	New post	Chief of Unit, Payroll	1	P-4
<b>Programme support</b>				
Information Management Systems Service	Reclassification	Administrative Officer	1	P-3 to P-4
Human Resources Unit <sup>a</sup>	Reclassification	Human Resources Officer	1	P-4 to P-3

<sup>a</sup> Includes reclassification of Executive Officer post to Senior Human Resources Officer (P-5 to P-5).

## B. Administrative costs

### 1. Overview

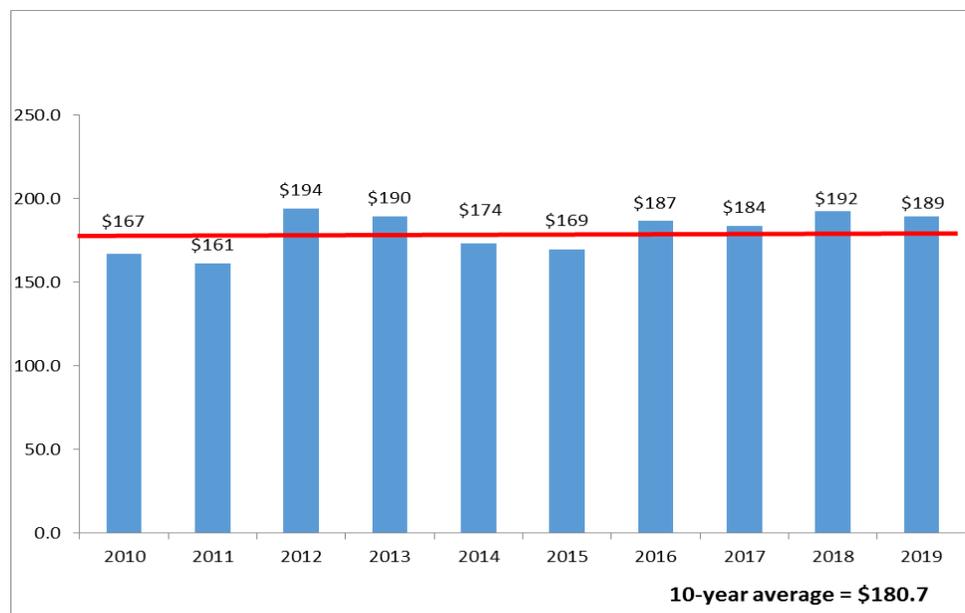
86. The Pension Fund is a maturing Fund and is facing a number of challenges, which include: increasing servicing demands from the elevated number of active participants; continued growth in the number of retirees and other beneficiaries; fluctuating surges in the number of cases to be processed; increasing geographical dispersion of its clients and the growing demands for more global reach; increasing longevity of the Fund's clients and growing demands for more personal service, including a growing number of third-party guardians who are not familiar with United Nations processes and terminology or with the working languages of the United Nations system; the overall increase in client service expectations; and rising requirements from a diverse group of stakeholders.

87. In response to the numerous challenges, risks and pressures that the Fund is facing, the Fund is proposing a very ambitious list of goals and initiatives to strengthen its operations, dramatically expand its client services and communications and continue to transform the organization into a more agile and responsive organization. Many of the initiatives were already tested and found to be successful on a smaller scale during the biennium 2016-2017. The current proposal will continue and expand upon them while also introducing some new project ideas as part of management's commitment to those goals. Therefore, considering the

investments in the full implementation of the above-mentioned pilot initiatives and in the expansion of services, it is noted that the administrative cost per participant is estimated to increase for 2018-2019, from the 2016-2017 level, as shown in figure IV. However, the cost is expected to decline gradually thereafter as the investment in technology, process enhancements and capacity-building is expected to start producing efficiency yields in the medium term.

Figure IV  
**Cost per participant, 2010-2019, adjusted for inflation**

(United States dollars)



*Note:* Includes active participants, retirees and beneficiaries. Extraordinary costs relating to IPAS are included. Costs related to investment management are excluded. Also excluded are costs associated with the services provided by the Fund to the United Nations Staff Pension Committee. Inflation has been assumed to be equal to the United States consumer price index urban all-goods rate. Annual adjusted costs were determined by halving the biennial adjusted figures.

88. The overall level of resources for administrative costs amounts to \$105,018,900 before recosting, reflecting a net increase of \$13,640,500 or 14.9 per cent, compared with the appropriations for the biennium 2016-2017. The net increase, as shown in table 8, can be summarized as follows:

(a) Executive direction and management: the decrease of \$1,055,900 consists of a decrease in posts costs of \$39,300 due to the net effect of two redeployments and decrease in non-posts costs of \$1,016,600. The decrease in non-posts costs is mainly attributable to decreases in contractual services (\$723,700), consultants (\$200,300), general operating expenses (\$96,000) and travel of staff (\$2,700), partially offset by the increase in other staff costs (\$6,100).

(b) Programme of work: the increase of \$13,489,300 consists of an increase in post requirements of \$4,013,200, mainly attributable to the establishment of nine new posts (1 D-1, 2 P-5, 3 P-4, 3 P-3) and net of redeployment of posts (1 P-4 and 1 General Service (Other level) from the former Executive Office, 1 General Service (Principal level) from the Office of the Chief Executive Officer and 1 General Service (Other level) to the Office of the Chief Executive Officer), as well as increases in non-post requirements of \$9,476,100 attributable to increases in other staff costs (\$4,213,500), contractual services (\$4,509,500), general operating

expenses (\$322,500), furniture and equipment (\$184,100), consultants and experts (\$137,500) and travel of staff (\$109,000).

(c) Programme support: the increase of \$1,207,100 consists of a net increase in non-post requirements of \$1,729,200, attributable mainly to other staff costs (\$581,000), contractual services (\$525,100), general operating expenses (\$496,400), furniture and equipment (\$82,900), consultants and experts (\$40,000), supplies and materials (\$18,400), partially offset by a decrease in travel of staff (\$14,600). The net increase in non-post requirements is partially offset by the decrease in post costs of \$522,100 mainly attributable to the redeployment of two posts related to finance and budget to Financial Services (1 P-4 and 1 General Service (Other level)).

89. The estimated percentage distribution of resources by component is shown in table 7, and resource requirements by component are shown in table 8.

Table 7

**Percentage distribution of resources by component: administrative costs**

<i>Component</i>	<i>Regular budget</i>	<i>Extrabudgetary</i>
A. Executive direction and management	4.3	
B. Programme of work		
1. Operations	13.6	
2. Clients Services and Outreach	8.6	
3. Financial Services	14.7	100.0
4. Risk Management and Legal Services	5.3	
5. Geneva office	14.5	
<b>Subtotal, B</b>	<b>56.7</b>	<b>100.0</b>
C. Programme support		
1. Information Management Systems Service	37.9	
2. Human Resources	1.1	
<b>Subtotal, C</b>	<b>39.0</b>	
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

Table 8

**Resource requirements by component: administrative costs**

(Thousands of United States dollars)

<i>Component</i>	<i>2016-2017 appropriation</i>	<i>Resource growth</i>		<i>Total before recosting</i>	<i>Recosting</i>	<i>Apportionment</i>		<i>2018-2019 estimate</i>
		<i>Amount</i>	<i>Percentage</i>			<i>United Nations</i>	<i>Pension Fund</i>	
A. Executive direction and management	5 562.7	(1 055.9)	(19.0)	4 506.8	57.2	627.7	3 936.3	4 564.0
B. Programme of work								
1. Operations	14 586.3	(305.1)	(2.1)	14 281.2	(375.6)	3 623.6	10 282.0	13 905.6
2. Clients Services and Outreach	–	9 026.0	–	9 026.0	(704.0)	1 443.7	6 878.3	8 322.0
3. Financial Services	14 588.2	890.5	6.1	15 478.7	(292.6)	3 184.7	12 001.4	15 186.1
4. Risk Management and Legal Services	3 732.9	1 791.5	48.0	5 524.4	350.4	1 178.3	4 696.5	5 874.8

Component	2016-2017 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2018-2019 estimate
		Amount	Percentage			United Nations	Pension Fund	
5. Geneva office	13 169.2	2 086.4	15.8	15 255.6	(788.0)	3 632.2	10 835.4	14 467.6
<b>Subtotal, B</b>	<b>46 076.6</b>	<b>13 489.3</b>	<b>29.3</b>	<b>59 565.9</b>	<b>(1 809.8)</b>	<b>13 062.5</b>	<b>44 693.6</b>	<b>57 756.1</b>
C. Programme Support								
1. Information Management Systems Service	24 906.4	14 872.5 <sup>a</sup>	59.7	39 778.9	793.4	8 459.3	32 113.0	40 572.3
2. Human Resources	14 832.7	(13 665.4)	(92.1)	1 167.3	(11.2)	248.0	908.1	1 156.1
<b>Subtotal, C</b>	<b>39 739.1</b>	<b>1 207.1</b>	<b>3.0</b>	<b>40 946.2</b>	<b>782.2</b>	<b>8 707.3</b>	<b>33 021.1</b>	<b>41 728.4</b>
<b>Total</b>	<b>91 378.4</b>	<b>13 640.5</b>	<b>14.9</b>	<b>105 018.9</b>	<b>(970.4)</b>	<b>22 397.5</b>	<b>81 651.0</b>	<b>104 048.5</b>

<sup>a</sup> Reflects the inward redeployment of resources from the former Executive Office and related increases for the rental and maintenance of premises (\$13,630,800), which account for around 92 per cent of the total growth.

## 2. Executive direction and management

### *Resource requirements (before recosting): \$4,506,800*

90. The Chief Executive Officer is responsible for managing the Pension Fund, under the authority of the Pension Board, in order to provide related services to the member organizations and to more than 203,000 participants, retirees and other beneficiaries around the world.

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

92. The Chief Executive Officer must ensure that the Fund is in a position to continuously and accurately provide service to its more than 203,000 clients in the ever-changing environment in which it operates. This involves a better use of technology, process standardization and application integration, for which the implementation of IPAS has established a good foundation. Concurrently, change management efforts must be strengthened, as the operational paradigm of the organization is shifting from a "case-driven" to a "process-driven" approach. The Fund has embraced best practices in the area of change management and adopted recommendations made with respect to transitional organizational management.

93. In addition, the Office of the Chief Executive Officer will continue to lead several important Fund-wide governance mechanisms aimed at human resources management, risk management, business continuity/disaster recovery and information technology and asset/liability management. Those mechanisms are increasingly important, given the bifurcated governance structure of the Fund. Unless there is ongoing and focused coordination, consultation and information-sharing between the Fund secretariat and the Investment Management Division, additional risks could arise, which if not addressed might cause suboptimal results and thus adversely affect the financial situation of the Fund.

*Modernized operations*

94. In recent years, the Fund has significantly streamlined and modernized its operations and management, having implemented the Integrated Pension Administration System, developed a solid internal control framework and embedded risk management into all its activities, operational and support functions alike.

95. The implementation of IPAS will bring about further changes and efficiencies, well beyond improvements in terms of information technology, by transforming the Fund and changing the way in which it operates. The operational model is changing from a case-driven to a process-driven approach, while client-servicing becomes the priority at all levels, including through the utilization of modern technology to its fullest potential. The ultimate aim is to provide high-quality and economical services to an ever-growing global clientele.

96. In order to ensure continuous improvement in the operational management of the Fund and to leverage the new system in the most efficient and coordinated manner, it is proposed to strengthen the Fund's capabilities to analyse and propose further process enhancements through continued process re-engineering, the streamlining of transactional processes, seeking efficiencies and developing coordinated policy and procedural guidance for the Fund. This would also contribute to well-coordinated direction between the initiatives of the different offices in the Fund (information technology, Financial Services, Pension Entitlements, Client Services and Outreach and Risk Management and Legal Services) and enhanced liaison with pension focal points in the different reporting entities with respect to streamlining opportunities, interface issues with the member organizations and the monthly reconciliation of contributions at the active participant level, keeping in mind the Fund's Regulations and Rules. The Office of the Chief Executive Officer is also looking to improve the monitoring of the end-to-end dashboard that will present the time elapsed at the different stages of benefit processing.

*Enhanced strategic planning and coordinated action as the next step in the modernization of management*

97. Recognizing that constant change has become more of a norm than an exception, the Fund has become more responsive, flexible, adaptable and innovative. In that context, the Fund needs to enhance its strategic planning and coordination functions. Such a focus will be the next and very important step in reorganizing and modernizing the management of the Fund. Strategic planning is a dynamic tool that enables the Fund to ensure that its key decisions and the responses of its management to short- and long-term challenges are consistent with its mission, values and strategy. The strengthening and refocusing of planning and coordination will promote an effective, results-based culture by ensuring that all line supervisors share management's expectations and goals and regularly report on operational performance, measuring it against specific and appropriate indicators.

98. Now that the Fund will be implementing the streamlining initiatives resulting from the end-to-end review, as well as other improvements made possible by the new information technology platform, it is even more important for all the policy and process changes to be managed in a coordinated way. It is expected that the coordination function will be taken on by the Senior Programme Officer.

99. The strengthened capacity in the Office of the Chief Executive Officer will enhance planning, coordination and monitoring and improve benchmarking and reporting. Expanding the use of business intelligence tools in assessing, monitoring, measuring and reporting on performance will lead to more efficient management

and informed decision-making on the part of both the Fund's management and its governing bodies and establish a strong culture of accountability that is both tangible and measurable.

100. Such modernized and coordinated management practices, in addition to further streamlining, are essential in today's rapidly changing business environment. Only those organizations that have sufficiently solid foundations and an adequate framework in their management practices can become and remain agile, in order to be more responsive, adaptable and innovative.

Table 9

### Objectives for the biennium, expected accomplishments and indicators of achievement

**Objective of the Organization:** Ensure efficient administration of the Fund and full implementation of the Fund's mandate in compliance with the Regulations and Rules of the Fund and with decisions and guidelines issued by the Pension Board and the General Assembly

Expected accomplishments	Indicators of achievement
1. Effective management of the Fund's programme of work	<p>1.1. 100 per cent of the Board and General Assembly decisions and resolutions implemented by deadline</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p> <p>1.2. Full compliance with the Fund's Regulations, rules, policies and procedures</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>
2. Effective substantive, technical and procedural support to the Pension Board, committees and working groups	<p>2.1. Any feedback reviewed and implemented before the following meeting</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>
3. Effective management of Fund-wide governance mechanisms	<p>3.1. Quarterly meetings held and all decisions implemented by deadline</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>

4. Improved communication with the Fund's governing and advisory bodies and diverse constituent base

4.1. Information on the Fund's key activities, operational statistics, actuarial and investment performance shared with governing and advisory bodies on a regular basis

*Performance measures*

2014-2015: 100 per cent

Estimate 2016-2017: 100 per cent

Target 2018-2019: 100 per cent

4.2. Increased number of website visits

*Performance measures*

2014-2015: 26 per cent increase in usage

Estimate 2016-2017: 45 per cent increase in usage

Target 2018-2019: 20 per cent increase in usage

4.3. Increased number of briefings, training sessions and seminars for the Fund's constituents

*Performance measures*

2014-2015: 60

Estimate 2016-2017: 85

Target 2018-2019: 90

### **External factors**

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

### **Outputs**

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

(a) Servicing of intergovernmental and expert bodies: two Pension Board sessions and three meetings of the Committee of Actuaries; one joint session of the Committee of Actuaries and the Investments Committee; six meetings of the Audit Committee; four meetings of the Assets and Liabilities Monitoring Committee;

(b) Researching and drafting of documents: approximately 100 papers and technical notes for submission to the Pension Board, the Committee of Actuaries and working groups and 15 notes to the Audit Committee, in addition to the technical and administrative servicing of its sessions;

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

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

(e) Regular reporting on the Fund's operational performance (on a weekly and/or monthly basis to senior management and annually to the Pension Board);

(f) Strategic planning for the Fund: organization of the strategic planning seminar and preparation of the strategic framework;

(g) Implementation of medium-term streamlining initiatives identified in the end-to-end review;

(h) Other substantive activities:

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

(ii) Review and further development of a new Fund-specific administrative model considering changes to be brought about by the Umoja project as well as the review of policies, procedures, standards and tools to ensure the efficient delivery of administrative services;

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

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

Table 10

**Resource requirements**

Category	<i>Resources (thousands of United States dollars)</i>		<i>Posts</i>	
	2016-2017	2018-2019	2016-2017	2018-2019
		<i>(before recosting)</i>		
Post	1 938.3	1 899.0	5	5
Non-post	3 624.4	2 607.8		
<b>Total</b>	<b>5 562.7</b>	<b>4 506.8</b>	<b>5</b>	<b>5</b>

103. The amount of \$4,506,800 will provide for five established posts, including the continuation of four existing posts (1 Assistant Secretary-General, 1 D-2, 1 P-4 and 1 P-3), outward redeployment of one post to Operations (General Service (Principal level)), and inward redeployment of one post from Operations (General Service (Other level)); and non-post resources of \$2,607,800. The decrease in post resources of \$39,300 reflects the net effect of the two redeployments. Non-post resources have decreased by \$1,016,600 as a result of decreases in contractual services (\$723,700), consultants (\$200,300), general operating expenses (\$96,000) and travel of staff (\$2,700), partially offset by the increases in other staff costs (\$6,100). The decrease in contractual services broadly relates to the fact that actuarial services, which were budgeted under the Office of the Chief Executive Officer in biennium 2016-2017, are now reflected under the Risk Management and Legal Services Section. As these are technical services provided through the Fund's consulting actuary, it is more appropriate to reflect them under that Section.

### 3. Programme of work

#### *Resource requirements (before recosting): \$59,565,900*

104. The programme of work includes Operations, Client Services and Outreach and Financial Services, together with the Risk Management and Legal Services Section of both the New York and Geneva offices.

#### (a) Operations

#### *Resource requirements (before recosting): \$14,281,200*

105. Operations, Client Services and Outreach and Financial Services of both the New York and Geneva offices are responsible for the core functions of the Fund, including, but not limited to: the determination of eligibility to participate and the affiliation of new participants into the Fund, along with the record-keeping of historical personal and financial data; the collection and recording of contributions paid into the Fund (for more than 128,000 active participants); the calculation and set-up for payment of all pension entitlements; the payment of subsequent pension benefits (more than 74,000 monthly periodic payments amounting to nearly \$2.5 billion per annum); all related accounting activities and the preparation of financial statements. The programme is also responsible for the client-servicing functions in respect of all of the Fund's more than 203,000 active participants, retirees and other beneficiaries. Operations focuses on the integrity of the benefit calculation, which once established remains valid for the lifetime of the retiree and any eligible survivor. Financial Services focuses on the integrity of the payment, including ongoing subsequent adjustments to reflect changes in exchange rate relativities and movements in the consumer price index. Client Services addresses issues arising from those processes and, upon request, deals more directly with any of the more than 203,000 clients of the Fund.

106. In order to continue to improve disclosure and transparency, the New York and Geneva office resource proposals and justifications are presented separately in the resources tables below and in the supplementary information provided in respect to the present budget document. It should be stressed, however, that as the work cases of both offices are the same, they are reflected herein as Fund-wide totals. Client Services and Outreach in New York is presented separately since, following the conclusions and recommendations from the whole office review carried out in 2016, the Fund is proposing that Client Services in the New York office be separated from Operations in New York. This will help provide for a dedicated and more focused client services that would enable Client Services to better serve a continuously increasing, ageing and more geographically dispersed population.

107. Operations comprises the Pension Entitlements Sections in both the New York and Geneva offices. As with the work-case statistics, the expected accomplishments and indicators of achievement set out below in respect of Operations are Fund-wide numbers and are in line with the Fund's strategic framework for 2018-2019 as presented to the Board in 2016. The Chief of Operations is responsible for the management and direction of Operations in New York, with indirect oversight of the respective technical aspects of the Geneva office. Staff in the Geneva office, however, report to the Chief of the Geneva office. In accordance with the goals set out in the strategic framework of the Fund, Operations must ensure adherence to the Regulations and Rules of the Fund and its Pension Adjustment System, while duly operating within the Fund's quality management, internal control and communications policies. The Fund (New York and Geneva offices) expects to process some 50,600 new affiliations, inward and outward transfers, withdrawal settlements, retirement, early retirement, disability, transfer cases under agreement

and death-related benefits during the biennium 2018-2019. Among other things, it also expects to process an estimated 4,500 other additional benefits after the initial retirement benefit is established; these are among the most complex and time-consuming categories of benefits to process.

108. In addition, the Pension Entitlement Sections in both offices have been and will continue to be heavily involved in the implementation, testing, training and signing-off with respect to all related operational processes as part of the ongoing enhancement and refinement exercises of the overall IPAS implementation project. It is important for those Sections to be heavily involved in these ongoing exercises in the further development and refinement of IPAS, which is expected to run through the entire biennium 2018-2019. This will require intensive, systematic training and staff development, which, owing to the need to understand and apply the Fund's complicated benefit and pension adjustment provisions, can only be conducted in-house. It will also require adequate levels of resources to address important change management, knowledge transfer and quality control issues. It should be borne in mind that all this activity is taking place while the Fund continues to grow year after year.

Table 11

### Objectives for the biennium, expected accomplishments and indicators of achievement

**Objective of the Organization:** Ensure that all eligible participants, retirees and other beneficiaries are serviced in accordance with the Regulations, Rules and Pension Adjustment System of the Fund, while fully adhering to the communications, quality management and internal control policies as outlined in the Fund's management charter

Expected accomplishments	Indicators of achievement
1. Effective processing of Pension Fund benefit entitlements	<p>1.1. The percentage of withdrawal settlements, retirement benefits and other benefits processed within 15 business days</p> <p><i>Performance measures</i></p> <p>2014-2015: 63 per cent of cases completed within 15 business days</p> <p>Estimate 2016-2017: 40 per cent of cases completed within 15 business days</p> <p>Target 2018-2019: 65 per cent of cases completed within 15 business days</p>

### External factors

109. Operations is expected to achieve its objectives on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); and (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly. Recognition must also be given to the additional workload required of all staff, especially in the technical and substantive areas, in the further development and ongoing refinement of IPAS during biennium 2018-2019, which is the most ambitious and complex operational and information technology initiative in the Fund's history. The Fund also continues to experience rapid growth and further geographical dispersion in the population it services. At the same time,

ongoing improvements in longevity of the retirees and other beneficiaries all result in more labour-intensive workloads. Recognition must therefore be given to this critical juncture in the evolution of the Fund, which is outside its control.

### Outputs

110. During the biennium 2018-2019, it is anticipated that the New York and Geneva offices will deliver the following outputs:

- (a) Process an estimated 24,600 withdrawal settlements, retirement, early retirement, disability, transfer cases under agreement and death-related benefits;
- (b) Process an estimated 4,500 other benefits after the initial retirement benefit (i.e., the most complex and time-consuming benefits to process, as they involve two-track cases, death after service, with survivor benefits sometimes involving multiple spouses living in various locations, residual settlements, benefits payable to surviving divorced spouses, etc.);
- (c) Process an estimated 4,700 discontinuance of former periodic benefits;
- (d) Determination of eligibility, affiliation and transfers of some 26,000 new participants;
- (e) Continuation of tasks such as data-cleansing and quality management, documentation of procedures, enhancements, refinements and further testing and sign-off as part of the ongoing development of IPAS;
- (f) Further development and enhancement of performance reporting in the light of the new IPAS platform;
- (g) Formal separation of Client Services and Outreach in New York from Operations in New York;
- (h) Determination of eligibility and processing of some 3,000 contributory service purchase requests and cases (validation, restoration, transfer-in);
- (i) Dispatch, tracking and recording of some 140,000 certificates of entitlement in the first and second mailings.

Table 12

### Resource requirements

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	12 380.3	10 393.9	63	51
Non-post	2 206.0	3 887.3		
<b>Total</b>	<b>14 586.3</b>	<b>14 281.2</b>	<b>63</b>	<b>51</b>

111. The amount of \$14,281,200 will provide for 51 established posts, including the continuation of 48 posts (1 D-1, 1 P-5, 2 P-4, 4 P-3, 4 General Service (Principal level) and 36 General Service (Other level)); the addition of two new posts (1 P-4 and 1 P-3); outward redeployment of 14 posts to Client Services and Outreach (1 P-5, 1 P-4, 1 P-3, 1 General Service (Principal level) and 10 General Service (Other level)); the outward redeployment of one post to the Office of the Chief Executive Officer (General Service (Other level)) and the inward redeployment of one post from the Office of the Chief Executive Officer (General Service (Principal level)); and non-post resources of \$3,887,300. The decrease in post resources of

\$1,986,400 results from the outward redeployment of posts to Client Services and Outreach, partially offset by the increased requirements for new posts and the delayed impact of three new posts approved in 2017. Non-post resources have increased by \$1,681,300 as a result of increases in other staff costs (\$579,800) and contractual services (\$1,200,000), offset in part by decreases in travel of staff (\$98,500).

**(b) Client Services and Outreach**

***Resource requirements (before recosting): \$9,026,000***

112. In line with the Fund's commitment to enhance its service-oriented nature and in accordance with the recommendations following the whole office review carried out in 2016, the Fund intends to separate Client Services in the New York office from Operations in New York, as from biennium 2018-2019. The former section, which would be renamed Client Services and Outreach, will provide for a more focused service that is better able to address a continuously growing, ageing and more geographically dispersed clientele, including the often unique needs in the different regions of the world. In addition, the Fund intends to centralize the management of its client services activities in order to better ensure consistent servicing in its New York and Geneva offices. Given the well-recognized and growing importance of servicing all its clients, who depend on such services worldwide, in a consistent manner, the Fund requires a senior manager level post, the incumbent of which would head the new reorganized and strengthened service. Those added responsibilities, along with the additional complexities of addressing the continuously growing volume of work, the increasing geographical dispersion of its over 203,000 clients, the ageing of the retirees and other beneficiaries served by the Fund and the requirement for a better reporting link between the New York and Geneva offices, can only be met through the approval of a new senior manager post to head Client Services and Outreach in New York. The establishment of such a post has become of critical importance given the need for a strengthened structure in client servicing to address not only the growth to date but, more importantly, in order to have the client servicing capacity necessary to meet future growth, on an ongoing basis, as well as to provide for the increasing dispersion of its clients, which is certain to continue well into the future. Adequate planning for all those elements is required, as more and more active participants will continue moving into retirement status and as the existing retirees and other beneficiaries continue to live longer.

113. Client Services and Outreach will comprise Client Services, divided into tier 1 and tier 2 units. It is also proposed to include two regional client service centres (in East Africa and Asia). The expected accomplishments and indicators of achievement set out below in respect of Client Services and Outreach are Fund-wide numbers (inclusive of both the New York and Geneva offices) and are in line with the Fund's strategic framework for 2018-2019 as presented to the Board in 2016. The Chief of Client Services and Outreach will be responsible for the management and direction of the Fund's Client Services and Outreach activities in New York. Client Services and Outreach will also be responsible for the proposed regional centres, with supervision of the Fund's communications in accordance with the goals set out in the strategic framework of the Fund. Client Services and Outreach would also ensure adherence to the Regulations and Rules of the Fund and the provisions of its pension adjustment system, while duly operating within specific quality management, internal control and communications policies. As part of its increased responsibilities, the strengthened Client Services and Outreach office in New York will also ensure that all policy, procedural processes and relevant interpretation of

the Fund's Regulations (and the provisions of the pension adjustment system) are coordinated with the Geneva office and therefore consistent Fund-wide.

114. During the biennium 2018-2019, in addition to over 500,000 benefit estimates expected to be provided through the Fund's website, the client service staff members in the New York and Geneva offices and in the regional client service centres would be expected to provide some 8,500 individual benefit estimates, which often involve personal consultations. The growing numbers and the increasing geographic dispersion and ageing of the Fund's retirees and other beneficiaries will require greater care and attention to unique needs that only a state-of-the-art client-servicing office would be able to provide. This must include a strengthened and broadened overall structure that is adequately staffed and inclusive of the regional centres. In order to meet the growing demand for client services, increased volumes of queries, surges in separations and additional complexities, the Fund needs organizational processes and structures that are well suited to the reality of its clientele and the environment in which it operates. The Fund will therefore continue to strengthen its client-servicing capabilities, including its overall workflows and client relations management functions. As of 31 December 2016, the Fund was providing services to 203,050 active participants, retirees and other beneficiaries, representing an increase of more than 7,900 individuals being serviced overall compared with only two years earlier (or an increase of over 23,000 individuals since 1 January 2010, when the work related to IPAS began).

115. In addition, Client Services and Outreach will continue to be heavily involved in additional implementation, testing, training and signing-off with respect to all related operational processes as part of the overall IPAS development exercises. It is important for Client Services and Outreach to be heavily involved in the enhancement and ongoing refinements to IPAS, which are expected to run until the end of the biennium 2018-2019. This will require systematic training and staff development which, owing to the need to understand and apply the Fund's complex Regulations and Rules and complicated benefit and pension adjustment provisions, can be conducted only in-house.

#### **Regional client service centres**

116. A large share of the Fund's clients live in regions of the world that are not in close proximity to the Fund's New York and Geneva offices. The combination of the geographical dispersion of the Fund's growing and ageing clientele in over 190 countries worldwide, the complexity of the Fund's Regulations and Rules and Pension Adjustment System and the ongoing support needed not only for participants, retirees and other beneficiaries but also for the organizational pension focal points, demand a stronger Fund presence in the regions it serves. In order to reach and provide full client services for all of its constituents, the Fund is proposing to set up two small regional client service centres (one each in East Africa and Asia). While outreach activities from New York and Geneva will continue to cover part of the regional training needs, a regular and more permanent regional presence will allow for a significant increase in the Fund's regional outreach efforts and more effective liaising between the Fund and its constituents in Africa and Asia. The regional Fund representatives will play essential roles in the Fund's efforts to better cater to client needs in the regions where they work and reside and provide guidance to its constituents through various means, including in-person outreach, individual consultations and support through email and phone services.

**Two-tier service**

117. Client Services and Outreach will continue to develop its two-tier Client Service structure. This is necessary, given the ongoing growth in the transactional volume related to the ever growing number of active participants, retirees and beneficiaries being served by the Fund, which is compounded by increased access by the Fund's clients to multiple means of communication (email, phone, letter, fax, walk-in, as well as the ongoing evolution in social media). All those developments result in steep increases in the number of queries received by the Fund that require review, analysis and appropriate and accurate responses from experts in a timely manner. In this connection, it should be stressed that Client Services in New York and Geneva must be in position during biennium 2018-2019 to respond to an estimated 55,000 general enquiries (mail, email, etc.) and an estimated 35,000 phone enquiries. While information technology systems and tools are essential agents of change and service, nothing can replace human involvement when dealing with clients. The Fund's many clients, especially those advancing into older age, clearly prefer this option and the Fund, given the important financial considerations that are often involved, strives to focus on the human and interpersonal nature of the relationship with clients in the services it provides. With this in mind, a well-trained team of client service assistants must be available to respond to queries, help clients navigate the complex Fund Regulations, assist them with participation- and benefit-related decision-making, provide technical support for member self-service issues and provide support to those who do not have access to or who for various reasons can no longer utilize the Fund's online services. In order to provide such a level of service, the Fund has moved to the categorization of queries by content and complexity level; Client Services, tier 1, addresses all queries that reach the Fund by phone and will provide response to all queries that are of a more general nature and can therefore be answered by staff at a more junior level; Client Services, tier 2, meets with all walk-in clients and addresses all queries of a more complex nature that require in-depth analysis, expert knowledge and experience applying and interpreting the Fund's Regulations and Rules, so as to ensure timely and accurate advice is provided. Client Services, tier 2, would be also required to provide more expert knowledge of pension processes (i.e., estimates, two-track related, etc.). The two-tier structure helps organize and channel Client Services workloads in a more systematic manner, which will result in faster response times and better client services.

**Modern communication tools**

118. In addition to the personal involvement that can only be provided through appropriate staffing, the Fund is also exploring modern communication tools that can be leveraged to adequately address the growing and further dispersed clientele. Modern communication tools are key elements for better client services. The new Client Services and Outreach team will work towards the implementation of a client relationship management system to further improve the management of client queries. This would include better tracking of response times, integration of email, phone and walk-in registration with the new IPAS platform and improved monitoring of benchmarks and performance reporting. Client Services and Outreach will also continue improving and creating more relevant and useful content for its new website so as to provide the Fund's clients with easier and faster access to self-service tools as the first instance of direct client service support. The development and implementation, in May 2017, of the Fund's new website was a complex and monumental task. With further development and full integration with the new IPAS platform, it will be certain to provide the necessary leverage for the Fund to manage its growing and increasingly dispersed population well into the future. This critical

tool will be invaluable to the long-term interests and needs of the Fund and will therefore justify an additional investment of time and resources in biennium 2018-2019. The Fund's online services already offer information, guidance and answers to general queries as well as access to a personalized member self-service portal, with an increasing range of self-service functionalities. In support of its communication efforts, Client Services and Outreach will continue to create and develop more modern, user-friendly and effective training materials, including interactive web content, short whiteboard videos, tutorials and self-service tools.

Table 13

**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization:** Ensure that all eligible participants, retirees and other beneficiaries are serviced in accordance with the Regulations, Rules and Pension Adjustment System of the Fund, while fully adhering to the communications, quality management and internal control policies as outlined in the Fund's management charter

Expected accomplishments	Indicators of achievement
1. Enhanced quality of client-oriented services to the Pension Fund clientele	1.1. The percentage of incoming correspondence through mail and email responded to within 15 business days  <i>Performance measures</i>  2014-2015: 72 per cent of queries responded to within 15 business days (pre-IPAS data)  Estimate 2016-2017: 60 per cent of queries to be responded to within 15 business days  Target 2018-2019: 75 per cent of queries to be responded to within 15 business days
2. Customer satisfaction	2.1. Positive feedback from surveys  <i>Performance measures</i>  2014-2015: not available  Estimate 2016-2017: not available  Target 2018-2019: 70 per cent of those surveyed responding with positive feedback

*Note:* 2015-2016 was a challenging period for Client Services. The new IPAS system was launched on 3 August 2015, with the usual transitional issues expected with the implementation of any major enterprise resource planning system. Testing and data conversion requirements during the pre-implementation phase resulted in a temporary build-up of case inventory that caused delays for scanning, indexing and creation of workflows. At the same time, Umoja was launched in the United Nations, with corresponding interruptions in the flow of required separation documentation to the Fund. Both factors, together with a surge in the number of separations related to the downsizing and/or closing of peacekeeping missions, led to a notable, albeit temporary, backlog in processing documentation and queries. The related performance measures were therefore consequently not being met. Temporary measures have been taken to address the issue of delays, including a review, with concluding recommendations, by an outside consultant, in which it was recognized that the "client services areas of the Fund are clearly understaffed".

**External factors**

119. Client Services and Outreach is expected to achieve its objectives on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no

significant changes in the Fund's operating environment (such as political conflicts or natural disasters); and (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly. Recognition must also be given to the additional workload required of all staff, especially in the technical and substantive areas, in the further development and ongoing refinement of IPAS during the biennium 2018-2019, which is the most ambitious and complex operational and information technology initiative in the Fund's history. The Fund also continues to experience rapid growth and further geographical dispersion in the population it services. At the same time, ongoing increases in the longevity of the retirees and other beneficiaries all result in more labour-intensive workloads. Recognition must therefore be given to this critical juncture in the evolution of the Fund, which is outside its control.

### **Outputs**

120. During the biennium 2018-2019, it is anticipated that Client Services in both the New York and Geneva offices will deliver the following outputs:

- (a) Generate and verify approximately 8,500 estimates, at the request of clients;
- (b) Generate and verify an estimated 1,500 two-track estimate requests;
- (c) Review, determine eligibility and provide personal consultations for an estimated 1,400 two-track requests;
- (d) Review and implement an estimated 15,000 change of address requests;
- (e) Respond to an estimated 55,000 enquiries by mail, email, fax or other kinds of written communication;
- (f) Respond to an estimated 35,000 phone enquiries;
- (g) Provide in-person services to an estimated 15,000 walk-in clients;
- (h) Continue tasks such as data-cleansing and quality management, documentation of procedures, refinements and further testing and sign-off with respect to new processes as part of the Fund's further development of the IPAS platform;
- (i) Efficient recording, monitoring and enhancement of the controls of its client interfaces, taking into account the new IPAS platform;
- (j) Review, assessment and eventual implementation of a new client relationship management system to be integrated with the new IPAS system;
- (k) Review and develop enhanced training materials for workshops and seminars that are to be provided to Fund staff (in both the New York and Geneva offices), as well as in seminars for participants, retirees and other beneficiaries in coordination with the Staff Pension Committee secretariats and other human resources staff of the member organizations;
- (l) Enhance the controls and redesign the certificate of entitlement form, with further efforts to streamline the overall certificate of entitlement process;
- (m) Review and assess a new automated signature verification tool to integrate with the new IPAS system, and further and ongoing consideration of possible additional and/or enhanced systems;
- (n) Enhance and continue to develop performance data for both internal requirements and the various oversight bodies;

(o) Ongoing enhancement of outreach capabilities, including the establishment of two regional client service centres, and further development of the Fund's new website, including fuller integration with the new IPAS platform and continued development of the self-service functions;

(p) Formally separate of Client Services and Outreach in the New York office from Operations in New York.

Table 14

**Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	–	4 701.1	–	19
Non-post	–	4 324.9		
<b>Total</b>	<b>–</b>	<b>9 026.0</b>	<b>–</b>	<b>19</b>

121. The amount of \$9,026,000 will provide for 19 established posts (1 D-1, 2 P-5, 2 P-4, 3 P-3, 1 General Service (Principal level)) and 10 General Service (Other level)), of which five are new posts (1 D-1, 1 P-5, 1 P-4 and 2 P-3) and 14 are inward redeployments from Operations (1 P-5, 1 P-4, 1 P-3, 1 General Service (Principal level) and 10 General Service (Other level)); and non-post resources of \$4,324,900. The non-post resources include other staff costs (\$941,000) consultants (\$137,500), travel of staff (\$144,300), contractual services (\$2,850,000), general operating expenses (\$68,000) and furniture and equipment (\$184,100).

**(c) Financial Services****Resource requirements (before recosting): \$15,478,700**

122. Financial Services provides comprehensive services through its Payments, Accounts and Cashier work units and through the work of a Business Analyst. Financial Services is responsible for all accounting, contributions and disbursements of the Fund. The present report includes the proposal to create a new Budget Unit under Financial Services. The Budget Unit will be staffed through inward redeployments of two posts from the former Executive Office, which is now being restructured as a Human Resources Unit. The Fund also proposes a formal revision of the name, from the Financial Services Section to Financial Services. The Payments and Accounts units would henceforth become sections.

123. The Fund's financial transactions now amount to more than \$9 billion each biennium (including both contribution collections and benefit payments). Every month, the Fund processes over 74,000 periodic benefit payments in 15 currencies and effects payments to retirees and other beneficiaries living in more than 190 countries. Every quarter, the Fund calculates the adjustment to the benefit payment of beneficiaries who chose the two-track (comparative) feature. The Fund also adjusts the benefit payments for cost-of-living increases in accordance with the pension adjustment system. Every year, the Fund also ensures accurate contribution recording for over 128,000 active participants and monitors the monthly remittance from the 23 member organizations. The Section is also responsible for producing accurate and timely financial statements for the Fund as a whole, including all investment activity as reported by the Investment Management Division, and for maintaining liaison and coordinating with both internal and external auditors with regard to the financial aspects of the Fund. Since 2012, the Fund implemented the

International Public Sector Accounting Standards (IPSAS) and in 2015 the Fund also presented a cash flow Statement as part of its IPSAS compliant financial statements, significantly increasing the transparency and disclosure of the financial reporting process.

Table 15

**Objectives for the biennium, expected accomplishments and indicators of achievement**

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

Expected accomplishments	Indicators of achievement
1. Effective management of benefit payments	<p>1.1. Timely, accurate and secure payment of Pension Fund periodic benefit payments</p> <p><i>Performance measures</i></p> <p>2014-2015: \$4.7 billion</p> <p>Estimate 2016-2017: \$5.0 billion</p> <p>Target 2018-2019: \$5.3 billion</p> <p>1.2. Timely, accurate and secure payment of Pension Fund non-periodic benefit payments</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>
2. Enhanced accuracy and consistency of contribution recording	<p>2.1. Increase in the number of resolved participant reconciliation exceptions</p> <p><i>Performance measures</i></p> <p>2014-2015: None</p> <p>Estimate 2016-2017: deployment of monthly financial interface for one member organization in 2017; will result in more frequent participant reconciliation exception reports and consequently increase the resolution of exceptions</p> <p>Target 2018-2019: implementation of monthly financial reporting interface for most member organizations; will result in more frequent participant reconciliation exception reports and consequently increase the resolution of exceptions</p> <p>2.2. All participant records verified within six weeks of receipt of year-end schedule</p> <p><i>Performance measures</i></p> <p>(Verify records for all participants within six weeks of receipt of year-end schedule)</p> <p>2014-2015: 100 per cent</p>

	<p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p> <p>2.3. Implementation of monthly reconciliations of contribution schedules for one pilot organization</p> <p><i>Performance measures</i></p> <p>2014-2015: not applicable</p> <p>Estimate 2016-2017:</p> <p style="padding-left: 40px;">2016: not applicable</p> <p style="padding-left: 40px;">2017: pilot planned in 2017</p> <p>Target 2018-2019: expand pilot to two or three additional member organizations</p>
3. Enhanced transparency of financial reporting, improved information for internal control and governance purposes	<p>3.1. Timely provision of financial statements (draft statement issued by end of April of the following year)</p> <p><i>Performance measures</i></p> <p>2014-2015:</p> <p style="padding-left: 40px;">2014: Financial statements in accordance with IPSAS provided to Board of Auditors before 30 April 2016</p> <p style="padding-left: 40px;">2015: Financial statements in accordance with IPSAS provided to Board of Auditors in first week of June 2016 instead of end of April, primarily owing to a significant delay in contribution reporting by a member organization</p> <p>Estimate 2016-2017: timely preparation</p> <p>Target 2018-2019: timely preparation</p> <p>3.2. Unqualified audit opinion by Board of Auditors on financial statements prepared under the financial reporting standards adopted by the Fund</p> <p><i>Performance measures</i></p> <p>2014-2015: unqualified audit opinion</p> <p>Estimate 2016-2017: unqualified audit opinion</p> <p>Target 2018-2019: unqualified audit opinion</p> <p>3.3. Absence of significant adverse audit findings on financial services</p> <p><i>Performance measures</i></p> <p>2014-2015: no significant adverse audit findings on financial services</p> <p>Estimate 2016-2017: no significant adverse audit findings on financial services</p> <p>Target 2018-2019: no significant adverse audit findings on financial services</p>

	3.4. Expansion of the scope of the statement of internal control
	<i>Performance measures</i>
	2014-2015: included in financial statements
	Estimate 2016-2017: continued review and possible enhancement and assessment of internal controls by independent consulting firm
	Target 2018-2019: continued review
4. Improved management and monitoring of the Fund's administrative budget	4.1. Reduce unliquidated obligations and cancellation of prior-period obligations as a percentage of final appropriations
	<i>Performance measures</i>
	2014-2015: 0.6 per cent
	Estimate 2016-2017: 0.6 per cent
	Target 2018-2019: 0.6 per cent

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### External factors

124. Financial services are expected to achieve their objectives and expected accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) transactional volumes are not significantly above expectations; (c) there are no significant changes in the Fund's operating environment (such as political conflicts or natural disasters); (d) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly; and (e) member organizations submit contribution information periodically and on time. Recognition must also be given to the additional workloads required of all staff, especially in technical and substantive areas, in the enhancements and ongoing refinements to IPAS during biennium 2018-2019, which is the most ambitious and complex operational and information technology initiative in the Fund's history.

### Outputs

125. During biennium 2018-2019, the following outputs will be delivered:

- (a) With regard to payments:
  - (i) Timely receipt of payments by the retirees and other beneficiaries of the Fund (more than 74,000 monthly periodic payments in 190 countries and in 15 currencies);
  - (ii) Make every effort to continue the reduction of banking fees to the Fund;
  - (iii) Make every effort to reduce or eliminate bank charges to pensioners wherever possible;
- (b) With regard to accounts:
  - (i) Prepare IPSAS-compliant financial statements with associated footnotes and achieve unqualified audit opinions;
  - (ii) Reduction in the number of outstanding audit observations between reports on the areas under supervision and technical accounting issues;

- (iii) Initiate the transition to monthly reconciliation of contribution information submitted by selected member organizations;
- (iv) Continue to work with the Risk Management and Legal Services Section to provide an enhanced statement of internal control as part of financial statement reporting;
- (v) Full reconciliation for all remitting entities to be produced within the specified time frame of six months following the submission of the year-end schedules;
- (vi) Full reconciliation of the data held in the master separation file records with payroll history records for the annual close;
- (vii) Presentations and training on contribution-related participant reconciliation exception issues in New York and Geneva and with large reporting entities;
- (viii) Bank reconciliations for all accounts to be completed on a monthly basis in a timely manner;
- (ix) Timely adherence to any updated banking requirements and international reporting standards regarding payments to pensioners;
- (c) With regard to finance and budget:
  - (i) Provision of guidance to programme managers on, and completion of, the Fund's biennial and revised budgets;
  - (ii) Issuance and revision of allotments;
  - (iii) Monitoring and reporting of expenditure to programme managers on a monthly basis;
  - (iv) Provision of advice and guidance to programme managers on the application of the Financial Regulations and Rules of the United Nations;
  - (v) Control of the administrative budget, including verification of invoices prior to payment;
  - (vi) Completion of schedule I (status of appropriations in relation to administrative expenses) and related disclosure notes for the Fund's annual financial statement;
  - (vii) Reconciliation of administrative expenses between the Fund and the United Nations Secretariat.

Table 16  
**Resource requirements**

Category	<i>Resources (thousands of United States dollars)</i>		<i>Posts</i>	
	2016-2017	2018-2019	2016-2017	2018-2019
		<i>(before recosting)</i>		
Post	8 505.7	9 804.2	39	43
Non-post	6 082.5	5 674.5		
<b>Total</b>	<b>14 588.2</b>	<b>15 478.7</b>	<b>39</b>	<b>43</b>
Extrabudgetary	164.7	164.7	1	1
<b>Total</b>	<b>14 752.9</b>	<b>15 643.4</b>	<b>40</b>	<b>44</b>

126. The amount of \$15,478,700 will provide for 43 established posts, including the continuation of 39 established posts (1 D-1, 1 P-5, 3 P-4, 6 P-3, 1 P-2, 2 General Service (Principal level) and 25 General Service (Other level)), the addition of two new posts (1 P-5 and 1 P-4) and the inward redeployments of two posts related to finance and budget from the former Executive Office (1 P-4 and 1 General Service (Other level)); and non-post resources (\$5,674,500). The increase in post resources of \$1,298,500 results from the proposed new posts and inward redeployments. Non-post resources have decreased by \$408,000 as a result of decreases in contractual services (\$1,044,700), partly offset by increases in other staff costs (\$597,500) and travel of staff (\$39,200).

127. Extrabudgetary resources in the amount of \$164,700 are also proposed for one General Service (Other level) post. At its 186th meeting, the Standing Committee reviewed a note on the after-service health insurance premium deduction programme undertaken by the Fund. As a result, those extrabudgetary resources were approved and funded by participating member organizations at no cost to the Fund.

**(d) Risk Management and Legal Services Section**

***Resource requirements (before recosting): \$5,524,400***

128. The Risk Management and Legal Services Section is responsible for monitoring and advising on the Fund's long-term funding, solvency and sustainability by responding to the challenges of the interdependency of assets and liabilities, by identifying and assessing risks and by analysing and technically assessing policies as well as existing and proposed benefit provisions. The Section was established in October 2014, and its functional role is technical and advisory in nature. The Section brings together in an integrated manner legal, actuarial, operational and risk management expertise. It advises the Chief Executive Officer and the Pension Board, as well as its various committees and working groups, in the implementation of pension policy issues, the interpretation of regulations and rules and the management of various types of risks and strengthening of the internal control framework, which includes maintaining liaison with and representing the Chief Executive Officer in dealings with internal and external oversight mechanisms. In addition to its Chief and a Risk Officer, the Section consists of two units: the Risk Management and Technical Analysis Unit and the Legal and Compliance Unit.

129. During the past few years, the Fund secretariat has implemented a number of initiatives to strengthen its enterprise-wide risk management<sup>1</sup> and internal control frameworks through the development and implementation of processes, tools and systems to identify, assess, measure, manage, monitor and report risks; and to document and evaluate internal controls to support the annual statement of internal control. Additional resources will be required to ensure the proper operation of the risk management framework; to ensure an effective and properly designed internal control system is in place; and to adequately support and respond to internal and external audits, which have become more frequent and increased in scope.

130. The Risk Management and Technical Analysis Unit continues to research, analyse, advise on and coordinate relevant plan design issues with a view to ensuring continuity and cohesiveness among the various constituents of the Fund and minimizing the complexity of overall plan design, as well as simplifying and

<sup>1</sup> Enterprise-wide risk management framework includes the methods and processes used by the Fund to manage risks and seize opportunities related to the achievement of its strategic objectives.

streamlining regulations. The Unit monitors and reports on periodic actuarial valuation processes and facilitates the completion of asset/liability modelling studies. In that regard, the Unit is responsible for maintaining liaison with the Investment Management Division and the Fund's consulting actuary. In addition, it provides substantive, procedural and administrative support to the Committee of Actuaries. The Unit continues to monitor currency fluctuations and other financial trends, including the Fund's two-track feature, and updates and evaluates the Fund's reference tables and factors used for pension administration. The Unit is responsible for coordination with the International Civil Service Commission with regard to interrelated issues and participates in the work of other working groups and studies in the United Nations common system that are relevant to the Fund.

131. The Legal and Compliance Unit continues to provide unified legal services for the Fund's management and operations in the New York and Geneva offices. It is responsible for facilitating the consistent and uniform interpretation and application of the Regulations and Rules of the Fund and the provisions of the pension adjustment system. The Unit provides substantive, procedural and administrative support both to the Standing Committee of the Pension Board (appeals) and to the United Nations Staff Pension Committee (disability cases). The Unit continues to support the Fund's operations by providing legal services and assistance to all sections and offices of the Fund secretariat. It also serves participants and retirees and/or their legal representatives with regard to the application of the Regulations and Rules of the Fund in individual cases. Furthermore, the Legal and Compliance Unit, together with the Risk Management and Technical Analysis Unit, conceptualizes plan design issues and initiates the implementation of new provisions and modifications to existing ones.

Table 17

### Objectives for the biennium, expected accomplishments and indicators of achievement

**Objective of the Organization:** To protect the legal interests and financial stability of the Fund through the provision of integrated advice, technical leadership and monitoring to the Fund's management and governing bodies in plan design, risk management and legal and compliance matters

Expected accomplishments	Indicators of achievement
1. Uniform and consistent application of the Regulations, Rules and Pension Adjustment System of the Fund	<p>1.1. Percentage of requests for review and appeals where the Fund's position has been upheld either by the Standing Committee or the Appeals Tribunal</p> <p><i>Performance measures</i></p> <p>2014-2015: 80 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>
2. Monitoring of the overall actuarial status and sustainability of the Fund	<p>2.1. Number of periodic monitoring reports on actuarial status and risk measures completed</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>

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|----|---|---|
| 3. | Enhanced capacity to manage risks to the Fund | 3.1. Number of periodic risk and control assessments completed<br><i>Performance measures</i><br>2014-2015: 80 per cent<br>Estimate 2016-2017: 90 per cent<br>Target 2018-2019: 100 per cent  |
|    |   | 3.2. Number of risk mitigation strategies, action plans or control enhancements proposed to management to implement critical audit recommendations by the agreed date<br><i>Performance measures</i><br>2014-2015: 100 per cent<br>Estimate 2016-2017: 100 per cent<br>Target 2018-2019: 100 per cent |
| 4. | Consistency of technical analysis             | 4.1. Percentage of policy proposals related to plan design that take into account the funding principles suggested by the Committee of Actuaries <sup>a</sup><br><i>Performance measures</i><br>2014-2015: 100 per cent<br>Estimate 2016-2017: 100 per cent<br>Target 2018-2019: 100 per cent         |
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<sup>a</sup> Income replacement; long-term solvency; intra- and intergenerational equity; cost control and stability; simplicity of administration; and risk control.

### **External factors**

132. The Risk Management and Legal Services Section is expected to achieve its objectives and accomplishments on the assumption that: (a) adequate human and financial resources are provided; (b) no new additional mandates are assigned to the Fund by the Pension Board or the General Assembly; (c) the Fund's committees, Pension Board, member organizations, oversight mechanisms, operational staff and management will seek its advice and services; and (d) advice and assistance is sought in a timely manner and clients present sufficient and timely information for analysis and support and will be guided by the advice provided. Recognition must also be given to the additional workloads required of all staff, especially in technical and substantive areas, in the enhancements and ongoing refinements of the IPAS platform during biennium 2018-2019, which is the most ambitious and complex operational and information technology initiative in the Fund's history.

### **Outputs**

133. During the biennium 2018-2019, the following outputs will be delivered:

(a) Management of actuarial, technical and asset/liability management matters:

(i) Provide statistical and actuarial support as well as technical documentation to the Chief Executive Officer, the Pension Board, the

Committee of Actuaries, member organizations and, in line with the Fund's confidentiality policies, outside entities;

(ii) Provide support and coordination with respect to all matters associated with actuarial funding and reporting, specifically manage the Fund's actuarial valuation process and the communication of valuation results, both internally and externally;

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

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

(v) Manage the Fund's asset liability management study from the secretariat side in close coordination with staff of the Investment Management Division: successfully complete bidding processes; assess, report on and develop a recommendation implementation plan;

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

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

(viii) Manage the request for proposals process and assist the Board in selecting the Fund's consulting actuary, for a new term beginning 1 January 2019;

(b) Enterprise-wide risk management:

(i) Develop, maintain and continuously improve, in coordination with the Investment Management Division, the enterprise risk management and internal control frameworks (risk management and internal control policies, methodologies and tools);

(ii) Facilitate the completion of annual internal risk and control assessment exercises for every office in the Fund secretariat and the updating of control documentation to support the preparation of the Fund's statement of internal control;

(iii) Plan, coordinate and facilitate, in coordination with the Investment Management Division, the completion of enterprise-wide risk assessments for every office of the Fund;

(iv) Advise managers in the definition of risk management strategies for the management of current and emerging risks and in the preparation of risk treatment and response plans for the risks identified, and monitor and report on the implementation of the agreed strategies;

(v) Monitor the risks of the Fund secretariat and prepare periodic reports on the Fund's risk profile to senior management, the enterprise-wide risk management working group (4 instances) and the Audit Committee (3 instances);

(vi) Develop and maintain reporting tools in order to facilitate the dissemination of risk management, internal control and audit information and best practices across the Fund secretariat, so as to foster a risk-aware culture;

(vii) Provide substantive, technical and administrative servicing of meetings of the Assets and Liabilities Monitoring Committee (4 instances) and to the Fund's internal working groups, including the enterprise-wide risk management working group and the business continuity and disaster recovery working group (8 instances), including the preparation of reports and documentation;

(viii) Act as the focal point with internal and external oversight mechanisms: build collaborative solutions with internal and external auditors for the timely and effective evaluation of the control environment, acting as a focal point with those oversight mechanisms for the provision of information, the conduct of audits, the preparation of responses to audit reports and monitoring and reporting on the implementation of audit recommendations;

(c) Legal and compliance services:

(i) Provide advice on questions relating to the interpretation and application of the Regulations and Rules of the Fund and the Pension Adjustment System and the provision of operational support in respect of administrative policies and procedures;

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

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

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

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

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

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

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

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

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

Table 18  
**Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	3 258.4	3 258.4	11	11
Non-post	474.5	2 266.0		
<b>Total</b>	<b>3 732.9</b>	<b>5 524.4</b>	<b>11</b>	<b>11</b>

134. The amount of \$5,524,400 will provide for the continuation of 11 established posts (1 D-1, 2 P-5, 3 P-4, 2 P-3 and 3 General Service (Other level)); and non-post resources of \$2,266,000. The non-post resources have been increased by (\$1,791,500) as a result of increases in contractual services (\$1,504,200) and general operating expenses (\$149,000) and other staff costs (\$147,800), partially offset by the decrease in travel of staff (\$9,500).

(e) **Geneva office**

**Resource requirements (before recosting): \$15,255,600**

Table 19  
**Resource requirements<sup>a</sup>**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	10 182.6	10 182.6	33	33
Non-post	2 986.6	5 073.0		
<b>Total</b>	<b>13 169.2</b>	<b>15 255.6</b>	<b>33</b>	<b>33</b>

<sup>a</sup> This office is inclusive of the Pension Entitlement and Client Services Sections in Geneva and other components of Financial Services, the Risk Management and Legal Services Section and the Information Management Systems Services. As the Geneva office work cases and overall responsibilities are the same and/or integrated with these various work units, the achievements and outputs were described together and earlier as Fund-wide totals. The specific resource requirements needed and the respective justifications for the Geneva office, however, are provided subsequent to, and separately from, those other work units in the programme of work, in order to provide more transparency and better disclosure in respect of the two offices of the Fund.

135. The amount of \$15,255,600 will provide for the continuation of 33 established posts (1 D-1, 2 P-5, 3 P-4, 4 P-3, 1 General Service (Principal level) and 22 General Service (Other level)); and non-post resources of \$5,073,000. Non-post resources have increased by \$2,086,400 as a result of increases in other staff costs (\$1,947,400), general operating expenses (\$105,500) and travel of staff (\$33,500).

4. **Programme support**

**Resource requirements (before recosting): \$40,946,200**

136. Programme support includes the Information Management Systems Service and the Human Resources Unit.

**(a) Information Management Systems Service**

***Resource requirements (before recosting): \$39,778,900***

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

138. The Service is also responsible for the provision of overall computing, office automation and software/systems design, the development and implementation of technology-driven solutions, hardware support, software maintenance, telecommunications and shared infrastructure services, the supervision and technical leadership of information technology operations in the Fund's Geneva office, the management of resources, infrastructure and conference room support. The Service also provides first-line support functions for systems infrastructure and analysis services, while working closely with system vendors that are contracted to provide maintenance services.

139. The present report also includes a proposal to transfer the resources and functions related to travel and facilities management from the former Executive Office to the Information Management Systems Service.

140. Following the implementation of the IPAS system, the Service supports the Fund's newly modernized technology environment to include all functionality introduced with the new system and associated ancillary systems and databases that are specific to the Fund's new operating model.

141. The Information Management Systems Service will support the Fund in maintaining and upgrading physical infrastructure and applications and in improving overall operational processes, system capabilities and performance. Data exchanges with member organizations will be maintained and adjusted as new requirements for information-sharing are requested. The captured data will continue to be routed to the Fund's expanded data warehouse, which is accessible using modern analytical system tools. Contributions data will be retrieved and reconciled on a monthly basis so as to improve the timeliness and quality of information. Data repositories will be established for member organization-wide access. This function will support member organizations in establishing eligibility for participation in the Fund, while acknowledging that member organizations own the data generated by their systems and are responsible for the integrity and validity thereof. The Service will also ensure continuous improvements to the Fund's website, with the aim of providing greater functionality through the creation of additional links to the IPAS self-service subsystems for the benefit of member organizations, participants and beneficiaries.

142. The Service will continue to maintain an optimal configuration of IPAS and further expand its capability with business intelligence systems, reports and analysis. In turn, it is expected that better reporting will reinforce internal controls, advance technical analysis and improve compliance functions.

143. The information and communications technology infrastructure necessary to support the Fund secretariat will be scaled up in accordance with the target operating model of the Fund, which was aimed at achieving greater consistency, while eliminating the fragmentation generated by the previous overreliance on multiple system interfaces. The information and communications technology infrastructures of the Fund secretariat and of the Investment Management Division

have been consolidated under the United Nations International Computing Centre. Business continuity and disaster recovery will be seamless and regularly tested in New York and Geneva. The Information Management Systems Service will periodically update its risk register and monitor the efficiency and effectiveness of its defined mitigation measures for the threats under its responsibility.

Table 20

**Objectives for the biennium, expected accomplishments and indicators of achievement**

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

Expected accomplishments	Indicators of achievement
1. Improved information technology services	1.1. Percentage of information technology systems at satisfactory level (or above) of support  <i>Performance measures</i> 2014-2015: 95 per cent Estimate 2016-2017: 95 per cent Target 2018-2019: 95 per cent
2. Increased information security	2.1. Percentage increase in compliance, for the defined deliverables as per the International Organization for Standardization (ISO) security standards  <i>Performance measures</i> 2014-2015: 90 per cent Estimate 2016-2017: 90 per cent Target 2018-2019: 90 per cent
3. Improved sharing of electronic information with member organizations, participants, beneficiaries and other clients	3.1. Percentage of participants' human resources information delivered electronically  <i>Performance measures</i> 2014-2015: 80 per cent Estimate 2016-2017: 90 per cent Target 2018-2019: 100 per cent  3.2. Percentage of participants' financial information delivered electronically  <i>Performance measures</i> 2014-2015: 80 per cent Estimate 2016-2017: 90 per cent Target 2018-2019: 100 per cent

4. Enhanced quality and timeliness of facilities and property services	4.1. Decreased working days lost owing to downtime of building facilities
	<i>Performance measures</i>
	2014-2015: zero working days
	Estimate 2016-2017: zero working days
	Target 2018-2019: zero working days

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

### **Outputs**

145. During the biennium 2018-2019, the following outputs will be delivered:

- (a) Enterprise operations services:
  - (i) Policies: provide reasonable assurance that all information and communications technology services delivered by the Information Management Systems Service meet the expectations of the Fund's Information Technology Executive Committee and relevant industry standards (e.g., Information Technology Infrastructure Library, ISO 20000); enforce network security in line with security standard ISO 27000 for the Fund's information and communications technology infrastructure;
  - (ii) Communications: provide backbone communications services, including Internet, private leased lines, telecommunications devices and equipment and the required communications lines used to connect the various offices of the Fund, including the Fund secretariat, the Geneva office and the established information and communications technology infrastructure hosting arrangement with the United Nations International Computing Centre; and upgrade the New York backbone network infrastructure with robust capabilities to support users with diverse requirements for high-speed mission-critical data, voice and video traffic to the desktop;
  - (iii) Information and communications technology infrastructure services: conduct multi-shift operations and monitor and maintain information and communications technology infrastructure services, including those provided by the International Computing Centre, such as server management, middleware management and data backup, in New York, New Jersey and Geneva, in order to support the operations of the Fund; monitor applications, equipment, network loads and traffic from the command centre to prevent the failure of services;
  - (iv) Disaster recovery: implement the multi-year disaster recovery strategy to support Pension Fund business continuity requirements;

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

(b) Enterprise applications services:

(i) Development: enhance systems that improve productivity and efficiency by reducing the manual processing of benefits; enhance participant and beneficiary processing related to banking, accounting system and workflow interfaces;

(ii) Enterprise systems maintenance: maintain and configure enterprise systems for core business applications, including pension administration, accounting and content management; ensure that mission-critical business systems (e.g., V3 and e-business) remain current with vendor updates, releases and upgrades;

(iii) Pension interface programme: provide and maintain member organization information-sharing for the collection of human resources and financial data; maintain custom interfaces and systems programmes to enhance the collection of human resources and financial data through the different enterprise resource planning interfaces used by various organizations; maintain electronic file transfer interfaces to securely support the sharing and translation of information;

(iv) Other services to be provided include: quality standardization, change management, service level and delivery agreements, and production control;

(c) Enterprise security services:

(i) Information security: conduct of periodic security risk assessments of technological infrastructures and operations of the Fund offices in New York and Geneva; secure the network; define a risk treatment plan that utilizes technical, administrative and physical controls for risk mitigation as directed by management;

(ii) Identity management: centrally manage the creation, modification and termination of identities and ensure appropriate role-based access controls for the management of authentication, authorization and accounting of credentials;

(iii) Disaster recovery: formulate a multi-year disaster recovery strategy to support the Fund business continuity requirements;

(d) Administrative support services:

(i) Establish guidelines and coordinate the implementation activities related to budget funding; monitoring, evaluation and management of the various components of the budget of the Information Management Systems Service; reporting to senior management on budgeting, expenditures and performance;

(ii) Provision of expert-level knowledge on procurement activities to officials of the Fund's requisitioning units; analysis and evaluation of procurement requisitions and appropriateness of specifications; coordination and management of pre-encumbrances and processing of requisitions, purchase orders and invoices; work directly with the Procurement Division to ensure that solutions are provided in accordance with the regulations and rules of the Organization;

(iii) Contract management: plan, lead and participate in vendor relationship activities, including those with technology partners, contractors and outsourcers;

(iv) Travel support to the Pension Board, the Audit Committee, the United Nations Staff Pension Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee, the various working groups and the Fund's secretariat;

(v) Coordination of facilities management-related activities including: overseeing all building contractors and vendors; completion of annual inventory of assets; property focal point for business continuity; coordination and supervision of all office construction, remodelling and repairs;

(vi) Provision of support services to the Fund secretariat and governance bodies, including conference support.

Table 21

**Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	8 195.9	8 422.7	28	29
Non-post	16 710.5	31 356.2		
<b>Total</b>	<b>24 906.4</b>	<b>39 778.9</b>	<b>28</b>	<b>29</b>

146. The amount of \$39,778,900 will provide for 29 established posts, including the continuation of 27 established posts (1 D-1, 2 P-5, 6 P-4, 11 P-3, 1 General Service (Principal level) and 6 General Service (Other level)), upward reclassification of one professional post (1 P-3 to P-4) and inward redeployment of one General Service (Other level) post from the former Executive Office; and non-post resources of \$31,356,200. The increase in post resources of \$226,800 reflects the proposal for an upward reclassification and inward redeployment. Non-post resources have increased by \$14,645,700, as a result of increases in general operating expenses (\$13,231,500), other staff costs (\$687,600), contractual services (\$525,100), supplies and materials (\$79,800) and furniture and equipment (\$123,700); offset in part by a decrease in travel of staff (\$2,000). The increase in general operating expense mainly reflects the redeployment of non-post resources from the former Executive Office as part of the restructuring of the office, where resources related to travel and facilities management are proposed to be moved to the Information Management Systems Service.

**(b) Human Resources Unit****Resource requirements (before recosting): \$1,167,300**

147. With regard to administrative services such as human resources management, procurement and payments, the Fund is following the United Nations policies, procedures and practices as long as they are not in conflict with the Fund's Regulations and Rules, in which cases the Fund's Regulations and Rules take precedence. Accordingly, the Fund is also utilizing the United Nations machinery in delivering these services, and is therefore fully integrated with and utilizing the United Nations' new enterprise resource planning system, Umoja.

148. The whole office review conducted in 2016 identified the lack of strategic management of the Fund's human resources as a major risk. In order to address the risk, it is proposed that the Executive Office be restructured as a Human Resources Unit, with a focus on strategic human resources management issues, such as talent

and career development and workforce planning, so as to enable greater optimization of existing resources and enhancement of the qualifications, skills and competencies of staff and to ensure adequate succession planning and career development.

149. The Human Resources Unit will be responsible for the development and implementation of the Fund's revised human resources strategy. It will also develop, promote and implement specific plans and programmes for a greater optimization and development of the Fund's human resource management activities. Such activities would include comprehensive workforce planning, enhanced recruitment and the development of training programmes and staff development plans with clear career paths that will support staff growth and development. As a result of such activities, the new unit would be supporting the retention of staff, while mitigating the risks related to succession management.

150. The strengthening of strategic human resources management will ensure that risks associated with workforce planning, succession planning and the Fund's ability to attract and retain qualified staff are being adequately addressed. In order to operate effectively, the Fund needs to have adequate staffing and be able to attract, develop, deploy and retain specialist skills. Therefore, requirements include more support and focus on matters relating to strategic human resources management, such as training and career development, as well as workforce planning in order to enable the greater optimization of resources and their capability along with more deliberate succession planning and career management. The Fund must establish and develop appropriate tools for retaining and developing talent and provide career development and training opportunities. Strategic human resources management aims at utilizing existing skills more efficiently, planning for future requirements and ensuring that staff are equipped to deal with future challenges, in terms of both quantity and complexity. The Fund is also lacking a sufficient back-up system and succession planning to ensure that the Fund secretariat is at all times sufficiently and appropriately staffed to respond to the increasing demand for addressing and processing cases and enquiries.

151. Owing to the need to understand and apply the Fund's complicated benefit provisions (including the 665 calculations embedded in the design of its pension plan), effective and systematic training and staff development can be only conducted in-house. As part of the restructuring of the human resources services, the Fund will create a learning culture in which every employee is provided an opportunity to develop and expand his or her knowledge and skill sets and every line manager, in support of that culture, actively contributes to the building of a learning organization.

152. The restructuring of the delivery of human resources-related services is proposed with a view to ensuring flexible, forward-looking and holistic strategic human resources management across the entire Fund secretariat.

153. Accordingly, the functions and posts related to budget and finance are proposed to be moved from the former Executive Office to Financial Services, as those functions are under the responsibility of the Chief Financial Officer. The resources and functions related to travel and facilities management and the related post are proposed to be moved to the Information Management Systems Service. Functions and responsibilities related to human resources management will remain in the newly organized Human Resources Unit.

Table 22

**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization:** Facilitate the achievement of the operational and strategic goals of the Fund through the efficient, effective and strategic management of its human resources

<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
<p>1. Timely recruitment and placement of best-qualified candidates</p>	<p>1.1. Recruitment of staff within organizational timelines</p> <p><i>Performance measures</i></p> <p>2014-2015: 15 per cent vacancy rate</p> <p>Estimate 2016-2017: 13 per cent vacancy rate</p> <p>Target 2018-2019: 10 per cent vacancy rate</p> <p>1.2. Increased percentage of women in the Professional and higher categories for appointments of one year or more</p> <p><i>Performance measures</i></p> <p>2014-2015: 3 per cent increase (47 per cent)</p> <p>Estimate 2016-2017: reach parity (50 per cent)</p> <p>Target 2018-2019: maintain parity (50 per cent)</p>
<p>2. Ensure all staff's entitlements are duly processed and they receive emoluments in a timely manner</p>	<p>2.1. Deadlines met for the payment of all entitlements</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p>
<p>3. All staff e-performances completed in a timely manner</p>	<p>3.1. All e-performances finalized by 30 June of each year</p> <p><i>Performance measures</i></p> <p>2014-2015: 70 per cent</p> <p>Estimate 2016-2017: 75 per cent</p> <p>Target 2018-2019: 85 per cent</p>

**External factors**

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

**Outputs**

155. During the biennium 2018-2019, the following outputs will be delivered:

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

- (b) Management of tracking data regarding job openings for hiring managers to support recruitment targets;
- (c) Report on electronic performance appraisal system compliance data to directors;
- (d) Interviews scheduled for all Inspira and temporary vacancy announcement recruitment;
- (e) Coordination of processes related to: rebuttal panels, the financial disclosure programme, staff/management meetings, management evaluation cases, ethics and prohibited conduct;
- (f) Maintenance of the staffing table.

Table 23

**Resource requirements**

Category	<i>Resources (thousands of United States dollars)</i>		<i>Posts</i>	
	2016-2017	2018-2019	2016-2017	2018-2019
		<i>(before recosting)</i>		
Post	1 792.5	1 043.6	7	4
Non-post	13 040.2	123.7		
<b>Total</b>	<b>14 832.7</b>	<b>1 167.3</b>	<b>7</b>	<b>4</b>

156. The amount of \$1,167,300 provides for four established posts, including the continuation of three established posts (1 P-5 Executive Officer post reclassified as Senior Human Resources Officer, 2 General Service (Other level)), downward reclassification of one post (P-4 to P-3), outward redeployment of three posts: two posts related to budget and finance to Financial Services (1 P-4, 1 General Service (Other level)), and one post related to facilities and management to Information Management Systems Service (1 General Service (Other level)); and non-post resources of \$123,700. The decrease in posts resources of \$748,900 results from the outward redeployment and downward reclassification of posts. The decrease in non-post resources of \$12,916,500 is attributable mainly to the decrease in general operating costs (\$12,735,100), supplies and materials (\$61,400) and furniture and equipment (\$40,800) owing to the outward redeployment of resources to the Information Management Systems Service and the decrease in other staff costs (\$106,600) and travel of staff (\$12,600). The decrease is partially offset by increased requirements for consultants (\$40,000).

## C. Investment costs

### 1. Overview

157. The Investment Management Division assists the Secretary-General, under the authority delegated to the Representative of the Secretary-General in accordance with article 19 of the Regulations of the United Nations Joint Staff Pension Fund, in managing the investment of the Fund's assets. It is responsible for the day-to-day management of those assets, implementing the approved investment strategy and ensuring that the portfolio conforms to the approved asset allocation, policies and Regulations and Rules of the Fund. Its mandate is to generate the total amount of portfolio returns required to meet the liability demands of the Fund while staying under the Fund's risk threshold. The Division ensures that performance and portfolio risk analysis reports are accurate and up to date and arranges for the

maintenance of appropriate and accurate accounts on the Fund's investments. The main sections of the Division are the Office of the Representative of the Secretary-General, the Investment Section, the Risk and Compliance Section and the Operations and Information Systems Section.

158. The overall level of resources for the Investment Management Division amounts to \$85,586,400 before recosting, reflecting a net increase of \$777,700, or 0.9 per cent, compared with the appropriation for the biennium 2016-2017. The net increase, as shown in table 25, can be summarized as follows:

(a) Executive direction and management: the increase of \$826,000 is attributable to an increase in post resources of \$204,000 related to inward redeployment of one General Service (Principal level) post from the Investment Section; and an increase in non-post resources of \$622,000, mainly relates to increased requirements for contractual services (\$447,100), other staff costs (\$89,100) and travel of staff (\$86,300);

(b) Programme of work: the decrease of \$860,800 comprises the decrease in post resources of \$204,000 is attributable to the outward redeployment of one General Service (Principal level) post to the Office of the Representative of the Secretary-General and the decrease in non-post resources of \$656,800. The decrease in non-post resources primarily relates to the decreases in contractual services (\$1,354,300), supplies and materials (\$73,600), travel of staff (\$58,400) and consultants (\$34,000), offset in part by increases in other staff costs (\$461,700), furniture and equipment (\$391,000) and general operating expenses (\$10,800);

(c) Programme support: the increase of \$812,500 for administrative support is attributable mainly to increases in general operating expenses (\$652,700) and contractual services (\$157,000).

159. The estimated distribution of resources is shown in table 24, and resource requirements by component are shown in table 25.

Table 24  
**Percentage distribution of resources by component**

<i>Component</i>	<i>Percentage</i>
A. Executive direction and management	11.7
B. Programme of work	
1. Investments	26.0
2. Risk and compliance	7.6
3. Operations and information systems	45.6
<b>Subtotal, B</b>	<b>79.2</b>
C. Support	
Administration support	9.1
<b>Subtotal, C</b>	<b>9.1</b>
<b>Total</b>	<b>100.0</b>

Table 25  
**Resource requirements by component**

(Thousands of United States dollars)

Component	2016-2017 appropriation	Resource growth		Total before recosting	Recosting	Apportionment		2018-2019 estimate
		Amount	Percentage			United Nations	Pension Fund	
A. Executive direction and management	9 189.9	826.0	9.0	10 015.9	147.9	–	10 163.8	10 163.8
B. Programme of work								
1. Investments	24 316.5	(2 088.2)	(8.6)	22 228.3	124.2	–	22 352.5	22 352.5
2. Risk and compliance	3 072.2	3 430.4	111.7	6 502.6	95.2	–	6 597.8	6 597.8
3. Operations and information systems	41 231.2	(2 203.0)	(5.3)	39 028.2	1 240.4	–	40 268.6	40 268.6
<b>Subtotal, B</b>	<b>68 619.9</b>	<b>(860.8)</b>	<b>(1.3)</b>	<b>67 759.1</b>	<b>1 459.8</b>	<b>–</b>	<b>69 218.9</b>	<b>69 218.9</b>
C. Support								
Administrative support	6 998.9	812.5	11.6	7 811.4	75.7	–	7 887.1	7 887.1
<b>Subtotal, C</b>	<b>6 998.9</b>	<b>812.5</b>	<b>11.6</b>	<b>7 811.4</b>	<b>75.7</b>	<b>–</b>	<b>7 887.1</b>	<b>7 887.1</b>
<b>Total</b>	<b>84 808.7</b>	<b>777.7</b>	<b>0.9</b>	<b>85 586.4</b>	<b>1 683.4</b>	<b>–</b>	<b>87 269.8</b>	<b>87 269.8</b>

## 2. Executive direction and management

### *Resource requirements (before recosting): \$10,015,900*

160. The Representative of the Secretary-General is responsible for implementing an investment strategy aimed at achieving the Fund's real-rate-of-return objective and setting forth a coherent investment operations to safeguard the sustainability of the Fund over time. The Representative leads the increasingly complex and demanding investment operations in terms of strategy and policy analysis; asset liability management; asset allocation; portfolio management and investment decision-making; risk management; compliance and monitoring; back-office accounting; trade settlement; cash management; and systems and information technology requirements to ensure that all operations and functions are properly coordinated and aligned under a consistent and coherent management framework. The key initiatives include continuing to improve transparency and to diversify investments in terms of both geographical and asset class distribution while maintaining the four criteria of safety, profitability, liquidity and convertibility. In response to rapidly changing market conditions, the Division has undertaken a number of initiatives that will provide the capacity to anticipate and manage such issues effectively, not only in the short term, but also in the foreseeable future. Those initiatives include broadening the Fund's investment horizon to include quantitative strategies as well as the disciplined implementation of established investment and asset allocation strategies for the management and mitigation of risks.

161. The Office of the Representative of the Secretary-General provides leadership and direction for the operations of the Division and ensures that all operations and activities are coherently aligned and directed towards achieving its work programme and safeguarding fiduciary responsibilities.

Table 26

**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization:** To achieve the required actuarial real rate of return adopted by the Pension Board over the long term without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility

Expected accomplishments	Indicators of achievement
1. Effective alignment of the programmes of work of the Investments, Risk and Compliance, Operations and Information Systems Sections and well as the provision of legal and administrative support	<p>1.1. 100 per cent compliance with the deadlines for the submission of reports, responses, presentations, documents, meeting materials to the Investments Committee, the Pension Board and its committees and other governing bodies</p> <p><i>Performance measures</i></p> <p>2014-2015: 80 per cent</p> <p>Estimate 2016-2017: 90 per cent</p> <p>Target 2018-2019: 100 per cent</p> <p>1.2. Number of coordination, monitoring and project implementation monitoring meetings, with 100 per cent of the decisions implemented</p> <p><i>Performance measures</i></p> <p>Meetings are typically held on a weekly basis to review investments and to consider potential portfolio rebalancing</p> <p>2014-2015: 90 per cent</p> <p>Estimate 2016-2017: 90 per cent</p> <p>Target 2018-2019: 90 per cent</p> <p>1.3. Number of negotiated and approved investment transactions and agreements for products and services used by the Investment Management Division</p> <p><i>Performance measures</i></p> <p>2014-2015: Approximately 50 transactions and agreements</p> <p>Estimate 2016-2017: 50 transactions and agreements</p> <p>Target 2018-2019: 50 transactions and agreements</p>
2. Effective information-sharing and communication with various stakeholders on investment policies, strategies, priorities and results	<p>2.1. Increased number of briefings, training sessions and meetings</p> <p><i>Performance measures</i></p> <p>2014-2015: 68</p> <p>Estimate 2016-2017: 100</p> <p>Target 2018-2019: 100</p>

	2.2. Regular updating and distribution of investment-related reports
	<i>Performance measures</i>
	2014-2015: 75 per cent
	Estimate 2016-2017: 100 per cent
	Target 2018-2019: 100 per cent
3. Effective coordination and implementation of periodic asset-liability management study	3.1. Timely completion of the request for proposal
	<i>Performance measures</i>
	2014-2015: 100 per cent
	Estimate 2016-2017: not applicable
	Target 2018-2019: 100 per cent
	3.2. Completed asset-liability management study
	<i>Performance measures</i>
	2014-2015: 100 per cent
	Estimate 2016-2017: not applicable
	Target 2018-2019: 100 per cent
	3.3. Strategic asset allocation determined and implemented
	<i>Performance measures</i>
	2014-2015: 100 per cent
	Estimate 2016-2017: 100 per cent
	Target 2018-2019: 100 per cent

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### External factors

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

### Outputs

163. During the biennium 2018-2019, the following outputs will be delivered:

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

(b) Legal review and negotiation of approximately 10-15 private equity investment transactions, 10-15 real estate investment transactions, 5-10 real asset investment transactions and 50 contracts for various products and services, in collaboration with the Office of Legal Affairs and the Fund's external legal counsel;

(c) Four Investments Committee meetings are organized annually; the Pension Board, the Advisory Committee on Administrative and Budgetary

Questions, the Fifth Committee and other relevant parties are provided with accurate reports on investments.

Table 27

**Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	3 580.4	3 784.4	12	13
Non-post	5 609.5	6 231.5		
<b>Total</b>	<b>9 189.9</b>	<b>10 015.9</b>	<b>12</b>	<b>13</b>

164. The amount of \$10,015,900 provides for 13 established posts, including the continuation of 12 posts (1 Assistant Secretary-General, 1 D-2, 1 P-5, 2 P-4, 1 P-3, 2 General Service (Principal level) and 4 General Service (Other level)) and inward redeployment of one post (General Service (Principal level)) from the Investment Section and non-post resources (\$6,231,500). The increase of \$826,000 is attributable to an increase in post resources of \$204,000 for the inward redeployment of one post and an increase in non-post resources of \$622,000 mainly relates to increases in contractual services (\$447,100), other staff costs (\$89,100), travel of staff (\$86,300), partially offset by the decrease in hospitality (\$500).

**3. Programme of work**

**Resource requirements (before recosting): \$67,759,100**

**(a) Investment Section**

**Resource requirements (before recosting): \$22,228,300**

165. The Investment Section is tasked with implementing the asset and regional allocation strategies approved by the Representative of the Secretary-General and achieving optimal investment returns for the Fund while avoiding undue risks. It consists of a total of nine organizational entities: North American equity, European equity, Asia-Pacific equity, global emerging markets equity, fixed income, real assets, alternative investments, trade execution, and management of external specialty funds. The primary functions involve investment management, through conducting the monitoring of current portfolios, keeping abreast of and tracking developments in the financial markets and making and carrying out investment decisions. The fulfilment of those functions involves the preparation of financial analyses, attendance at meetings and conferences and travel to various countries to meet analysts and companies' management. A secondary function is contributing to the formulation of reports to all the governing bodies and various committees.

166. The tasks of the Investment Section for 2018-2019 include: (a) to meet the long-term objective of an annualized real rate of return on the investments of the Fund of 3.5 per cent, as adjusted by the United States consumer price index; (b) to achieve consistent outperformance of the policy benchmark by the Fund's investments; (c) to maintain a risk level commensurate with target investment returns; and (d) to reduce currency risks and country risks through sound diversification.

Table 28

**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization:** To achieve the required actuarial real rate of return adopted by the Pension Board over the long term without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility

Expected accomplishments	Indicators of achievement
1. Effective management and monitoring of the implementation of strategic asset allocation	<p>1.1. Total Fund return against the Fund's actuarial return objective over a 10-year period</p> <p><i>Performance measures</i></p> <p>2014-2015: 3.4 per cent 10-year real rate of return as at 31 December 2015, compared with the investment objective of 3.5 per cent</p> <p>Estimate 2016-2017: 2.5 per cent 10-year real rate of return as at 31 December 2016</p> <p>Target 2018-2019: meet or exceed the Fund's real rate of return</p> <p>1.2. Subject to fluctuating market conditions, 100 per cent compliance with the asset allocation ranges</p> <p><i>Performance measures</i></p> <p>2014-2015:</p> <p>Equity: 100 per cent compliance with the Fund's strategic asset allocation ranges</p> <p>Fixed income: 100 per cent compliance with the Fund's strategic asset allocation ranges</p> <p>Real assets: 100 per cent compliance with the Fund's strategic asset allocation ranges</p> <p>Alternative investments: 100 per cent compliance with the Fund's strategic asset allocation ranges</p> <p>Cash: 100 per cent compliance with the Fund's strategic asset allocation ranges</p> <p>Estimate 2016-2017:</p> <p>Equity: 100 per cent compliance as of December 2016</p> <p>Fixed income: 100 per cent compliance as of December 2016</p> <p>Real assets: 100 per cent compliance as of December 2016</p> <p>Alternative investment: 100 per cent compliance as of December 2016</p> <p>Cash: 100 per cent compliance as of December 2016</p> <p>Target 2018-2019: 100 per cent compliance with the Fund's strategic asset allocation</p>

- 1.3. Total return against the policy benchmark over a 5-year period
- Performance measures*
- 2014-2015: 5.0 per cent 5-year nominal return against 5.2 per cent of the policy benchmark as at 31 December 2015
- Estimate 2016-2017: 6.91 per cent 5-year nominal return against 6.85 per cent of the policy benchmark as at 31 December 2016
- Target 2018-2019: meet or exceed the policy benchmark return over a 5-year period
2. Management of currency and country risk through sound diversification
- 2.1. Number of currencies invested in:
- Performance measures*
- 2014-2015: the Fund directly invested in 24 currencies together with indirect investments through external funds as of December 2015
- Estimate 2016-2017: as at 31 December 2016, the Fund directly invested in 24 currencies
- Target 2018-2019: further refine the allocation of the Fund's assets by currency as appropriate
- 2.2. Number of countries invested in:
- Performance measures*
- 2014-2015: direct investments in 41 countries, with additional diversification through indirect investments via external funds
- Estimate 2016-2017: as at 31 December 2016, the Fund had direct investments in 45 countries, with additional diversification through indirect investments via external funds
- Target 2018-2019: further refine the allocation of the Fund's assets by country as appropriate
3. Diversification of investments into alternative investments (private equity) and real assets (real estate, infrastructure, agriculture and timber)
- 3.1. Allocation of alternative investments and real assets asset classes as a percentage of the total Fund
- Performance measures*
- 2014-2015:
- Alternative investments allocation by market value stood at \$1,842 million or 3.5 per cent of the total Fund as at 31 December 2015, an increase from \$1,163 million as at 31 December 2013
- As at 31 December 2015, the alternative investments portfolio consisted of 68 per cent invested in private equity, 26.3 per cent in absolute return strategy and 5.7 per cent in real return strategy

Real assets allocation by market value stood at \$3,150 million or 6.7 per cent of the total Fund as at 31 December 2015 from \$2,511 million as at 31 December 2013

As at 31 December 2015, the real assets portfolio consisted of 96.4 per cent invested in real estate; 3.1 per cent in infrastructure; and 0.5 per cent in timber

Estimate 2016-2017:

Alternative investments allocation by market value stood at \$1,642 million or 3 per cent of the total Fund as at 31 December 2016, which consists of 93 per cent invested in private equity and 7 per cent in real return strategy

Real assets allocation by market value stood at \$3,896 million or 6.9 per cent of the total Fund as at 31 December 2016, which consists of 96.3 per cent invested in real estate, 3.2 per cent in infrastructure, and 0.5 per cent in timber

Target 2018-2019:

Increase the allocation of alternative investments and real assets toward 5 per cent and 9 per cent targets of the strategic asset allocation, respectively

4. Enhanced capacity of staff in issues related to investments and portfolio management

4.1. Percentage of professional staff who attend at least one relevant conference or seminar

*Performance measures*

2014-2015: 100 per cent

Estimate 2016-2017: As at the end of 2016, 100 per cent

Target 2018-2019: 100 per cent

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### External factors

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

### Outputs

168. During the biennium 2018-2019, the following outputs will be delivered:

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

(b) A total Fund investment return exceeding the policy benchmark, which consists of 58 per cent in equity, 26.5 per cent in fixed income, 9 per cent in real

assets, 5 per cent in alternative investments and 1.5 per cent in cash and short-term securities;

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

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

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

Table 29

**Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	14 121.5	13 917.5	45	44
Non-post	10 195.0	8 310.8		
<b>Total</b>	<b>24 316.5</b>	<b>22 228.3</b>	<b>45</b>	<b>44</b>

169. The amount of \$22,228,300 provides the continuation of 44 posts (2 D-1, 7 P-5, 13 P-4, 12 P-3, 5 General Service (Principal level) and 5 General Service (Other level)) and non-post resources of \$8,310,800. The decrease of \$2,088,200 is attributable to a decrease in post resources of \$204,000 for outward redeployment of one post (General Service (Principal level)) to the Office of the Representative of the Secretary-General; and a decrease in non-post requirements of \$1,884,200 related to decreases in contractual services (\$1,759,300), other staff costs (\$120,500) and consultants and experts (\$4,400).

**(b) Risk and Compliance Section**

***Resource requirements (before recosting): \$6,502,600***

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

Table 30

**Objectives for the biennium, expected accomplishments and indicators of achievement**

**Objective of the Organization:** To achieve the required actuarial real rate of return adopted by the Pension Board over the long-term without undue risk while observing the four investment criteria of safety, profitability, liquidity and convertibility

Expected accomplishments	Indicators of achievement
1. Effective oversight of all material risks involved in the Fund's investment decisions	<p>1.1. Quarterly relative and absolute risk reports submitted, with no substantive negative feedback from the Investments Committee</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p> <p>1.2. Risk budget updated annually</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent</p> <p>Target 2018-2019: 100 per cent</p> <p>1.3. At least biannual training on effective risk management provided to all staff</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent</p> <p>Estimate 2016-2017: 100 per cent planned training completed</p> <p>Target 2018-2019: 100 per cent planned training completed</p>
2. Effective monitoring of all external fund managers, in both public and private markets	<p>2.1. Effective monitoring of all external managers and other relevant service providers such as the independent master record keeper</p> <p><i>Performance measures</i></p> <p>2014-2015: 100 per cent of reports generated and discussed with the Representative of the Secretary-General and appropriate remedial actions taken</p> <p>Estimate 2016-2017: generate 100 per cent quarterly compliance exception reports</p> <p>Target 2018-2019: generate 100 per cent quarterly compliance exception reports</p>

3. Comprehensive reporting of performance and risk statistics of the Fund, with effective collaboration from the independent master record keeper

3.1. Quarterly reports reviewed by the Investments Committee, with no substantive negative feedback

*Performance measures*

2014-2015: generated 100 per cent via continued improvement in the format and usefulness of the BlueBook

Estimate 2016-2017: generate 100 per cent via continued improvement in the format and usefulness of the BlueBook

Target 2018-2019: generate 100 per cent via continued improvement in the format and usefulness of the BlueBook

3.2. Weekly, monthly, quarterly and/or annual performance reports distributed to governing bodies and other relevant stakeholders through the website

*Performance measures*

2014-2015: 75 per cent

Estimate 2016-2017: 100 per cent

Target 2018-2019: 100 per cent

3.3. Regular performance and risk management updates provided to governing bodies and other relevant stakeholders

*Performance measures*

2014-2015: 100 per cent

Estimate 2016-2017: 100 per cent

Target 2018-2019: 100 per cent

4. Effective implementation of all compliance controls as indicated in the relevant manuals; compliance with the Investment Management Division's compliance policies and procedures

4.1. Quarterly compliance exception report listing risk control breaches

*Performance measures*

2014-2015: all quarterly comprehensive reports created by the risk group in the risk and performance dashboard were reviewed by the Investments Committee, discussed and reflected in the minutes

Estimate 2016-2017: comprehensive risk and performance dashboard for each Investments Committee meeting completed and reviewed, with positive feedback

Target 2018-2019: comprehensive risk and performance dashboard submitted for each Investments Committee meeting

4.2. Full attendance of Investment Management Division staff in annual ethics training programme

*Performance measures*

2014-2015: 85 per cent attendance in 2014 and 2015

Estimate 2016-2017: 83 per cent attendance in 2016, 85 per cent estimated for 2017

Target 2018-2019: 85 per cent targeted, recognizing that the training is only available on 2 days of the year, and absences are experienced as a result of leave or official business travel

4.3. Full compliance by Investment Management Division staff with the Division's fraud prevention, personal securities trading, gift and hospitality policies

*Performance measures*

2014-2015: 100 per cent of Investment Management Division staff signed certification forms for all of the related policies that were in place at that time

Estimate 2016-2017: 100 per cent of Investment Management Division staff are required to sign certification forms related to all of the relevant policies. The Division's anti-fraud and anti-corruption policy was developed and implemented in 2016

Target 2018-2019: 100 per cent of Investment Management Division staff are required to sign certification forms related to all of the relevant policies

4.4. Business continuity and disaster recovery plans updated through a business assessment and tested periodically

*Performance measures*

2014-2015: testing of the plans took place

Estimate 2016-2017: testing of the plans will have taken place

Target 2018-2019: testing of the plans will take place

4.5. Audit recommendations responded to and implemented and closed by agreed deadline

*Performance measures*

2014-2015: not applicable

Estimate 2016-2017: not applicable

Target 2018-2019: not applicable

5. Awareness of environmental and social governance factors

5.1. Participation by the Investment Management Division in at least one conference on principles of responsible investment/socially responsible investment, annually

*Performance measures*

2014-2015: staff members attended and spoke at conferences. The Pension Fund received a grade of A from both the principles of responsible investment project (environmental, social and governance) and the Asset Owners Disclosure Project (climate change)

Estimate 2016-2017: staff members attended and spoke at conferences. The Fund received a grade of A from the principles of responsible investment project (environmental, social and governance) for 2016 and AAA for 2017 from the Asset Owners Disclosure Project (climate change)

Target 2018-2019: staff members will attend and speak at conferences. The Division will continue to participate in surveys of principles of responsible investment and the Asset Owners Disclosure Project

**External factors**

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

- (a) More volatile equities markets;
- (b) A more volatile currencies market with large swings, requiring extensive quantitative analysis capacity for the use of index-linked tools to offset risks;
- (c) More credit risk from sovereign countries;
- (d) Operating in inflationary and/or deflationary environments simultaneously in various geographies;
- (e) More international trade barriers;
- (f) Changes in benchmarks if there are shifts in macroeconomic trends;
- (g) Sudden underfunding of risks due to depreciation in the base currency (United States dollar), causing funds to reach historical highs, while being potentially underfunded as use of the two-track feature increases and as liabilities increase in other currencies;
- (h) Run on commodities;
- (i) High unemployment becomes the “new normal” on a sustained basis in developing economies;
- (j) Sovereign countries default on their loans.

**Outputs**

172. During the biennium 2018-2019, the following outputs will be delivered:

(a) The maintenance of the risk management manual, the compliance policy and corresponding manual and policies concerning ethics and personal securities, gifts and hospitality;

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

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

(d) The organization of training programmes pertaining to investment compliance and the code of ethics (total of 2 on-site division-wide programmes);

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

(f) The preparation of periodic reports to the Audit Committee of the Pension Board (total of 8 presentations);

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

Table 31

**Resource requirements**

Category	<i>Resources (thousands of United States dollars)</i>		<i>Posts</i>	
	2016-2017	2018-2019	2016-2017	2018-2019
		<i>(before recosting)</i>		
Post	2 415.2	2 415.2	8	8
Non-post	657.0	4 087.4		
<b>Total</b>	<b>3 072.2</b>	<b>6 502.6</b>	<b>8</b>	<b>8</b>

173. The amount of \$6,502,600 provides for the continuation of eight posts (1 D-1, 3 P-4, 1 P-3, 2 General Service (Principal level) and 1 General Service (Other level)) and non-post resources of \$4,087,400. The increase in non-post resources of \$3,430,400 is the result of increases in other staff costs (\$190,100) and contractual services (\$3,286,300), partially offset by the decrease in consultants (\$46,000).

**(c) Operations and Information Systems Section*****Resource requirements (before recosting): \$39,028,200***

174. Under the leadership of the Chief Operating Officer, the Operations and Information Systems Section is responsible for trade investment operations (Operations team) that encompass post-trade processing, accounting, reconciliation and the financial reporting of all investment transactions and related activities of the Fund, and for the Investment Management Division's information and communications technology operations (the Information Systems team) that encompass the enablement and technical support of the investment operations from portfolio management, risk management, trade execution, trade processing and investment data maintenance. The Operations team is responsible for matching and settling all investment trades and foreign-exchange transactions in a timely and accurate manner, as well as employing industry-standard solutions for straight-through and exception processing. The Operations Section is also responsible for the monitoring and validation of the accuracy of management fees for real assets

and private equity funds upon receipt of notices prior to payments. In addition, it ensures that all investment activities, such as trades, foreign-exchange transactions and income collection, maturities, tax collection and corporate actions, are properly recorded in accordance with IPSAS for the preparation of financial statements, complete with adequate internal controls and an audit trail. Furthermore, the Operations team is responsible for the production of daily cash projections, enabling the Investment Section to manage cash for all of the currencies utilized by the Division for investment purposes. The Operations team is also responsible for the oversight of historical class action monitoring and filing services provided by external vendors. The Information Systems team is responsible for developing the Division's information and communications technology strategy and the target operating model in alignment with the business strategy. The objective is to implement fit-for-purpose investment applications, equipping portfolio and risk managers with rapid access to the actionable financial data needed to implement effective investment models and make effective decisions to accomplish the investment target while maintaining the investment criteria of profitability, liquidity, convertibility and safety.

175. The Operations and Information Systems Section works closely with the Investment Officers (front office) and the brokers to match trade details and resolve issues prior to settlement. It also works closely with the custodians for trade and foreign-exchange settlements; the investigation of interest claims on failed trades; income collection; maturities; tax collection, monitoring of class actions, corporate actions, and with the master record keeper for the daily reconciliation of cash and holdings, the fair market valuation of the Fund's investments and the monthly IPSAS general ledger feed. Thereafter, the Operations staff prepares the annual financial information and related disclosures for the investments of the Fund for consolidation and review by the Fund's Chief Financial Officer for the Fund's annual financial statements. The staff of the Operations and Information Systems Section work closely to implement more efficient processes, ensure internal controls and enhance the various computerized investment activities of the Division, while minimizing manual intervention.

176. A fast-track request for proposals for an information and communications technology target operating model for the Investment Management Division was conducted in November 2016, with four respondents. Technical evaluation is under way as of the time of writing. The selected consulting firm shall undertake an assessment of the Division's current strategic road map, business applications, systems integrations, infrastructure and alignment to business requirements, culminating in a road map for an information and communications technology target operating model. The consulting firm shall be expected to assess the "as-is" operating model, identify gaps, and recommend a "to-be" target operating model. Moreover, the consulting firm shall assist the Division in the drafting of requests for proposals and the implementation of the target operating model on an "as needed" basis. It should be noted that the results of the information and communications technology target operating model study may not be finalized prior to the submission of the present budget document to the budget working group.

177. Operations services for 2018-2019 include, but are not limited to, the following:

(a) Strengthening the skill sets and professional expertise of accounting staff in order to keep abreast with new IPSAS standards affecting the investments of the Fund and to avoid any potential financial reporting errors;

(b) Continuing the efforts to obtain tax relief at source with regard to the investments of the Fund, particularly in countries in which no current procedures and tax rulings are in place;

(c) Undertaking the monitoring and validation of the accuracy of management fees for real assets and private equity funds upon receipt of notices before payments;

(d) Transitioning to a new global custodian as a result of the request for proposals that is under way as of the time of writing.

178. Information systems services for 2018-2019 include, but are not limited to, implementing the approved information and communications technology target operating model road map and strengthening the information security management system, including the disaster recovery solution that supports the business continuity plan.

Table 32

### Objectives for the biennium, expected accomplishments and indicators of achievement

**Objective of the Organization:** To fully support all the trading and related investment activities of the Fund, and to provide efficient, secure and suitable technology to fully enable and support mission-critical Investment Management Division business functions and achieve operational efficiencies

Expected accomplishments	Indicators of achievement
1. Increased capacity, efficiency and effectiveness in processing trades and other related investment activities	<p>1.1. Reduced number of manually-processed investment transactions</p> <p><i>Performance measures</i></p> <p>2014-2015: 2014: 99.9 per cent of equity and fixed income trades were transmitted through SWIFT (interbank messaging system) to the custodians. 2015: 100 per cent — all equity and fixed income trades were transmitted through SWIFT to the custodians</p> <p>Estimate 2016-2017: 2016 actual: 99.8 per cent of equity and fixed income trades were transmitted through SWIFT to the custodians</p> <p>2017 estimate: 100 per cent of equity and fixed income trades would be transmitted through SWIFT to the custodians</p> <p>Target 2018-2019: 100 per cent of equity and fixed income trades would be transmitted through SWIFT to the custodian</p> <p>1.2. Reduced number of compensation claims due to failed trades</p> <p><i>Performance measures</i></p> <p>2014-2015: No compensation claims were paid out from the Fund in 2014 and 2015</p> <p>Estimate 2016-2017: 2016 Actual: No compensation claims were paid out from the Fund</p>

2. Timely and accurate processing of investment transactions

2017 estimate: 1

2018-2019 estimate: 1

2.1. Reduced number of exceptions under cash and holdings/positions aged over 2 days

*Performance measures*

2014-2015: 2014: 99.6 per cent of cash exceptions resolved in 1 day; 91 per cent of exceptions reported between the master record keeper and custodian banks on positions/holdings resolved within 2 days. 2015: 99.94 per cent of cash exceptions resolved in 1 day; 89.9 per cent of exceptions reported between the master record keeper and custodian banks on positions/holdings resolved within 2 days

Estimate 2016-2017: 2016 actual: starting on 18 January 2016, the Fund launched a new trade order management system that provides a reconciliation tool for both cash and holdings/positions. As such, 2016 exceptions are based on the new trading system. 83.3 per cent per cent cash exceptions resolved within 2 days

2017 estimate: 0.2 per cent would be escalated and further investigated over 2 days

Target 2018-2019: 0.1 per cent would be escalated and further investigated over 2 days

2.2. Confirmation of projected cash balances for negative interest rates currencies is provided to the fixed income team by 2 p.m.

*Performance measures*

2014-2015: not applicable

Estimate 2016-2017: 2016 actual: 48 per cent of email confirmation of projected cash balances for negative interest rates currencies were provided to the Fixed Income Team by 2 p.m.; delays in providing the confirmation were mainly due to the pending unmatched trades

2017 estimate: 60 per cent of email confirmation of projected cash balances for negative interest rates currencies would be provided to the Fixed Income Team by 2 p.m.

Target 2018-2019: 70 per cent of email confirmation of projected cash balances for negative interest rates currencies would be provided to the Fixed Income Team by 2 p.m.

2.3. Reduced number of foreign exchange transactions and capital calls for private equity and real estate funds processed beyond cut-off time

*Performance measures*

2014-2015: zero

Estimate 2016-2017: 2016 actual: zero

2017 estimate: zero

Target 2018-2019: zero

2.4. Reduced number of cash/positions exceptions related to voluntary corporate actions

*Performance measures*

2014-2015: not applicable

Estimate 2016-2017: 2016 actual: 2.2 per cent of exceptions (breaks) to be related to voluntary corporate action

2017 estimate: less than 5 per cent of exceptions (breaks) to be related to voluntary corporate action

Target 2018-2019: less than 3 per cent of exceptions (breaks) to be related to voluntary corporate action

2.5 Reconciliation of custody bank accounts within 30 days after month's end

*Performance measures*

2014-2015: 4 out of 12 monthly bank reconciliations were completed on time in 2014. 6 out of 12 monthly bank reconciliations were completed on time in 2015

Estimate 2016-2017: All monthly bank reconciliations were completed on time in 2016 and expected to be completed on time in 2017

Target 2018-2019: All monthly bank reconciliations expected to be completed on time

## 3. Integrity of financial data and reporting

3.1. Unqualified audit opinion from the Board of Auditors on the Fund's financial statements

*Performance measures*

2014-2015: unqualified audit opinion

Estimate 2016-2017: unqualified audit opinion

Target 2018-2019: no significant adverse audit findings

## 4. Improved data management, security and governance

4.1. No significant adverse audit findings related to Investment Management Division data security

*Performance measures*

2014-2015: Overall results of the Office of Internal Oversight Services (OIOS) audit of information and communications technology security for the Fund (both the secretariat and the Investment Management Division), conducted in 2014, were unsatisfactory. One critical audit

finding resulted in a recommendation to establish a standard information and communications technology security risk management methodology, periodically assess vulnerabilities and implement mitigating controls

Overall results of the audit by OIOS of the Division's information and communications technology strategic planning, governance and management, was conducted in 2014, were unsatisfactory; however, no significant critical findings were found

Overall results of the audit by OIOS of the Division's information and communications technology operations, conducted in 2015, were partially satisfactory

Estimate 2016-2017: no significant critical findings

Target 2018-2019: no significant critical findings

4.2. No significant delays or inaccuracies reported resulting from data readiness and quality

*Performance measures*

2014-2015: no delays

Estimate 2016-2017: no delays

Target 2018-2019: no delays

4.3. No significant adverse audit findings related to data quality and compliance

*Performance measures*

2014-2015: no significant critical/adverse findings

Estimate 2016-2017: no significant critical/adverse findings

Target 2018-2019: no significant critical/adverse findings

## 5. Efficient, secure and resilient information and communications technology services

5.1. Investment Management Division operational imperatives and all critical business application support indicators are met

*Performance measures*

2014-2015: Support was provided to 100 per cent of the Division's business applications. Overall, all business applications were up 99 per cent of the time

Estimate 2016-2017: 100 per cent of the Division's business applications were supported. Furthermore, the Division's front-to-back investment operations were consolidated and/or integrated under the Bloomberg AIM suite

Target 2018-2019: 100 per cent of the Division's business applications supported

5.2. No significant open issues in the Investment Management Division's information and communications technology service desk (iNeed) quarterly reports

*Performance measures*

2014-2015: not applicable

Estimate 2016-2017: As at 29 December 2016, 27 out of 786 service requests or 3.04 per cent remained open since the inception of iNeed service desk in April 2016

Target 2018-2019: no significant issues

5.3. No significant issues raised during the biannual disaster recovery tests for business continuity drills

*Performance measures*

2014-2015: four business continuity drills were conducted the biennium and no significant issues were reported

Estimate 2016-2017: two business continuity tests were conducted in 2016 and no significant issues were reported. One is planned for 2017

Target 2018-2019: no significant issues

5.4. Number of planned request for proposals that have been completed

*Performance measures*

2014-2015: request for proposal 1975 for an information technology infrastructure assessment was issued and cancelled in 2014

Estimate 2016-2017: request for proposal 3100001888 for the development of the Investment Management Division's information and communications technology target operating model was issued in 2016. Another request for proposal for the information and communications technology security assessment and business impact analysis may be issued in 2017

Target 2018-2019: awaiting results of the information and communications technology target operating model road map

6. Development and implementation of planned information and communications technology services

6.1. Number of information and communications technology services planned and completed as per service level agreements with vendor providers

*Performance measures*

2014-2015: 17 information and communications technology services were implemented. All those services were completed with the United Nations International Computing Centre under various service delivery agreements

Estimate 2016-2017: In 2016, the following information and communications technology services were implemented: the new network infrastructure (with the United Nations International Computing Centre) and the portfolio management, trade execution and post-trade processing system (Bloomberg AIM), as well as the customer relationship management system (iNeed). iNeed supports the Division's information and communications technology service desk. Bloomberg AIM (phase 2) for foreign exchange and fixed income trading was launched on 5 January 2017. Bloomberg AIM broker transaction cost analysis is under implementation as of this writing

Target 2018-2019: Awaiting results of the information and communications technology target operating model road map

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### External factors

179. The Operations and Information Systems Section is expected to achieve its objectives on the following assumptions:

(a) The successful completion of an information and communications technology target operating model study for more efficient, effective, automated and integrated investment operations, covering all asset classes and related transactions, and the implementation of the road map;

(b) The successful completion of the information security system assessment and the business impact analysis;

(c) The successful transition from multiple global custodians and independent master record keeper to one global custodian/master record keeper, following timely procurement procedures and contract negotiations, expected by 2018;

(d) The procurement and the legal process for requested services/products are completed within the expected time frame;

(e) Stakeholders fulfil their responsibilities and extend their full cooperation in attaining the objectives of the information and communications technology strategy of the Investment Management Division, which is aligned to the business strategy.

### Outputs

180. During the biennium 2018-2019, the following outputs will be delivered:

(a) Operations:

(i) The timely and straight-through processing of the majority of equities and fixed-income securities (from trade execution to trade matching and settlement) without manual intervention;

(ii) More automated and/or efficient processing of foreign exchange, real assets, alternative and other investments with minimal manual intervention;

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

- (iv) A more accurate daily cash projection report that gives rise to fewer reconciliation issues;
- (v) All assets are transferred and accounted for and re-registered with the new global custodian/master record keeper, and there is satisfactory performance in the delivery of custodial and master record-keeping reports and services;
- (vi) The timely review and reconciliation of accounts encompassing all asset classes;
- (vii) The timely preparation and delivery of financial information and disclosures for consolidation with the Fund's financial statements;
- (viii) The monitoring and validation of the accuracy of management fees for real assets and private equity funds upon receipt of notices before payments;
- (b) Information services:
  - (i) Mission-critical systems of the Investment Management Division are implemented and supported;
  - (ii) Requests for proposal are initiated and/or completed, subsequent to the completion of the information and communications technology target operating model study;
  - (iii) Exception-based processing of investment transactions is achieved and programme and basket-trading enabled;
  - (iv) Investment processes are documented;
  - (v) Implementation of the information and communications technology target operating model is under way and standardization and streamlining of business processes is achieved;
  - (vi) Automatic data interfaces are implemented;
  - (vii) Data validation is supported;
  - (viii) The Division's information and communications technology infrastructure is strengthened;
  - (ix) Information security management policies, information and communications technology policies and procedures and disaster recovery plan are updated and executed;
  - (x) Business continuity is enhanced.

Table 33  
**Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Post	5 701.5	5 701.5	20	20
Non-post	35 529.7	33 326.7	–	–
<b>Total</b>	<b>41 231.2</b>	<b>39 028.2</b>	<b>20</b>	<b>20</b>

181. The amount of \$39,028,200 provides for the continuation of 20 posts (1 D-1, 2 P-5, 5 P-4, 3 P-3, 1 P-2, 4 General Service (Principal level) and 4 General Service

(Other level)) and non-post resources of \$33,326,700. The decrease in non-post resources of \$2,203,000 is the net effect of decreases in contractual services (\$2,881,300), supplies and materials (\$73,600) and travel of staff (\$58,400), partially offset by the increases under other staff costs (\$392,100), furniture and equipment (\$391,000), operating expenses (\$10,800) and consultants (\$16,400).

#### **Administrative support**

***Resource requirements (before recosting): \$7,811,400***

Table 34

#### **Financial resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019	2016-2017	2018-2019
		(before recosting)		
Non-post	6 998.9	7 811.4	–	–
<b>Total</b>	<b>6 998.9</b>	<b>7 811.4</b>	<b>–</b>	<b>–</b>

182. The amount of \$7,811,400, representing an increase of \$812,500, provides for non-post resources for the Division as a whole. The increase is attributable primarily to increases under general operating expenses (\$652,700), contractual services (\$157,000) and supplies and materials (\$2,800).

### **D. Audit costs**

***Resources requested (before recosting): \$2,929,200***

183. The distribution of resources is shown in table 35.

Table 35

#### **Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019	2016-2017	2018-2019
		(before recosting)		
External audit	786.5	786.4	–	–
Internal audit	2 116.2	2 142.8	–	–
<b>Total</b>	<b>2 902.7</b>	<b>2 929.2</b>	<b>–</b>	<b>–</b>

184. The amount of \$2,929,200 covers the estimated requirements for external audit (\$786,400), as requested by the Board of Auditors, and those for internal audit (\$2,142,800), as requested by the Office of Internal Oversight Services.

#### **1. External audit**

***Resource requirements (before recosting): \$786,400***

185. Provision is made in the amount of \$786,400 to cover the costs associated with the Board of Auditors, which is apportioned to the Fund by the secretariat of the Board of Auditors.

## 2. Internal audit

### **Resource requirements (before recosting): \$2,142,800**

186. The amount of \$2,142,800, representing an increase of \$26,600, provides for the continuation of six general temporary assistance positions (1 P-5, 3 P-4, 1 P-3 and 1 General Service (Other level)); and other non-post resources, comprising travel of staff, contractual services, general operating expenses and supplies and materials. The increase mainly relates to the increased requirements under contractual services.

## E. Board expenses

### **Resources requested (before recosting): \$965,600**

Table 36

#### **Resource requirements**

Category	Resources (thousands of United States dollars)		Posts	
	2016-2017	2018-2019 (before recosting)	2016-2017	2018-2019
Board expenses	965.6	965.6	–	–
<b>Total</b>	<b>965.6</b>	<b>965.6</b>	<b>–</b>	<b>–</b>

187. The amount of \$965,600 covers the estimated requirements for Board expenses and comprises: travel costs for the Chair to attend the meetings of the Advisory Committee on Administrative and Budgetary Questions and the Fifth Committee; travel of the Board's advisory committees (the Committee of Actuaries, the Audit Committee and the Assets and Liabilities Monitoring Committee); administrative expenses of the sixty-fifth and sixty-sixth sessions, as well as the travel of representatives of the Federation of Associations of Former International Civil Servants to Pension Board meetings.

## IV. Emergency Fund

188. The General Assembly, in section VI of its resolution [70/248](#), authorized the United Nations Joint Staff Pension Board to supplement the voluntary contributions to the Emergency Fund for the biennium 2016-2017 by an amount not exceeding \$225,000. The Fund is requesting the same level of funding for the biennium 2018-2019, in an amount not exceeding \$225,000.

## V. Action to be taken by the General Assembly

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

(a) **A reduction in appropriations for 2016-2017 amounting to \$5,091,100. The revised appropriations for the biennium 2016-2017 would then amount to \$174,964,300, divided into administrative costs (\$96,543,600), investment costs (\$74,630,400), audit costs (\$2,824,700) and Board expenses (\$965,600). Of this amount, \$154,591,000 would be apportioned to the Fund and \$20,373,300 would be directly chargeable to the United Nations under the cost-sharing arrangement;**

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(b) A revised estimate for the biennium 2016-2017 amounting to \$201,400 for extrabudgetary resources;

(c) The Pension Fund estimate for the biennium 2018-2019 amounting to \$195,230,800, comprising administrative costs (\$104,048,500), investment costs (\$87,269,800), audit costs (\$2,906,000) and Pension Board expenses (\$1,006,500). Of this amount, \$172,348,900 would be apportioned to the Fund and \$22,881,900 to the United Nations under the cost-sharing arrangement;

(d) Resources for the biennium 2018-2019 amounting to \$162,400 for extrabudgetary costs funded by a number of member organizations;

(e) An amount not exceeding \$225,000 to supplement contributions to the Emergency Fund.

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

(A/71/621)

*Request/recommendation*

*Action taken to implement request/recommendation*

(a) The Advisory Committee recalls that the General Assembly, in its resolution [70/248](#), noted with concern the delays in the receipt of payments by some new beneficiaries and retirees of the Fund and stressed the need for the Pension Board to take appropriate steps to ensure that the Fund addresses the causes of such delays, which put former staff members and retirees as well as their families in stressful and vulnerable situations. The Committee urges the member organizations and the Fund to coordinate their efforts to resolve this situation (para. 6).

The Fund proactively adopted an agile approach, which added flexible processing capacity to meet the increasing volume of separation cases. The Fund is currently processing approximately 80 per cent or more of cases within the same month. That is, if the case arrives with complete and accurate documentation and information, the average time the Fund takes in processing and paying is between 2 and 4 weeks. Overall, processing rates achieved are significantly higher than those observed in 2014, which were processed under the old system. In addition, as approved by the Pension Board, in October 2016, in cooperation with the United Nations (Department of Management and Department of Field Support), the Food and Agriculture Organization of the United Nations (FAO)/the World Food Programme (WFP), the United Nations Children's Fund (UNICEF) and the World Health Organization (WHO), the Fund launched an end-to-end review of the separation to payment process. The review looked at opportunities to streamline the process and sought to clarify the roles and responsibilities of the three parties involved in the process: the human resources and/or payroll areas of the employing organizations, the separating staff and the Pension Fund. The objective of the review was to improve the beneficiary experience and reduce the time for the submission of documentation, improve the accuracy and completeness of the information sent to the Fund, improve the timeliness of the submission, improve the information available to the separating staff, provide monitoring tools so the staff members may follow-up on their own cases appropriately, and continue to enhance the Fund's processing capacity.

(b) The Advisory Committee looks forward to receiving information on the implementation of the measures proposed by the Fund to reduce the delays in the submission of the documentation needed to process benefit entitlements, and on the result of the end-to-end review (para. 8).

A joint project team was established to monitor the progress made in the review of the pension-related activities of employing entities, mainly in their human resources and/or payroll areas, and the tools and information made available to the separating staff members to monitor the progress of their cases. The review has been concluded in all employing organizations (including the Department of Management, the Department of Field Support, FAO/WFP, UNICEF and WHO) as well as in the Fund. The review also covered a review of the pension-related processes in field missions. A

	<p>summary of the results of the end-to-end review is annexed to the present report (see annex VIII). The Fund has also increased outreach to provide information to human resources and finance staff at various duty stations and focal points have also been established by large reporting entities in the United Nations and in all other member organizations to facilitate the coordination of submitting complete and accurate separation documentation, in a more timely manner.</p>
<p>(c) In the view of the Advisory Committee, given that a review of the downsizing and closing of previous missions would have provided an indication of the time required to complete the processes, the increase in the number of separations and associated claims could have been anticipated, and the Secretariat and the Fund could have taken measures to prepare for and process the claims in a more timely manner (para. 10).</p>	<p>The Fund has established a regular consultation process with Department of Field Support pension focal points, where information on the upcoming downsizing and closing of missions is being addressed. The Department of Field Support has also established a working group on pensions to resolve the backlog of cases pending submission to the Fund. Resources permitting, the Fund also provides outreach to the various missions through either in-person visits or videoconference.</p>
<p>(d) In the view of the Advisory Committee, the Fund should focus on expeditiously filling the vacant posts and thus be in a better position to address the additional workload caused by surges (para. 14 (c)).</p>	<p>The Fund secretariat has a low vacancy rate. As of the beginning of September 2017, the vacancy rate in the Fund secretariat was 9 per cent. None of the senior management positions are vacant. It is often the case that new vacancies are created when an existing staff member is selected for a different post, owing to the requirement for specialized knowledge in pension entitlements and other aspects of pension administration. Recruiting from outside sources requires a very long learning curve, which naturally has an impact on processing efficiency and effectiveness and on the normal progression of internal staff who have the requisite knowledge to fill the specialized functions. The Fund is taking steps to ensure that all vacancies are filled in a timely manner.</p>
<p>(e) The Advisory Committee recalls that the General Assembly, in its resolution <a href="#">70/248</a>, requested the Secretary-General to make all efforts to improve the Fund's investments performance. While acknowledging the negative impact of currency fluctuations in 2015, the Committee notes that during that year the Fund did not meet its long-term target of an annualized real rate of return of 3.5 per cent and trusts that efforts will be made to meet this objective (para. 29).</p>	<p>Efforts have been made to improve the Fund's investment performance in order to meet the Fund's long-term target of an annualized real rate of return of 3.5 per cent. The Fund generated returns for 2016 that compare favourably to the Fund's return for 2015. Year-to-date returns for 2017 are also encouraging.</p>

(f) The Advisory Committee reiterates its concern regarding the high number of vacant posts in the Investment Management Division of the Fund, urges the Fund to fill all vacant posts expeditiously and reiterates that, in its view, posts that have been vacant for two years or longer should be rejustified or proposed for abolishment (see [A/70/7/Add.6](#), para. 10) (para. 33).

Efforts have been made to fill all vacant posts in the Investment Management Division expeditiously. All senior level vacancies were filled as of June 2017. Most of the vacant posts are expected to be filled by the end of 2017.

(g) The Advisory Committee welcomes the efforts to enhance the Fund's investment profile and recalls that the General Assembly, in its resolution [70/248](#), requested the Secretary-General to continue diversifying its investments between developed, developing and emerging markets, wherever this serves the interests of the participants and the beneficiaries of the Fund, and to ensure that decisions concerning the investments of the Fund in any country are implemented prudently, taking fully into account the four main criteria for investments, namely safety, profitability, liquidity and convertibility, under volatile market conditions (para. 35).

Efforts continue to enhance the Fund's investment profile in keeping with General Assembly resolution [70/248](#) and consistent with the Fund's four main criteria. Direct and indirect investments in developing countries were increased in 2015 and in 2016.

(h) The Advisory Committee trusts that the Secretary-General will provide the General Assembly with information on the environmental, social and governance investments of the Fund and that they will be reported on regularly (para. 36).

The General Assembly will be provided with information on the Fund's environmental, social and governance investments on a regular basis. The Fund received high marks from both the principles of responsible investment and the asset owners disclosure project for its 2016 environmental, social and governance efforts.

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## Annex I

### Discussions in the United Nations Joint Staff Pension Board on the revised budget estimates for the biennium 2016-2017 and on the budget estimates for the biennium 2018-2019

#### Revised budget estimates for the biennium 2016-2017

1. The Fund proposed a reduction in the budget estimates for the biennium 2016-2017 amounting to \$5,091,100, compared with the revised appropriation of \$180,055,400. The final revised appropriations for the biennium 2016-2017 would then amount to \$174,964,300, of which \$20,373,300 is chargeable to the United Nations under the cost-sharing arrangement.

#### Budget estimates for the biennium 2018-2019

2. The budget estimates originally proposed by the Fund for the biennium 2018-2019 provided for expenditures of \$201,337,100 (before recosting), compared with a total of \$180,055,400 for the biennium 2016-2017. The budget submission was presented for administrative costs (\$109,263,700), investment costs (\$88,027,800), audit costs (\$3,120,000) and Board expenses (\$965,600). In addition, the estimates provided for one extrabudgetary post for the processing of after-service health insurance contributions, in the amount of \$164,700, and an amount not to exceed \$225,000 for the Emergency Fund.

#### Administrative costs

3. The proposed budget under administrative costs totalled \$109,263,700 before recosting, representing an increase of 19.6 per cent compared with the revised appropriation for the biennium 2016-2017.

4. The request included 11 proposed additional posts and two proposed reclassifications, as set out in table 1 below.

Table 1  
Proposed new posts and reclassifications

<i>Section</i>	<i>Action</i>	<i>Post</i>	<i>Number</i>	<i>Category</i>
<b>Administration</b>				
Office of the Chief Executive Officer				
	New post	Senior Programme Officer	1	P-5
	New post	Staff Assistant	1	GS-OL
<b>Programme of work</b>				
Operations				
	New post	Deputy Chief of Section, Pension Entitlements	1	P-4
	New post	Benefits Officer	1	P-3
Client Services and Outreach				
	New post	Chief of Services	1	D-1
	New post	Senior Public Information Officer	1	P-5
	New post	Programme Officer	1	P-4
	New post	Benefits Officer	2	P-3

<i>Section</i>	<i>Action</i>	<i>Post</i>	<i>Number</i>	<i>Category</i>
Financial Services				
	New post	Chief of Section, Accounts	1	P-5
	New post	Chief of Unit, Payroll	1	P-4
<b>Total new posts</b>			<b>11</b>	
<b>Programme Support</b>				
Information Management Systems Service				
	Reclassification	Administrative Officer	1	P-3 to P-4
Human Resources Unit a				
	Reclassification	Human Resources Officer	1	P-4 to P-3
<b>Total reclassifications</b>			<b>2</b>	

<sup>a</sup> Includes reclassification of Executive Officer post to Senior Human Resources Officer (P-5 to P-5).

### **Investment costs**

5. The proposed budget under investment costs totalled \$88,027,800 before recosting, representing an increase of 3.8 per cent compared with the original appropriation for the biennium 2016-2017.

6. No additional posts have been requested for the biennium 2018-2019.

### **Audit costs**

7. The Fund requested a total of \$3,120,000 before recosting, to cover external (\$786,400) and internal (\$2,333,600) audit costs, representing an increase of 7.5 per cent compared with the original appropriation for the biennium 2016-2017.

### **Board expenses**

8. Resources in the amount of \$965,600 before recosting were requested to cover the costs of two Board sessions, travel expenses of the Chair and the various committees of the Board, the travel of representatives of the Federation of Associations of Former International Civil Servants to the annual sessions of the Board, and a provision for actuarial services for the Assets and Liabilities Monitoring Committee. This amount remains the same as the original appropriation for the biennium 2016-2017.

### **Extrabudgetary funding**

9. Resources in the amount of \$164,700 before recosting were requested for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme.

### **Emergency Fund**

10. An amount not to exceed \$225,000 was requested to supplement the Emergency Fund.

### **Budget Working Group**

11. Comments and recommendations of the Budget Working Group, endorsed by the Board, are set out below.

12. In accordance with the decision made by the Board at its sixty-third session (see A/71/9, para. 465), the Budget Working Group began its work on 8 July 2017.
13. The final composition of the working group was as follows:
- Mr. V. Yossifov (World Intellectual Property Organization), representing Governing Bodies
  - Mr. H. Kozaki (United Nations), representing Governing Bodies
  - Mr. D. Thatchaichawalit (United Nations), representing Executive Heads
  - Ms. T. Dayer (World Intellectual Property Organization), representing Executive Heads
  - Mr. S. Koufane (International Labour Organization), representing Participants
  - Mr. J. Levins (World Food Programme), representing Participants
  - Mr. W. Sach (Federation of Associations of Former International Civil Servants), representing pensioners
  - Mr. M. Breschi (Federation of Associations of Former International Civil Servants), representing pensioners
14. The working group had before it the following documents: revised budget estimates for the biennium 2016-2017 and budget estimates for the biennium 2018-2019 (JSPB/64/R.15 and accompanying supplementary information). The working group benefited from valuable interactions with the members of the Fund secretariat and the Investment Management Division (IMD).

#### **Performance report for the biennium 2016-2017**

15. The working group considered the proposed revised final appropriations for the biennium 2016-2017.
16. The working group noted that the expenditure projection for the Fund secretariat remains high during the current biennium, primarily due to the implementation of the Integrated Pension Administration System (IPAS) and the surge of the increase in separations, which require additional resources to face the increase in workload.
17. The Fund secretariat incurred expenditure beyond the revised budget estimate under other staff costs and contractual services, relating to additional processing capacity, the end to end review project, communications and information technology services. After the approval of the revised budget estimate in 2016, the Fund continued to experience a surge in separations and delays in the processing of pension benefits. This was also in response to two critical recommendations from the Office of Internal Oversight Services (OIOS) regarding (i) delays in benefit processing and (ii) a lack of attention to call volumes and email communications. The additional expenditure incurred by the Fund secretariat constitutes a redeployment of resources within the Fund. The entire Fund (Secretariat and IMD) stayed within the limitations of the revised budget estimate approved by the GA in 2016.
18. The working group recommends approval of the budget estimates for the biennium 2016-2017 as proposed by the Fund.

#### **Budget estimates for the biennium 2018-2019**

19. The working group commends the secretariat and the IMD for the well-prepared documentation and for their efficient and collaborative support in

preparing the budget recommendations set out below, and expresses its gratitude to the Chief Executive Officer, the Representative of the Secretary-General and their staff for being available to discuss and clarify the budget proposal in detail.

20. In its deliberations, the working group also took into account relevant comments made by the Audit Committee, the external and internal auditors, the Investments Committee and the Assets and Liabilities Monitoring Committee.

21. The working group reviewed the development of participants and beneficiaries in recent years in comparison to the resources in the Fund secretariat over the previous 5 biennia. It was concluded that the growth in the workload of the Fund secretariat represented by the number of participants and beneficiaries, and the number of benefits processed has grown substantially faster than the increase of Fund secretariat staff. This is a long-standing development. The maturing of the Fund has resulted in significant workload increase, as the effort required to process of pension benefits and ensuring the payroll for the beneficiaries is significantly higher than the administration of participants. In view of the preceding, the proposal of the working group aims to maintain the capacity of the secretariat to cope with this increasing workload in the short and medium term.

#### **Recruitment, staffing and general temporary assistance**

22. The working group noted the efforts made in the recruitment process by the Fund secretariat and IMD. As of 15 July 2017, there was a total of 18 vacant posts in the Professional and higher categories which represents 8 vacant posts (11.6%) in Fund secretariat and 10 vacant posts (17.5%) in IMD. The senior management of the Fund informed the group that all these posts are under active recruitment and some are in final stages of recruitment process with some of the selected candidates joining the Fund in a few months.

23. In particular, the working group noted that in line with the recommendations of the previous Board, the positions of the Chief Financial Officer, Director of the IMD, Chief Operating Officer of the IMD, and Chief Information Officer have been filled. The working group welcomes the progress made and recommends that efforts are continued to fill the remaining senior vacant positions expeditiously.

#### **Resource proposals**

##### **Administration**

24. In addition to the aforementioned considerations, the working group took into account two priorities presented by the Fund: strengthening the client services of the Fund and continued enhancement of the Fund's operational systems.

25. As requested by the Board in its report of 2016 (paragraph 250, [A/71/9](#)), the Budget Working Group has been provided with the briefing on the cost sharing arrangement. The Budget Working Group recognizes that the "UN share of UNJSPF's budget" reflects the cost sharing arrangement between the UN and UNJSPF. UNJSPF serves as the Secretary of the Staff Pension Committee (SPC) for the UN and in return receives a refund of a determined percentage of the cost of all posts in the Fund secretariat and related costs, which is expressed in the "UN share of UNJSPF's budget". In addition the UN provides a number of services for UNJSPF such as administrative services.

26. The working group recommends that, in preparation for the next budget cycle, the UN and the UNJSPF review the current arrangement including the estimates of the cost of those services provided by both parties.

*Post resources*

27. Having reviewed the proposal for new posts and following dialogue with representatives of the secretariat, the working group agreed to nine new posts and two reclassifications as follows:

Table 2  
**New posts and reclassifications**

<i>Section</i>	<i>Action</i>	<i>Post</i>	<i>Number</i>	<i>Category</i>
<b>Administration</b>				
<b>Programme of work</b>				
Operations				
	New post	Deputy Chief of Section, Pension Entitlements	1	P-4
	New post	Benefits Officer	1	P-3
Client Services and Outreach				
	New post	Chief of Services	1	D-1
	New post	Senior Public Information Officer	1	P-5
	New post	Programme Officer	1	P-4
	New post	Benefits Officer	2	P-3
Financial Services				
	New post	Chief of Section, Accounts	1	P-5
	New post	Chief of Unit, Payroll	1	P-4
<b>Total new posts</b>			<b>9</b>	
<b>Programme Support</b>				
Information Management Systems Service				
	Reclassification	Administrative Officer	1	P-3 to P-4
Human Resources Unit <sup>a</sup>				
	Reclassification	Human Resources Officer	1	P-4 to P-3
<b>Total reclassifications</b>			<b>2</b>	

<sup>a</sup> Includes reclassification of Executive Officer post to Senior Human Resources Officer (P-5 to P-5).

28. With regard to one of the requested posts in the Office of the Chief Executive Officer (Senior Programme Officer (P-5)), the working group proposes general temporary assistance funding for 24 months at the P-5 level instead of the establishment of the post.

*Non-post resources*

Table 3  
**General temporary assistance positions**

<i>Section</i>	<i>Position title</i>	<i>Number</i>	<i>Category</i>	<i>Period (months)</i>
<b>Administration</b>				
<b>Office of the Chief Executive Officer</b>				
	Senior Programme Officer	1	P-5	24
	Senior Meeting Services Assistant	1	GS-PL	6

<i>Section</i>	<i>Position title</i>	<i>Number</i>	<i>Category</i>	<i>Period (months)</i>
<b>Programme of work</b>				
<b>Operations</b>				
	Benefits Officer	1	P-3	24
	Benefits Assistant	11	GS-OL	18
<b>Client Services and Outreach</b>				
	Benefits Officer	1	P-3	18
	Benefits Assistant	2	GS-OL	18
<b>Financial Services Section</b>				
	Accountant	1	P-3	18
	Finance and Budget Officer (BU)	1	P-3	24
	Accounting Assistant (PU)	1	GS-OL	24
	Accounting Assistant (CU)	1	GS-OL	24
	Accounting Assistant (AU)	1	GS-OL	24
<b>Risk Management and Legal Services Section</b>				
	Risk Officer	1	P-3	24
<b>Geneva Office</b>				
	Benefits Officer (PES)	1	P-3	24
	Senior Benefits Assistant (PES)	1	GS-PL	18
	Benefits Assistant (PES)	8	GS-OL	18
	Statistical Assistant (PES)	1	GS-OL	18
	Finance Assistant	2	GS-OL	24
	Benefits Assistant (CS)	2	GS-OL	18
	Documents Management Assistant (CS)	1	GS-OL	18
<b>Programme Support</b>				
<b>Information Management Systems Service</b>				
	Chief of the Pension Interface Unit	1	P-4	24
	Programmer/Analyst	1	P-3	24
	Business Intelligent System Analyst	1	P-3	24
	Information Systems Officer	2	P-3	24
	Team Assistant	1	GS-OL	24
	Facilities Management Assistant	1	GS-OL	18
	<b>Total</b>	<b>46</b>		

29. The working group supported the request for non-post resources subject to the following modifications:

(a) General temporary assistance: adjustments are reflected in table 3. The Fund secretariat requested the GTA resources equivalent to 63 GTA positions for the 2018-19 biennium. The working group after careful review of the work requirements has decided to support 46 GTA positions in the Fund secretariat. These resources will be utilized to process not yet actionable cases which had not been prioritized in the biennium 2016-2017 (e.g. deferred benefits). They are also requested to maintain the flexible task force addressing the volatility of processing needs for benefits in addition to the core workforce already in place. The working group recommended the Fund to reassess the optimal combination of core staff and

flexible task force including regularization of GTA positions into the core workforce if needed.

(b) Contractual service: the amount proposed for the maintenance, production support and any unforeseen changes to be addressed in accordance with new regulatory requirements or mandates under contractual services is reduced by \$200,000, at each office (Operations, Client Services and Financial Services), with a total of \$600,000.

30. Table 4 summarizes the recommendations on administrative resources. The proposed total of \$105,018,900 represents an increase of \$13,640,500, or 14.9 per cent, compared with the biennium 2016-2017.

Table 4  
**Total administrative resources**

(Thousands of United States dollars, before recosting)

Posts	49 705.5
Other staff costs	12 836.1
Hospitality	6.2
Consultants and experts	225.5
Travel of representatives	–
Travel of staff	1 116.9
Contractual Services	21 145.6
General Operating Expenses	17 558.9
Supplies and materials	209.1
Furniture and equipment	2 215.1
<b>Total</b>	<b>105 018.9</b>

### Investment Management Division

31. The working group considered the necessity to maintain and upgrade the internal capacity of the IMD including investment strategy and risk management as inherent functions of the IMD.

#### *Post resources*

32. There are no additional posts proposed for the biennium 2018-2019.

#### *Non-post resources*

Table 5  
**General temporary assistance positions**

<i>Section</i>	<i>Position title</i>	<i>Number</i>	<i>Category</i>	<i>Period (months)</i>
<b>Executive direction and management</b>				
Office of the Representative of the Secretary-General				
	Legal Officer in OLA	1	P-4	24
	Procurement Officer in PD	1	P-4	24
	Administrative Assistant in Office of RSG	1	GS-OL	24

<i>Section</i>	<i>Position title</i>	<i>Number</i>	<i>Category</i>	<i>Period (months)</i>
<b>Programme of work</b>				
Risk and Compliance Section				
	Risk and Compliance Officer	1	P-4	24
	Compliance assistance	1	GS-PL	24
Operations and Information Systems Section				
	<b>Operations</b>			
	Associate Accountant Private Funds (Middle Office)	1	P-2	18
	Associate Finance Officer (Back Office)	1	P-2	24
	Senior Finance Assistant (Middle Office)	1	GS-PL	18
	<b>Information Systems Section</b>			
	Project Manager	1	P-4	24
	Service Desk Manager	1	P-3	18
	Information Systems Officer (Business Applications)	1	P-3	18
	Service Desk Support	1	GS-OL	18
	Project Support	1	GS-OL	18
	<b>Total</b>	<b>13</b>		

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

(a) General temporary assistance: adjustments are reflected in table 5. Given the amount of time required for recruitment, new positions proposed under this budget line are costed for 18 months;

(b) Investments Section: approve at the maintenance level (\$919,800) with a reduction of \$1,080,200 for contractual services related to the global strategy advisor;

(c) Risk and Compliance Section: reduction of the proposed amount by 50% approving \$1,020,000 for contractual services related to non-discretionary risk advisor;

(d) Operations and Information Systems Section: conditionally approve \$5,000,000 for the implementation of the recommendations from the pending Target Operating Model study (TOM), with an initial release of \$2,000,000 in the first year. The remaining amount of \$3,000,000 will be released upon the review and approval by the board at its next session in 2018, of the roadmap for the implementation of the various components of the project as identified in the study.

34. Table 6 summarizes the recommendations regarding IMD resources. The proposed total of \$85,586,400 represents an increase of \$777,700, or 0.9 per cent, compared with the biennium 2016-2017.

Table 6

**Total investment resources**

(Thousands of United States dollars, before recosting)

Posts	25 818.6
Other staff costs	3 519.0
Hospitality	27.0

Consultants and experts	1 080.0
Travel of representatives	682.5
Travel of staff	1 488.5
Contractual Services	43 422.4
General Operating Expenses	8 136.7
Supplies and materials	60.0
Furniture and equipment	1 351.7
<b>Total</b>	<b>85 586.4</b>

35. Table 7 summarizes the total post requirements as recommended by the Budget Working Group.

Table 7  
**Human resources requirements**

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2016-2017	2018-2019	2016-2017	2018-2019	2016-2017	2018-2019	2016-2017	2018-2019
<b>Administrative</b>								
<b>Professional and higher</b>								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	5	6	–	–	–	–	5	6
P-5	10	12	–	–	–	–	10	12
P-4	21	24	–	–	–	–	21	24
P-3	30	33	–	–	–	–	30	33
P-2/1	1	1	–	–	–	–	1	1
<b>Subtotal</b>	<b>69</b>	<b>78</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>69</b>	<b>78</b>
<b>General Service</b>								
Principal level	10	10	–	–	–	–	10	10
Other level <sup>a</sup>	107	107	–	–	1	1	108	108
<b>Subtotal</b>	<b>117</b>	<b>117</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>118</b>	<b>118</b>
<b>Total administrative</b>	<b>186</b>	<b>195</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>187</b>	<b>196</b>
<b>Investment</b>								
<b>Professional and higher</b>								
Assistant Secretary-General	1	1	–	–	–	–	1	1
D-2	1	1	–	–	–	–	1	1
D-1	4	4	–	–	–	–	4	4
P-5	10	10	–	–	–	–	10	10
P-4	23	23	–	–	–	–	23	23
P-3	17	17	–	–	–	–	17	17
P-2	1	1	–	–	–	–	1	1
<b>Subtotal</b>	<b>57</b>	<b>57</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>57</b>	<b>57</b>

Category	Established posts		Temporary posts		Extrabudgetary posts		Total	
	2016-2017	2018-2019	2016-2017	2018-2019	2016-2017	2018-2019	2016-2017	2018-2019
<b>General Service</b>								
Principal level	14	14	–	–	–	–	14	14
Other level	14	14	–	–	–	–	14	14
<b>Subtotal</b>	<b>28</b>	<b>28</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>28</b>	<b>28</b>
<b>Total investment</b>	<b>85</b>	<b>85</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>85</b>	<b>85</b>
<b>Total Pension Fund</b>	<b>271</b>	<b>280</b>	<b>–</b>	<b>–</b>	<b>1</b>	<b>1</b>	<b>272</b>	<b>281</b>

<sup>a</sup> One extrabudgetary General Service (Other level) post funded by member organizations.

### Audit costs

36. The working group supports the requested audit costs with the exception of the amount of \$190,800 for sharing the office space at Innovation Luggage building.

### Pension Board and other expenses

37. The working group supports the requested Pension Board costs.

38. The Pension Board expects the Chief Executive Officer and the Representative of the Secretary-General to provide adequate resources (financial and administrative support) to ensure the proper and efficient functioning of the various committees and bodies of the Pension Board (for example, the Assets and Liabilities Monitoring Committee, the Audit Committee, the Budget Working Group, the Committee of Actuaries and the Contact Group). Furthermore, the Chief Executive Officer and the Representative of the Secretary-General should provide full, unlimited and timely access to all information needed and requested by the various committees and bodies of the Pension Board.

### Extrabudgetary funding

39. The working group supported the resources for one General Service (Other level) staff member to be funded by member organizations participating in the after-service health insurance scheme.

### Final conclusion

40. The working group engaged in dialogue with management and noted that the Fund expects surges of at least 2,000 or more separations per year during the next biennium, or around 20 per cent above the normal annual volume, mainly due to the closing or downsizing of peacekeeping missions and other possible downsizing in member organizations.

41. Further, the working group noted the direct relationship of downsizing of the United Nations or other member organizations and increases in the Fund's workload, indicating that the next biennium could result in significant additional work for the Fund, in which the recently achieved servicing rates would not be met or maintained without the staff and other resources supported by the working group in the budget request. The working group also noted the continuous trend of growth of the population receiving periodic benefits as well as its aging.

42. While the United Nations or other member organizations are downsizing, the Fund must be provided with adequate resources in order to maintain the current

level of service established in 2017. The Fund informed the working group of the recently reported processing results, whereby 80 per cent of the cases are processed within the month received, as well as the initiatives relating to client services. The working group considered the initiatives and processing results and concurred that these had been very positive and should be maintained.

43. At the same time, the group was mindful of the changes made in the past to the Fund's budgetary requests by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the General Assembly. Further, the Budget Working Group considered not only efficiency goals but also balanced these with considerations of the Fund's immediate needs, trends in growth of volume, aging, regional dispersion and increased complexity as well as the significant efforts and positive results from processing and initiatives to meet the demand for more and expanded services.

*Discussion in the Board*

44. The Chair of the working group introduced the report of the group and expressed his gratitude to the CEO, the RSG and their staff for their budget proposals and support during the deliberations. The Chair also thanked the members of the Budget Working Group for their contributions and noted that the group had worked effectively. He noted that the decisions of the group have been unanimous.

45. It was noted that in reviewing the proposal, the working group took into account four key factors: (a) the balance between flexibility needed by the Fund and the stability in the staffing requirements with regards to general temporary assistance positions; (b) the continued need to enhance the Integrated Pension Administration System (IPAS); (c) the Fund's increasing workload as a result from downsizing in other organizations; and (d) the balance between the use of internal and external resources to achieve greater efficiency and cost-effectiveness.

46. The Board expressed support for the proposal of the Budget Working Group and thanked the members of the working group for their efforts. The Board also thanked the Fund secretariat and the Investment Management Division for having provided extensive budget documentation and additional information.

47. The governing bodies group noted that the proposal should allow the Fund to continue to deliver on agreed initiatives for the strengthening of the financial services, operations and client services of the Fund.

48. The executive heads group stated that the increased budget should support a renewed focus on the implementation of the core functions of the Fund and continue to strengthen the Geneva Office.

49. The executive heads group stated that the increased budget should support the Fund to achieve the objectives approved by the Board, particularly to concentrate on the stabilization of the core functions, to mitigate risks and resolve audit recommendations. In representation of the agencies being serviced by the Geneva Office, the executive heads group asked to continue strengthening the capacity of the Office to service their clients (beneficiaries and SPCs) and the office's authority to support the activities and decisions of the agencies. It would be useful where quantitative targets set in the budget against which performance could be measured.

50. The participants group recommended that strengthening of client services should incorporate monitoring through additional performance indicators following the results based budgeting methodology. Participants group also encouraged a future strengthening of budgeting based on the achievement of strategic goals and objectives.

51. A member of the participants group expressed concern at the top heavy nature of the budget and growth that was felt to be not necessarily linked to performance in the administrative section.

#### Recommendations of the Board

52. **On the basis of the recommendations of the working group, the Pension Board approved, for submission to the General Assembly, the proposed budget estimates amounting to \$195,230,800 after recosting, comprising administrative costs (\$104,048,500), investment costs (\$87,269,800), audit costs (\$2,906,000) and Board expenses (\$1,006,500). This amount would be apportioned \$172,348,900 to the Fund and \$22,881,900 to the United Nations under the cost-sharing arrangement.** Table 8 summarizes the total estimates at, before and after recosting for the biennium 2018-2019.

Table 8  
**Summary of total estimates for the biennium 2018-2019**

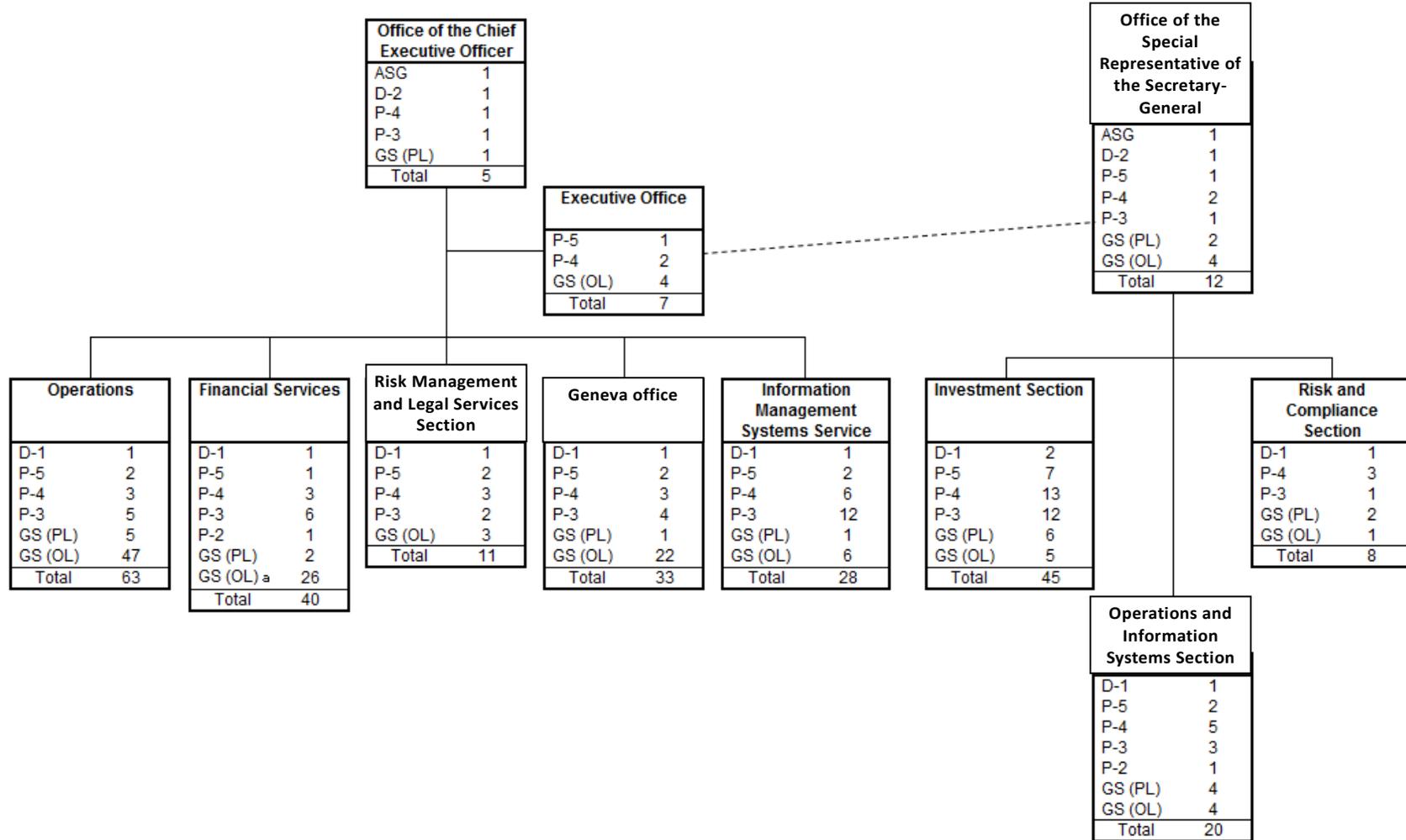
(Thousands of United States dollars)

Category	Total before recosting	Apportionment		Total after recosting
		United Nations	Pension Fund	
A. Administration costs	105 018.9	22 397.5	81 651.0	104 048.5
B. Investment costs	85 586.4	–	87 269.8	87 269.8
C. Audit costs	2 929.2	484.4	2 421.6	2 906.0
D. Board expenses	965.6	–	1 006.5	1 006.5
<b>Total</b>	<b>194 500.1</b>	<b>22 881.9</b>	<b>172 348.9</b>	<b>195 230.8</b>
Extrabudgetary operational activities	164.7	–	162.4	162.4

53. **In addition, the Board approved resources amounting to \$162,400 from extrabudgetary funding for one General Service (Other level) post to be funded by member organizations participating in the after-service health insurance scheme and an amount not to exceed \$225,000 for the Emergency Fund.**

## Annex II

### Approved organization chart for the United Nations Joint Staff Pension Fund for the biennium 2016-2017

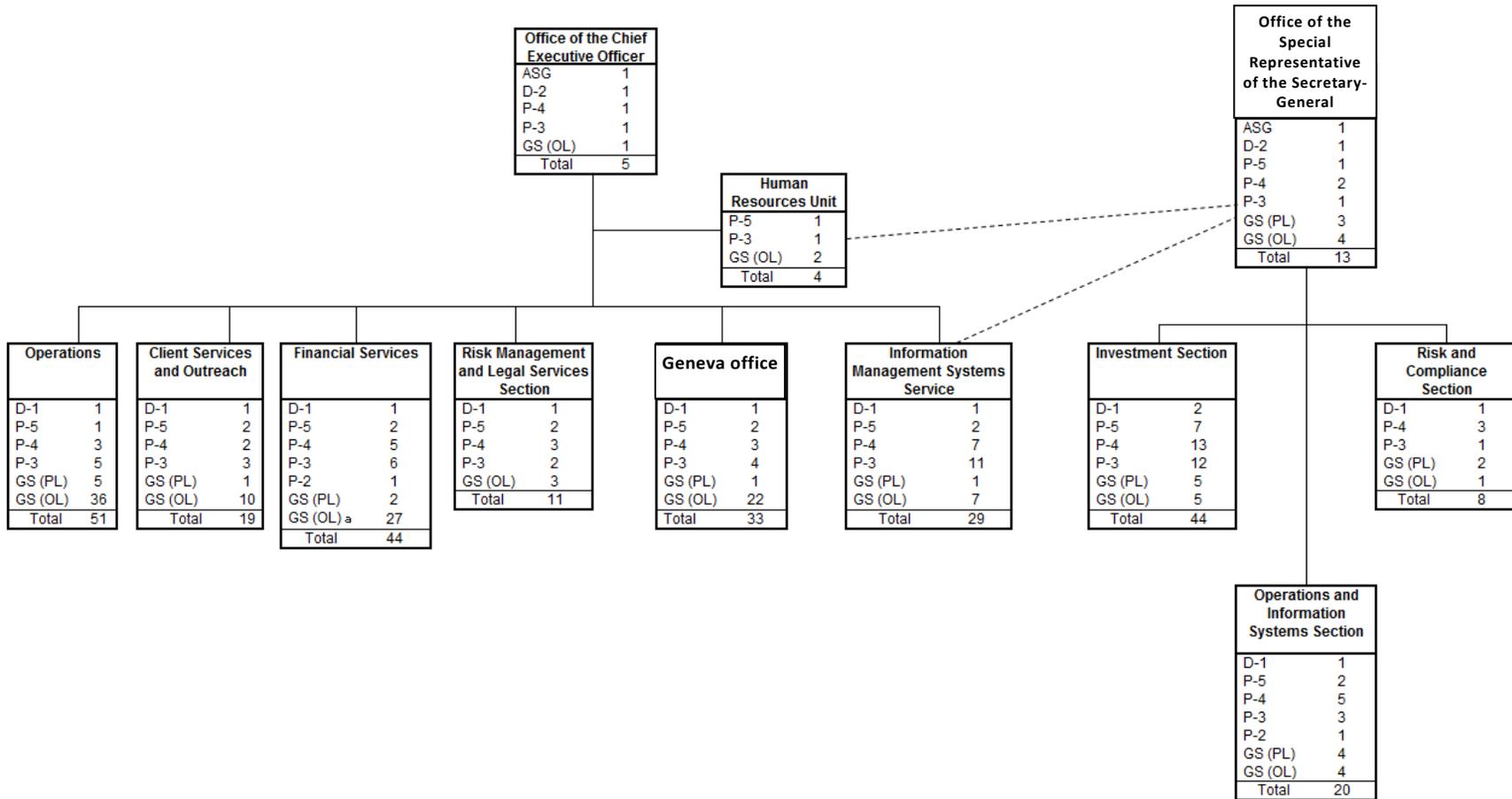


Abbreviations: ASG, Assistant Secretary-General; GS, General Service; OL, Other level; PL, Principal level.

<sup>a</sup> One extrabudgetary General Service (Other level) post is funded by member organizations.

Annex III

Proposed organization chart for the United Nations Joint Staff Pension Fund for the biennium 2018-2019



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

<sup>a</sup> One extrabudgetary General Service (Other level) post is funded by member organizations.

## Annex IV

## Number of participants in the United Nations Joint Staff Pension Fund by member organization as at 31 December 2016

Member organization	Number of participants																	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
United Nations <sup>a</sup>	44 958	50 126	54 953	56 287	57 541	59 542	64 092	68 853	74 575	79 933	82 576	85 617	85 289	86 190	85 721	84 476	86 880	87 111
International Labour Organization	2 612	2 650	2 612	2 650	2 747	2 863	3 044	3 221	3 330	3 261	3 366	3 572	3 642	3 741	3 697	3 644	3 760	3 706
Food and Agriculture Organization of the United Nations	5 340	5 315	5 344	5 447	5 648	5 822	5 918	5 774	5 735	5 722	6 011	6 145	6 243	6 081	6 032	9 558	10 062	10 318
United Nations Educational, Scientific and Cultural Organization	2 629	2 452	2 414	2 437	2 517	2 528	2 508	2 469	2 526	2 553	2 602	2 632	2 651	2 520	2 442	2 376	2 445	2 412
World Health Organization	6 409	6 817	7 375	8 181	8 966	9 498	9 932	10 072	10 157	10 435	11 029	10 986	10 774	10 391	10 153	10 091	10 536	10 724
International Civil Aviation Organization	841	867	873	883	863	863	826	806	795	775	784	791	777	778	745	769	787	798
World Meteorological Organization	327	329	322	310	303	287	302	334	332	319	315	309	307	308	315	327	350	351
General Agreement on Tariffs and Trade <sup>b</sup>	7	4	3	1														
International Atomic Energy Agency	2 068	2 076	2 125	2 168	2 207	2 217	2 261	2 278	2 273	2 229	2 245	2 307	2 363	2 447	2 464	2 517	2 666	2 681
International Maritime Organization	315	325	330	340	344	351	343	338	337	320	323	313	312	308	291	290	284	284
International Telecommunication Union	965	953	967	1 006	971	875	871	854	843	823	831	830	822	834	814	781	779	768
World Intellectual Property Organization	955	1 033	1 106	1 189	1 240	1 206	1 166	1 130	1 134	1 139	1 154	1 156	1 161	1 173	1 242	1 246	1 233	1 225
International Fund for Agricultural Development	338	344	383	435	462	488	506	502	519	526	534	540	549	556	540	560	578	595
International Centre for the Study of the Preservation and Restoration of Cultural Property	35	37	33	36	34	39	39	40	38	37	36	34	32	34	33	32	33	37

Member organization	Number of participants																	
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
European and Mediterranean Plant Protection Organization	12	12	12	11	11	11	11	12	12	13	13	13	14	13	13	15	17	18
United Nations Industrial Development Organization	851	810	813	821	786	791	783	753	759	779	825	826	775	769	735	713	697	669
International Centre for Genetic Engineering and Biotechnology	142	145	145	150	152	162	171	173	177	191	194	190	189	183	184	177	171	168
World Tourism Organization	78	79	79	83	88	95	90	99	100	95	95	95	98	97	97	98	97	91
International Tribunal for the Law of the Sea	25	27	30	33	34	34	36	36	36	38	34	34	37	36	38	36	38	39
International Seabed Authority	28	31	28	34	34	28	30	29	29	32	31	32	31	32	35	30	33	35
International Criminal Court <sup>e</sup>						298	431	578	719	809	865	908	974	936	914	958	1 004	1 099
Inter-Parliamentary Union <sup>d</sup>							37	40	45	45	48	49	45	46	47	45	46	47
International Organization for Migration <sup>e</sup>									2 059	2 419	3 134	3 261	3 263	3 326	3 428	3 536	3 924	4 624
Special Tribunal for Lebanon <sup>f</sup>											259	329	371	396	412	436	472	462
<b>Total participants</b>	<b>68 935</b>	<b>74 432</b>	<b>80 082</b>	<b>82 715</b>	<b>85 245</b>	<b>88 356</b>	<b>93 683</b>	<b>98 431</b>	<b>106 566</b>	<b>112 804</b>	<b>117 580</b>	<b>121 138</b>	<b>120 774</b>	<b>121 098</b>	<b>120 294</b>	<b>122 759</b>	<b>126 892</b>	<b>128 262</b>
<b>Total member organizations</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>21</b>	<b>22</b>	<b>22</b>	<b>23</b>							

<sup>a</sup> The number of United Nations participants for 2006 was revised downward by 2, from 68,855 to 68,853.

<sup>b</sup> The General Agreement on Tariffs and Trade withdrew from the United Nations Joint Staff Pension Fund as from 31 December 1998.

<sup>c</sup> The International Criminal Court became the twentieth organization member of the Fund as at 1 January 2004.

<sup>d</sup> The Inter-Parliamentary Union became the twenty-first member as at 1 January 2005.

<sup>e</sup> The International Organization for Migration became the twenty-second member as at 1 January 2007.

<sup>f</sup> The Special Tribunal for Lebanon became the twenty-third member as at 1 January 2009.

## Annex V

### **Financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2016**

The present annex includes the financial statements, related schedule and statistical tables of the United Nations Joint Staff Pension Fund for the year ended 31 December 2016. The documentation consists of the following items:

1. Certification of the financial statements  
Statement of internal control for the year ended 31 December 2016
2. Financial report for the year ended 31 December 2016
3. Financial statements for the year ended 31 December 2016
  - I. Statement of net assets available for benefits
  - II. Statement of changes in net assets available for benefits
  - III. Cash flow statement
  - IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2016
4. Notes to the financial statements  
Appendix. Statistics on the operations of the United Nations Joint Staff Pension Fund
  - Table 1 Number of participants
  - Table 2 Benefits awarded to participants or their beneficiaries during the year ended 31 December 2016
  - Table 3 Analysis of periodic benefits for the year ended 31 December 2016

## 1. Certification of the financial statements

### **Letter dated 24 April 2017 from the Chief Financial Officer of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors**

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2016 have been prepared in accordance with the International Public Sector Accounting Standards (IPSAS), as issued by the International Public Sector Accounting Standards Board, and International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, as issued by the International Accounting Standards Board. The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by these statements.

I certify that the appended financial statements of the United Nations Joint Staff Pension Fund are correct in all material respects.

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

## **Statement of internal control for the year ended 31 December 2016**

### **Scope of responsibility**

The United Nations Joint Staff Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan and is governed by the United Nations Joint Staff Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee.

The Chief Executive Officer of the Fund, who is also the Secretary of the Board, discharges the Board's responsibility for the administrative supervision of the Fund secretariat. The Chief Executive Officer, under the authority of the Board, collects contributions, ensures record keeping for the Fund secretariat, certifies benefit payments and deals with other matters related to the Fund's participants and beneficiaries. The Chief Executive Officer is also responsible for ensuring actuarial matters are addressed with a view to maintaining the long-term sustainability and financial health of the Fund.

The investment of the assets of the Fund is the responsibility of the Secretary-General. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund. The Representative has delegated responsibility for the management and accounting of the investments of the Fund. The Representative exercises this duty and makes investment decisions after consultation with the Investments Committee and in the light of observations made from time to time by the Pension Board on investment policy.

The Chief Executive Officer and the Representative of the Secretary-General are responsible for establishing and maintaining a sound system of internal controls, in their respective areas of responsibility, to ensure the accomplishment of objectives, the economic use of resources, the reliability and integrity of information, compliance with rules and regulations and the safeguarding of assets.

### **Purpose of the system of internal control**

The system of internal control is designed to reduce and manage rather than eliminate the risk of failure to achieve the objectives of the Fund and to improve performance. Therefore, it can only provide a reasonable and not absolute assurance of effectiveness. Internal control is an ongoing process, effected by the Fund's governing bodies, senior management and other personnel, designed to provide reasonable assurance concerning the achievement of the following internal control objectives:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable rules and regulations

The Pension Fund statement of internal control is related to the internal control objective of reliability of financial reporting, and therefore its scope is limited to the effectiveness of internal controls over financial reporting as at 31 December 2016.

### **Capacity to handle risk**

The Pension Fund has implemented a governance structure, management process and internal and external oversight mechanisms to adequately identify, assess, manage, monitor and report the risks inherent to its operations. The enterprise-wide risk management framework adopted by the Fund reflects the nature of its operations and development as well as its specific requirements.

The Pension Fund internal control policy, approved in May 2014, defines internal control objectives, components and responsibilities, as well as the lines of defence in terms of internal control, which include: (a) management; (b) risk management and compliance sections; (c) internal audit; and (d) external audit. The Fund's internal controls over financial reporting provide reasonable assurance that assets are safeguarded, transactions are properly recorded and authorized and there are no material misstatements in the financial statements.

### **Pension Fund risk management and internal control framework**

The purpose of the enterprise-wide risk management framework is to identify events that may affect the Pension Fund and manage risk within the Fund's risk appetite. The Fund's risk management framework includes the following components:

- *Risk management governance.* The operation of the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. Specialized committees conduct oversight and provide advice to the Pension Board on risk management and internal control, as follows:
  - The Audit Committee oversees the work of internal and external auditors and receives information on the operation of the risk management and internal control framework.
  - The Assets and Liabilities Monitoring Committee advises the Board on risk management, funding policy, asset-liability management and investment policy matters.
- *Enterprise-wide risk management policy.* The policy provides the basis for the operation of the risk management framework and specifies its applicability throughout the Fund. The enterprise-wide risk management methodology complements the policy and defines the steps, roles and responsibilities in the risk management process.
- *Enterprise-wide risk assessment.* The Fund conducts periodic risk assessment exercises, which serve as a basis for defining strategies to address the Fund's key risks.
- *Risk monitoring.* The Enterprise-wide Risk Management Working Group, chaired by the Chief Executive Officer of the Fund and the Representative of the Secretary-General, includes representatives from all units of the Fund and monitors the Fund's risk profile and the implementation of risk management strategies. Risk management officers promote the implementation of the enterprise-wide risk management framework, facilitate risk assessments, advise on the implementation of risk management strategies and monitor and report on the Fund's risk profile.

### **Review of the effectiveness of internal controls over financial reporting**

The Pension Fund has considered the *Internal Control-Integrated Framework* of the Committee of Sponsoring Organizations of the Treadway Commission as a

guideline for assessing its internal controls over financial reporting. The review by the Fund management of the effectiveness of internal controls over financial reporting as at 31 December 2016 was supported by:

- The preparation of the statement of internal control, which involved:
  - A scoping exercise to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services.
  - Identification of key financial reporting risks.
  - Identification and documentation of: (a) entity level controls; (b) key controls over financial reporting; and (c) key ICT general controls that support the operation of other controls over financial reporting.
  - Updating of process documentation.
  - Testing of the operational effectiveness of the key controls over financial reporting performed by management.
- Assertion letters on the effectiveness of internal controls over financial reporting, signed by key officers in the Fund secretariat and the Investment Management Division. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting in their respective areas of responsibility and for reporting any deficiencies identified.
- An independent service auditor performed an independent service audit on the controls applied by Northern Trust, the independent master record keeper for the Fund's investments and a custodian bank for the investments. Additionally, the Fund received an independent service audit report from Citibank NA, a second custodian bank for the investment of the Fund. The audits were conducted in accordance with the standards defined by the American Institute of Certified Public Accountants and the International Auditing and Assurance Standards Board. Both audits concluded that in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved.
- An independent assurance provider was engaged to assess the effectiveness of managing information security risks of the new Integrated Pension Administration System, following the protocols defined by the International Organization for Standardization (ISO). In April 2016, the Fund secretariat obtained the ISO 27001 information security certification for the System, which provides assurances that the new system's operations and maintenance are in accordance with the information security management standard. The Fund secretariat is committed to maintaining the ISO 27001 certification, which is valid for three years, until March 2019.
- Independent auditors performed an International Standard on Assurance Engagements audit ISAE 3402 of the internal control framework of the United Nations International Computing Centre. The ISAE 3402 audit report provides an independent assessment of whether the Centre's controls are suitably designed and operated effectively. The ISAE 3402 audit report's conclusion was an unqualified opinion.
- The Audit Committee monitored the work of internal and external auditors and reviewed the results of audit examinations and the implementation of audit recommendations. The Representative of the Secretary-General and the Fund's Chief Executive Officer, Chief Financial Officer, Risk and Compliance Officers and internal and external auditors had periodic meetings with the Audit Committee.

- In accordance with its mandate, the Office of Internal Oversight Services, as the internal auditors of the Fund, provided assurance that internal controls are adequate and functioning effectively. In the execution of a risk-based audit plan approved by the Audit Committee, the Office conducted audit examinations, including on high-risk areas, to provide assurance on the effectiveness of internal controls and identify control deficiencies. The Chief Executive Officer and the Representative of the Secretary-General, in their respective areas of responsibility, took appropriate actions to address recommendations resulting from internal audits. The Fund had no open critical audit recommendations as at 31 December 2016.
- In accordance with its mandate, the Board of Auditors, as the external auditors of the Fund, examined independently the financial statements, performing such tests and other procedures as the auditors considered necessary to express an opinion in their annual audit report. The external auditors were given full and unrestricted access to all financial records and related data and to the Fund's management and Audit Committee to discuss any findings related to the integrity and reliability of the Fund's financial reporting. The external audit report accompanies the financial statements.

#### **Significant internal control matters arising during the year**

The statement of internal control for the year ended 31 December 2016 draws attention to key areas with an impact on internal controls over financial reporting, as follows:

(a) In April 2015, the Fund secretariat issued its pension fraud awareness, reporting and escalation policy to promote awareness, prevent fraud, enhance the Fund's internal controls and establish guidelines on reporting and escalation of fraud-related concerns. The policy establishes that the Fund has zero tolerance for fraud, which implies that all fraud concerns will be reported and investigated and corrective actions taken when needed. In November 2016, the Investment Management Division issued its anti-fraud and anti-corruption policy as approved by the Representative of the Secretary-General. The fraud prevention policies issued separately by the Fund secretariat and the Investment Management Division supplement the Anti-Fraud and Anti-Corruption Framework of the United Nations Secretariat, issued in September 2016, and address specific pension fraud risks and investment fraud risks;

(b) The Integrated Pension Administration System was introduced in August 2015. During 2016, a series of enhancements and new functionalities were added to offer a wider range of services in the System, including the member self-service and the feature to track the receipt of the certificate of entitlement;

(c) The Fund's management, within its scope of responsibility, has successfully implemented various actions approved by the Pension Board at its sixty-third session, held in July 2016, to address temporary and structural challenges related to efficiency aspects of the processing of benefit entitlements and client servicing. Two critical audit recommendations related to benefit processing and client services have been remediated by management;

(d) Complementarily, the Fund secretariat is conducting jointly with the United Nations, the World Health Organization, the Food and Agriculture Organization of the United Nations, the World Food Programme and the United Nations Children's Fund a "holistic", or end-to-end, review from the separation of the staff (including human resources and payroll functions and the submission of accurate, complete and timely documentation to the Fund) to the entitlement and payment functions in order to identify opportunities for improvement and

streamlining the overall process. The results of the review will be presented to the Pension Board at its sixty-fourth session, in July 2017.

### **Statement**

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error or circumvention. Accordingly, even effective internal controls can provide only reasonable but not absolute assurance. Further, because of changes in conditions, the effectiveness of internal controls may vary over time.

The Chief Executive Officer and the Representative of the Secretary-General are responsible for establishing and maintaining a sound system of internal controls over financial reporting, in their respective areas of responsibility, to ensure the reliability and integrity of the financial statements.

Within the scope of our respective areas of responsibility, we are committed to addressing any weaknesses in internal controls over financial reporting identified during the year and to ensuring continuous improvement of internal controls.

Based on the above, we conclude that to our best knowledge and information there are no material weaknesses in internal controls over financial reporting, in our respective areas of responsibility, that would need to be raised in the present document for the year ended 31 December 2016.

*(Signed)* Sergio B. **Arvizú**

Chief Executive Officer  
United Nations Joint Staff Pension Fund

*(Signed)* Carolyn **Boykin**

Representative of the Secretary-General  
for the investment of the assets of the  
United Nations Joint Staff Pension Fund

24 April 2017  
New York

## **2. Financial report for the year ended 31 December 2016**

### **A. Introduction**

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

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

3. The Fund is administered by the Pension Board, a staff pension committee for each member organization and a secretariat to the Board and to each such committee. The Chief Executive Officer of the Fund, who also serves as Secretary of the Pension Board, is appointed by the Secretary-General on the recommendation of the Pension Board.

4. The Chief Executive Officer is responsible for the administration of the Fund and for the observance, by all concerned, of the Regulations, Rules and Pension Adjustment System of the Fund. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; the responsibility for representing the Board at meetings of the Fifth Committee of the General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. With regard to administrative services, the Fund utilizes the United Nations "machinery", including payroll, recruitment and other human resources functions; procurement; administration of justice; internal audit; and other administrative services. Within this framework, the Chief Executive Officer is responsible for providing some administrative support to the Investment Management Division.

5. The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with the Investments Committee and in the light of observations and suggestions made from time to time by the Pension Board on the investments policy. The Secretary-General has delegated his authority and responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the Fund. The Representative of the Secretary-General shall arrange for the maintenance of detailed accounts of all

investments and other transactions relating to the Fund, which shall be open to examination by the Pension Board.

6. The Integrated Pension Administration System went live on 1 August 2015 and has replaced several of the ageing information technology systems, including the United Nations Joint Staff Pension Fund Administration System and the Lawson accounting software.

## **B. Financial performance**

### **Changes in net assets available for benefits**

7. There was an increase in the net assets available for benefits for the year ended 31 December 2016 of \$2,358.1 million (2015 restated: deficit of \$753.5 million). This increase of \$3,111.6 million is largely attributable to investment income for the year.

8. Investment income for 2016 was \$2,667.1 million (2015: negative investment income of \$458.3 million). Investment income for 2016 comprised net appreciation in fair value of investments of \$2,262.1 million, dividend income of \$821.7 million and interest income of \$325.8 million, offset by foreign currency losses of \$679.9 million. The change in foreign currency losses included \$776.4 million realized foreign currency loss and \$96.5 million unrealized foreign currency gain. The increase of \$3,125.4 million from the prior year was largely driven by the increase in the fair value of equities and the decrease in foreign currency losses.

9. Total contributions (from participants: \$757.0 million; member organizations: \$1,506.2 million; and other contributions: \$10.3 million) for 2016 were \$2,273.5 million (2015: \$2,257.0 million), reflecting an increase of \$16.5 million (or 0.7 per cent) over the total contributions for 2015.

10. Benefit expenses for 2016 of \$2,506.1 million (2015 restated: \$2,498.0 million) reflected an increase of \$8.1 million (or 0.3 per cent) over the benefit expenses for 2015.

11. Administrative expenses for 2016 of \$74.8 million (2015: \$56.7 million) reflected an increase of \$18.1 million (or 31.9 per cent). The increase in administrative expense was due primarily to change in the actuarial value of the after-service health insurance of \$11.8 million from an actuarial gain of \$5.6 million in 2015 to an actuarial loss of \$6.2 million in 2016 and an increase in contractual services of \$2.5 million.

### **Statement of net assets available for benefits**

12. Net assets available for benefits as at 31 December 2016 were \$54,488.1 million (2015 restated: \$52,130.0 million), which is an increase of \$2,358.1 million (or 4.5 per cent).

13. Total Fund cash and cash equivalents as at 31 December 2016 were \$1,562.5 million (2015: \$1,488.1 million), which is an increase of \$74.4 million (or 5.0 per cent).

14. Total investments of the Fund at fair value as at 31 December 2016 were \$52,951.2 million (2015: \$50,702.1 million), reflecting an increase of \$2,249.1 million (or 4.4 per cent). Details of the investment classes as at 31 December 2016 and 31 December 2015 are as follows:

(Millions of United States dollars)

	31 December 2016	31 December 2015	Change	Percentage
Short-term investments	724.5	535.0	189.5	35.4
Equities	34 455.5	32 501.3	1 954.2	6.0
Fixed income	12 311.3	12 485.1	(173.8)	(1.4)
Real assets	3 796.1	3 315.1	481.0	14.5
Alternative and other investments	1 663.8	1 865.6	(201.8)	(10.8)
<b>Total investments</b>	<b>52 951.2</b>	<b>50 702.1</b>	<b>2 249.1</b>	<b>4.4</b>

15. Total investments and cash and cash equivalents are as follows:

(Millions of United States dollars)

	31 December 2016	31 December 2015	Change	Percentage
Total investments	52 951.2	50 702.1	2 249.1	4.4
Cash and cash equivalents	1 562.5	1 488.1	74.4	5.0
<b>Total investments and cash and cash equivalents</b>	<b>54 513.7</b>	<b>52 190.2</b>	<b>2 323.5</b>	<b>4.5</b>

16. Total liabilities of the Fund as at 31 December 2016 were \$237.6 million (2015 restated: \$320.2 million), a decrease of \$82.6 million (or 25.8 per cent).

#### Actuarial situation of the Fund

17. The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries. The amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

18. The actuarial present value of accumulated plan benefits as at 31 December 2016 is as follows:

(Millions of United States dollars)

	<i>If future pension payments are made under the Regulations</i>	
	<i>Without pension adjustments</i>	<i>With pension adjustments</i>
Actuarial value of vested benefits		
Participants currently receiving benefits	22 431	32 936
Vested terminated participants	230	402
Active participants	12 381	18 783
<b>Total vested benefits</b>	<b>35 042</b>	<b>52 121</b>
Non-vested benefits	1 252	1 596
<b>Total actuarial present value of accumulated plan benefits</b>	<b>36 294</b>	<b>53 717</b>

19. The actuarial present value of accumulated plan benefits as at 31 December 2016 is projected to the disclosure date using standard actuarial techniques on the

basis of the 31 December 2013 valuation results and assumes that all economic and demographic assumptions will have been met exactly from 31 December 2013 onward, except actual experience for foreign exchange and inflation experience for the period from 31 December 2013 to 31 December 2015 have been reflected.

### Key statistics

20. The number of Fund participants as at 31 December 2016 was 128,262 (2015: 126,892), an increase of 1,370, or 1.1 per cent.

21. The number of periodic benefits paid by the Fund as at 31 December 2016 was 74,788 (2015: 71,474), an increase of 3,314, or 4.6 per cent.

## 3. Financial statements for the year ended 31 December 2016

### United Nations Joint Staff Pension Fund

#### I. Statement of net assets available for benefits

(Thousands of United States dollars)

	<i>Note</i>	<i>31 December 2016</i>	<i>Restated 31 December 2015</i>
<b>Assets</b>			
Cash and cash equivalents	4	1 562 522	1 488 132
Investments	5, 6		
Short-term investments		724 509	534 952
Equities		34 455 474	32 501 344
Fixed income		12 311 322	12 485 103
Real assets		3 796 144	3 315 119
Alternative and other investments		1 663 801	1 865 629
		<b>52 951 250</b>	<b>50 702 147</b>
Contributions receivable		13 824	42 797
Accrued income from investments	7	139 311	147 836
Receivable from investments traded	5	15 124	16 396
Withholding tax receivable	8	10 501	12 604
Other assets	9	33 237	40 329
<b>Total assets</b>		<b>54 725 769</b>	<b>52 450 241</b>
<b>Liabilities</b>			
Benefits payable	10, 25	133 782	226 421
Payable from investments traded	5	8 138	10 796
After-service health insurance and other employee benefit liabilities	11	76 736	70 358
Other accruals and liabilities	12	18 987	12 638
<b>Total liabilities</b>		<b>237 643</b>	<b>320 213</b>
<b>Net assets available for benefits</b>		<b>54 488 126</b>	<b>52 130 028</b>

## United Nations Joint Staff Pension Fund

### II. Statement of changes in net assets available for benefits

(Thousands of United States dollars)

	<i>Note</i>	<i>For the year 2016</i>	<i>Restated for the year 2015</i>
<b>Investment income/(loss)</b>	13		
Net appreciation/(depreciation) in fair value of investments		2 262 071	(18 126)
Interest income		325 786	355 553
Dividend income		821 651	777 863
Income from real assets		55 015	38 302
Foreign currency (losses)		(679 882)	(1 487 401)
Less: transaction costs and management fees		(117 494)	(124 454)
		<b>2 667 147</b>	<b>(458 263)</b>
<b>Contributions</b>	14		
From participants		757 039	751 139
From member organizations		1 506 193	1 496 003
Other contributions		10 266	9 835
		<b>2 273 498</b>	<b>2 256 977</b>
<b>Other income</b>	15	3 368	8 531
<b>Benefit expenses</b>	16, 25		
From withdrawal settlements and full commutation benefits		117 395	193 228
From retirement benefits		2 391 291	2 304 969
Other benefits/adjustments		(2 566)	(239)
		<b>2 506 120</b>	<b>2 497 958</b>
<b>Administrative expenses</b>	17	74 764	56 669
<b>Other expenses</b>	18	1 282	3 217
<b>Withholding tax expense</b>		3 749	2 857
<b>Increase/(decrease) in net assets available for benefits</b>		<b>2 358 098</b>	<b>(753 456)</b>

## United Nations Joint Staff Pension Fund

### III. Cash flow statement

(Thousands of United States dollars)

	<i>Note</i>	<i>For the year 2016</i>	<i>For the year 2015</i>
<b>Cash flows from investing activities</b>			
Purchase of investments		(13 713 338)	(10 826 284)
Proceeds from sale/redemption of investments		13 052 796	9 425 889
Dividends received from equity investments, excluding withholding tax		795 134	750 447
Interest received from fixed income investments		335 544	366 155
Income received from unitized real asset funds, excluding withholding tax		55 765	37 997
Other income received/(losses incurred), net		3 129	5 852
Transaction costs, management fees and other expenses paid		(122 669)	(126 129)
Withholding taxes reimbursement, net		23 501	17 249
<b>Net cash provided/(used) by investing activities</b>		<b>429 862</b>	<b>(348 824)</b>
<b>Cash flows from operating activities</b>			
Contribution from member organizations and participants		2 298 646	2 251 681
Benefit payments		(2 598 579)	(2 345 701)
Net transfer (to)/from other plans		3 598	1 641
Administrative expenses paid		(59 520)	(78 828)
Other payments, net		(649)	(1 197)
<b>Net cash used by operating activities</b>		<b>(356 504)</b>	<b>(172 404)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>73 358</b>	<b>(521 228)</b>
<b>Cash and cash equivalents at the beginning of year</b>	<b>4</b>	<b>1 488 132</b>	<b>2 110 884</b>
<b>Exchange gains/(losses) on cash and cash equivalents</b>		<b>1 032</b>	<b>(101 524)</b>
<b>Cash and cash equivalents at the end of year</b>	<b>4</b>	<b>1 562 522</b>	<b>1 488 132</b>

## United Nations Joint Staff Pension Fund

## IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2016

(Thousands of United States dollars)

	<i>Initial appropriation</i>			<i>Actuals on a comparable basis</i>			<i>Variance</i>			
	<i>2016</i>			<i>2016</i>						
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Percentage</i>
<b>A. Fund secretariat administrative expenses</b>										
<b>Established posts</b>	15 895.7	7 118.3	23 014.0	14 287.3	6 232.3	20 519.6	(1 608.4)	(886.0)	(2 494.4)	(11)
<b>Other staff costs</b>	3 502.4	141.6	3 644.0	4 193.2	250.3	4 443.5	690.8	108.7	799.5	22
<b>Consultants</b>	312.7	–	312.7	1 66.1	0.8	166.9	(146.6)	0.8	(145.8)	(47)
<b>Travel of staff</b>	502.0	–	502.0	3 69.4	7.2	376.6	(132.6)	7.2	(125.4)	(25)
United Nations International Computing Centre	3 744.6	747.4	4 492.0	4 243.9	973.1	5 217.0	499.3	225.7	725.0	16
Contractual services	3 614.5	485.9	4 100.4	2 022.2	176.2	2 198.4	(1 592.3)	(309.7)	(1 902.0)	(46)
<b>Contractual services<sup>a</sup></b>	7 359.1	1 233.3	8 592.4	6 266.1	1 149.3	7 415.4	(1 093.0)	(84.0)	(1 177.0)	(14)
<b>Hospitality</b>	3.1	–	3.1	–	–	–	(3.1)	–	(3.1)	(100)
<b>General operating expenses<sup>b</sup></b>	6 675.7	1 840.3	8 516.0	4 455.9	1 522.9	5 978.8	(2 219.8)	(317.4)	(2 537.2)	(30)
<b>Supplies and materials</b>	63.5	31.8	95.3	16.6	4.9	21.5	(46.9)	(26.9)	(73.8)	(77)
<b>Furniture and equipment</b>	751.9	340.1	1 092.0	123.0	13.4	136.4	(628.9)	(326.7)	(955.6)	(88)
<b>Total</b>	<b>35 066.1</b>	<b>10 705.4</b>	<b>45 771.5</b>	<b>29 877.6</b>	<b>9 181.1</b>	<b>39 058.7</b>	<b>(5 188.5)</b>	<b>(1 524.3)</b>	<b>(6 712.8)</b>	<b>(15)</b>

## United Nations Joint Staff Pension Fund

### IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2016 (continued)

(Thousands of United States dollars)

	<i>Initial appropriation</i>			<i>Actuals on a comparable basis</i>			<i>Variance</i>			
	<i>2016</i>			<i>2016</i>			<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Percentage</i>
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>				
<b>B. Investment administrative expenses</b>										
<b>Established posts</b>	12 875.7	–	12 875.7	10 409.5	–	10 409.5	(2 466.2)	–	(2 466.2)	(19)
<b>Other staff costs</b>	1 459.6	–	1 459.6	362.5	–	362.5	(1 097.1)	–	(1 097.1)	(75)
<b>Consultants</b>	478.3	–	478.3	148.9	–	148.9	(329.4)	–	(329.4)	(69)
<b>Travel of staff</b>	885.4	–	885.4	301.9	–	301.9	(583.5)	–	(583.5)	(66)
<b>Travel of representatives</b>	341.3	–	341.3	126.2	–	126.2	(215.1)	–	(215.1)	(63)
External legal consultants	1 744.8	–	1 744.8	621.3	–	621.3	(1 123.5)	–	(1 123.5)	(64)
Investment advisory services	4 297.6	–	4 297.6	2 475.8	–	2 475.8	(1 821.8)	–	(1 821.8)	(42)
Custodial, electronic data processing and other services	15 715.1	–	15 715.1	8 444.8	–	8 444.8	(7 270.3)	–	(7 270.3)	(46)
<b>Contractual services<sup>a</sup></b>	21 757.5	–	21 757.5	11 541.9	–	11 541.9	(10 215.6)	–	(10 215.6)	(47)
<b>Hospitality</b>	14.3	–	14.3	0.4	–	0.4	(13.9)	–	(13.9)	(97)
<b>General operating expenses<sup>b</sup></b>	3 663.6	–	3 663.6	3 900.8	–	3 900.8	237.2	–	237.2	6
<b>Supplies and materials</b>	126.7	–	126.7	33.6	–	33.6	(93.1)	–	(93.1)	(73)
<b>Furniture and equipment</b>	832.9	–	832.9	146.1	–	146.1	(686.8)	–	(686.8)	(82)
<b>Total</b>	<b>42 435.3</b>	<b>–</b>	<b>42 435.3</b>	<b>26 971.8</b>	<b>–</b>	<b>26 971.8</b>	<b>(15 463.5)</b>	<b>–</b>	<b>(15 463.5)</b>	<b>(36)</b>

## United Nations Joint Staff Pension Fund

### IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2016 (continued)

(Thousands of United States dollars)

	<i>Initial appropriation</i>			<i>Actuals on a comparable basis</i>			<i>Variance</i>			
	<i>2016</i>			<i>2016</i>						
	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Pension Fund</i>	<i>United Nations</i>	<i>Total</i>	<i>Percentage</i>
<b>C. Audit expenses</b>										
External audit	327.7	65.5	393.2	327.6	65.5	393.1	(0.1)	–	(0.1)	0
Internal audit	901.9	180.4	1 082.3	768.7	151.6	920.3	(133.2)	(28.8)	(162.0)	(15)
<b>Total</b>	<b>1 229.6</b>	<b>245.9</b>	<b>1 475.5</b>	<b>1 096.3</b>	<b>217.1</b>	<b>1 313.4</b>	<b>(133.3)</b>	<b>(28.8)</b>	<b>(162.1)</b>	<b>(11)</b>
<b>D. Board expenses</b>	476.7	–	476.7	417.0	–	417.0	(59.7)	–	(59.7)	(13)
<b>Total administrative expenses</b>	<b>79 207.7</b>	<b>10 951.3</b>	<b>90 159.0</b>	<b>58 362.7</b>	<b>9 398.2</b>	<b>67 760.9</b>	<b>(20 845.0)</b>	<b>(1 553.1)</b>	<b>(22 398.1)</b>	<b>(25)</b>

The purpose of the statement of comparison of budget and actual amounts is to compare budget to actual amounts on a comparable basis, i.e. actual amounts on the same basis as the budget. As the Pension Fund's budget is prepared on a modified cash basis and the actuals on a comparable basis are consequently also on a modified cash basis, the total for actual costs on a comparable basis does not agree with the administrative expenses shown in the statement of changes in net assets as that statement is prepared on an accrual basis. A reconciliation of the differences is provided in note 22.2.

<sup>a</sup> For presentation purposes, training resources budgeted under other staff costs are moved to contractual services in line with expenditure recording in Umoja (\$0.3 million each in Fund secretariat and Investment Management Division).

<sup>b</sup> Includes rental and maintenance of premises and equipment, bank charges and other operating expenses.

**United Nations Joint Staff Pension Fund****IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2016 (continued)****Explanation of significant differences (greater than +/-10 per cent) between budget and actual amounts on a comparable basis***Fund secretariat administrative expenses*

*Posts.* The underexpenditure is attributable mainly to the time required for the recruitment of staff to fill new posts approved in the biennium 2016-2017, as well as the “domino effect” of recruitment in which filling posts with internal candidates (who have the required expertise and knowledge in pension administration and in the Fund’s very complex and unique plan design) opens up a series of other posts.

*Other staff costs.* The overexpenditure is attributable primarily to an increase in actual expenditure with respect to general temporary assistance and overtime costs compared with the budgeted amount, mainly to provide support for information technology and additional benefit processing capacity.

*Consultants.* The underexpenditure is attributable primarily to a reduced need for accounting consultancy services since the Fund completed the implementation of IPSAS and the finalization of other consultancy services in the second year of the biennium.

*Travel.* The underexpenditure is due to lower than anticipated expenditure for travel, including travel related to training, and the replacement of certain staff travel with videoconferencing and teleconferencing.

*Contractual services.* The underexpenditure is primarily related to the implementation of system enhancements and training being postponed to the second year of the biennium.

*Hospitality.* The underexpenditure is the result of efforts to minimize hospitality costs, with fewer functions hosted than anticipated.

*General operating expenses.* The underexpenditure is attributable to the implementation of the fire sprinkler systems project being postponed to the second year of the biennium and lower than anticipated expenditure on building operating and renovation expenses compared with the amount budgeted.

*Supplies, furniture and equipment.* The underexpenditure is due to lower than anticipated requirements for supplies and materials and the postponement of certain information technology software and equipment acquisitions to the second year of the biennium.

**United Nations Joint Staff Pension Fund****IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2016 (continued)***Investment administrative expenses*

*Posts.* The underexpenditure is attributable to the delayed recruitment or onboarding of staff, as well as the processing time for the reclassification of posts.

*Other staff costs.* The underexpenditure is attributable primarily to a decrease in actual expenditure with respect to general temporary assistance compared with the budget amounts owing to the difficulty of recruiting suitable candidates and obtaining agreement to release selected candidates.

*Consultants.* The underexpenditure is attributable primarily to the consultancy services for accounting and the target operating model, which will be finalized in the second year of the biennium, and the postponement of data management and technical writer consultancy services awaiting the outcome of the target operating model study.

*Travel.* The underexpenditure is attributable primarily to a decrease in travel of representatives owing to a lower than anticipated number of members attending the Investments Committee meetings; and lower than anticipated expenditure for travel of staff owing largely to the fact that, apart from ensuring business continuity and work priorities, the Investment Management Division is still moving towards full staff complement, and is taking advantage of increasingly cost-efficient technological advances in information dissemination and interconnectivity.

*Contractual services.* The underexpenditure in advisory services, custodial services and external legal consultants is due to restructuring and reduction of non-discretionary advisory services, a decrease in costs for custodial services and less than anticipated costs of legal services. The underexpenditure in electronic data processing services is primarily a result of the postponement of several business application acquisitions until the completion of the target operating model study. The underexpenditure in training is attributable primarily to the fact that the Investment Management Division is still moving towards a full complement of staff, and therefore existing staff members would temporarily have to cover a larger scope of duties.

*Hospitality.* The underexpenditure is attributable to continued efforts to minimize hospitality costs.

*Supplies, furniture and equipment.* The underexpenditure is attributable primarily to lower than anticipated expenditure for the acquisition of software and equipment owing to the decision to implement some information technology-related projects and the acquisition and replacement of software and equipment in the second year of the biennium.

## 4. Notes to the financial statements

### Note 1

#### Description of the plan

1. The following is a brief description of the United Nations Joint Staff Pension Fund. The Regulations and Administrative Rules are available from the Fund's website ([www.unjspf.org](http://www.unjspf.org)).

#### 1.1 General

2. The Pension Fund was established by the General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The Fund is a multiple employer, defined benefit plan. There are currently 23 member organizations participating in the Fund. All participating organizations and employees contribute to the Fund on the basis of pensionable remuneration. The contribution rate is a fixed rate of 7.9 per cent for participants and 15.8 per cent for employers (see also note 3.5).

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

#### 1.2 Administration of the Fund

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

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

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

7. The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with the Investments Committee and in the light of observations and suggestions made from time to time by the Pension Board on the investments policy. The Secretary-General has delegated his authority and

responsibility to act on his behalf in all matters involving his fiduciary duties related to the investment of the assets of the Fund to the Representative of the Secretary-General for the investment of the assets of the Fund. The Representative shall arrange for the maintenance of detailed accounts of all investments and other transactions relating to the Fund, which shall be open to examination by the Pension Board.

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

### **1.3 Participation in the Fund**

9. Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer, or upon completion of six months of service without an interruption of more than 30 days. As at 31 December 2016, the Fund had active contributors (participants) from member organizations/agencies including the United Nations Secretariat, the United Nations Children's Fund, the United Nations Development Programme and the Office of the United Nations High Commissioner for Refugees, as well as the various specialized agencies such as the World Health Organization, the International Labour Organization, the International Atomic Energy Agency, the International Civil Aviation Organization and the United Nations Educational, Scientific and Cultural Organization (see annex to the present notes for a complete list of member organizations). There are currently periodic benefits paid to individuals in some 190 countries (see annex to the present notes). The total annual pension expenses are around \$2.5 billion and are paid in 15 different currencies.

### **1.4 Operation of the Fund**

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

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

### **1.5 Actuarial valuation of the Fund**

12. Article 12 of the Regulations of the Fund (see JSPB/G.4/Rev.21) provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. The Fund is performing actuarial valuations every two years and intends to continue doing so in the future. However, an exception has been made for the year 2015. Further details to this exception are provided in note 19. Article 12

further provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used and state the results, as well as the recommendations, if any, for appropriate action. See note 19 for the most recent summary of the actuarial situation of the Fund.

## 1.6 Retirement benefit

13. Any participant who has five years of contributory service receives, upon separation at or after normal retirement age, a retirement benefit payable for the remainder of his or her life. "Normal retirement age" means age 60 for a participant whose service commenced prior to 1 January 1990, age 62 for a participant whose service commenced or recommenced on or after 1 January 1990 and age 65 for a participant whose service commenced or recommenced on or after 1 January 2014.

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

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

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

(c) 2 per cent of final average remuneration multiplied by the next 25 years of contributory service;

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

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

16. The maximum benefit to participants, subject to the terms specified in the Regulations and Rules of the Fund, is the greater of 60 per cent of pensionable remuneration at the date of separation or the maximum benefit that would be payable, at that date, to a participant at the D-2 level (who has been at the top step for the preceding five years).

17. The retirement benefit shall, however, be payable at the minimum annual rate obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of \$1,034.96 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States of America consumer price index (CPI) under the pension adjustment system) or one thirtieth of the final average remuneration.

18. The annual rate of the retirement benefit shall, nevertheless, not be less, when no other benefit is payable on account of the participant, than the smaller of \$1,646.16 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States CPI under the pension adjustment system) or the final average remuneration of the participant.

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

20. A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive: (a) if the retirement benefit is \$300 per annum or more, a lump sum not greater than the larger of one

third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of the P-5 level), or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (b) if the participant's retirement benefit is less than \$1,000 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

#### *Early retirement*

21. An early retirement benefit is payable to a participant whose age on separation is at least 55 (58 for a participant whose participation commenced on or after 1 January 2014) but less than the normal retirement age and who has five years or more of contributory service at separation.

22. The early retirement benefit for a participant whose participation commenced prior to 1 January 2014 is payable at the standard annual rate for a retirement benefit reduced by 6 per cent for each year between the retirement date and normal retirement age, except that: (a) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 per cent a year, and the remaining part of the benefit is reduced by 3 per cent a year; or (b) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 per cent a year, provided however that the rate in (a) or (b) applies to no more than five years. The methodology of calculation of the early retirement benefits for employees whose participation began on or after 1 January 2014 is detailed in article 29 of the Regulations of the Fund.

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

#### *Separation from service prior to eligibility for early retirement*

24. A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has five years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at any time once the participant becomes eligible to receive an early retirement benefit from the Fund on the same terms as for an early retirement benefit.

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

### **1.7 Disability benefit**

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

27. The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant is at least normal retirement age at disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit to which the participant would have been entitled if he or she had

remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

28. The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on account of the participant, than the smaller of \$2,741.04 (effective 1 April 2014, subject to subsequent adjustments in accordance with the movement of the United States CPI under the pension adjustment system) or the final average remuneration of the participant.

### **1.8 Survivor benefit**

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

### **1.9 Child benefit**

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

### **1.10 Other benefits**

31. Other benefits include the secondary dependant benefit and the residual settlement benefit. A full description of those benefits is available in the Regulations and Administrative Rules of the Fund.

### **1.11 Pension adjustment system**

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

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

### **1.12 Funding policy**

34. As a condition of participation in the Fund, participants are required to contribute 7.9 per cent of their pensionable remuneration to the plan. They earn interest at a rate of 3.25 per cent per year in accordance with article 11 (c) of the Regulations of the Fund. The participants' contributions for the years ended 31 December 2016 and 31 December 2015 were \$757 million and \$751 million, respectively. The contribution figures do not include interest on the contributions.

35. The funding policy is for member organizations to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The contributions by member organizations are also expressed as a percentage of the pensionable remuneration of the participants as defined in article 51 of the Regulations of the Fund. The contribution rate for member organizations is currently 15.8 per cent; these contributions to the Fund totalled \$1,506 million and \$1,496 million during calendar years 2016 and 2015, respectively. When combined with the contributions by participants and expected investment returns, total funding is estimated to be sufficient to provide for the benefits of all employees by the time they retire.

36. The assets of the Fund are derived from:

- (a) The contributions of the participants;
- (b) The contributions of the member organizations;
- (c) The yield from the investments of the Fund;
- (d) Deficiency payments, if any, under article 26 of the Regulations;
- (e) Receipts from any other source.

### **1.13 Plan termination terms**

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

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

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

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

41. Each member organization shall contribute to the sum necessary to make good the deficiency an amount proportionate to the total contributions which each paid under article 25 during the three years preceding the valuation date.

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

### **1.14 Changes in funding policy and plan termination terms during the reporting period**

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

**Note 2**  
**General information****2.1 Basis of presentation**

44. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with the International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board. The Pension Fund adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Accounting Standard (IAS) 26, Accounting and reporting by retirement benefit plans, of the International Financial Reporting Standards. While IAS 26 provides accounting guidance, it also offers direction on the presentation of financial statements as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As the Fund has incorporated the guidance in IAS 26 into its financial policies, the presentation of its financial statements is based on this guidance. On a voluntary basis and at the request of the Board of Auditors, the Fund has also presented cash flow statements on a comparative basis in accordance with IPSAS 2, Cash flow statements, since 2015. Additional information is presented where requested by IPSAS standards. For instance, as required by IPSAS 24, Presentation of budget information in financial statements, the Fund has included in its financial statements a comparison of budget and actual amounts on a comparable basis and a reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits (see note 22). While IPSAS 24 states that the actual cost on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities as presented in the cash flow statement, management has decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is due to the fact that the Fund's budget is limited to the administrative expenses incurred in a biennium.

45. The financial statements are prepared on an annual basis. The financial statements are presented in United States dollars and all values are rounded to the nearest thousand United States dollars except where otherwise indicated.

**2.2 Significant standards, interpretations and amendments during the year**

46. In January 2015, the IPSAS Board issued IPSAS 35, Consolidated financial statements. IPSAS 35 supersedes the requirements in IPSAS 6, which addressed accounting for consolidated financial statements. IPSAS 35 establishes a single control model that applies to all entities, including special purpose entities. In addition, IPSAS 35 includes an exception from consolidation for entities that meet the definition of an investment entity and requires such entities to recognize all investments at fair value through profit or loss. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund adopted this standard at an early stage, effective from 1 January 2015. As at 31 December 2016, the Fund did not have control over any of its investment portfolio; accordingly, adoption of this standard did not have any impact on the Fund's financial statements.

47. In January 2015, the IPSAS Board issued IPSAS 36, Investments in associates and joint ventures, and IPSAS 37, Joint arrangements. IPSAS 36 explains the application of the equity method of accounting, which is used to account for investments in associates and joint ventures. IPSAS 37 establishes requirements for classifying joint arrangements and accounting for those different types of joint arrangements. The standards are effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund adopted these standards at an early stage, effective from 1 January 2015. As at 31 December 2016,

the Fund did not have any joint control or joint arrangement in or significant influence over any of its investment portfolio; accordingly, adoption of these standards did not have any impact on the Fund's financial statements.

48. In January 2015, the IPSAS Board issued IPSAS 38, Disclosure of interests in other entities. IPSAS 38 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in IPSAS 38 are more comprehensive than the previously existing disclosure requirements. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund adopted this standard at an early stage, effective from 1 January 2015. As at 31 December 2016, the Fund did not have controlling interest or joint control in or significant influence over any of its investment portfolio; accordingly, there are no additional disclosure requirements on adoption of this standard.

49. In January 2015, the IPSAS Board issued IPSAS 34, Separate financial statements. IPSAS 34 prescribes accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements. The standard is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Fund adopted this standard at an early stage, effective from 1 January 2015. As at 31 December 2016, the Fund did not prepare separate financial statements; accordingly, there are no additional disclosure requirements on adoption of this standard.

50. In July 2016, the IPSAS Board issued IPSAS 39, Employee benefits. IPSAS 39 supersedes the requirements in IPSAS 25, Employee benefits. The significant changes introduced by IPSAS 39 compared with IPSAS 25 are: the removal of an option that allowed an entity to defer the recognition of changes in the net defined benefit liability (the "corridor approach"); the introduction of the net interest approach for defined benefit plans; and the amendment of certain disclosure requirements for defined benefit plans and multiple employer plans. The standard is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Fund is currently evaluating the impact of the adoption of this accounting standard on its financial statements.

51. Other accounting standards and amendments to the existing standards that have been issued by the IPSAS Board are either not expected to have any impact or have immaterial impact on the Fund's financial statements.

### **2.3 Other general information**

52. The Fund compiles its financial statements with data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent master record keeper comprising information collected and reconciled from source data provided by the Investment Management Division, global custodians and fund managers. For its administrative expenses, the Fund utilizes systems of the United Nations (Umoja) to record and compile its administrative expense activity. Umoja provides information on a modified cash basis, which is subsequently restated to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the United Nations Staff Pension Committee performed by the Fund on behalf of the United Nations, are reimbursed by the United Nations under the terms of a cost-sharing arrangement. Consequently, the Fund has decided to reflect the reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting in accordance with IPSAS requirements.

**Note 3**  
**Significant accounting policies****3.1 Cash and cash equivalents**

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

**3.2 Investments***3.2.1 Classification of investments*

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

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

56. The Fund classifies its investments into the following categories:

- Short-term investments (including fixed income investments maturing more than three months but less than one year from date of acquisition)
- Equities (including exchange traded funds, common and preferred stocks, stapled securities and publicly traded real estate investment trusts)
- Fixed income (including fixed income investments maturing more than one year from acquisition date)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (including investments in private equity funds and commodity funds, and investments classified as hedge funds)

*3.2.2 Valuation of financial instruments*

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

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

*Interest and dividend income*

59. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents and short-term and fixed income investments.

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

*3.2.3 Income from real assets and alternative investments*

61. Income distributed from unitized funds is treated as income in the period in which they are earned.

*3.2.4 Receivable/payable from/to investments traded*

62. Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits. These amounts are recognized at the amount expected to be paid or received to settle the balance. Distributions from real assets and alternative fund investments declared but not received prior to year-end are also included under receivables from investments traded, to the extent the year-end net asset value of the fund that declares a distribution already includes the distribution to be made.

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

**3.3 Tax status and withholding tax receivables**

64. The Fund is exempt from national taxation of Member States on the Fund's direct investments in accordance with Article 105 of the Charter of the United Nations and with article II, section 7 (a), of the Convention on the Privileges and Immunities of the United Nations. While some Member States grant relief at source for the Fund's income from investments, other countries continue to withhold taxes at the time dividends are paid. In these instances, the Fund's custodians file claims to the governmental taxing authorities for refunds on behalf of the Fund. In Brazil, some provinces in China and for certain years in Greece, Sweden and Turkey, there is no formally established reclamation mechanism in place, and in these cases the Fund's custodians have thus far been unable to file and/or reclaim the taxes withheld. Despite the fact that these Member States have confirmed the Fund's tax exempt status, the taxes withheld from direct investments in these countries are accrued but continue to be fully provided for in 2016.

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

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

**3.4 Critical accounting estimates**

67. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a

material adjustment to the carrying amounts of assets and liabilities are outlined below.

#### *Fair value of financial instruments*

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

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

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

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

#### *Taxes*

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

#### *Impairment*

73. The annual review to assess potential impairment is another area where the Fund exercises significant judgment.

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

74. A provision is established to properly reflect the accurate position of the accounts receivable for all non-performing overpayments of pension benefits that are two years or older as of the respective year-end date of the financial statements.

#### *Actuarial assumptions*

75. The Fund uses actuarial methods for the disclosure of employee benefit liabilities. The related assumptions are disclosed in note 11 in respect of after-service health insurance and other employee benefits of the staff of the Fund. Note 19 contains information on assumptions used for the actuarial liability to the beneficiaries of the Fund.

### **3.5 Contributions**

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

### **3.6 Benefits**

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

### **3.7 Accounting for non-United States dollar denominated currency translations and balances**

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

79. At each reporting date, non-United States dollar denominated monetary items are translated using the closing spot rate. The Fund applies the WM/Reuters company rates (primary source) and the Bloomberg and Thomson Reuters rates (secondary source) as the spot rates for investment activities, and the United Nations operational rate of exchange for non-investment activities. Exchange differences arising on the settlement of these monetary items or on translating these monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements are recognized in the statement of changes in net assets available for benefits in the period in which they arise.

### **3.8 Leases**

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

### **3.9 Property, plant and equipment**

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

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

<i>Class</i>	<i>Estimated useful life, in years</i>
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audio/visual equipment	7

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

### 3.10 Intangible assets

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

<i>Class</i>	<i>Estimated useful life, in years</i>
Software acquired externally	3
Internally developed software	6
Licences and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

### 3.11 Emergency fund

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

### 3.12 Provisions and contingent liabilities

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

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

### 3.13 Employee benefits

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

89. After-service health insurance, repatriation grants and death benefits are classified as defined benefit schemes and accounted for as such.

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

### **3.14 Reconciliation of budget information**

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

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

93. As required by IPSAS 24, the statement of comparison of budget and actual amounts in relation to administrative expenses for the year ended 31 December 2016 provides a comparison of budget and actual amounts on a comparable basis. The comparison includes the original and final budget amounts, the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences (greater than +/-10 per cent) between the actual and budget amounts.

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

### **3.15 Related party transactions**

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

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

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

(b) The General Assembly;

(c) The 23 member organizations participating in the Fund;

(d) The United Nations International Computing Centre.

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

### **3.16 Subsequent events**

98. Any information that is received after the reporting period but before the financial statements are issued about conditions that existed at the date of the statement of net assets available for benefits is incorporated in the financial statements.

99. In addition, any event that occurs after the date of the statement of net assets available for benefits but before the financial statements are published that is material to the Fund are disclosed in the notes to the financial statements.

**Note 4**  
**Cash and cash equivalents**

100. Cash and cash equivalents include:

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Cash at bank: Investment Management Division	1 372 817	1 293 752
Cash at bank: Fund secretariat	153 812	142 534
Cash held by external managers	35 893	51 846
<b>Total cash and cash equivalents</b>	<b>1 562 522</b>	<b>1 488 132</b>

**Note 5**  
**Financial instruments by category**

101. The following tables provide an overview of all financial instruments held by category as at 31 December 2016 and 31 December 2015.<sup>2</sup>

(Thousands of United States dollars)

	<i>As at 31 December 2016</i>		
	<i>Financial instruments at fair value</i>	<i>Loans and receivables</i>	<i>Other financial liabilities</i>
<b>Financial assets as indicated in the statement of net assets available for benefits</b>			
Cash and cash equivalents	1 562 522	–	–
Investments			
Short-term investments	724 509	–	–
Equities	34 455 474	–	–
Fixed income	12 311 322	–	–
Real assets	3 796 144	–	–
Alternative and other investments	1 663 801	–	–
Contributions receivable	–	13 824	–
Accrued income from investments	–	139 311	–
Receivable from investments traded	–	15 124	–
Withholding tax receivables	–	10 501	–
Other assets	–	19 027	–
<b>Total financial assets</b>	<b>54 513 772</b>	<b>197 787</b>	<b>–</b>
<b>Financial liabilities as indicated in the statement of net assets available for benefits</b>			
Benefits payable	–	–	133 782
Payable from investments traded	–	–	8 138
After-service health insurance and other employee benefit liabilities	–	–	76 736
Other accruals and liabilities	–	–	18 987
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>237 643</b>

<sup>2</sup> Non-financial assets and liabilities other than employee benefits are excluded from the tables, as this analysis is required only for financial instruments.

*Investments exceeding 5 per cent of net assets*

102. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2016.

103. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2016. The Fund held a total of \$202.8 million in one real estate fund as at 31 December 2016, which represented 5 per cent or more of the real assets category. The Fund also held investments of \$489.8 million in five private equity funds, which represented 5 per cent or more of the alternative and other investments category.

(Thousands of United States dollars)

	<i>Restated as at 31 December 2015</i>		
	<i>Financial instruments at fair value</i>	<i>Loans and receivables</i>	<i>Other financial liabilities</i>
<b>Financial assets as indicated in the statement of net assets available for benefits</b>			
Cash and cash equivalents	1 488 132	–	–
Investments			
Short-term investments	534 952	–	–
Equities	32 501 344	–	–
Fixed income	12 485 103	–	–
Real assets	3 315 119	–	–
Alternative and other investments	1 865 629	–	–
Contributions receivable	–	42 797	–
Accrued income from investments	–	147 836	–
Receivable from investments traded	–	16 396	–
Withholding tax receivables	–	12 604	–
Other assets	–	20 904	–
<b>Total financial assets</b>	<b>52 190 279</b>	<b>240 537</b>	<b>–</b>
<b>Financial liabilities as indicated in the statement of net assets available for benefits</b>			
Benefits payable	–	–	226 421
Payable from investments traded	–	–	10 796
After-service health insurance and other employee benefit liabilities	–	–	70 358
Other accruals and liabilities	–	–	12 638
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>320 213</b>

*Investments exceeding 5 per cent of net assets*

104. There were no investments representing 5 per cent or more of net assets available for benefits as at 31 December 2015.

105. There were no investments representing 5 per cent or more of equities and fixed income as at 31 December 2015. The Fund held a total of \$361.7 million in two real estate funds as at 31 December 2015, which represented 5 per cent or more of the real assets category. The Fund also held investments of \$484.8 million classified as a hedge fund and \$300.5 million in three private equity funds, which represented 5 per cent or more of the alternative and other investments category.

**Note 6****Fair value measurement**

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

107. Assessing the significance of a particular input to the fair value measurement of an investment in its entirety requires judgment, considering factors specific to the investment.

108. The following tables present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2016 and 31 December 2015:

(Thousands of United States dollars)

<i>Hierarchy disclosure as at 31 December 2016</i>				
	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Short-term investments</b>				
Government and agencies securities	–	346 406	–	346 406
Corporate bonds	–	165 006	126 217	291 223
Notes, deposits and commercial paper	–	86 880	–	86 880
<b>Total short-term investments</b>	<b>–</b>	<b>598 292</b>	<b>126 217</b>	<b>724 509</b>
<b>Equities</b>				
Common and preferred stock	31 366 431	–	–	31 366 431
Funds — exchange traded funds	2 646 766	–	–	2 646 766
Real estate investment trusts	240 075	–	–	240 075
Funds — common stock	–	–	158 361	158 361
Stapled securities	43 841	–	–	43 841
<b>Total equities</b>	<b>34 297 113</b>	<b>–</b>	<b>158 361</b>	<b>34 455 474</b>
<b>Fixed income</b>				
Government and agencies securities	–	8 837 924	–	8 837 924
Corporate bonds	–	2 789 955	–	2 789 955
Municipal/provincial bonds	–	626 113	–	626 113
Commercial mortgage-backed	–	10 628	–	10 628
Funds — corporate bond	–	–	46 702	46 702
<b>Total fixed income</b>	<b>–</b>	<b>12 264 620</b>	<b>46 702</b>	<b>12 311 322</b>

<i>Hierarchy disclosure as at 31 December 2016</i>				
	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Real assets</b>				
Real estate funds	–	239 698	3 407 072	3 646 770
Infrastructure assets	–	–	132 792	132 792
Timberlands	–	–	16 582	16 582
<b>Total real assets</b>	<b>–</b>	<b>239 698</b>	<b>3 556 446</b>	<b>3 796 144</b>
<b>Alternative and other investments</b>				
Hedge funds	–	–	–	–
Private equity	–	–	1 547 504	1 547 504
Commodity funds	–	–	116 297	116 297
<b>Total alternative and other investments</b>	<b>–</b>	<b>–</b>	<b>1 663 801</b>	<b>1 663 801</b>
<b>Total</b>	<b>34 297 113</b>	<b>13 102 610</b>	<b>5 551 527</b>	<b>52 951 250</b>

(Thousands of United States dollars)

<i>Hierarchy disclosure as at 31 December 2015</i>				
	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Short-term investments</b>				
Government and agencies securities	–	217 295	–	217 295
Corporate bonds	–	267 673	–	267 673
Notes, deposits and commercial paper	–	49 984	–	49 984
<b>Total short-term investments</b>	<b>–</b>	<b>534 952</b>	<b>–</b>	<b>534 952</b>
<b>Equities</b>				
Common and preferred stock	29 752 374	–	–	29 752 374
Funds — exchange traded funds	2 329 996	–	–	2 329 996
Real estate investment trusts	219 421	–	–	219 421
Funds — common stock	–	–	165 279	165 279
Stapled securities	34 274	–	–	34 274
<b>Total equities</b>	<b>32 336 065</b>	<b>–</b>	<b>165 279</b>	<b>32 501 344</b>
<b>Fixed income</b>				
Government and agencies securities	–	8 071 274	49 569	8 120 843
Corporate bonds	–	3 646 668	15 648	3 662 316
Municipal/provincial bonds	–	537 704	–	537 704
Commercial mortgage-backed	–	120 090	–	120 090
Funds — corporate bond	–	–	44 150	44 150
<b>Total fixed income</b>	<b>–</b>	<b>12 375 736</b>	<b>109 367</b>	<b>12 485 103</b>

*Hierarchy disclosure as at 31 December 2015*

	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Real assets</b>				
Real estate funds	–	187 160	3 001 137	3 188 297
Infrastructure assets	–	–	110 882	110 882
Timberlands	–	–	15 940	15 940
<b>Total real assets</b>	–	<b>187 160</b>	<b>3 127 959</b>	<b>3 315 119</b>
<b>Alternative and other investments</b>				
Hedge funds	–	484 796	29 836	514 632
Private equity	–	–	1 249 337	1 249 337
Commodity funds	–	–	101 660	101 660
<b>Total alternative and other investments</b>	–	<b>484 796</b>	<b>1 380 833</b>	<b>1 865 629</b>
<b>Total</b>	<b>32 336 065</b>	<b>13 582 644</b>	<b>4 783 438</b>	<b>50 702 147</b>

*Short-term investments*

109. Corporate bonds and corporate bond funds amounting to \$126.2 million as at 31 December 2016 (31 December 2015: zero) were considered to be level 3. Inputs for the value of those investments, while available from third-party sources, were not well-defined, readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

*Equities*

110. Common and preferred stocks, exchange-traded funds, real estate investment trusts and stapled securities were classified under level 1 if bid prices were available from institutional vendors.

111. Common stock funds and unit trust equity funds amounting to \$158.4 million as at 31 December 2016 (31 December 2015: \$165.3 million) were valued using a net asset value approach and hence classified under level 3.

*Fixed income*

112. The vast majority of the fixed income securities prices were not obtained from an active market directly, which would have led to a level 1 classification. Instead, prices were obtained through bids from brokers, which were indicative quotes and therefore classified as level 2.

113. Index-linked non-United States government bonds amounting to \$49.6 million as at 31 December 2015 were classified as level 3, as their values were based on evaluations of bids from brokers adjusted for indexing, which was generally uncorroborated market data.

114. Corporate bonds and corporate bond funds amounting to \$46.7 million as at 31 December 2016 (31 December 2015: \$59.8 million) were considered to be level 3. Inputs for the value of these investments, while available from third-party sources, were not well-defined, readily observable market data. Consequently, the Fund has decided to classify such investments as level 3.

*Real assets and alternative and other investments*

115. Real assets amounting to \$3,556.4 million as at 31 December 2016 (31 December 2015: \$3,128.0 million) as well as alternative and other investments amounting to \$1,663.8 million as at 31 December 2016 (31 December 2015: \$1,380.8 million) were classified under level 3, as they were priced using the net asset value methodology, for which the Fund was unable to corroborate or verify inputs using observable market data. In addition, limited options were available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

116. Two real estate funds amounting to \$239.7 million (31 December 2015: \$187.2 million), which were readily redeemable at net asset value without penalties, were classified as level 2 assets, representing the net asset value as reported by the fund manager.

117. One investment, classified as a hedge fund and amounting to \$484.8 million as at 31 December 2015, was classified as level 2 and was sold during the year 2016.

118. The following table presents the transfers between levels for the year ended 31 December 2016.

(Thousands of United States dollars)

	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Transfers into</b>				
Fixed income	–	19 370	–	19 370
Equities	–	–	29 836	29 836
Alternative and other investments	–	–	–	–
<b>Total</b>	<b>–</b>	<b>19 370</b>	<b>29 836</b>	<b>49 206</b>
<b>Transfers out of</b>				
Fixed income	–	–	(19 370)	(19 370)
Equities	–	–	–	–
Alternative and other investments	–	–	(29 836)	(29 836)
<b>Total</b>	<b>–</b>	<b>–</b>	<b>(49 206)</b>	<b>(49 206)</b>

119. The following table presents the transfers between levels for the year ended 31 December 2015.

(Thousands of United States dollars)

	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Transfers into</b>				
Fixed income	–	–	–	–
Real assets	–	–	–	–
Equities	7 477	–	–	7 477
<b>Total</b>	<b>7 477</b>	<b>–</b>	<b>–</b>	<b>7 477</b>

	<i>Level</i>			<i>Total</i>
	<i>1</i>	<i>2</i>	<i>3</i>	
<b>Transfers out of</b>				
Fixed income	–	–	–	–
Real assets	–	–	–	–
Equities	–	(7 477)	–	(7 477)
<b>Total</b>	–	<b>(7 477)</b>	–	<b>(7 477)</b>

120. For the year ended 31 December 2016, there was a transfer of one fixed-income security amounting to \$19.4 million out of level 3 and into level 2. The security is priced by multiple vendors as at 31 December 2016 compared with single vendors as at 31 December 2015. As such, the Fund has decided to classify this investment as level 2.

121. For the year ended 31 December 2015, there was a transfer of one equity security amounting to \$7.5 million out of level 2 and into level 1. The security is priced by multiple vendors and there is now observable data available quoted in an active market. As such, the Fund has decided to classify this investment as level 1.

122. The following table presents the movements in level 3 instruments for the period ended 31 December 2016 by class of financial instrument:

(Thousands of United States dollars)

	<i>Equities</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternative and other investments</i>	<i>Total</i>
<b>Opening balance</b>	<b>165 279</b>	<b>109 367</b>	<b>3 127 959</b>	<b>1 380 833</b>	<b>4 783 438</b>
Purchases	3 043	128 602	812 716	371 192	1 315 553
Sales/return of capital	(17 150)	(48 280)	(620 183)	(232 112)	(917 725)
Transfers (out of)/into level 3	29 836	(19 370)	–	(29 836)	(19 370)
Net gains/(losses) recognized in the statement of changes in net assets available for benefits	(22 647)	2 600	235 954	173 724	389 631
<b>Closing balance</b>	<b>158 361</b>	<b>172 919</b>	<b>3 556 446</b>	<b>1 663 801</b>	<b>5 551 527</b>
Change in unrealized gains/(losses) for level 3 assets held at the period end and included in the statement of changes in net assets available for benefits	(13 176)	(1 869)	205 168	142 846	332 969

123. The following table presents the movements in level 3 instruments for the year ended 31 December 2015 by class of financial instrument:

(Thousands of United States dollars)

	<i>Equities</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternative and other investments</i>	<i>Total</i>
<b>Opening balance</b>	<b>214 878</b>	<b>279 768</b>	<b>2 608 104</b>	<b>1 003 884</b>	<b>4 106 634</b>
Purchases	3 099	30 581	730 071	486 159	1 249 910
Sales/return of capital	(16 000)	(174 565)	(505 203)	(142 818)	(838 586)
Transfers (out of)/into level 3	—	—	—	—	—
Net gains/(losses) recognized in the statement of changes in net assets available for benefits	(36 698)	(26 417)	294 987	33 608	265 480
<b>Closing balance</b>	<b>165 279</b>	<b>109 367</b>	<b>3 127 959</b>	<b>1 380 833</b>	<b>4 783 438</b>
Change in unrealized gains/(losses) for level 3 assets held at the period end and included in statement of changes in net assets available for benefits	(32 412)	(63 552)	162 419	32 345	98 800

**Note 7****Accrued income from investments**

124. Accrued income from investments is income earned during the year that has yet to be received as at the date of the statement of net assets available for benefits.

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Cash and cash equivalents	324	133
Short-term investments	5 447	3 768
Fixed income securities	86 486	98 114
Dividends receivable on equities	44 919	43 089
Real assets and alternative investments	2 135	2 732
<b>Total accrued income from investments</b>	<b>139 311</b>	<b>147 836</b>

**Note 8**  
**Withholding tax receivables**

125. The outstanding balances of withholding income taxes as at 31 December 2016 can be broken down as follows:

Country		Tax denominated in thousands of local currency				Exchange rate	Tax denominated in thousands of United States dollars		
		Before 2015	2015	2016	Total		Equivalent	Deemed not recoverable	Recoverable
Australia	Australian dollar	179	–	–	179	1.38102	130	–	130
Austria	Euro	25	–	–	25	0.94809	26	–	26
Brazil	Brazilian real	1 612	–	–	1 612	3.25470	495	(495)	–
China	Hong Kong dollar	53 722	8 963	8 747	71 432	7.75315	9 213	(9 213)	–
Germany	Euro	–	–	5 400	5 400	0.94809	5 696	–	5 696
Greece	Euro	99	–	–	99	0.94809	104	(104)	–
Ireland	Euro	–	–	20	20	0.94809	21	–	21
Netherlands	Euro	5	–	127	132	0.94809	139	–	139
Russian Federation	United States dollar	170	–	–	170	1.00000	170	–	170
Singapore	Singapore dollar	–	–	–	–	1.44470	–	–	–
Spain	Euro	–	–	181	181	0.94809	191	–	191
Sweden	Euro	27	–	–	27	0.94809	28	(28)	–
Switzerland	Swiss franc	–	–	2 238	2 238	1.01635	2 201	–	2 201
Turkey	Turkish lira	1 386	–	–	1 386	3.51760	394	(394)	–
United Kingdom	Pound sterling	–	–	–	–	0.80921	–	–	–
	Euro	–	339	1 488	1 827	0.94809	1 927	–	1 927
United States	United States dollar	–	–	–	–	1.00000	–	–	–
<b>Withholding tax receivable net of provision</b>							<b>20 735</b>	<b>(10 234)</b>	<b>10 501</b>

126. The outstanding balances of withholding income taxes as at 31 December 2015 are as follows:

Country		Tax denominated in thousands of local currency				Exchange rate	Tax denominated in thousands of United States dollars		
		Before 2014	2014	2015	Total		Equivalent	Deemed not recoverable	Recoverable
Australia	Australian dollar	92	87	–	179	1.37448	130	–	130
Austria	Euro	–	25	–	25	0.92056	27	–	27
Brazil	Brazilian real	1 612	–	–	1 612	3.95625	407	(407)	–
China	Hong Kong dollar	45 259	10 504	9 285	65 048	7.75015	8 393	(8 393)	–
Germany	Euro	–	–	5 936	5 936	0.92056	6 448	–	6 448
Greece	Euro	99	–	–	99	0.92056	107	–	107
Netherlands	Euro	–	77	54	131	0.92056	143	–	143
Russian Federation	United States dollar	497	–	–	497	1.00000	497	–	497
Singapore	Singapore dollar	52	–	–	52	1.41865	37	–	37
Spain	Euro	–	–	243	243	0.92056	265	–	265
Sweden	Euro	27	–	–	27	0.92056	29	–	29
Switzerland	Swiss franc	–	–	2 094	2 094	1.00100	2 092	–	2 092
Turkey	Turkish lira	1 386	–	–	1 386	2.91885	475	(475)	–
United Kingdom	Pound sterling	–	–	0	0	0.67847	–	–	–
	Euro	298	915	1 392	2 605	0.92056	2 829	–	2 829
United States	United States dollar	–	–	–	–	1.00000	–	–	–
<b>Withholding tax receivable net of provision</b>							<b>21 879</b>	<b>(9 275)</b>	<b>12 604</b>

**Note 9**  
**Other assets**

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

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Prepaid benefits and benefits receivable	13 688	15 167
Property, plant and equipment	3 912	4 223
Intangible assets in use	10 298	15 087
Intangible assets under development	–	115
United Nations receivables	4 891	5 226
Other receivables	448	511
<b>Total</b>	<b>33 237</b>	<b>40 329</b>

**9.1 Prepaid benefits and benefits receivables**

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

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Prepayments	491	770
Benefits receivable	17 909	18 652
Benefits receivable – provision	(4 712)	(4 255)
<b>Total</b>	<b>13 688</b>	<b>15 167</b>

**9.2 Property, plant and equipment**

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

(Thousands of United States dollars)

	<i>Information technology equipment</i>	<i>Leasehold improvements</i>		<i>Total</i>
		<i>In use</i>	<i>Under construction</i>	
<b>Cost</b>				
1 January 2016	1 333	10 880	2 170	14 383
Additions	283	3 083	(2 170)	1 196
Disposals/transfers	(21)	–	–	(21)
31 December 2016	1 595	13 963	–	15 558
<b>Accumulated depreciation</b>				
1 January 2016	1 086	9 074	–	10 160
Depreciation	224	1 283	–	1 507
Disposals/transfers	(21)	–	–	(21)
31 December 2016	1 289	10 357	–	11 646
<b>Net book value, 31 December 2016</b>	<b>306</b>	<b>3 606</b>	<b>–</b>	<b>3 912</b>

(Thousands of United States dollars)

	<i>Information technology equipment</i>	<i>Leasehold improvements</i>		<i>Total</i>
		<i>In use</i>	<i>Under construction</i>	
<b>Cost</b>				
1 January 2015	4 785	10 880	–	15 665
Additions	–	–	2 170	2 170
Disposals/transfers	(3 452)	–	–	(3 452)
31 December 2015	1 333	10 880	2 170	14 383
<b>Accumulated depreciation</b>				
1 January 2015	4 256	8 405	–	12 661
Depreciation	282	669	–	951
Disposals/transfers	(3 452)	–	–	(3 452)
31 December 2015	1 086	9 074	–	10 160
<b>Net book value, 31 December 2015</b>	<b>247</b>	<b>1 806</b>	<b>2 170</b>	<b>4 223</b>

130. The leasehold improvements in use and under construction included above relate to the Fund's improvements to its offices in New York.

### 9.3 Intangible assets

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

(Thousands of United States dollars)

	<i>Intangible assets</i>		<i>Total</i>
	<i>In use</i>	<i>Under construction</i>	
<b>Cost</b>			
1 January 2016	20 305	115	20 420
Additions	1 734	–	1 734
Transfers	115	(115)	–
Disposals	(432)	–	(432)
31 December 2016	21 722	–	21 722
<b>Accumulated depreciation</b>			
1 January 2016	5 218	–	5 218
Amortization	6 638	–	6 638
Disposals	(432)	–	(432)
31 December 2016	11 424	–	11 424
<b>Net book value, 31 December 2016</b>	<b>10 298</b>	<b>–</b>	<b>10 298</b>

(Thousands of United States dollars)

	<i>Intangible assets</i>		<i>Total</i>
	<i>In use</i>	<i>Under construction</i>	
<b>Cost</b>			
1 January 2015	2 259	13 357	15 616
Additions	–	4 804	4 804
Transfers	18 046	(18 046)	–
Disposals	–	–	–
31 December 2015	20 305	115	20 420
<b>Accumulated depreciation</b>			
1 January 2015	2 049	–	2 049
Amortization	3 169	–	3 169
Disposals	–	–	–
31 December 2015	5 218	–	5 218
<b>Net book value, 31 December 2015</b>	<b>15 087</b>	<b>115</b>	<b>15 202</b>

132. The costs transferred from under construction to in use in 2015 relate to the Integrated Pension Administration System project.

**Note 10****Benefits payable**

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

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>Restated 31 December 2015</i>
Withdrawal settlements	41 210	90 173
Lump-sum payments	52 105	84 322
Periodic benefits payable	40 524	51 983
Other benefits payable	(57)	(57)
<b>Total</b>	<b>133 782</b>	<b>226 421</b>

134. Note 25 contains additional information regarding restatement.

**Note 11****After-service health insurance and other employee benefits**

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

(Thousands of United States dollars)

	31 December 2016	31 December 2015
After-service health insurance liability	69 383	63 138
Repatriation grant and related costs	2 932	2 846
Education grant and related costs	292	268
Death benefit	149	148
Annual leave	3 724	3 723
Home leave	256	235
<b>Total</b>	<b>76 736</b>	<b>70 358</b>

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

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

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

137. The liabilities as at 31 December 2016 are the result of the roll-forward to 31 December 2016 of the end-of-service benefit obligations as at 31 December 2015 for the Fund by the consulting actuary. Roll-forward results are established on the basis of population and demographic assumptions used for the 31 December 2015 valuation. The liabilities as at 31 December 2015 were calculated on the basis of census data as at 30 September 2015 and:

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

138. In performing the roll-forward to 31 December 2016, only the financial assumptions such as the discount rates, inflation and health-care cost trend rates were reviewed as at 31 December 2016 and updated when necessary. All other assumptions remain the same as those used for the full valuation as at 31 December 2015.

139. The key assumptions in the calculation of after-service liabilities are the discount rate and health-care trend rates. The discount rate is based on the spot rate, which reflects the market expectations at the time of the calculations to meet future expected benefit payments, based on high-quality bonds. The discount rate is then the equivalent single rate that would produce the same liability as the full spot curve using the multiple bonds necessary to meet the future cash flow expectations.

140. For 31 December 2016, the single equivalent discount rates were selected and determined by the Fund as follows:

- 3.83 per cent for the after-service health insurance scheme
- 3.46 per cent for repatriation benefits
- 3.58 per cent for annual leave
- 3.29 per cent for death benefits

141. For 31 December 2015, the single equivalent discount rates were selected and determined by the Fund as follows:

- 3.97 per cent for the after-service health insurance scheme
- 3.58 per cent for repatriation benefits
- 3.68 per cent for annual leave
- 3.36 per cent for death benefits

142. For the purpose of comparison, the table below shows the percentage change based on a 1 per cent change in the discount rate.

<i>Discount rate</i>	<i>Impact on accrued liability</i>			
	<i>After-service health insurance</i>	<i>Repatriation benefit</i>	<i>Annual leave</i>	<i>Death benefit</i>
Increase of 1 per cent	18 per cent decrease	9 per cent decrease	8 per cent decrease	7 per cent decrease
Decrease of 1 per cent	24 per cent increase	10 per cent increase	10 per cent increase	7 per cent increase

143. The comparison of health-care cost trend rates is as follows:

	<i>31 December 2016</i>	<i>31 December 2015</i>
Non-United States medical	4.0 per cent per year	4.0 per cent per year
United States medical — non-Medicare	6.0 per cent trending down to 4.5 per cent after 10 years	6.4 per cent trending down to 4.5 per cent after 10 years
United States medical — Medicare	5.7 per cent trending down to 4.5 per cent after 10 years	5.9 per cent trending down to 4.5 per cent after 10 years
United States dental	4.9 per cent trending down to 4.5 per cent after 10 years	4.9 per cent trending down to 4.5 per cent after 10 years

144. The increase in the total after-service health liabilities reported from 31 December 2015 to 31 December 2016 is due primarily to the impact of changing the actuarial assumptions, in particular the decrease in discount rates for benefits denominated in United States dollars; service costs resulting from employee services during 2016; and interest costs during the year, because the benefits are one period closer to settlement and benefits paid. During the year, the reference discount rate for Swiss francs was modified from that of the prior year from the government rate to the corporate bond rate to harmonize the actuarial assumptions used across the United Nations system.

145. Other specific key assumptions used in the calculations on the basis of census data as at 30 September 2015 are set out in the paragraphs below.

*After-service health insurance*

146. Two hundred and twelve active staff were included in the calculation: 181 based in the United States and 31 not based in the United States. Seventy-six retired staff or their surviving spouses were included in the calculation: 64 based in the United States and 12 not based in the United States. In addition, 18 active staff and two retirees or their surviving spouses who participate in dental-only plans were included. For active staff, the average age was 46 years with 10 years of service. The average age of retirees was 69 years.

*Repatriation benefits*

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

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

149. Sixty-five eligible staff, with an average annual salary of \$84,336, were considered.

*Annual leave*

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

151. Two hundred and forty-one active staff, with an average annual salary of \$101,712, were considered.

**Note 12****Other accruals and liabilities**

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

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Accruals for management fees and expenses	10 287	6 235
Accrual for contractual services	4 339	345
Restoration payable	2 036	2 876
Operating leases rent accrual	1 755	2 593
Audit fee accrual	197	194
After-service health insurance payable to member organizations	7	— <sup>a</sup>
Other	366	395
<b>Total</b>	<b>18 987</b>	<b>12 638</b>

<sup>a</sup> Balance rounded to the nearest thousand United States dollars.

**Note 13**  
**Investment (loss)/income**

153. The table below summarizes the Fund's income from investments net of transaction costs recognized during the period. Any transaction cost that can be allocated to a single transaction or trade is netted off against investment income. Examples are broker commissions, other transaction costs and management fees. Any management expense charged to the income statement of a real asset or alternative fund was recorded separately as management expenses in the Fund's statement of changes in net assets and included under transaction costs.

154. In some jurisdictions, the Fund receives dividend income, interest income and real estate income without any withholding tax. This is primarily a result of the fact that pension funds are exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds, but recognize that the United Nations Joint Staff Pension Fund is part of the United Nations and hence is exempt from national taxation of Member States on its direct investments, in accordance with Article 105 of the Charter and with article II, section 7 (a), of the 1946 Convention on the Privileges and Immunities of the United Nations (see also note 3.3). The Fund is not able to reliably measure the value of the additional tax exemption obtained by being part of the United Nations and therefore does not disclose the value of this additional benefit on the face of the statement of changes in net assets available for benefits as non-exchange income in accordance with IPSAS 23, Revenue from non-exchange transactions.

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
<b>Change in fair value for assets designated at fair value</b>		
Short-term investments	(4 014)	(7 181)
Equities	2 008 382	(255 864)
Fixed income	(284 677)	(205 016)
Real asset investments	300 984	399 784
Alternative investments	241 396	50 151
<b>Total change in fair value for financial assets designated at fair value</b>	<b>2 262 071</b>	<b>(18 126)</b>
<b>Interest income</b>		
Interest income on cash and cash equivalents	3 287	2 515
Interest income on fixed income instruments	322 499	353 038
<b>Total interest income</b>	<b>325 786</b>	<b>355 553</b>
Dividend income	821 651	777 863
<b>Total dividend income</b>	<b>821 651</b>	<b>777 863</b>
Income from real assets	55 015	38 302
<b>Total income from real assets</b>	<b>55 015</b>	<b>38 302</b>
Changes in foreign currency gain and losses	(679 882)	(1 487 401)
<b>Net foreign currency (losses)</b>	<b>(679 882)</b>	<b>(1 487 401)</b>

	31 December 2016	31 December 2015
Transaction costs		
Management fees and other related fees	(90 696)	(98 820)
Small capitalization fund management fees	(10 087)	(9 770)
Brokerage commissions	(13 012)	(11 410)
Other transaction costs	(3 699)	(4 454)
<b>Total transaction costs</b>	<b>(117 494)</b>	<b>(124 454)</b>
<b>Net investment income/(loss)</b>	<b>2 667 147</b>	<b>(458 263)</b>

155. The change in foreign currency losses includes \$776.4 million (2015: \$751.4 million) realized foreign currency loss and \$96.5 million unrealized foreign currency gain (2015: \$736.0 million unrealized foreign currency loss).

#### **Note 14** **Contributions**

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

(Thousands of United States dollars)

	2016	2015
<b>Contributions from participants</b>		
Regular contributions	752 314	747 250
Contributions for validation	607	835
Contributions for restoration	4 118	3 054
	<b>757 039</b>	<b>751 139</b>
<b>Contributions from member organizations</b>		
Regular contributions	1 504 629	1 494 499
Contributions for validation	1 564	1 504
	<b>1 506 193</b>	<b>1 496 003</b>
<b>Other contributions</b>		
Contributions for participants transferred in under agreements	3 827	1 782
Receipts of excess actuarial value over regular contributions	171	207
Other contributions/adjustments	6 268	7 846
	<b>10 266</b>	<b>9 835</b>
<b>Total contributions for the period</b>	<b>2 273 498</b>	<b>2 256 977</b>

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

**Note 15**  
**Other income**

158. Other income earned during the period can be broken down as follows:

(Thousands of United States dollars)

	2016	2015
Class action proceeds	485	4 351
Notional interest income	2 093	3 916
United Nations University management fees	50	50
Other claims	740	214
<b>Total other income for the period</b>	<b>3 368</b>	<b>8 531</b>

**Note 16**  
**Benefit expenses**

159. Benefit expenses in the period can be broken down as follows:

(Thousands of United States dollars)

	2016	Restated 2015
<b>Withdrawal settlements and full commutation of benefits</b>		
For contributory service of five years or less	42 790	55 187
For contributory service more than five years	74 605	138 041
	<b>117 395</b>	<b>193 228</b>
<b>Retirement benefits</b>		
Full retirement benefits	1 297 563	1 249 634
Early retirement benefits	668 319	643 261
Deferred retirement benefits	93 225	90 506
Disability benefits	67 886	63 909
Survivor benefits	234 666	231 609
Child benefits	29 632	26 050
	<b>2 391 291</b>	<b>2 304 969</b>
<b>Other benefits/adjustments</b>		
Payments for participants transferred out under agreements	228	141
Other benefits/adjustments	(2 794)	(380)
	<b>(2 566)</b>	<b>(239)</b>
<b>Total benefit expenses for the period</b>	<b>2 506 120</b>	<b>2 497 958</b>

160. Note 25 contains additional information regarding restatement.

**Note 17**  
**Administrative expenses**

161. Expenses incurred in 2016 and 2015 are as follows:

(Thousands of United States dollars)

	2016				
	<i>Administrative expenses</i>	<i>Investment expenses</i>	<i>Audit fees</i>	<i>Board expenses</i>	<i>Total</i>
Established posts (excluding change in the value of the after-service health insurance liability)	14 387	10 418	–	–	24 805
Change in the value of the after-service health insurance liability	4 655	1 474	116	–	6 245
Other staff costs	4 189	363	–	–	4 552
Consultants	113	87	–	–	200
Travel	349	395	–	–	744
Training	57	14	–	–	71
Contractual services	13 995	13 002	–	–	26 997
Hospitality	–	–	–	–	–
General operating expenses	4 367	4 290	–	–	8 657
Supplies and materials	81	27	–	–	108
Furniture and equipment	460	410	–	–	870
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 099	–	1 099
Board expenses	–	–	–	416	416
<b>Total administrative expenses</b>	<b>42 653</b>	<b>30 480</b>	<b>1 215</b>	<b>416</b>	<b>74 764</b>

(Thousands of United States dollars)

	2015				
	<i>Administrative expenses</i>	<i>Investment expenses</i>	<i>Audit fees</i>	<i>Board expenses</i>	<i>Total</i>
Established posts (excluding change in the value of the after-service health insurance liability)	13 219	9 901	–	–	23 120
Change in the value of the after-service health insurance liability	(4 166)	(1 305)	(108)	–	(5 579)
Other staff costs	1 988	480	–	–	2 468
Consultants	284	629	–	–	913
Travel	368	579	–	–	947
Training	52	27	–	–	79
Contractual services	8 684	15 810	–	–	24 494
Hospitality	–	2	–	–	2
General operating expenses	4 740	3 534	–	–	8 274
Supplies and materials	34	25	–	–	59
Furniture and equipment	578	204	–	–	782
Audit costs (excluding change in the value of the after-service health insurance liability)	–	–	1 006	–	1 006
Board expenses	–	–	–	104	104
<b>Total administrative expenses</b>	<b>25 781</b>	<b>29 886</b>	<b>898</b>	<b>104</b>	<b>56 669</b>

**Note 18**  
**Other expenses**

162. Other expenses incurred during the period can be broken down as follows:

(Thousands of United States dollars)

	2016	2015
Emergency fund expense	40	35
Notional interest expense	637	2 175
Other expenses and claims	605	1 007
<b>Total other expenses for the period</b>	<b>1 282</b>	<b>3 217</b>

**Note 19**  
**Actuarial situation of the Fund**  
 (see also note 1.5)

163. The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service that staff have rendered as at the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

164. Benefits payable under all circumstances — retirement, death, disability and termination of employment — are included to the extent they are deemed attributable to the service that staff have rendered as at the valuation date.

165. The actuarial present value of accumulated (promised) plan benefits (which does not take into account future increases in pensionable remuneration) is determined by independent actuaries and the amount is derived by applying actuarial assumptions to adjust the accumulated plan benefits to reflect the time value of money (through discounts for interest) and the probability of payment (by means of decrements such as for death, disability, withdrawal or retirement) between the valuation date and the expected date of payment.

166. The Fund is applying the guidance included in IAS 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

*Key assumptions*

167. The significant actuarial assumptions used are as follows:

- Life expectancy of participants (2007 United Nations mortality tables adjusted for forecast improvements in mortality)
- Age-specific retirement and turnover assumptions as approved by the Pension Board during its sixty-second session
- Annual investment return of 6.5 per cent, which serves as the discount rate for liabilities
- Annual rate of 3.0 per cent for cost-of-living increases in pensions
- Assumed long-term cost of two-track system of 2.1 per cent of pensionable remuneration

- Assumed percentage of benefits commuted by retired participants of 20.4 per cent of annuity payments

168. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-second session, in July 2015. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits. The actuarial present value of accumulated plan benefits as at 31 December 2016 shown in the present disclosure is projected to the disclosure date using standard actuarial techniques on the basis of the 31 December 2013 valuation results and assumes that all economic and demographic assumptions will have been exactly met from 31 December 2013 onward, except actual experience for foreign exchange and inflation experience for the period 31 December 2013 to 31 December 2015 have been reflected.

*Statement of accumulated benefits*

169. The actuarial present value of accumulated plan benefits as at 31 December 2016 is as follows (see note 1.11 for a description of the pension adjustment system):

(Millions of United States dollars)

	<i>If future pension payments are made under the Regulations</i>	
	<i>Without pension adjustments</i>	<i>With pension adjustments</i>
Actuarial value of vested benefits		
Participants currently receiving benefits	22 431	32 936
Vested terminated participants	230	402
Active participants	12 381	18 783
<b>Total vested benefits</b>	<b>35 042</b>	<b>52 121</b>
Non-vested benefits	1 252	1 596
<b>Total actuarial present value of accumulated plan benefits</b>	<b>36 294</b>	<b>53 717</b>

*Information on participation in the Pension Fund*

170. A valuation as at 31 December 2015 was prepared by the consulting actuary and presented to the Committee of Actuaries and the Pension Board in 2016. However, using additional information becoming available in 2017, anomalies in the census data provided to the consulting actuary were identified as a result of the transition from the legacy information technology system, and it was decided that the previous valuation provided by the consulting actuaries as at 31 December 2013 would be used. In accordance with the valuation conducted as at 31 December 2015, the total actuarial present value of accumulated plan benefits was \$36,549 million (without pension adjustment) and \$51,625 million (with pension adjustment). As a result of the withdrawal of the valuation report as at 31 December 2015, the total actuarial present value of accumulated plan benefits was changed, as stated above, which had the impact of an increase/(decrease) in the total actuarial present value of accumulated plan benefits by \$2,092 million (with pension adjustment) and (\$255 million) (without pension adjustment). The Fund is committed to further investigating and resolving the census data anomalies identified in the next actuarial valuation noted in its financial statements for the year ended 31 December 2017. As an exception from the cycle of valuation occurring once every two years, the

valuation was therefore based on participation as at 31 December 2013. The participation in the plan developed as follows:

<i>As at 31 December 2013</i>	
<b>Active participants</b>	
Number	120 294
Annual remuneration (in millions of United States dollars)	10 375
<b>Average remuneration (in United States dollars)</b>	<b>86 245</b>
<b>Retired participants and beneficiaries</b>	
Number	69 980
Annual benefit (in millions of United States dollars)	2 050
<b>Average benefit (in United States dollars)</b>	<b>29 292</b>

*Actuarial asset value used for periodic actuarial valuations*

171. The actuarial asset value used for the purpose of preparing the periodic actuarial valuation differs from the value presented in the financial statements. The periodic actuarial valuation presents a value using a five-year moving market average methodology. A limiting corridor of 15 per cent is applied, which means that the computed value has a minimum value of 85 per cent and a maximum value of 115 per cent of the market value of the assets as at the valuation date. Starting with the valuation as at 31 December 2013, a gradual transition to the alternative asset averaging methodology was introduced, with a target completion date of the actuarial valuation of 31 December 2019. The effect of transitioning to the alternative asset averaging methodology is an increase in actuarial assets of \$996.7 million as at 31 December 2013 and \$2,214.1 million as at 31 December 2015.

**Note 20**

**Commitments and contingencies**

**20.1 Investment commitments**

172. As at 31 December 2016 and 31 December 2015, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Real estate funds	2 045 371	1 393 425
Private equity	1 967 515	1 683 823
Infrastructure funds	60 020	115 468
Timberland funds	86 701	60 020
<b>Total commitments</b>	<b>4 159 607</b>	<b>3 252 736</b>

173. With regard to private equity and the real estate, infrastructure and timberland investments, funds are drawn down in accordance with the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to: (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement.

## 20.2 Lease commitments

174. As at 31 December 2016 and 31 December 2015, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
<b>Obligations for property leases</b>		
Under 1 year	6 566	6 738
1-5 years	16 380	23 339
Beyond 5 years	–	–
<b>Total</b>	<b>22 946</b>	<b>30 077</b>

## 20.3 Legal or contingent liabilities and contingent assets

175. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the Pension Fund.

176. Contingent assets are excluded from the statement of net assets available for benefits on the basis that the inflow of economic benefits is not virtually certain but reliant on the occurrence of an event outside of the control of the Fund. There were no contingent assets as at 31 December 2016.

### Note 21

#### Risk assessment

177. The Fund's activities expose it to a variety of financial risks including, but not limited to, credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk).

178. The Fund's investment risk management programme seeks to measure and monitor the risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance, consistent with the Fund's strategic asset allocation policy. The Investments Committee provides advice to the Representative of the Secretary-General on investment strategy and reviews the investments of the Fund at its quarterly meetings. The Committee advises on long-term policy, asset allocation and strategy, diversification by type of investment, currency and economic sector and any other matters.

179. The Fund uses different methods to measure, monitor and manage the various types of financial risk to which it is exposed. These methods are explained below.

## 21.1 Credit risk

180. Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligors face. Ensuring adequate control over credit risk and effective risk management is critical to the long-term sustainability of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards
- Establishing limits for amounts and concentrations of credit risk, and monitoring and implementing a review process for credit exposure
- Ensuring adequate controls over credit risk

181. The Fund is primarily exposed to credit risk in its debt securities (total fixed income, and short-term bills and notes). The Fund's policy to manage this risk is to invest in debt securities that have an investment grade rating by at least one of the following well-known credit rating agencies: Standard & Poor's, Moody's and Fitch. For the purpose of consistency in the present disclosure, the Fund used Moody's Investors Service, which provided ratings on most of the Fund's debt securities in 2016. As at 31 December 2016, 92 per cent (2015: 95 per cent) of individual securities of the fixed income portfolio were investment grade (rated between Aaa to Baa3) by Moody's. The analysis below summarizes the credit quality of the Fund's fixed income portfolio as at 31 December 2016 and 31 December 2015, respectively, as provided by Moody's.

(Thousands of United States dollars)

	31 December 2016			
	Aaa-A3	Baa1-Baa3	Not rated	Total
Commercial mortgage-backed	7 267	–	–	7 267
Corporate bonds	2 056 248	555 015	178 692	2 789 955
Funds — corporate bond	–	–	46 702	46 702
Government agencies	1 439 840	–	59 389	1 499 229
Government bonds	6 310 445	359 464	576 684	7 246 593
Government mortgage-backed	–	–	56 141	56 141
Index-linked government bonds	35 961	–	–	35 961
Municipal/provincial bonds	544 914	–	81 199	626 113
Non-government-backed collateralized mortgage obligations	3 361	–	–	3 361
<b>Total fixed income</b>	<b>10 398 036</b>	<b>914 479</b>	<b>998 807</b>	<b>12 311 322</b>
Short-term investments	203 659	68 107	452 743	724 509

(Thousands of United States dollars)

	31 December 2015			
	Aaa-A3	Baa1-Baa3	Not rated	Total
Commercial mortgage-backed	67 079	–	48 419	115 498
Corporate bonds	2 883 044	704 106	75 166	3 662 316
Funds — corporate bond	–	–	44 150	44 150
Government agencies	2 321 741	–	6 460	2 328 201
Government bonds	4 948 713	271 814	342 073	5 562 600
Government mortgage-backed	–	–	74 874	74 874
Index-linked government bonds	155 168	–	–	155 168
Municipal/provincial bonds	494 231	–	43 473	537 704
Non-government-backed collateralized mortgage obligations	4 592	–	–	4 592
<b>Total fixed income</b>	<b>10 874 568</b>	<b>975 920</b>	<b>634 615</b>	<b>12 485 103</b>
Short-term investments	–	–	534 952	534 952

182. Of the unrated fixed income securities totalling \$998.8 million as at 31 December 2016, \$895.1 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to \$103.7 million for which no issuer rating was available from Moody's, seven debt securities, amounting to \$57.0 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch), and another security, amounting to \$46.7 million, was a bond fund and as such was not evaluated by a credit rating agency.

183. Of the unrated fixed income securities totalling \$634.6 million as at 31 December 2015, \$494.8 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their creditworthiness. Of the remaining unrated debt securities amounting to \$139.8 million for which no issuer rating was available from Moody's, six debt securities, amounting to \$95.7 million, were rated investment grade by at least one of the other two rating agencies (Standard & Poor's and Fitch), and another security, amounting to \$44.1 million, was a bond fund and as such was not evaluated by a credit rating agency.

184. All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

## **21.2 Liquidity risk**

185. Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

## **21.3 Market risk**

186. Market risk is the risk of change in the value of plan assets as a result of various market factor movements such as interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted value at risk as a parameter to measure the market risk, in addition to standard deviation and tracking risk. Value at risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also includes risk tolerance for investment risks in the investment policy approved by the Representative of the Secretary-General. On the basis of this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

187. Value at risk (VaR), as a single number, summarizes the portfolio's exposure to market risk as well as the probability of an adverse move, or in other words, level of risk. The main purpose of value at risk is to assess market risks that result from changes in market prices. There are three key characteristics of value at risk: (a) the amount (in percentage or dollar terms); (b) the time horizon (in this case, one year); and (c) the confidence level (in this case, 95 per cent). When reported as 95 per cent confidence, the VaR 95 number (in percentage or in dollar terms) indicates that there is a 95 per cent chance that portfolio losses will not exceed the given VaR 95 number (in percentage or dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5 per

cent of the time when the losses exceed VaR 95. The Fund also reports contribution to risk. Considering the risk of the whole Fund as 100 per cent, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100 per cent). VaR 95 is not additive owing to the diversification effect.

188. The table below depicts four important aspects of risk. It shows volatility or standard deviation in percentage, followed by VaR 95 for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class is contributing to the total Fund risk. Clearly, total Fund risk is 100 per cent and each of the asset classes below indicates the contribution to the risk. Expected shortfall at 5 per cent (because the Fund is indicating VaR at 95 per cent) indicates average value or expected value of losses for the 5 per cent of the time when losses exceed VaR 95.

189. All numbers in the tables below are annualized using historical simulation.

(Percentage)

<i>Asset class</i>	<i>2016</i>			
	<i>Volatility (standard deviation)</i>	<i>VaR (95%)</i>	<i>Contribution to risk</i>	<i>Expected shortfall (5%)</i>
Total fund	8.58	13.10	100.00	20.40
Total equity	11.79	18.74	86.72	28.60
Fixed income	4.71	8.06	0.69	11.29
Cash and short-term	0.91	1.60	0.11	2.13
Real estate	14.74	26.79	8.38	36.32
Private equity	11.62	18.15	3.70	28.49
Commodities	13.52	22.57	0.13	29.93
Infrastructure	14.57	26.75	0.27	35.89

*Note:* Figures are reported from MSCI RiskMetrics as at 31 December 2016.

(Percentage)

<i>Asset class</i>	<i>2015</i>			
	<i>Volatility (standard deviation)</i>	<i>VaR (95%)</i>	<i>Contribution to risk</i>	<i>Expected shortfall (5%)</i>
Total fund	7.64	12.00	100.00	18.04
Total equity	10.51	17.30	87.03	24.86
Minimum volatility equity	9.97	16.13	1.43	23.72
Fixed income	3.56	6.04	0.73	8.77
Cash and short-term	1.48	2.56	0.18	3.51
Real estate	14.30	22.42	6.81	31.31
Private equity	13.77	22.48	3.27	31.54
Commodities	11.94	20.91	0.10	28.64
Infrastructure	13.59	22.56	0.30	31.42
Risk parity	12.82	21.93	1.58	30.98

*Note:* Figures are reported from MSCI RiskMetrics as at 1 January 2016.

*Price risk*

190. The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments, for example, equity securities, are denominated in currencies other than the United States dollar, the price is initially expressed in the non-United States dollar denominated currency and is then converted into United States dollars, which will also fluctuate because of changes in currency exchange rates.

191. As at 31 December 2016 and 31 December 2015, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
Common and preferred stock	31 366 431	29 752 374
Funds — exchange traded funds	2 646 766	2 329 996
Real estate investment trusts	240 075	219 421
Funds — common stock	158 361	165 279
Stapled securities	43 841	34 274
<b>Total equity instruments</b>	<b>34 455 474</b>	<b>32 501 344</b>

192. Considering the total Fund risk as 100 per cent, the contribution to risk due to price risk is 93.4 per cent (2015: 93.2 per cent). For the total price risk, equities contributed 83.9 per cent (2015: 87.7 per cent) to the total Fund price risk and the rest is contributed by all other asset classes.

193. The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sector and benchmarking the sector weights.

194. The Fund's equity investment portfolio by industrial sector in 2016 and 2015 was as follows:

(Percentage)

<i>General industry classification standards</i>	<i>As at 31 December 2016</i>		<i>As at 31 December 2015</i>	
	<i>Fund's equity portfolio</i>	<i>Benchmark</i>	<i>Fund's equity portfolio</i>	<i>Benchmark</i>
Financials	17.22	18.68	19.54	21.52
Information technology	16.29	15.53	14.99	14.87
Consumer discretionary	11.80	12.10	12.59	12.95
Energy	6.47	7.35	5.10	6.19
Health care	11.05	11.05	13.32	12.52
Industrials	8.62	10.63	8.56	10.30
Consumer staples	8.28	9.48	8.67	10.23
Materials	5.05	5.27	3.87	4.53
Telecommunication services	3.11	3.62	3.10	3.72
Utilities	2.39	3.16	2.47	3.17
Real estate	2.01	3.13	—	—
Other	7.71	—	7.79	—
<b>Total</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>

195. The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (on the basis of the counterparty's place of primary listing or, if not listed, place of domicile).

(Percentage)

	2016	2015
North America	57.9	57.1
Europe	19.3	20.7
Asia-Pacific	10.7	11.3
Emerging markets	9.9	8.4
International regions	2.2	2.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### *Currency risk*

196. The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the United States dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates owing to changes in currency exchange rates. Management monitors the exposure to all currencies. The unrealized foreign currency gain/loss is attributable primarily to the fluctuation in currency exchange rates during the period.

197. The Fund does not use hedging to manage its non-United States dollar denominated currency risk exposure because the Fund expects currency impact to net out to zero over a full market cycle, as has been the case historically. Currency risk refers to risk due to foreign exchange rate changes.

198. The tables below illustrate the foreign currency risk exposure of the Fund by class of investment. These summarize the Fund's cash and investments at fair value as at 31 December 2016 and 31 December 2015. Net financial liabilities amounting to \$39.9 million in 2016 (2015 restated: \$79.7 million) not held at fair value (see note 5) are excluded from these tables. Assets held in exchange-traded funds or externally managed specialty funds are included as United States dollar assets.

(Percentage)

<i>Currency</i>	<i>As at 31 December 2016</i>						<i>Total</i>
	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternative and other investments</i>	<i>Short-term</i>	<i>Cash</i>	
United States dollar	38.47	11.49	5.64	2.60	0.25	2.52	60.97
Euro	6.09	3.79	0.46	0.45	0.90	0.02	11.71
Japanese yen	4.75	2.48	0.22	–	–	0.00	7.45
British pound sterling	3.64	0.94	0.17	–	–	0.00	4.75
Canadian dollar	1.97	0.67	0.16	–	–	0.00	2.80
Australian dollar	1.24	0.54	0.31	–	–	0.03	2.12
Hong Kong dollar	2.00	–	–	–	–	0.00	2.00
Swiss franc	1.71	–	–	–	–	0.00	1.71
Republic of Korea won	0.85	0.37	–	–	–	0.00	1.22
Polish zloty	–	0.84	–	–	–	0.09	0.93

<i>As at 31 December 2016</i>							
<i>Currency</i>	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternative and other investments</i>	<i>Short-term</i>	<i>Cash</i>	<i>Total</i>
Mexican peso	0.17	0.53	–	–	–	0.02	0.72
Swedish krona	0.43	0.18	–	–	–	0.11	0.72
Norwegian krone	0.03	0.31	–	–	0.17	0.00	0.51
Indian rupee	0.39	–	–	–	–	0.06	0.45
Brazilian real	0.40	–	–	–	–	0.00	0.40
South African rand	0.34	–	–	–	–	0.00	0.34
Malaysian ringgit	0.10	0.20	–	–	–	0.01	0.31
Singapore dollar	0.23	0.07	–	–	–	0.00	0.30
Danish krone	0.25	–	–	–	–	0.00	0.25
New Zealand dollar	0.01	0.09	–	–	–	0.00	0.10
Philippine peso	0.10	–	–	–	–	0.00	0.10
Turkish lira	0.08	–	–	–	–	0.00	0.08
Chilean peso	–	0.06	–	–	–	0.00	0.06
Hungarian forint	–	–	–	–	–	0.00	0.00
CFA franc	–	–	–	–	–	0.00	0.00
Pakistan rupee	–	–	–	–	–	0.00	0.00
<b>Total</b>	<b>63.25</b>	<b>22.56</b>	<b>6.96</b>	<b>3.05</b>	<b>1.32</b>	<b>2.86</b>	<b>100.00</b>

(Percentage)

<i>As at 31 December 2015</i>							
<i>Currency</i>	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternative and other investments</i>	<i>Short-term</i>	<i>Cash</i>	<i>Total</i>
United States dollar	37.65	12.82	5.13	3.20	0.61	2.21	61.62
Euro	6.05	3.98	0.37	0.34	0.42	0.01	11.17
British pound sterling	3.96	1.24	0.18	–	–	0.35	5.73
Japanese yen	5.00	1.40	0.19	–	–	0.02	6.61
Canadian dollar	1.46	0.70	0.15	–	–	0.01	2.32
Australian dollar	1.24	0.75	0.18	–	–	0.01	2.18
Swiss franc	1.87	–	–	–	–	0.01	1.88
Hong Kong dollar	1.70	–	–	–	–	0.01	1.71
Republic of Korea won	0.76	0.42	–	–	–	0.00	1.18
Polish zloty	0.00	1.03	–	–	–	0.00	1.03
Swedish krona	0.64	0.23	–	–	–	0.00	0.87
Mexican peso	0.19	0.56	–	–	–	0.17	0.92
Malaysian ringgit	0.11	0.30	–	–	–	0.03	0.44
Norwegian krone	0.02	0.38	–	–	–	0.00	0.40
Indian rupee	0.48	–	–	–	–	0.00	0.48
Singapore dollar	0.25	0.07	–	–	–	0.00	0.32
Brazilian real	0.15	0.00	–	–	–	0.00	0.15
South African rand	0.26	–	–	–	–	0.00	0.26

<i>As at 31 December 2015</i>							
<i>Currency</i>	<i>Equity</i>	<i>Fixed income</i>	<i>Real assets</i>	<i>Alternative and other investments</i>	<i>Short-term</i>	<i>Cash</i>	<i>Total</i>
Danish krone	0.37	–	–	–	–	–	0.37
Turkish lira	0.07	–	–	–	–	0.03	0.10
Philippine peso	0.15	–	–	–	–	–	0.15
New Zealand dollar	0.00	0.10	–	–	–	0.01	0.11
Hungarian forint	0.00	–	–	–	–	–	0.00
Pakistan rupee	–	–	–	–	–	0.00	0.00
CFA franc	–	–	–	–	–	0.00	0.00
<b>Total</b>	<b>62.38</b>	<b>23.98</b>	<b>6.20</b>	<b>3.54</b>	<b>1.03</b>	<b>2.87</b>	<b>100.00</b>

### *Interest rate risk*

199. Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed interest rate securities, floating rate debt, cash and cash equivalents that expose the Fund to interest rate risk.

200. The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Global Aggregate Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

(Percentage)

	<i>2016</i>		<i>2015</i>	
	<i>Fund</i>	<i>Benchmark</i>	<i>Fund</i>	<i>Benchmark</i>
Effective duration	6.81	6.90	3.65	6.60

201. Effective duration is the sensitivity to interest rates. This means if the interest rate changes by 1 per cent, the Fund can lose or gain approximately 6.8 per cent (2015: 3.6 per cent) compared with the benchmark, which can lose or gain approximately 6.9 per cent (2015: 6.6 per cent). This primarily arises from the increase/decrease in the fair value of fixed interest securities.

## **Note 22**

### **Budget information**

#### **22.1 Movement between original and final budgets**

(Thousands of United States dollars)

	<i>Initial appropriation 2016</i>	<i>2015 budget balance carried forward</i>	<i>Approved increases/decreases</i>	<i>Final appropriation 2016</i>
Administrative costs	45 772	–	–	45 772
Investment costs	42 435	–	–	42 435
Audit costs	1 475	–	–	1 475
Board expenses	477	–	–	477
<b>Total</b>	<b>90 159</b>	<b>–</b>	<b>–</b>	<b>90 159</b>

202. In its resolution 71/265, the General Assembly approved the appropriation for the biennium 2016-2017.

## 22.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

203. Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified as follows:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in note 3.14;

(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for the Pension Fund for the purpose of comparison of budget and actual amounts;

(c) Entity differences, which occur when the budget omits programmes or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for the Pension Fund.

(Thousands of United States dollars)

	2016	2015
<b>Actual amount on a comparable basis</b>	<b>58 363</b>	<b>55 846</b>
<b>Basis differences</b>		
Asset additions/disposals	(2 930)	(6 974)
Depreciation, amortization and impairment	8 142	4 120
Unliquidated obligations	1 159	11 594
Prepayments	289	(407)
Employee benefits	6 333	(6 674)
Other accruals	3 408	(836)
<b>Actual amount for administrative expenses in the statement of changes in net assets available for benefits</b>	<b>74 764</b>	<b>56 669</b>

204. The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- *Depreciation expense.* Fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated over their useful lives on an IPSAS basis. Only depreciation expense is recognized over the useful lives of the asset whereas the total expense is recognized on a budget basis at the time of acquisition.
- *Expense recognition.* On a budget basis expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.
- *Employee benefits.* On a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of the time of payment. IPSAS therefore recognizes

expenses for post-employment benefits such as after-service health insurance, annual leave or repatriation benefits.

### Note 23

#### Funds under management

205. Funds under management are defined as other United Nations funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

206. Pursuant to General Assembly resolution 2951 establishing the United Nations University and Assembly resolution 3081 and article IX of the charter of the University (A/9149/Add.2), the Investment Management Division provides oversight services for the investments of the United Nations University Endowment Fund that are currently outsourced to Nikko Asset Management with a separate custodian bank. Formal arrangements between the Investment Management Division and the Endowment Fund regarding these services have been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the Pension Fund, which are maintained separately. The costs of Investment Management Division management advisory fees amounting to \$50,000 per year are reimbursed by the Endowment Fund to the Division and recorded as other income.

### Note 24

#### Related party transactions

##### Key management personnel

207. Details of the remuneration to key management personnel by the Fund for the years ended 31 December 2016 and 31 December 2015 are as follows:

	Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration	Outstanding advances against entitlements	Outstanding loans
		<i>(Thousands of United States dollars)</i>					
2016	5	907	129	208	1 244	–	–
2015	5	848	67	192	1 107	–	–

208. Key management personnel are the Chief Executive Officer, the Representative of the Secretary-General, the Deputy Chief Executive Officer, the Director of the Investment Management Division and the Chief Financial Officer as they have the authority and responsibility for planning, directing and controlling the activities of the Pension Fund.

209. The aggregate remuneration paid to key management personnel includes net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, costs of shipment of personal effects and employer pension and current health insurance contributions.

210. There were no outstanding advances against entitlements of key management personnel as at 31 December 2016.

211. Key management personnel are also qualified for post-employment benefits (see note 11) at the same level as other employees. The actuarial valuation of the benefits for the key management personnel are as follows:

(Thousands of United States dollars)

	<i>31 December 2016</i>	<i>31 December 2015</i>
After-service health insurance	1 203	1 095
Repatriation grant	80	78
Annual leave	105	105
Death benefit	2	2
<b>Total</b>	<b>1 390</b>	<b>1 280</b>

**Other related parties**

212. While no transactions occurred with the parties listed below, they are considered as related parties and a summary of the Fund's relationship with these parties is provided.

*General Assembly*

213. The General Assembly is the highest legislative body for the Fund. It reviews reports submitted by the Pension Board, approves the budget of the Fund, decides on the admittance of new member organizations to the Fund and amends the Regulations of the Fund.

*Twenty-three member organizations participating in the Fund*

214. The member organizations of the Fund (which are international intergovernmental organizations) join the Fund by decision of the General Assembly and at the time of admission agree to adhere to the Regulations of the Fund. Each member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the Fund's administration.

*United Nations International Computing Centre*

215. The United Nations International Computing Centre was established in January 1971 pursuant to General Assembly resolution 2741 (XXV). The Centre provides information technology and communications services to partners and users in the United Nations system. As a partner bound by the mandate of the Centre, the Fund would be proportionately responsible for any third-party claim or liability arising from or related to service activities of the Centre, as specified in the Centre's mandate. As at 31 December 2016, there were no known claims having an impact on the Fund. Ownership of assets is with the Centre until dissolution. Upon dissolution, the division of all assets and liabilities among partner organizations shall be agreed by the Management Committee by a formula defined at that time.

216. The role of the Centre is:

- To provide information technology services on a full cost-recovery basis
- To assist in exploiting networking and computing technology
- To provide information management services
- To advise on questions related to information management
- To provide specialized training

**Note 25****Restatement and comparative numbers**

217. Immediately after the implementation of the Integrated Pension Administration System, the Fund experienced a substantial surge in new benefit cases submitted to the Fund for processing. This resulted in delays in the processing of new benefit cases and affected benefits payable for the years 2016 and 2015. The surge in the number of separations was associated with the downsizing of United Nations peacekeeping missions as well as efforts by member organizations to complete outstanding separations. At the time of closing of the prior year financial statements, the Fund estimated the outstanding cases as at 31 December 2015 at \$50.6 million on the basis of the best information available at the time. However, on the basis of the analysis of benefit expenses for the current year financial statement and considering the volume of “in transit” cases sent by employing entities to the Fund (a significant proportion of which was sent 120 days or more after the date of separation), the outstanding benefit expenses as at 31 December 2015 amounted to \$187.4 million.

218. To reflect the additional information pertaining to the year 2015 gathered subsequent to the issuance of the 2015 financial statements and enhance the comparability of the information provided, the Fund has restated its previously issued financial statement for the year 2015. Taking the new estimate of benefit expenses for 2015 into account, total benefit liabilities as at 31 December 2015 amount to \$226.4 million rather than \$89.6 million as previously reported, and benefit expenses amount to \$2,498.0 million rather than \$2.361.1 million as previously reported.

219. The change in benefits payable is as follows:

(Thousands of United States dollars)

	<i>Previously reported 31 December 2015</i>	<i>Adjustment</i>	<i>Restated 31 December 2015</i>
Withdrawal settlements	35 896	54 277	90 173
Lump sum payments	15 228	69 094	84 322
Periodic benefits payable	38 527	13 456	51 983
Other benefits payable	(57)	–	(57)
<b>Total</b>	<b>89 594</b>	<b>136 827</b>	<b>226 421</b>

220. The change in benefit expenses is as follows:

(Thousands of United States dollars)

	<i>Previously reported 31 December 2015</i>	<i>Adjustment</i>	<i>Restated 31 December 2015</i>
<b>Withdrawal settlements and full commutation of benefits</b>			
For contributory service of five years or less	49 961	5 226	55 187
For contributory service of more than five years	88 990	49 051	138 041
	<b>138 951</b>	<b>54 277</b>	<b>193 228</b>
<b>Retirement benefits</b>			
Full retirement benefits	1 192 463	57 171	1 249 634
Early retirement benefits	622 854	20 407	643 261
Deferred retirement benefits	90 020	486	90 506
Disability benefits	63 290	619	63 909
Survivor benefits	228 027	3 582	231 609
Child benefits	25 765	285	26 050
	<b>2 222 419</b>	<b>82 550</b>	<b>2 304 969</b>
<b>Other benefits/adjustments</b>			
Payments for participants transferred out under agreements	141	–	141
Other benefits/adjustments	(380)	–	(380)
	(239)	–	(239)
<b>Total benefit expenses for the period</b>	<b>2 361 131</b>	<b>136 827</b>	<b>2 497 958</b>

**Note 26****Subsequent events**

221. At the time of issuance of the financial statements, the management of the Fund is not aware of any reportable event after the reporting date in accordance with IPSAS 14.

## Appendix

### Statistics on the operations of the United Nations Joint Staff Pension Fund

Table 1  
Number of participants

Member organization	Participants as at 31 December 2015	New entrants	Transfers			Participants as at 31 December 2016	Percentage increase/ (decrease)
			In	Out	Separations		
United Nations <sup>a</sup>	86 880	7 577	209	234	7 321	87 111	0.3
International Labour Organization	3 760	373	28	20	435	3 706	(1.4)
Food and Agriculture Organization of the United Nations	10 062	1 025	70	93	746	10 318	2.5
United Nations Educational, Scientific and Cultural Organization	2 445	156	9	15	183	2 412	(1.3)
World Health Organization	10 536	1 105	76	55	938	10 724	1.8
International Civil Aviation Organization	787	84	7	6	74	798	1.4
World Meteorological Organization	350	25	6	3	27	351	0.3
International Atomic Energy Agency	2 666	210	16	14	197	2 681	0.6
International Maritime Organization	284	14	3	3	14	284	0.0
International Telecommunication Union	779	29	7	4	43	768	(1.4)
World Intellectual Property Organization	1 233	66	12	10	76	1 225	(0.6)
International Fund for Agricultural Development	578	35	11	5	24	595	2.9
International Centre for the Study of the Preservation and Restoration of Cultural Property	33	5	–	–	1	37	12.1
European and Mediterranean Plant Protection Organization	17	2	–	–	1	18	5.9
International Centre for Genetic Engineering and Biotechnology	171	11	–	–	14	168	(1.8)
World Tourism Organization	97	4	–	2	8	91	(6.2)
International Tribunal for the Law of the Sea	38	3	2	–	4	39	2.6
International Seabed Authority	33	2	–	–	–	35	6.1
United Nations Industrial Development Organization	697	29	1	6	52	669	(4.0)
International Criminal Court	1 004	136	35	10	66	1 099	9.5
Inter-Parliamentary Union	46	2	–	–	1	47	2.2
International Organization for Migration	3 924	1 029	18	19	328	4 624	17.8
Special Tribunal for Lebanon	472	42	10	21	41	462	(2.1)
<b>Total</b>	<b>126 892</b>	<b>11 964</b>	<b>520</b>	<b>520</b>	<b>10 594</b>	<b>128 262</b>	<b>1.1</b>

<sup>a</sup> United Nations Headquarters, regional offices and all funds and programmes.

Table 2  
**Benefits awarded to participants or their beneficiaries during the year ended 31 December 2016**

Member organization	Number of benefits awarded												Total
	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child benefit	Widow and widower benefit	Other death benefit	Disability benefit	Secondary dependent benefit	Transfer under agreement		
				Under 5 years	Over 5 years								
United Nations <sup>a</sup>	1 247	572	121	2 842	2 221	1 240	83	24	83	2	–	8 435	
International Labour Organization	98	34	5	234	55	54	2	–	4	–	–	486	
Food and Agriculture Organization of the United Nations	200	119	6	271	113	220	9	2	11	–	–	951	
United Nations Educational, Scientific and Cultural Organization	72	19	5	59	17	28	6	–	5	–	–	211	
World Health Organization	294	93	33	363	128	257	15	1	9	–	–	1 193	
International Civil Aviation Organization	29	11	5	25	4	1	–	–	–	–	–	75	
World Meteorological Organization	10	2	–	10	2	2	–	–	3	–	–	29	
International Atomic Energy Agency	64	45	7	62	11	32	2	–	7	–	–	230	
International Maritime Organization	10	3	–	–	1	1	–	–	–	–	–	15	
International Telecommunication Union	14	5	–	17	2	8	1	1	4	–	–	52	
World Intellectual Property Organization	22	15	2	26	6	8	1	–	5	–	–	85	
International Fund for Agricultural Development	12	2	–	4	1	8	–	–	2	–	–	29	
International Centre for the Study of the Preservation and Restoration of Cultural Property	1	–	–	–	–	–	–	–	–	–	–	1	
European and Mediterranean Plant Protection Organization	–	1	–	–	–	–	–	–	–	–	–	1	
International Centre for Genetic Engineering and Biotechnology	3	3	3	2	3	–	–	–	–	–	–	14	
World Tourism Organization	3	3	1	1	–	1	–	–	–	–	–	9	
International Tribunal for the Law of the Sea	3	–	–	–	–	3	–	–	1	–	–	7	
International Seabed Authority	–	–	–	–	–	–	–	–	–	–	–	–	
United Nations Industrial Development Organization	28	9	2	10	4	7	1	2	–	–	–	63	
International Criminal Court	5	4	–	28	21	4	1	–	1	–	–	64	
Inter-Parliamentary Union	1	–	–	–	–	–	–	–	–	–	–	1	
International Organization for Migration	13	6	6	208	77	14	3	1	3	–	–	331	
Special Tribunal for Lebanon	2	4	1	24	4	5	–	–	–	–	–	40	
<b>Total</b>	<b>2 131</b>	<b>950</b>	<b>197</b>	<b>4 186</b>	<b>2 670</b>	<b>1 893</b>	<b>124</b>	<b>31</b>	<b>138</b>	<b>2</b>	<b>–</b>	<b>12 322</b>	

<sup>a</sup> United Nations Headquarters, regional offices and all funds and programmes.

Table 3  
**Analysis of periodic benefits for the year ended 31 December 2016**

<i>Type of benefit</i>	<i>Total as at 31 December 2015</i>	<i>New</i>	<i>Benefits discontinued, resulting in award of survivor benefit</i>	<i>All other benefits discontinued</i>	<i>Total as at 31 December 2016</i>
Retirement	26 275	2 131	(287)	(455)	27 664
Early retirement	15 525	950	(149)	(216)	16 110
Deferred retirement	7 536	197	(35)	(150)	7 548
Widow	10 843	107	679	(390)	11 239
Widower	901	17	75	(25)	968
Disability	1 409	138	(21)	(26)	1 500
Child	8 947	1 893	–	(1 119)	9 721
Secondary dependant	38	2	2	(4)	38
<b>Total</b>	<b>71 474</b>	<b>5 435</b>	<b>264</b>	<b>(2 385)</b>	<b>74 788</b>

## Annex VI

### **Report of the Board of Auditors on the financial statements: audit opinion**

#### **Opinion**

We have audited the financial statements of the United Nations Joint Staff Pension Fund, which comprise the statement of net assets available for benefits (statement I) as at 31 December 2016 and the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III) and the statement of comparison of budget and actual amounts (statement IV) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the United Nations Joint Staff Pension Fund as at 31 December 2016 and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26.

#### **Basis for opinion**

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the United Nations Joint Staff Pension Fund, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Information other than the financial statements and the auditor’s report thereon**

Management is responsible for the other information, which comprises the financial report for the year ended 31 December 2016, contained in chapter IV below, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and International Accounting Standard 26 and for such internal control as management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the United Nations Joint Staff Pension Fund to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless management intends either to liquidate the United Nations Joint Staff Pension Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the United Nations Joint Staff Pension Fund.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the United Nations Joint Staff Pension Fund.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Draw conclusions as to the appropriateness of management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the United Nations Joint Staff Pension Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit

evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the United Nations Joint Staff Pension Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

#### **Report on other legal and regulatory requirements**

Furthermore, in our opinion, the transactions of the United Nations Joint Staff Pension Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules of the United Nations Joint Staff Pension Fund and their legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

*(Signed)* Shashi Kant **Sharma**  
Comptroller and Auditor General of India  
Chair of the Board of Auditors  
(Lead Auditor)

*(Signed)* Mussa Juma **Assad**  
Controller and Auditor General of the  
United Republic of Tanzania

*(Signed)* Kay **Scheller**  
President of the German Federal Court of Auditors

30 June 2017

## Long-form report of the Board of Auditors

### *Summary*

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 other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board.

The Board of Auditors (the Board) audited the financial statements of the United Nations Joint Staff Pension Fund (the Fund) and reviewed its operations for the year ended 31 December 2016 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952 and in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the Fund as at 31 December 2016 and were in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard (IAS) 26. The audit was carried out through a review of the financial transactions and operations at the Fund's headquarters in New York, covering both the Investment Management Division and the secretariat of the Fund. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

### **Audit opinion**

The Board issued an unqualified opinion on the financial statements of the Fund as reflected in chapter I of the present report.

### **Overall conclusion**

The Fund has successfully prepared financial statements in accordance with IAS 26 and following the provisions of IPSAS since 2012. While there were no material deficiencies in the financial statements prepared by the Fund, the Board identified scope for improvements in the disclosures in the notes to the financial statements that would enhance the completeness and transparency of the information provided to the stakeholders. The Board observed that the information supplied to the actuary for valuation of pension benefits payable as at 31 December 2015 was inconsistent with the data provided with the financial statements.

The Fund needs to strengthen the risk management and control processes besides the investment strategy to achieve the minimum long-term required return of 3.5 per cent to achieve fully-funded status. The Fund should also take steps to improve the performance of its investments and reduce foreign currency losses. There is also scope for improvement in processing pension benefits and client services, particularly in redressing the complaints of the beneficiaries. The Fund should take proactive steps in collaboration with member organizations to expedite the receipt of the documents required for calculating and awarding pension benefits. There is also a need to streamline the procedures for obtaining the certificate of entitlement and the reconciliation of contributions received from member organizations.

**Key findings***Actuarial valuation*

Article 12 of the Regulations of the Fund provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. On the basis of the examination of the actuarial valuation, the Board found anomalies in the data supplied to actuaries for making calculations. The number of participants indicated in the financial statements for 2015 was 126,892, whereas in the actuaries' report the number cited was 114,375. The number of benefits disbursed to the retired participants by the Fund was 71,474 in the financial statements for 2015, whereas the corresponding figure in the actuaries' report was 75,299. Therefore, the Board opined that the valuation done by the actuary was based on inconsistent data and was not reliable. On this being pointed out, the Fund decided not to use the actuarial valuation for disclosure in the notes to the financial statements and instead roll forward the previous actuarial valuation as at 31 December 2013 to 31 December 2016.

**Investment Management Division***Risk management*

In April 2017, the Fund subclassified the risk budget for fixed income at the currency and duration levels. However, for the equities, the risk budget has been allocated only on the basis of equity portfolio by region, and no suballocation between countries or currencies has been made. The Board also observed that no risk budget has been prepared for real assets, alternative investments and cash and cash equivalents.

*Foreign currency losses*

The Fund has been experiencing foreign currency losses since 2013, which has resulted in a total foreign currency loss of \$4.68 billion. The foreign currency losses are in all asset classes during 2016. The Board in its previous audits had raised concern over the foreign currency losses and had recommended employing suitable procedures and tools to mitigate them. The Fund informed the Board that procurement of an expert is under way to conduct a formal currency study, which would include a review of foreign currency exposure and related tools.

*Business continuity and disaster recovery planning*

The disaster recovery protocols were enabled in the Investment Management Division only for services related to portfolio management, trade execution, financial analytical systems, accounting, trade matching and settlement, and risk and compliance. The protocol for services related to information technology/operations was not enabled.

The Investment Management Division has not carried out a business impact analysis study. Furthermore, the business continuity and disaster recovery plan does not define the recovery time objectives for all critical applications.

**Benefits payment management***Implementation of the Integrated Pension Administration System*

The Board observed various issues in the implementation of the Integrated Pension Administration System, as indicated below:

- (a) Manual interventions are required at many steps in the processing of a case;
- (b) The input controls are not enforced;
- (c) Limited utility of the employer self-service and the member self-service modules;
- (d) Incomplete migration of the data to the Integrated Pension Administration System;
- (e) Lack of inbuilt management information system reports.

*Time taken to process the benefits in the Integrated Pension Administration System*

In 2016, the Fund processed 27 per cent of cases within the benchmark of 15 business days.

*Client grievance redressal system*

In the absence of a documented client grievance redressal mechanism, there is no guidance on segregation, prioritization or the timeline for the disposal of queries. There is no centralized system to register the queries by giving each one a unique serially controlled tracking number. It is therefore not possible to monitor the action taken and the resolution of the issue raised in the query. There is no reporting system in place with respect to monitoring the status of queries.

**Main recommendations**

The Board recommends that the United Nations Joint Staff Pension Fund:

- (a) **Strengthen its internal control procedure to ensure the accuracy of data before sending them for the actuarial valuation and carry out a fresh actuarial valuation as at 31 December 2017;**
- (b) **Prepare a detailed risk budget for all categories of the assets;**
- (c) **Expedite the currency study so as to further strengthen foreign currency management and control and reduce risks by employing suitable strategies;**
- (d) **Update the business continuity and disaster recovery plan in the Investment Management Division by including all the critical applications, determine recovery time objectives for all critical applications and carry out a business impact analysis study in view of the criticality of its operations;**
- (e) **(i) Explore the possibility of further automating various steps in benefits processing; (ii) build input controls to ensure standardized information in the Integrated Pension Administration System; (iii) enhance the functionalities of the member self-service and employer self-service modules; and (iv) resolve data issues resulting from the migration to the Integrated Pension Administration System;**
- (f) **Prescribe a time frame for processing each type of entitlement or benefit;**
- (g) **Document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.**

*Implementation of outstanding recommendations*

The Board followed up on the 26 outstanding recommendations up to the year ended 31 December 2015 and noted that 5 (19 per cent) had been fully implemented and 21 (81 per cent) were under implementation.

**Key facts**

<b>23</b>	Number of member organizations
<b>128,262</b>	Participants in the Fund (2015: 126,892 participants)
<b>74,778</b>	Benefits paid in 2016 (2015: 71,474)
<b>\$54.73 billion</b>	Total assets (2015: \$52.45 billion)
<b>\$237.64 million</b>	Total liabilities (2015: \$320.21 million) <sup>a</sup>
<b>\$54.49 billion</b>	Net assets available for benefits (2015: \$52.13 billion)
<b>\$2.67 billion</b>	Investment income (2015: investment loss of \$458.26 million)
<b>3.1 per cent</b>	Inflation-adjusted real return for 2016 (2015: (-) 1.7 per cent)

<sup>a</sup> The financial statements for 2015 have been restated.

## A. Mandate, scope and methodology

1. The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly to provide retirement, death, disability and related benefits for the staff of the United Nations and other organizations admitted to the membership of the Fund. It is administered by the United Nations Joint Staff Pension Board and currently has 23 participating organizations, including the United Nations. The Fund is a multiple employer, defined benefit plan.

2. The Board of Auditors (the Board) has audited the financial statements of the United Nations Joint Staff Pension Fund (the Fund) and has reviewed its operations for the year ended 31 December 2016 in accordance with General Assembly resolutions 74 (I) of 1946 and 680 (VII) of 1952. The audit was conducted in conformity with article VII of the Financial Regulations and Rules of the United Nations and the International Standards on Auditing. Those standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements presented fairly the financial position of the United Nations Joint Staff Pension Fund as at 31 December 2016 and its financial performance for the year then ended, in accordance with IPSAS and IAS 26. This included an assessment as to whether the expenses recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether income and expenses had been properly classified and recorded. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. In addition to the audit of the accounts and financial transactions, the Board reviewed the operations of the Fund under financial regulation 7.5 of the Financial Regulations and Rules of the United Nations. This allows the Board to make observations with respect to compliance on the financial procedures, the accounting system, internal financial controls and, in general, the administration and management of the Fund operations.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's observations and

conclusions were discussed with management, whose views have been appropriately reflected in the report.

## B. Findings and recommendations

### 1. Follow-up to previous recommendations

6. The Board followed up on the 26 outstanding recommendations up to the year ended 31 December 2015 and noted that only 5 (19 per cent; in 2015: 25 per cent) had been fully implemented and 21 (81 per cent; in 2015: 58 per cent) were under implementation. The details are provided in the annex.

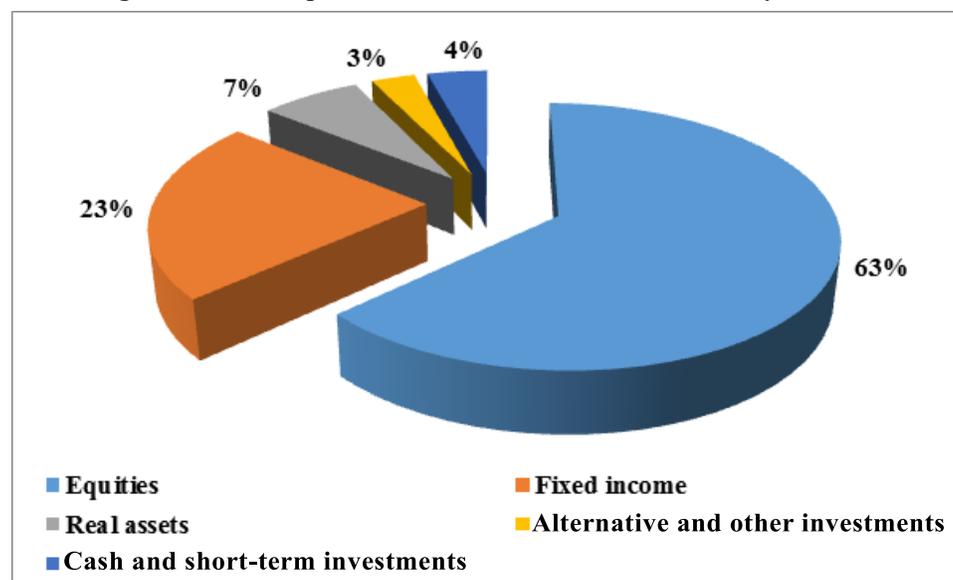
7. There are important recommendations related to investment management and pension processing that are under implementation. The Board views the slow progress in the implementation of recommendations as an area of concern. The Fund noted the Board's concern for the slow progress on the implementation of recommendations. It stated that outstanding recommendations relate to issues that require major structural changes and the participation of external organizations, which are not under the control of the Fund.

### 2. Financial overview

8. As at 31 December 2016, the total assets of the Fund amounted to \$54.73 billion (2015: \$52.45 billion) and the total liabilities amounted to \$237.64 million (2015: \$320.21 million), making net assets available for benefits of \$54.49 billion (2015: \$52.13 billion). This represented an increase of \$2.36 billion compared with a decrease of \$753.46 million in 2015. The fair value of the total investment by the Fund was \$54.51 billion, comprising \$34.46 billion equities, \$12.31 billion fixed income, \$3.8 billion real assets, \$1.66 billion alternative and other investments and \$2.29 billion cash and short-term investments. The percentage share of each component in the total investment is shown in figure II.I below.

Figure II.I

#### Percentage share of components in the total investment in the year 2016

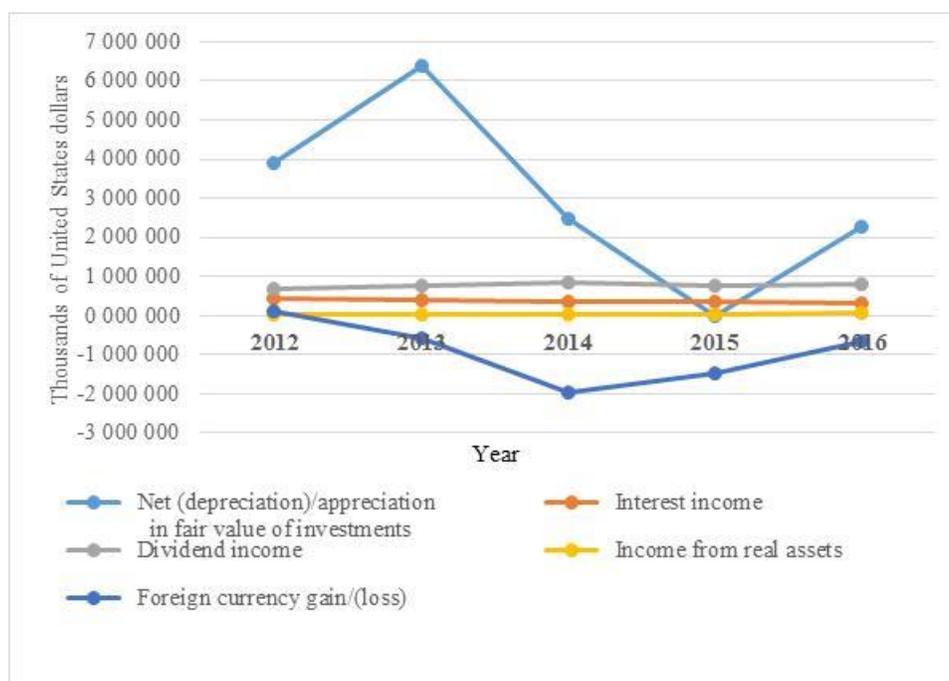


Source: Financial overview.

9. The total income,<sup>3</sup> including contributions to the Fund, in 2016 was \$4.94 billion (2015: \$1.81 billion), comprising investment income of \$2.67 billion (2015: loss of \$458.26 million), contributions of \$2.27 billion (2015: \$2.26 billion) and other income of \$3.37 million (2015: \$8.53 million). Expenses (comprising benefits payments, administrative expenses and other expenses) amounted to \$2.59 billion (2015: \$2.56 billion).

10. In the year 2016, the fair value of the investments appreciated by \$2.26 billion (depreciation in 2015: \$18.13 million) and there was a foreign currency loss of \$679.88 million (2015: \$1.49 billion). The different components of investment income are shown in figure II.II below.

Figure II.II  
Components of investment income, 2012-2016



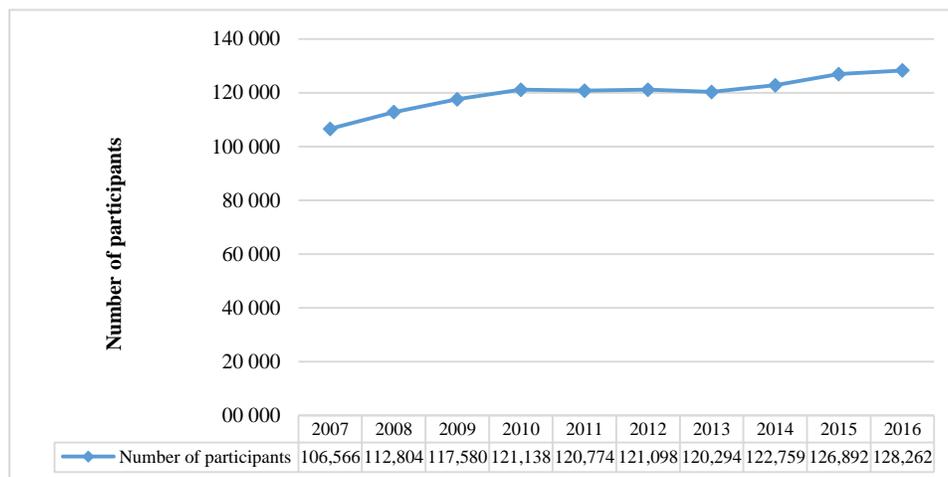
Source: United Nations Joint Staff Pension Fund financial statements.

11. The Fund return (nominal) for the year 2016 was at 5.19 per cent versus 6.90 per cent for the policy benchmark. The inflation-adjusted real return was 3.1 per cent against the required 3.5 per cent set as a long-term investment goal.

12. As at 31 December 2016, the Fund had 128,262 participants compared with 126,892 participants in 2015, an increase of about 1.08 per cent. The number of periodic benefits as at 31 December 2016 was 74,788 compared with 71,474 in 2015, an increase of 4.64 per cent. The number of participants over the past 10 years is shown in figure II.III below.

<sup>3</sup> Includes net appreciation in the fair value of investments.

Figure II.III  
Number of participants, 2007-2016



Source: United Nations Joint Staff Pension Fund financial statements and annual report.

### 3. Financial statements

#### *Actuarial valuation*

13. Article 12 of the Regulations of the Fund provides that the Pension Board shall have an actuarial valuation made by the Fund at least once every three years. It also provides that the actuarial report shall state the assumptions on which calculations are based, describe the methods of valuation used and state the results. Currently, the Fund is carrying out an actuarial valuation every two years; the most recent such valuation was done as at 31 December 2015. It was extrapolated to reflect the position as at 31 December 2016.

14. The assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty-second session, held in July 2015. On the basis of these assumptions, changes required to be made on the basis of realities on the ground (an increase in the normal retirement age and an increase in eligibility for early retirement) and the employee data provided by the Fund, the actuary makes the calculations.

15. In its previous report (A/71/5/Add.16, chaps. I-II), the Board stated that the Fund had presented the 2015 financial statements on the basis of the actuarial report for 2013, which was the most recent report available at the time of preparation of the 2015 financial statements. The Board observed that the Fund should have normally obtained the actuarial report in time to be incorporated into the 2015 financial statements. The Board had then been unable to audit the results of the actuarial evaluation of 2015 owing to its late submission.

16. The Board reviewed the actuarial valuation during its audit of the 2016 financial statements. The Board observed anomalies in the data supplied to actuaries for making calculations. The number of participants shown in the financial statements for 2015 was 126,892, while in the actuarial report it was 114,375. The number of benefits of retired participants was 71,474 in the financial statements for 2015, while the corresponding figure in the actuarial report was 75,299.

17. The Fund accepted the Board's observations and decided to roll forward the previous actuarial valuation, made on the basis of the census data as at 31 December 2013, to the year ended 31 December 2016. The Fund contended that it would

provide a better estimate of the actuarial present value of the promised retirement benefit. The Board noted that 2016 would be the fourth year in which the actuarial valuation with data from 2013 was used.

18. The Board noted that the Fund needs to strengthen the internal control procedure and to ensure that accurate data are supplied to the actuary. The Board also observed that the actuarial present value of accumulated retirement plan benefits with pension adjustment, based on the census data as at 31 December 2013 rolled forward to 31 December 2016, was \$53.72 billion instead of \$51.63 billion as calculated by the actuary with inconsistent data. This has resulted in an increase in the valuation of the pension obligations by \$2.1 billion.

**19. The Board recommends that the Fund strengthen its internal control procedure to ensure the accuracy of data before sending them for the actuarial valuation and carry out a fresh actuarial valuation as at 31 December 2017.**

20. The Fund accepted the recommendation.

#### *Benefits payable*

21. Pursuant to paragraph 22 (c) of IPSAS 19: Provisions, contingent liabilities and contingent assets, a provision should be recognized in the financial statement when a reliable estimate can be made of the amount of the obligation. The Fund pays different benefits to its participants in accordance with its Regulations. The Fund made provision for benefits payable in the financial statements for the participants who are eligible for entitlements during the year but could not receive them in the same financial year.

22. The Board noticed that the Fund had made provision for benefits payable amounting to \$79.76 million for cases pertaining to 2016 and earlier periods but finalized during 2016. However, the Fund had excluded benefits payable of \$10.57 million for which the calculation had already been made but that were not ready for release or awaiting audit by the Fund.

23. The Fund accepted the audit contention and carried out the necessary rectification in its financial statements.

#### *Prior period expenses*

24. The Fund recorded benefits payments amounting to \$136.8 million pertaining to the cases processed in 2015 as an expense in 2016, which is not correct.

25. The Fund accepted the audit contention and made the correction in the financial statements.

#### *Withholding tax receivables*

26. The Fund is exempt from direct taxes on investment income from member countries, in accordance with Article 105 of the Charter of the United Nations and article II, section 7 (a), of the Convention on the Privileges and Immunities of the United Nations. The Fund invests in different kinds of securities in different countries. While receiving the dividend or interest from such investment, some of the countries withhold tax on such interest or dividend. The withholding taxes are divided into two categories: (a) direct tax withholdings; and (b) other tax withholdings, such as for transactions in depositary receipts, security transaction tax and stamp duty. The direct tax withholding is accounted as receivable every year. The other tax withholding, such as security transaction tax, stamp duty and tax related to depositary receipts is treated as expenses in the current year itself.

27. The Fund files tax returns in those countries to recover such receivables and a full or certain portion of the tax deducted is recovered every year. The remaining portion yet to be recovered is shown as withholding tax receivable. Total withheld tax accounted by the Fund until 31 December 2016 was \$20.735 million, against which a provision for non-receivable tax was made for an amount of \$10.234 million. In this connection, the Board carried out an analysis of the accounting of the withholding tax for the six-year period from 2011 to 2016 and observed that the Fund had not uniformly followed the accounting policy to account and provide for the withholding tax receivable from each country. For example, in the case of tax receivables from a country, provision for non-receivable tax was made for the full amount during the years 2011, 2012 and 2016, whereas during the years 2013 to 2015 no provision was made even though the receivables had aged more than two years. Similarly, in the case of another country where the withholding tax falls into category (b) and thus should be expensed, the Fund shows part of the tax as recoverable, on the advice of its consultant.

28. The Fund replied that it analyses each case from the point of tax recoverability, and the policy should not be construed as inconsistent accounting.

29. The Board noted that the accounting policy followed by the Fund for withholding tax was not fully disclosed in the notes to the financial statements. Furthermore, the Board noted that there was no consistency in the country-specific accounting of the tax withholding.

**30. The Board recommends that the Fund make an appropriate disclosure of the accounting treatment of the tax withholding in the notes to the financial statements.**

31. The Fund accepted the recommendation and agreed to review its policy and the disclosure of the accounting treatment of the tax withholding in the notes to the financial statements.

**32. The Board also recommends that the Fund prepare and follow a consistent accounting policy for creating provisions for the receivables for the tax withholdings.**

33. The Fund accepted the recommendation.

#### **4. Investment management**

34. The Investment Management Division is headed by the Representative of the Secretary-General for the investment of the assets of the Fund. The Board reviewed the mechanism in place for the formulation and implementation of the investment strategy, policies and decision-making processes being followed by the Fund in order to assess whether the Fund had appropriately addressed the associated risks, its performance against established benchmarks and the target rates of return required to meet expected pension obligations. The Board's findings on the functioning of the Investment Management Division are discussed in the paragraphs below.

##### *Risk management in the Investment Management Division*

35. The risk management manual sets forth the investment policy risk controls for the risk management programme. The risk management group is responsible for advising investment staff on risk management efforts and for selecting, maintaining and enhancing the risk management tools; reporting on investment risks and associated returns to the investment staff and the Investments Committee; and monitoring compliance with the policy, among other things.

36. In accordance with paragraph 58 of its investment policy statement for 2016, the Investment Management Division will determine and monitor risk budgets, the objective of which is to allocate risk among asset classes and portfolios, and conduct risk monitoring. The risk budget needs to be further broken down to sublevels of each asset class so as to ensure effective risk monitoring. The Board observed that in April 2017, the Fund subclassified the risk budget for fixed income at the currency and duration levels. However, for the equities, the risk budget has been allocated only on the basis of the equity portfolio by region, and no suballocation between countries or currencies has been made. The Board also observed that no risk budget has been prepared for real assets, alternative investments and cash and cash equivalents.

37. The Fund replied that at the total Fund level, tracking risk calculation includes the returns of all asset classes and the policy benchmark. However, the risk group is currently working towards deriving a risk budget at the individual asset class level for the real assets and alternative investments.

38. The Risk and Compliance Section is headed by the Deputy Director (Risk and Compliance) and is supported by two Risk Officers and two Compliance Officers. The Board observed that the post of Deputy Director had been vacant since October 2015. Additionally, both posts of Compliance Officer were vacant as at April 2017. The Fund informed the Board that the Director of the Investment Management Division is assuming the responsibility of the Deputy Director (Risk and Compliance) until the vacancy is filled. The Board noted that officiating a post such as Deputy Director (Risk and Compliance) for a long duration would affect the monitoring responsibility of the Director of the Investment Management Division. The vacancies for the post of Deputy Director (Risk and Compliance) and both posts of Compliance Officer would limit risk monitoring and active risk management.

39. In its previous report, the Board recommended that the Fund, while filling the vacancies at the senior levels at the earliest opportunity, draw up a succession plan that foresees and addresses the changes that will occur when senior positions become vacant. The Fund informed the Board that the Investment Management Division had developed and implemented a succession plan in December 2016.

40. The Board reviewed the succession plan and found it to be lacking in important details, such as identification of the critical posts, definite timelines for filling the vacancies and steps to be taken in case vacancies arise suddenly. The Board noted that since the Fund was taking an inordinate amount of time to fill the vacancies, it should analyse the reasons for the bottlenecks and address them promptly. Long-pending vacancies at the senior level have an adverse impact on the Fund's performance and its investment strategy, leading to the centralization of responsibility, overburdening existing Professional staff and compromising the segregation of duties, leading to inefficiencies.

**41. The Board recommends that the Fund prepare a detailed risk budget for all categories of the assets.**

42. The Fund partially accepted the recommendation to establish a detailed risk budget for selected assets. It stated that the risk budgets might be established for public asset classes, such as equities and fixed income, but this might not be feasible for other categories of assets owing to the nature of the assets. The Fund will establish detailed risk budgets for public asset classes. More detailed risk limits were adopted early in 2017 for the internally managed fixed income portfolio, and active limits for the global equity portfolio are being developed. The Investment Management Division will review and consider the recommendation as it relates to other asset classes, pending the outcome of further research and analysis.

43. The Board reiterates its earlier recommendation that the Fund fill the vacancies at the Professional and decision-making levels and prepare a comprehensive succession plan to effectively deal with the changes that will occur when senior positions become vacant.

44. The Fund accepted the recommendation.

#### *Return on investment*

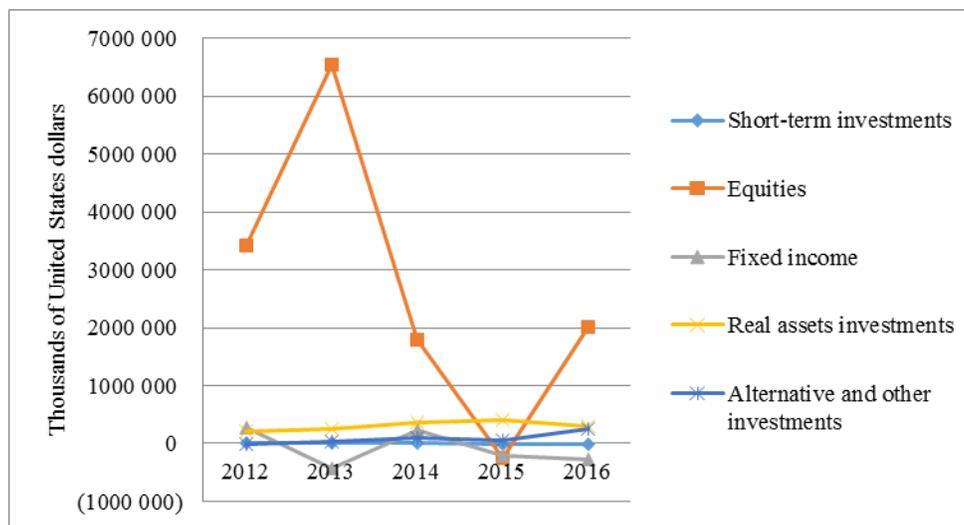
45. In accordance with paragraph 10 of the investment policy statement for 2016, the “Fund’s Investment Goal” is to earn the highest possible investment return consistent with the Fund’s risk appetite so as to deliver an investment return that at least meets over the long-term the Fund’s assumed real rate of return objective. As indicated in the policy statement, the assumed real rate of return for the Fund is currently 3.5 per cent. The aim of an active investment manager is to exceed the policy benchmarks through active portfolio management using tactical allocation and stock and instrument selection.

46. As at 31 December 2016, the Fund had a total investment income of \$2.67 billion (2015: investment loss of \$458.26 million) and total assets under investment of \$54.51 billion (2015: \$52.19 billion). The reported nominal return on investments for 2016 was 5.19 per cent (2015: (-) 1.0 per cent) and the adjusted/real rate of return was 3.1 per cent (2015: (-) 1.7 per cent). The Board noted that the Fund had improved its performance in 2016 compared with 2015, although the nominal return was still less than the policy benchmark of 6.9 per cent by 1.71 per cent; the real rate of return was also below the expected long-term real rate of return of 3.5 per cent by 0.4 per cent.

47. Although the total fair value of financial assets has appreciated by \$2.26 billion, the fair value of fixed income has depreciated by \$284.68 million (2015: depreciation of \$205.02 million) and the fair value of short-term investments has depreciated by \$4.01 million (2015: depreciation of \$7.18 million). In addition, the Fund has suffered foreign currency losses of \$679.88 million (2015: loss of \$1,487.4 million). The change in the fair value of assets (designated at fair value) is depicted in figure II.IV below.

Figure II.IV

#### **Change in fair value of assets (designated at fair value) from 2012 to 2016**



Source: United Nations Joint Staff Pension Fund financial statements.

48. The Board observed that the performance of the Fund over periods of one, three and seven years was lower than the benchmark. The Fund replied that the underperformance of the Fund for calendar year 2016 had an impact on the long-term performance numbers. It further stated that it had outperformed the policy benchmark in 12 of the past 22 years. It had also outperformed its 3.5 per cent long-term real rate of return objective in 16 of the past 22 years. The Board noted that the Fund has not been able to achieve the 3.5 per cent long-term real rate of return in the three years since 2014.

49. The Board observed that the Fund needs to review its internal investment and risk processes and procedures so as to outperform the benchmarks for each asset class and achieve a real rate of return that is at least the targeted long-term real rate of return of 3.5 per cent. This would ensure that the Fund would be in a position to meet its long-term liability of payment of the retirement benefit to its participants.

**50. The Board recommends that the Fund review its internal investment and risk processes and procedures so as to outperform the benchmarks and achieve at least the targeted long-term real rate of return of 3.5 per cent.**

51. The Fund accepted the recommendation and stated that the Investment Management Division is in the process of reviewing its internal investment and risk processes and procedures so as to meet or exceed the benchmarks and the targeted long-term real rate of return of 3.5 per cent.

#### *Fixed income performance*

52. As at 31 December 2016, fixed income comprised 22.88 per cent (\$12.31 billion) of the total asset allocation. Fixed income had a negative return of 1.36 per cent during 2016, which is 3.45 per cent below the benchmark of 2.09 per cent. Furthermore, fixed income has contributed the maximum ((-) 0.80 per cent) to the below-benchmark performance of the Fund. The foreign currency loss on fixed income during 2016 was \$210.52 million.

53. The Board observed that 48.44 per cent of the fixed income investment has been in currencies other than United States dollars. Although strategic asset allocation provides for allocation in fixed income as an asset class, further suballocation between regions, countries and currencies was the decision of the Investment Management Division management. The Board also observed that since fixed income has returned 3.45 per cent less than the benchmark, the investment strategy pursued during 2016 has not produced the desired results.

54. The Board further observed that the fair value of the fixed income instruments has depreciated by \$284.68 million (2015: depreciation of \$205.02 million). The Fund informed the Board that the change in market value of the fixed income portfolio was due to an unrealized loss of \$343.81 million and a realized gain of \$59.13 million.

**55. The Board recommends that the Fund continuously monitor and review its fixed income strategy so as to ensure that it will meet and perform better than the benchmark.**

56. The Fund accepted the recommendation.

#### *Foreign currency losses*

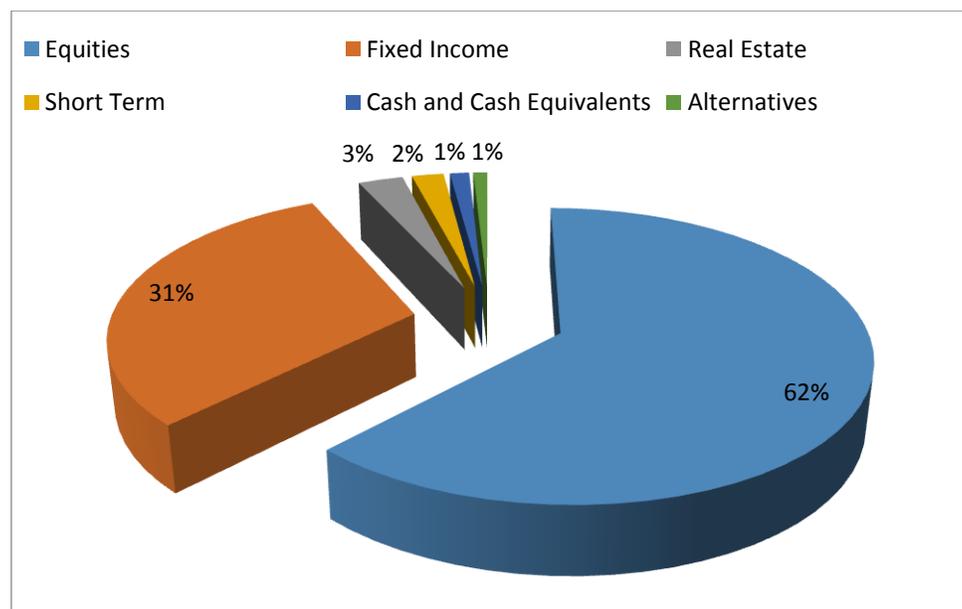
57. Open exposure to foreign exchange volatility brings with it the risk of reduced returns or even capital erosion. This is evident from the investment returns for 2015 and 2016.

58. The Fund suffered foreign currency losses of \$679.9 million in 2016 (2015: \$1,487.4 million). Out of the foreign currency losses of \$679.9 million, the Investment Management Division has suffered a loss of \$683.35 million (2015: \$1,489.15 million), comprising a realized loss of \$783.97 million and an unrealized gain of \$100.62 million. The Fund secretariat experienced a foreign currency gain of \$3.47 million, comprising a realized gain of \$7.55 million and an unrealized loss of \$4.08 million. Although the total foreign currency losses have reduced in 2016 compared with 2015, the realized foreign currency losses have increased, from \$751.4 million in 2015 to \$776.4 million in 2016.

59. The Board observed that the Fund has been experiencing foreign currency losses since 2013. Since 2013, the Fund has suffered a total foreign currency loss of \$4.68 billion.<sup>4</sup> The Board also noted that the foreign currency losses were in all asset classes during 2016. Equity, which comprises 63.20 per cent of the total portfolio, contributed \$425.87 million (62.32 per cent); fixed income, which comprises 22.88 per cent, contributed \$210.52 million (30.81 per cent); real assets, which comprise 7.11 per cent, contributed \$19.21 million (2.81 per cent); alternative investments, which comprise 2.94 per cent, contributed \$5.96 million (0.87 per cent); and cash and short-term, which comprise 3.87 per cent, contributed \$21.84 million (3.19 per cent) to the foreign currency losses. Figure II.V represents the share of each investment class in the foreign currency losses for the year 2016.

Figure II.V

**Share of each investment class in the foreign currency losses for the year 2016**



Source: Information from the United Nations Joint Staff Pension Fund.

60. In its previous audits, the Board raised concern over the foreign currency losses affecting Fund's performance. In the annex, the Fund intimated that procurement was under way to hire an expert to conduct a formal currency study, which would include a review of foreign currency exposure and related tools. The Fund started the process of procurement in May 2017.

<sup>4</sup> 2013: \$558.92 million; 2014: \$1,955.14 million; 2015: -\$1,487.4 million; 2016: \$679.9 million.

61. **The Board recommends that the Fund expedite the currency study so as to further strengthen foreign currency management and control and reduce risks by employing suitable strategies.**

62. The Fund accepted the recommendation.

*Management of external fund managers*

63. The Fund has contracted the services of four external fund managers for investing in small cap equity of \$2.55 billion in different geographical regions, that is, North America, Europe and Asia. The Fund has paid \$10.1 million as a management fee to the external fund managers.

64. The United Nations entered into agreements on behalf of the Fund with external fund managers for managing the small cap investment from 2008 to 2010. In accordance with the original terms, the contracts were valid for a period of three years from the effective date and were subject to two further extensions of one year each.

65. In 2011, the Fund decided to treat the selection of external managers as an investment decision rather than a procurement exercise. In its previous report, the Board recommended that the Fund finalize and publish its selection and evaluation criteria for external funds and discretionary investment managers. The Board noted that the Representative of the Secretary-General approved the policy for external fund managers in February 2017.

66. The Board observed that the above-mentioned policy did not prescribe any format or criteria for conducting an evaluation of the external fund managers. As a result, managers were filling in the performance evaluation report at their discretion. The Board further noted that the policy is silent on the duration of the contract, which should be an essential requirement for soliciting the bids.

67. **The Board recommends that the Fund incorporate provisions for the duration of the contract in the policy and formalize the evaluation method before awarding or renewing the contract of the fund managers.**

68. The Fund accepted the recommendation and stated that the new policy on external managers would be reviewed and updated in order to address the Board's recommendation.

*Business continuity and disaster recovery planning in the Investment Management Division*

69. Business continuity and disaster recovery planning are critical components of emergency management in an organization. A business continuity and disaster recovery plan is a documented, structured approach with instructions for responding to unplanned incidents.

70. The Board noticed that a business continuity and disaster recovery plan for the Investment Management Division was formulated in September 2011, revised in October 2014 and updated again in March 2016. The Division is currently in the process of updating the plan for 2017.

71. The Board observed that the disaster recovery protocols were enabled only for services related to portfolio management, trade execution, financial analytical systems, accounting, trade matching and settlement, and risk and compliance. The protocol for services related to information technology/operations was not enabled.

72. The Board also noticed that Investment Management Division had not carried out a business impact analysis<sup>5</sup> study. The Board further observed that the business continuity and disaster recovery plan does not define the recovery time objectives<sup>6</sup> for all critical applications. The business continuity and disaster recovery policy of the Division states that within the Division, the recovery time objectives are in the process of being defined, which will determine the disaster recovery technologies best suited to the situation. Currently, it is set on a “best efforts” basis.

73. The Board enquired whether the Investment Management Division keeps a backup of the trade and related data, since the Division is the owner of the data. The Division informed the Board that it will procure a data warehouse solution in 2018 for that purpose.

74. The Board noticed that the Investment Management Division has not entered into a service level agreement with the provider of the Asset and Investment Manager system (security trading software). In its previous report, the Board recommended that the Fund enter into a service level agreement defining the respective roles and responsibilities and service level benchmarks and that it develop a mechanism to secure compliance with the agreement. The Division replied that it plans to have a service level agreement by the third quarter of 2017.

**75. The Board recommends that the Fund update the business continuity and disaster recovery plan in the Investment Management Division by including all the critical applications, determine recovery time objectives for all critical applications and carry out a business impact analysis study in view of the criticality of its operations.**

76. The Fund accepted the recommendations.

*Information technology security and risk management in the Investment Management Division*

77. The information technology system plays a critical role in the functioning of the Investment Management Division. Hence, it is very critical for the Division to have an appropriate information technology security and risk management policy. The Board noticed that the information technology security policies in the Division are spread across various documents (information system security policies, the Division’s mobile device policy, the password policy and the vulnerability management policy). For effective control over the implementation of the policy, it is critical to have a single integrated policy for information technology security and risk management. Furthermore, the policy should clearly separate “governance” (oversight and strategic decisions relating to information security) from “management and operations” (routine decisions for daily security works).

78. The Board also noticed that the Investment Management Division does not have a policy on the following critical areas of information technology operation:

- (a) Data classification levels for confidentiality;
- (b) Email and Internet usage policy;
- (c) Social media usage policy;

<sup>5</sup> Any organization needs to conduct a risk-based analysis to identify and document critical business processes and functions. The business impact analysis helps to determine and evaluate the potential effects of an interruption to critical business operations as a result of a disaster, accident or emergency.

<sup>6</sup> The recovery time objective is the maximum tolerable length of time that a computer, system, network or application can be down after a failure or disaster occurs.

(d) Risk management process (risk identification, assessment, prioritization, mitigation and control).

79. **The Board recommends that the Fund prepare a comprehensive security policy for the Investment Management Division that should be circulated widely among the management and the staff, and establish a mechanism to ensure compliance.**

80. The Fund accepted the recommendation.

## 5. Benefits payment management

### *Benefits processing*

81. The Fund provides retirement, death, disability and related benefits to the participating staff members of the United Nations and the other member organizations.

82. United Nations system organizations are required to send two mandatory documents, the separation personnel action and the separation notification, to the Fund to process the entitlement claims in case of separation or death in service of the participants. Other specialized agencies are required to send only one separation document to the Fund, the separation notification. The payment instructions are submitted by the participants. The Fund informed the Board that for United Nations system organizations, it retrieves the separation personnel action from the human resources interface, so it only requires the submission of the original separation notification from the member organization.

### *Implementation of the Integrated Pension Administration System*

83. The Integrated Pension Administration System was developed and implemented in 2015 as an integrated enterprise pension administration system to process various categories of benefits due to the participants separating from service and their dependants. It was to function as a single unified system to replace all the legacy systems deployed by the Fund. The Board examined the functioning of the System. Issues noted during the examination are discussed in the paragraphs below.

84. *Automation of processing of the benefits.* As reported in the high-level business case for the Integrated Pension Administration System, the objective of developing a new target operating model was to re-engineer the existing day-to-day processes so that they are more consistent and standardized wherever possible, are better supported by technology and increase the ability of work to pass through the operation with little, if any, manual intervention.

85. The Fund demonstrated the processing of a case through the Integrated Pension Administration System. During the process, the Board found that the System requires human intervention at every stage, starting with the Records Management and Distribution Unit, which scans the documents received from the participants and/or member organizations and opens the workflow in the system. All the workflows are queued with the supervisors of the Pension Entitlements Section, who have to allocate them to the calculators. The workflow is then queued with the assigned calculator. Before this stage, the category of the case is not reflected in the workflow. The calculator then starts the processing of the case by entering the details of the participant available in the separation notification received from the employing organization and from the payment instructions received from the separating participant. Once the calculator has completed the calculation part, the workflow is assigned to the auditor, who checks the data entered or updated by the calculator. From the auditor, the workflow moves to the releaser, to the approver and to the cashier unit in sequential order. All of these steps require regular human

intervention. Regular manual interventions make the exercise time consuming, error-prone and slow.

86. *Input controls.* As informed by the Fund, the system has a mechanism to categorize different types of benefits. The category in which a case falls, that is, a death or disability case, an early retirement case or a deferred benefit case is entered in the system at the stage of calculation. In addition, there is a “comments” field to record the reason for delay in the processing of a case. However, this input field is not standardized, which makes it difficult to ascertain the reasons for pending cases.

87. *Employer self-service.* In the high-level business case, it was stated that the Integrated Pension Administration project presented an excellent fit with the Fund’s strategies, since the project entailed a systematic optimization of the existing processes; an easy and efficient online connection to member organizations’ information systems; a more open pension information system operating as a fully integrated component of a vast global web-based network; and a more modern information technology platform.

88. The Board observed that the human resources and financial interfaces existing before Integrated Pension Administration System have only been reconfigured to connect member organizations with the System. Three member organizations<sup>7</sup> have yet to be migrated to the common human resources interface. At the time of audit, the member organizations can upload the after-service health insurance<sup>8</sup> data files to the employer self-service module for submission to the Fund and view the information regarding employees. However, for any change or amendment to the information posted in the employer self-service module, the organization has to write to the Fund separately. Moreover, the separation notification, which is a crucial document for benefits processing, cannot be submitted through the employer self-service module. The Fund awaits the hard copies of the separation notification from the member organization on the separation of the participants. Only after the receipt of the hard copy of the separation notification does the calculator manually update the demographic details and other information pertaining to the participants. This process, apart from being time-consuming, is prone to data entry errors. The Fund stated that it currently operates under the existing rules, requiring a signed hard-copy “separation notification” document. Under normal circumstances, most of the data included on the separation notification have already been captured electronically through the human resources interface and contributions interface, leaving the very latest to be entered manually. The Fund would explore the possibility of receiving all of the separation data electronically.

89. *Member self-service.* The high-level business case for the Integrated Pension Administration System envisaged an enhanced experience to participants, retirees and beneficiaries through improved service standards. The system was to be accessed by the participants, pensioners and beneficiaries to check their account with the Fund and perform more processes themselves. However, at present, the member self-service functionality allows pensioners, participants and beneficiaries to only view and print certain documents and forms. The forms cannot be submitted through the member self-service module, which therefore limits its utility to the beneficiaries. The Fund stated that additional functionalities are expected to be implemented in the near future.

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<sup>7</sup> The United Nations Development Programme, the Office of the United Nations High Commissioner for Refugees and the World Intellectual Property Organization.

<sup>8</sup> The member organizations are required to send after-service health insurance data to the Fund in respect of retirees so that the Fund can deduct the amount due from pensioners from their pension and remit that amount to the member organization.

90. *Migration of legacy data.* In its previous report, the Board reported that the Fund could not achieve the complete migration of data from the legacy system to the Integrated Pension Administration System. In response to a query by the Board on having a policy of archiving data in the System, the Fund informed the Board that it retains records for the complete employment history of its participants and beneficiaries because historical data is often required for processing benefits. In the light of these operational needs and the long-term horizon of pension benefits, the Fund's policy is to keep all records available. Thus, the importance of legacy data is clearly established. The Board therefore views the migration of complete data to the Integrated Pension Administration System as critical.

91. *Management information system reports.* As indicated in the target operating model presented in the high-level business case, the Integrated Pension Administration System was expected to enhance the availability and completeness of the existing management information to facilitate better decision-making and strategic planning. It was noticed that although the System has different views that can be explored and printed to track the status of open workflows, it does not have the facility of generating any management information system report containing the status of different categories of cases at a glance for being monitored or tracked by senior management. The Board noted that the Fund has developed a business intelligence module, which was officially deployed on 12 June 2017.

**92. The Board recommends that the Fund: (a) explore the possibility of further automating various steps in benefits processing; (b) build input controls to ensure standardized information in the Integrated Pension Administration System; (c) enhance the functionalities of the member self-service and employer self-service modules; and (d) resolve data issues resulting from the migration to the Integrated Pension Administration System.**

93. The Fund accepted the recommendation.

*Time taken to process the benefits in the Integrated Pension Administration System*

94. The Board analysed the data on benefits processing provided by the Fund secretariat. It was found that during 2016, 10,291 cases were processed for benefits payment. Table II.1 shows the time taken to process the cases after the receipt of documents. In accordance with the United Nations Joint Staff Pension Fund strategic framework for the period 2016-2017, the benchmark<sup>9</sup> set by the Fund for the processing of benefits is 15 business days.

Table II.1  
**Time taken for the processing of benefits**

<i>Time taken for processing benefits</i>	<i>Number of cases processed</i>	<i>Percentage of total cases processed</i>
Less than 15 business days	2 780	27.01
15 business days-1 month	614	5.96
1-2 months	2 121	20.61
2-3 months	1 670	16.23
3-6 months	2 160	20.99

<sup>9</sup> See United Nations Joint Staff Pension Fund strategic framework for the period 2016-2017, sect. IV.A, component 2, indicator of achievement 1.1: "Increased percentage of withdrawal settlements, retirement benefits and other benefits processed within 15 business days".

<i>Time taken for processing benefits</i>	<i>Number of cases processed</i>	<i>Percentage of total cases processed</i>
6 months-1 year	613	5.96
More than 1 year	333	3.24
<b>Total</b>	<b>10 291</b>	<b>100</b>

*Source:* Data furnished by the Fund.

95. However, as seen from the information available on the Fund's business intelligence dashboard, the median time for processing an initial separation during 2016 was 37.8 days against a benchmark of 15 days set by the Fund secretariat. Furthermore, the Fund informed the Board that in 2016, the median time to process a benefit was reduced from 56 days in January 2016 to 15 days in December 2016. The Board found that the methodology adopted by the Fund for the calculation of the median time covered only initial separation cases and excluded cases with extreme delays, child benefits, death after service, recalculation and cases with issues. Thus, the processing time depicted by the Fund is not completely representative of the actual time taken by the Fund in processing all types of cases.

96. The Fund stated that over the past year, it had achieved significant progress in the processing of benefit entitlements, both in terms of monthly processing levels and timeliness. In 2016, the number of benefits processed increased by 53.32 per cent, from 8,037 benefits awarded in 2015 to 12,322 benefits awarded in 2016. The Fund attributed the delay in processing 333 cases that took more than one year to process to the data issues during system migration and not to delays in benefits processing.

97. The Board's calculation of time taken for benefits processing was based on all cases processed in 2016, without any exclusion. It is evident from table II.1 that 27 per cent of cases could be processed within the benchmark of 15 business days.

#### *Cases outstanding for processing*

98. The Board noted that the number of cases outstanding for processing as at 13 April 2017 stood at 5,383, of which 3,148 cases were outstanding as at 31 December 2016. Furthermore, of the 3,148 outstanding cases, all of the documents were received in 1,819 cases as at 31 December 2016. The ageing analysis of the cases outstanding as at 31 December 2016 with respect to the date of separation and to the date of receipt of all documents is shown in table II.2.

Table II.2  
**Ageing analysis of outstanding cases with respect to the date of separation and date of receipt of all documents**

<i>Period outstanding</i>	<i>Total outstanding separations from date of separation</i>		<i>Outstanding cases from date of receipt of all separation documents</i>	
	<i>Number of cases</i>	<i>Percentage of total outstanding</i>	<i>Number of cases</i>	<i>Percentage of total outstanding</i>
Less than 1 year	1 301	41.33	1 164	63.99
1-2 years	900	28.59	534	29.36
2-3 years	417	13.24	81	4.45
3-4 years	242	7.69	33	1.81

<i>Period outstanding</i>	<i>Total outstanding separations from date of separation</i>		<i>Outstanding cases from date of receipt of all separation documents</i>	
	<i>Number of cases</i>	<i>Percentage of total outstanding</i>	<i>Number of cases</i>	<i>Percentage of total outstanding</i>
4-5 years	135	4.29	5	0.28
More than 5 years	153	4.86	2	0.11
<b>Total</b>	<b>3 148</b>	<b>100</b>	<b>1 819</b>	<b>100</b>

*Source:* Analysis of data furnished by the Fund.

99. In the above analysis, there were 153 separations outstanding for more than five years. The Fund informed the Board that most of these cases had issues and could not be processed or they were old cases with data issues. Furthermore, in respect of 655 cases in which the separation had taken place more than one year ago, the processing of the claims had not been completed despite the receipt of all of the documents.

100. The Board, however, could not capture the details about the category of cases (death, separation or deferred benefit) in table II.2 as the same information was neither available in the data provided to the Board nor was it readily available in the Integrate Pension Administration System. After a requisition by the Board of the details of categories of such cases, the Fund provided the details on 1 June 2017, the penultimate day of the field audit,<sup>10</sup> and the Fund followed it up with further information on 21 June and 7 July 2017. It was observed by the Board that in the information provided, the Fund split the cases into actionable and non-actionable in accordance with the categorization based on articles. In the category-wise information provided, the Fund reported on 7 July 2017 that the total of 1,819 outstanding cases shown in table II.2 included 1,551 non-actionable cases and 268 actionable cases for processing. Owing to the late submission of the information on categories, the Board could not verify the factual correctness of the details provided.

**101. The Board recommends that the Fund: (a) set a definite timeline to process all outstanding cases in which all documents have been received; and (b) prescribe a time frame for processing each type of entitlement or benefit.**

102. The Fund accepted the recommendation.

*Delay in the submission of separation documents by member organizations*

103. The Board noted that out of 10,291 cases processed during 2016 and 5,383 outstanding separations as at 13 April 2017, data was incomplete in 538 processed cases and 2,104 outstanding cases, respectively. Therefore, those cases were excluded from the Board's analysis. From an analysis of the remaining 13,032 cases, it was noticed that there were delays in the receipt of the separation notification from the employing organizations, which delayed the processing of benefits to the separating members. An analysis of the time taken by the employing organizations to send the required documents after separation or the death of the participants is shown in table II.3.

<sup>10</sup> The field audit was conducted from 24 April to 2 June 2017.

Table II.3  
**Time lag between date of separation and receipt of separation notification  
in cases processed during 2016 and outstanding as at 13 April 2017**

<i>Time lag between date of separation and receipt of separation notification</i>	<i>Cases processed during 2016</i>		<i>Cases outstanding as at 13 April 2017</i>	
	<i>Number of cases</i>	<i>Percentage of total</i>	<i>Number of cases</i>	<i>Percentage of total</i>
Less than 1 month	1 731	17.75	448	13.66
1-2 months	1 626	16.67	631	19.24
2-6 months	3 664	37.57	1 249	38.09
6 months-1 year	1 733	17.77	480	14.64
1-5 years	943	9.67	420	12.81
More than 5 years	56	0.57	51	1.56
<b>Subtotal</b>	<b>9 753</b>	<b>100</b>	<b>3 279</b>	<b>100</b>
Data incomplete	538		2 104	
<b>Total</b>	<b>10 291</b>		<b>5 383</b>	

*Source:* Analysis of data furnished by the Fund.

104. From table II.3, it emerged that in 82.25 per cent of processed cases and 86.34 per cent of cases outstanding, the separation notification was received with a delay of more than one month. In more than 10 per cent of the cases processed and 14 per cent of the cases outstanding, the separation notification was received from the member organizations more than one year after the date of separation.

**105. The Board recommends that the member organizations create pension focal points to facilitate the expeditious processing of the retirement benefit cases.**

**106. The Board recommends that the member organizations identify all cases due for separation in the next six months before the date of separation, send updated demographic details to the Fund and reconcile all differences in contributions.**

*Client grievance redressal system*

107. Benefits processing starts after receipt of the separation notification from the employing organization and payment instructions from the participant. Since the two forms (payment instruction and separation notification) come from two different sources, a delay in the receipt of any one form would result in a delay in processing the case. Moreover, there are many cases in which the periodic benefits are suspended for non-receipt of the signed certificates of entitlement. As the clientele of the Fund includes the active participants as well as the separated staff members, their families and dependants of deceased members, the Fund receives many queries and follow-up from the participants and beneficiaries on a range of issues concerning their entitlements.

108. Given the large base of clients serviced by the Fund as well as the criticality of the role of the Fund in the livelihoods of beneficiaries, the Fund requires a well-defined and active grievance redressal mechanism. The Board noted that, in recognition of the need for active client management, the Fund had carried out the following initiatives during 2016:

- (a) A call centre began operations from October 2016;

- (b) The Fund's liaison presence in East Africa was established;
- (c) A member self-service section was provided on the website;
- (d) A new website was deployed to provide better services.

109. The Fund received a total of 115,596 queries at its New York and Geneva offices during 2016. A breakdown of those queries is given in table II.4.

Table II.4  
**Types of queries received in 2016**

<i>Mode of receipt</i>	<i>New York office</i>	<i>Geneva office</i>
Telephone call	22 479 <sup>a</sup>	14 061
Walk-in	5 097	2 498
Email	42 838	28 623
<b>Total</b>	<b>70 414</b>	<b>45 182</b>

*Source:* Data from the Fund.

<sup>a</sup> New York telephone calls include 21,300 calls received from January to October 2016 (prior to the pilot call centre) and 1,179 calls received by the pilot call centre, which began operation in November 2016.

110. After an enquiry by the Board regarding the redressal of these queries, the Fund stated that it opens a workflow in the Integrated Pension Administration System upon receipt of an actionable query. As indicated in the data provided by the Fund, during the year 2016, 18,629 workflows were opened, of which 12,944 were closed, leaving 5,685 workflows open at the end of 2016. In addition, the Fund responded to 3,487 emails received directly in the Fund inbox without opening any workflow. The Fund did not have details of all the queries it received or specific action taken on them.

111. The Board noticed that there is no centralized system to register a query by giving it a unique serially controlled tracking number. It is therefore not possible to monitor the action taken or the resolution of the issue raised in the query. Also, the stage at which the query is pending remains unclear to the client and to management at any given point in time. Furthermore, there is no system of providing periodic updates to the clients about the status of the queries raised by them. The Board also noted that in the absence of a documented client grievance redressal mechanism, there is no guidance on segregation, prioritization or a timeline for the disposal of queries. A general benchmark for processing enquiries has been fixed at 15 days. There are separate reports, but there is no centralized reporting system in place with respect to monitoring the status of queries. There is no system of obtaining the feedback from the clients who had registered their queries, which is a very basic requirement of any organization providing client service.

**112. The Board recommends that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.**

**113. The Board also recommends that the Fund devise and implement a structured feedback mechanism to receive feedback from clients.**

114. The Fund accepted the recommendations.

*Certificate of entitlement*

115. A certificate of entitlement is a form used by the Fund to verify the continuing eligibility of retirees and beneficiaries for the benefits they are receiving. However, the procedure followed is cumbersome, both for the Fund and for the beneficiary, considering the fact that beneficiaries are located all around the world.

116. As a part of the annual certificate of entitlement exercise, the Fund sends a barcoded (so it could be tracked when returned) certificate of entitlement form to each beneficiary at the address available in its records. Benefits get suspended as a result of the non-receipt of an ink-signed certificate of entitlement form, which may occur owing to a change in address of the beneficiary or a failure of the postal service. Non-matching signatures can also be a reason for suspension of the benefits.

117. The Board noted that as of May 2017, a total of 2,534 benefits were suspended for non-receipt of the certificate of entitlement. Of those, 789 benefits were under suspension for a period of more than one year. The suspension of benefits may cause distress to the beneficiaries, as for most of them the benefits received may be the sole source of income. Moreover, as indicated by the Fund, more than two thirds of the benefits suspended are later reinstated, which shows that in many cases the benefits are suspended for reasons other than loss of entitlement. Therefore, the process for obtaining the certificate of entitlement needs to be reviewed.

**118. The Board recommends that the Fund review: (a) the process of obtaining the certificate of entitlement; and (b) the suspended cases that are on hold for a longer period.**

119. The Fund accepted the recommendation.

*Participant reconciliation exceptions*

120. The contributions from the participants to the Fund, along with employers' contributions are received on a monthly basis as a lump sum amount for all the participants working in a member organization. The detailed schedules containing details of the deductions made from the salary of each participant and the employer's contributions are received by the first quarter of the following year.

121. Upon receipt of the detailed schedules, the reconciliation exercise is undertaken to reconcile the differences between the estimates of the expected contributions and the contributions actually received. After reconciliation, the difference between the "estimation of expected contributions" and the "actual receipts" is recorded as receivable or payable from/to the member organization.

122. The Board observed that no participant reconciliation exception reports had been prepared for the years 2015 or 2016. The Fund informed the Board that the development of the participant reconciliation exceptions programme in the Integrated Pension Administration System has been scheduled to take place in the year 2017. The Fund is expected to provide the participant reconciliation exceptions reports to the member organizations by the end of June 2017 for the contributions reported to 2016. In the absence of any exercise of reconciliation of the exceptions during the years 2015 and 2016, it is anticipated that the number and amounts involved in the participant reconciliation exceptions for two years will get added to the earlier unreconciled figure of \$13.83 million for the year 2014. The unresolved participant reconciliation exceptions may delay the processing of the benefits for separating members.

123. The Fund stated that, in accordance with the Regulations of the Fund and the terms of reference of the staff pension committees and their secretaries, "member

organizations own their payroll processes as well as the data relating to human resources and finance". Therefore, it is the responsibility of the member organizations to provide accurate, complete and timely reporting of the participation contributions and separation of the staff members. It is also the responsibility of member organizations to resolve the discrepancies identified in the participant reconciliation exceptions in a timely manner. Furthermore, the Fund has planned for the implementation of the monthly contributions process, gradually starting with a pilot with a smaller organization in 2017, followed by a larger one the following year.

**124. The Board recommends that the Fund establish a system for receiving the schedules of contributions on a monthly basis along with a list of participants from the member organizations to eliminate the generation of participant reconciliation exceptions.**

125. The Fund accepted the recommendation.

*Non-reconciliation of the contributions receivable balance with member organizations*

126. At the end of every year, member organizations send their pension contributions data to the Fund in a format called the "year-end schedule", containing details of the pensionable remuneration rates, leave without pay periods and contributions of employees. The financial statements of the Fund are finalized by using the data in the year-end schedules after making suitable adjustments to the data on the basis of the calculations made by the Fund in accordance with the Regulations of the Fund. The reconciliation of data sent by the member organizations with the Fund balance is carried out later, and annual contribution reconciliation letters are sent to the member organizations stating the discrepancies to be corrected in the next year's contributions. As observed in the case of the United Nations, there was an overpayment of \$17 million to the Fund, as indicated in the annual reconciliation letter furnished by the Fund for the year 2015; however, the United Nations did not consider the reconciled figure mentioned by the Fund while furnishing the details for 2016. The details for 2016 submitted by the United Nations showed an overpayment of \$1.02 million to the Fund, while the Fund accounted an overpayment of \$18.28 million in its financial statements. Similar discrepancies were noticed in the cases of other member organizations.

127. In reply, the Fund stated that the United Nations pays pension contributions on behalf of many sub-entities. The reconciliation of pension contributions paid by the United Nations is therefore time-consuming. In the case of differences in the balances of other member organizations, the Fund replied that it would perform a reconciliation of organization-level contributions for all pension reporting entities, which would take a few months to complete. The Board noted that the reconciliation is very important to ensure that the balances in the financial statements relating to the contribution by the member organizations reflects the correct position.

**128. The Board recommends that the Fund carry out the reconciliation of the contribution by the member organizations at regular intervals.**

129. The Fund accepted the recommendation.

## **C. Disclosures by management**

### **1. Write-off of losses of cash, receivables and property**

130. The Fund informed the Board that during the year 2016, there was a write-off of overpayment receivables of \$148,266.61.

131. The Board noted that the overpayments were mainly on account of the death of the beneficiaries that came to the notice of the Fund subsequently.

## 2. Ex gratia payments

132. The Fund reported that there were no ex gratia payments by the Fund during the year 2016.

## 3. Cases of fraud and presumptive fraud

133. In accordance with the International Standards on Auditing (ISA 240), the Board plans its audits of the financial statements so that it has a reasonable expectation of identifying material misstatements and irregularity (including those resulting from fraud). Our audit, however, should not be relied upon to identify all misstatements or irregularities. The primary responsibility for preventing and detecting fraud rests with management.

134. During the audit, the Board made enquiries regarding the oversight responsibility of management for assessing the risks of material fraud and the processes in place for identifying and responding to the risks of fraud, including any specific risks that management had identified or that had been brought to its attention. In addition, the Board enquired whether the Fund had any knowledge of any actual, suspected or alleged fraud; it also made enquiries of the Office of Internal Oversight Services in that regard. The additional terms of reference governing external audit include cases of fraud and presumptive fraud in the list of matters that should be referred to in its report.

135. The Fund reported that there were no cases of fraud or presumptive fraud that related to the staff of the Fund during the year ended 31 December 2016.

## D. Acknowledgement

136. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Chief Executive Officer of the Fund, the Representative of the Secretary-General for the investment of the assets of the Fund and the members of their staff.

*(Signed)* Shashi Kant **Sharma**  
Comptroller and Auditor General of India  
Chair of the Board of Auditors  
(Lead Auditor)

*(Signed)* Mussa Juma **Assad**  
Controller and Auditor General of the  
United Republic of Tanzania

*(Signed)* Kay Scheller  
President of the German Federal Court of Auditors

30 June 2017

## Appendix

## Status of implementation of recommendations up to the year ended 31 December 2015

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
1	2013 (A/69/9, annex X)	19	The Board recommends that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner, and keep in close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.	To expedite the completion of the financial statements, a roll-forward of the previous actuarial valuation results will be reflected in the interim years between biennial actuarial valuations, as was the case for the financial statements for the year ended 31 December 2015. The 2015 actuarial valuation of the Fund will be reflected in the financial statements of the Fund for the year ended 31 December 2016. Complementarily, the Fund will continue to follow up with member organizations and take advantage of new technologies and systems to ensure that the organizations submit contribution data in a timely manner.	This recommendation was under implementation.		X		
2	2013 (A/69/9, annex X)	47	The secretariat of the Fund agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exception process to ensure the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the contributions and receivables recorded in pension system and financial statements.	The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. The year-end reconciliation is conducted to ensure the accuracy of the contributions and receivables recorded in the financial statements. Discrepancies identified in the contribution data require action and resolution by member organizations of the Fund. The Fund will complete the implementation of the project for the monthly reconciliation of contributions, which was approved in the Fund's budget for the biennium 2016-2017, for one member organization by the fourth quarter of 2017.	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
3	2013 (A/69/9, annex X)	51	The secretariat of the Fund agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of IPAS; and (b) consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.	The Fund has implemented a number of actions to enhance the certificate of entitlement process, including the review of the annual cycle to ensure that all activities, from the date of the mailing to the related follow-up actions, are completed within one year. The new member self-service (certificate of entitlement tracker), released on 31 August 2016, allows beneficiaries to download the certificate of entitlement form and monitor when the signed certificate of entitlement was received by the Fund. The Fund also explored the possibility of engaging corresponding banks in the certificate of entitlement process; however, this was not feasible, given the use of multiple correspondent banks to distribute payments to 190 countries and a diverse set of local regulations that impede banks' involvement in the process. The Fund will continue exploring opportunities to enhance the certificate of entitlement process.	This recommendation was under implementation.		X		
4	2014 (A/70/325, annex VI, chap. II)	30	Expedite the introduction of the counterparty settlement system in a time-bound manner.	The first phase of the implementation of the Bloomberg Asset and Investment Manager trade order management system was completed on 18 January 2016, and the new trade order management system includes a counterparty settlement system.	This recommendation was under implementation and has been implemented partially.		X		
5	2014 (A/70/325, annex VI, chap. II)	35	Explore alternatives to mitigate the foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.	During 2015, the Investment Management Division studied various alternatives to its existing practice during 2015, as mentioned in paragraph 74 of the Board's previous report (A/71/5/Add.16, chap. II). Hedging of currency risk was considered and was not utilized, in recognition of the zero-sum game representation over time. During 2016, the Division agreed to conduct a formal currency study, and procurement of a consultant is under way.	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
6	2014 (A/70/325, annex VI, chap. II)	41	Take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and practices and endeavour to achieve the overall minimal real return of 3.5 per cent.	<p>The investment return should be evaluated over the medium-term and long-term horizons. The Investment Management Division, from this perspective, has a successful track record, meeting or exceeding the policy benchmark for the Fund and the benchmarks for most of the underlying portfolios.</p> <p>The Division has been enhancing internal investment research resources over the years and conducting fundamental research on both the macro and micro levels. At the same time, the risk budgets were set and carefully monitored by the Risk and Compliance Section on a regular basis.</p> <p>The new strategic asset allocation was set effective 1 August 2015 after an intensive asset liability management study had been conducted. The purpose of the study was to increase the probability of achieving the 3.5 per cent real rate of return investment objective over the long term without undue risk by reviewing numerous scenarios that incorporate both asset- and liability-side variables for the Fund. The alternative investment category was formally added with a target allocation of 5 per cent of the Fund, and the target allocation for the real asset category was increased from 6 per cent to 9 per cent. The equity, fixed income and cash target allocations were reduced. The strategic asset allocation will be reviewed periodically.</p>	This recommendation was under implementation.		X		
7	2014 (A/70/325, annex VI, chap. II)	48	The Board reiterates that the Fund continue to reconcile and resolve all participant reconciliation exceptions with member organizations in a timely manner. Until such time as a system is implemented to enable monthly reconciliations, the Fund	The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. The year-end reconciliation is conducted to ensure the accuracy of the contributions and receivables recorded in the financial statements. Discrepancies identified in the contribution data require action and resolution by member organizations of the Fund. The Fund will complete the	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			may consider including a suitable disclosure in the financial statements on the quantum of unresolved participant reconciliation exceptions.	implementation of the project for the monthly reconciliation of contributions, which was approved in the Fund's budget for the biennium 2016-2017, for one member organization by the fourth quarter of 2017. A disclosure in the financial statements was not deemed necessary, since the participant reconciliation exceptions process does not affect the accuracy of the financial statements.					
8	2014 (A/70/325, annex VI, chap. II)	53	Ensure adherence to the stipulated benchmark for the processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.	The Fund's strategic framework approved by the Pension Board specifies the performance indicator and target for benefits processing. The Fund has implemented various initiatives approved by the Pension Board at its sixty-third session to enhance performance in benefits processing, including the creation of dedicated task forces and in-depth process review to identify opportunities for efficiency. As a result, the Fund has achieved substantial progress in terms of processing benefits within the performance benchmark of 15 business days. Benefits processing times have improved steadily since the beginning of 2016. The ageing and volume of outstanding cases also reflects significant improvement, with over 90 per cent of actionable separation cases processed within the same calendar month. Performance indicators are monitored using periodic enhanced performance reports and a business intelligence dashboard. Death in service, survivor and disability benefits continue to be handled as "priority" cases.	This recommendation was under implementation.		X		
9	2014 (A/70/325, annex VI, chap. II)	65	(a) Formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the	The Investment Management Division is in the process of developing a comprehensive information and communications technology strategy that will address both infrastructure and applications, in order to ensure secure and continuous operations. Progress has been made, as evidenced by the successful implementation of the Bloomberg Asset and Investment Manager trade order management system as	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.	from 18 January 2016. The Division is in the process of procuring a consultant to create a target operating model.					
10	2015 (A/71/5/Add.16, chap. II)	28	The Board recommends that the Fund, while filling the vacancies at the senior levels at the earliest opportunity, draw up a succession plan that foresees and addresses the changes that will occur when senior positions become vacant.	The Investment Management Division developed and implemented a succession plan in December 2016.	The current succession plan does not address all the issues related to vacancies in senior positions. The recommendation is reiterated in the present report, and is considered as under implementation.		X		
11	2015 (A/71/5/Add.16, chap. II)	37	The Board recommends that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis so as to assess its impact and implement course correction as deemed necessary.	The Investment Management Division developed risk and performance dashboards along with new fixed income limits. The Division also developed long-term performance statistics, including local currency performance for international benchmarking.	The Fund informed the Board that it is working on active risk limits for equity.		X		
12	2015 (A/71/5/Add.16, chap. II)	44	The Board recommends that the Fund establish customized reference benchmarks taking into account the Fund's special criteria, which would better measure the Fund's overall performance.	The Investment Management Division developed and implemented a new performance dashboard to measure the impact of restricted stocks (tobacco and arms) relative to benchmarks.	This recommendation was implemented.	X			

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
13	2015 (A/71/5/Add.16, chap. II)	49	The Board recommends that the Fund: (a) introduce a mechanism for a more frequent supervisory review of the underperforming securities on the basis of certain predefined parameters; and (b) formalize the system for regularly tracking risk tolerance monitoring and risk management, by the Representative of the Secretary-General through the Director of the Investment Management Division and the Deputy Director for Risk and Compliance.	The Investment Management Division introduced a mechanism to monitor the underperforming securities. For performance monitoring, a report for the top 10 and bottom 10 performing securities is included in: (a) the quarterly Investments Committee Blue Book; and (b) the Division's weekly investment meeting materials. In addition, for risk monitoring, the reports for the top and bottom 10 portfolio weights, tracking risk, tail risks and currency risks for each portfolio, are generated through RiskMetrics. On a quarterly basis, the largest holdings and the largest positive and negative performance contributions have been included in the Blue Book since 227th meeting of the Committee (November 2015).	This recommendation was implemented.	X			
14	2015 (A/71/5/Add.16, chap. II)	60	The Board recommends that the Fund review its investment and risk processes, including learning lessons from higher-performing funds, so as to improve its efforts to achieve the targeted 3.5 per cent real rate of return.	An independent assessment and peer comparison of the Fund's investment main practices, investment management and risk management was conducted by Deloitte in 2016.	This recommendation was implemented.	X			
15	2015 (A/71/5/Add.16, chap. II)	68	The Board recommends that the Fund carry out a review of the cash requirements of various currencies in order to keep a minimum investment in cash, given that it carries a low return and is subject to foreign exchange fluctuation.	Procurement is under way to conduct a formal currency study, which will include a review of related cash requirements. The Investment Management Division and the custodian (Northern Trust) are reviewing the logistics related to separating investment and operational cash from an accounting and performance perspective. The Division also developed a new cash flow forecast procedure.	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
16	2015 (A/71/5/Add.16, chap. II)	75	The Board recommends that the Fund: (a) address the foreign exchange exposure issue and employ suitable procedures and tools to mitigate foreign exchange losses; and (b) develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in addition to regular monitoring of the fair value of the assets.	Procurement is under way to conduct a formal currency study, which will include a review of foreign currency exposure and related tools. The Investment Management Division developed an internal mechanism to monitor, evaluate and manage foreign currency by creating new reports for local currency analysis of Fund assets.	This recommendation was under implementation.		X		
17	2015 (A/71/5/Add.16, chap. II)	83	The Board recommends that the Fund review its processes for fixed-income investments to ensure that it meets or exceeds its benchmark.	The Investment Management Division reviewed its processes for fixed income investments, resulting in the adoption of new fixed income limits for duration and currency, which will ensure that the fixed income portfolio is managed in close proximity to the duration and currency parameters of its benchmark, the Barclays Global Aggregate Index.	This recommendation was treated as under implementation in 2016 as returns from the fixed income portfolio are still below the benchmark.		X		
18	2015 (A/71/5/Add.16, chap. II)	89	The Board recommends that the Fund prepare a time-bound action plan to finalize and publish its selection and evaluation criteria for external fund and discretionary investment managers.	The Investment Management Division finalized and implemented an external manager policy, which includes policies related to the selection, monitoring and termination of external (discretionary) managers. The Division has also filled the post of External Manager (P-4), the incumbent of which is responsible for the Division's external manager programme.	The policy is finalized; deficiencies in the policy have been noticed during the current audit and a separate recommendation is made thereon. As the Fund has finalized and published the policy on hiring external fund managers, this recommendation is treated as implemented.	X			

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
19	2015 (A/71/5/Add.16, chap. II)	94	The Board recommends that the Fund enter into a service-level agreement defining the respective roles and responsibilities and service-level benchmarks and that it develop a mechanism to secure compliance with the agreement.	The Investment Management Division is working with Bloomberg to develop a service level agreement defining the respective roles and responsibilities, service level benchmarks and a mechanism to secure compliance. The Division hopes to have a service level agreement in place by the third quarter of 2017.	This recommendation was under implementation.		X		
20	2015 (A/71/5/Add.16, chap. II)	99	The Board recommends that the Fund: (a) resolve the issues of data migration; and (b) frame key performance indicators in accordance with functional requirements for assessing the accuracy and timeliness of IPAS outcomes.	There were minimal data exceptions in the migration to the new Integrated Pension Administration System, which occurred only for historical data not affecting any calculations. Data exceptions have been corrected as part of normal verification in benefits processing since the launch of the System. A business intelligence tool will soon be deployed for monitoring performance indicators and targets. Performance indicators will be available for analysis and monitoring in a management dashboard expected to be completed by the third quarter of 2017.	This recommendation was under implementation.		X		
21	2015 (A/71/5/Add.16, chap. II)	105	The Board recommends that the Fund: (a) acknowledge all queries and complaints received from all sources; (b) segregate queries and complaints so to address them appropriately; (c) devise a system of categorization and prioritization of complaints and their resolution; (d) inform the client periodically about the progress achieved in the resolution of the complaint; (e) devise a system for monitoring and	The Pension Fund is implementing a new client service model to ensure that client enquiries are addressed efficiently and effectively. Some elements of the new client service model have already been deployed, with excellent results, including: (a) a dedicated two-tier call centre to answer all telephone calls and member self-service emails was established in October 2016; (b) the member self-service feature was launched in August 2016 to provide real-time information on members' accounts, disbursements and the receipt of documents and forms sent to the Fund; and (c) the new website of the Fund includes a feature to categorize and track emails, as well as useful information to address most common queries from participants and beneficiaries. These enhancements complement the in-person	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification			
						Implemented	Under implementation	Not implemented	Overtaken by events
			reporting the status of grievances to the appropriate levels in the Fund in order to ensure an effective client delivery mechanism; and (f) review the complaints data to help to identify the weaknesses of the system and to improve and streamline the existing processes.	service provided at the Fund's offices in New York and Geneva, which is also tracked and monitored.					
22	2015 (A/71/5/Add.16, chap. II)	110	The Board recommends that the Fund prescribe a time frame for servicing the case load. An internal reporting framework for each type of benefit based on its priority should be established.	The Fund's strategic framework, approved by the Pension Board, specifies the performance indicator and target for benefits processing. To enhance performance in benefits processing, the Pension Fund has implemented various initiatives approved by the Pension Board at its sixty-third session. As a result, the Fund has achieved substantial progress in terms of processing benefits within the performance benchmark of 15 business days. Benefits processing times have improved steadily since the beginning of 2016. The ageing and volume of outstanding cases also reflects significant improvement, with over 90 per cent of actionable separation cases processed within the same calendar month. Performance indicators are monitored using periodic enhanced performance reports and a business intelligence dashboard. Death in service, survivor and disability benefits continue to be handled as "priority" cases.	This recommendation was under implementation.		X		
23	2015 (A/71/5/Add.16, chap. II)	115	The Board recommends that the Fund simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.	The Fund has implemented a number of actions to enhance the certificate of entitlement process, including the review of the annual cycle to ensure that all activities, from the date of the mailing to the related follow-up actions, are completed within one year. The new member self-service (certificate of entitlement tracker), released on 31 August 2016, allows beneficiaries to download the certificate of	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
24	2015 (A/71/5/Add.16, chap. II)	123	The Board recommends that the Fund: (a) impress upon the participating organizations the need to ensure that they identify and submit to the Fund sufficiently in advance cases that are due for separation in the normal course of business; and (b) check the status of documentation and jointly devise a mechanism to resolve the issues relating to incomplete or missing documentation from member organizations.	entitlement form and monitor when the signed certificate of entitlement was received by the Fund. The Fund also explored the possibility of engaging corresponding banks in the certificate of entitlement process; however, this was not feasible given the use of multiple correspondent banks to distribute payments to 190 countries and a diverse set of local regulations that impede banks' involvement in the process. The Fund will continue exploring opportunities to enhance the certificate of entitlement process.	The roles and responsibilities of the staff pension committees of member organizations are set out in the Regulations and Rules of the Fund. The terms of reference of the staff pension committees and their secretaries consolidate all the roles and responsibilities and recognize that member organizations are responsible for the accurate, complete and timely submission of separation information and documents to the Fund. The Fund continues to work closely with member organizations to identify mechanisms to expedite the submission of separation documents to the Fund and resolve issues related to incomplete and missing documentation from member organizations. The Fund is conducting, with the support of an external consultant and in coordination with the member organizations, an end-to-end review of separation-to-entitlement process to identify opportunities to achieve greater efficiency and effectiveness and improve coordination. The results of the end-to-end review will be presented to the Pension Board at its sixty-fourth session, in July 2017. Complementarily, the member self-service feature, launched in August 2016, provides real-time information on members' accounts, disbursements and the receipt of documents and forms sent to the Fund.	This recommendation was under implementation.		X		

No.	Audit report year	Paragraph reference	Recommendations of the Board	Response of the United Nations Joint Staff Pension Fund	Board's assessment	Status after verification				
						Implemented	Under implementation	Not implemented	Overtaken by events	
25	2015 (A/71/5/Add.16, chap. II)	129	The Board recommends that participant reconciliation exceptions need to be resolved in a time-bound manner in order to avoid any dispute with the participating organizations and to ensure that up-to-date and accurate financial statements can be prepared for the Fund and the participating organizations.	The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. The year-end reconciliation is conducted to ensure the accuracy of the contributions and receivables recorded in the financial statements. Discrepancies identified in the contribution data require action and resolution by member organizations of the Fund. The Fund will complete the implementation of the project for the monthly reconciliation of contributions, which was approved in the Fund's budget for the biennium 2016-2017, for one member organization by the fourth quarter of 2017.	This recommendation was under implementation.		X			
26	2015 (A/71/5/Add.16, chap. II)	132	The Board recommends that the Fund: (a) finalize the anti-fraud policy at the earliest opportunity; and (b) widely circulate the policy and make staff aware of its provisions and implications.	The Investment Management Division developed and implemented an anti-fraud and anti-corruption policy in November 2016. This is a living document, which may be further updated periodically. The Division also must comply with the Anti-Fraud and Anti-Corruption Framework, which was adopted by the United Nations Secretariat in 2016.	This recommendation was implemented.	X				
<b>Total</b>						<b>26</b>	<b>5</b>	<b>21</b>	<b>0</b>	<b>0</b>
<b>Percentage</b>						<b>100</b>	<b>19</b>	<b>81</b>		

## Annex VII

### **Implementation of the recommendations of the Board of Auditors contained in its report for the year ended 31 December 2016 on the United Nations Joint Staff Pension Fund**

#### **Report by the Secretary of the United Nations Joint Staff Pension Board**

##### *Summary*

The present report is submitted in accordance with General Assembly resolution [48/216 B](#), in which the Assembly requested the executive heads of the United Nations entities to report to the Assembly, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly, on measures taken or to be taken to implement those recommendations.

The report provides information further to the comments already submitted to the Board of Auditors, which were included in the Board's final report on the United Nations Joint Staff Pension Fund.

Therefore, in an effort to reduce redundancy and streamline documentation, the present report provides additional comments of the Fund only where required, as well as information on the status of implementation, the department responsible, the estimated completion date and the priority of each recommendation contained in the reports of the Board. In addition, the report provides an update on the status of implementation of the Board's recommendations relating to prior periods that the Board considered not to have been fully implemented.

## Introduction

1. The present report is submitted in accordance with the provisions of paragraph 7 of General Assembly resolution 48/216 B, in which the Assembly requested the executive heads of the United Nations entities, at the same time as the recommendations of the Board of Auditors were submitted to the Assembly, through the Advisory Committee on Administrative and Budgetary Questions, to provide the Assembly with their responses and to indicate the measures that would be taken to implement those recommendations, with appropriate timetables.

2. In preparing the present report, account was taken of the provisions of General Assembly resolution 70/238 A, in which the Assembly, in paragraph 14, stressed that the report of the Board of Auditors on the United Nations Joint Staff Pension Fund should be submitted separately to the General Assembly, as is the case with other United Nations entities, and decided that a copy should continue to be annexed to the report of the United Nations Joint Staff Pension Board. In paragraph 5 of its resolution 71/261 A, the Assembly decided to consider further the report of the Board of Auditors on the United Nations Joint Staff Pension Fund under the agenda item relating to the report of the United Nations Joint Staff Pension Fund.

### A. Implementation of the recommendations contained in the report of the Board of Auditors on the United Nations Joint Staff Pension Fund for the year ended 31 December 2016<sup>1</sup>

3. The status of implementation of the main recommendations as at August 2017 is summarized in table 1.

Table 1  
Status of implementation of main recommendations

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Implemented</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Investment Management Division	3	–	3	3	–
Fund secretariat	4	–	4	4	–
<b>Total</b>	<b>7</b>	<b>–</b>	<b>7</b>	<b>7</b>	<b>–</b>
<b>Percentage</b>	<b>100</b>	<b>–</b>	<b>100</b>		

4. The status of implementation of all recommendations as at August 2017 is summarized in table 2.

<sup>1</sup> A/72/5/Add.16.

Table 2  
**Status of implementation of all recommendations\***

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Implemented</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Investment Management Division	10	–	10	10	–
Fund secretariat	8	–	8	8	–
<b>Total</b>	<b>18</b>	<b>–</b>	<b>18</b>	<b>18</b>	<b>–</b>
<b>Percentage</b>	<b>100</b>	<b>–</b>	<b>100</b>		

\* In addition, the report of the Board contains, in paragraphs 105 and 106, two audit recommendations addressed to United Nations Joint Staff Pension Fund member organizations.

**5. In paragraph 19, the Board recommended that the Fund strengthen its internal control procedure to ensure the accuracy of data before sending them for the actuarial valuation and carry out a fresh actuarial valuation as at 31 December 2017.**

*Department responsible:* Pension Fund secretariat

*Status:* In progress

*Priority:* High

*Target date:* Third quarter of 2018

6. The Fund will review and improve the processes for the submission of census data for the next actuarial valuation as of 31 December 2017. This valuation will be noted in the financial statements for the year ending 31 December 2017.

**7. In paragraph 30, the Board recommended that the Fund make an appropriate disclosure of the accounting treatment of the tax withholding in the notes to financial statements.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

8. The Fund will review its policy and the disclosure of the accounting treatment of the tax withholding in the notes to the financial statements.

**9. In paragraph 32, the Board recommended that the Fund prepare and follow a consistent accounting policy for creating provisions for the receivables for the tax withholdings.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

10. The Fund will review its policy with respect to the measurement of receivables for tax withholdings. It should be noted that the Fund applies individual judgment to estimate the recoverability of each tax receivable for each jurisdiction as required by International Public Sector Accounting Standard (IPSAS) 29, paragraphs 67 and 68. The Fund is of the view that setting up provisions for recoverability of tax receivables solely based on ageing is not consistent with IPSAS.

**11. In paragraph 41, the Board recommended that the Fund prepare a detailed risk budget for all categories of the assets.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* High

*Target date:* Second quarter of 2019

12. The Investment Management Division adopted more detailed risk limits in early 2017 for the internally managed fixed income portfolio, including currency and duration limits. The Division is also in the process of developing active limits for the global equity portfolio, which are expected to be implemented by or before the fourth quarter of 2018. In this regard, the Division is taking action regarding the recommendation to prepare a detailed risk budget for public asset classes such as equities and fixed income. This may not be feasible for categories such as real assets, alternative investments and cash and cash equivalents. The Investment Management Division will review and consider the recommendation as it relates to these asset classes, pending the outcome of further research and analysis.

**13. In paragraph 43, the Board reiterated its earlier recommendation that the Fund fill the vacancies at the Professional and decision-making levels and prepare a comprehensive succession plan to effectively deal with the changes that would occur when senior positions became vacant.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

14. The Investment Management Division developed and implemented a succession plan in December 2016. The Division has filled all of its senior-level vacancies and on-boarding is expected to be completed by the end of 2017. Good progress is being made towards filling the remaining vacancies, with the expectation that the vacancy rate will be less than 10 per cent on an ongoing basis by or before the second quarter of 2018.

**15. In paragraph 50, the Board recommended that the Fund review its internal investment and risk processes and procedures so as to outperform the benchmarks and achieve at least the targeted long-term real rate of return of 3.5 per cent.**

*Department responsible:* Investment Management Division  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Second quarter of 2018

16. The Investment Management Division reviews its internal investment and risk processes, practices and procedures on an ongoing basis with the intent of meeting or exceeding the benchmarks and the targeted real rate of return of 3.5 per cent over the long term. In 2015, the Fund's strategic asset allocation was updated following the completion of an asset liability management study. The strategic asset allocation target weightings for each asset class are intended to optimize the likelihood that the Fund will achieve its 3.5 per cent real rate of return target over the long term. In 2016 and 2017, the Division developed several new reports for this purpose and work in this area will continue on an ongoing basis.

**17. In paragraph 55, the Board recommended that the Fund continuously monitor and review its fixed income strategy so as to ensure that it would meet and perform better than the benchmark.**

*Department responsible:* Investment Management Division  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Second quarter of 2018

18. The Investment Management Division is continuously monitoring and reviewing its fixed income strategy with the intent of meeting or exceeding the benchmark. The Division recently adopted new limits for currency and duration positions in the fixed income portfolio in order to enhance risk management limits for the portfolio, which has resulted in performance that more closely tracks the performance of the fixed income benchmark, the Bloomberg Barclays Global Aggregate Index.

**19. In paragraph 61, the Board recommended that the Fund expedite the currency study so as to further strengthen foreign exchange management and control and reduce risks by employing suitable strategies.**

*Department responsible:* Investment Management Division  
*Status:* In progress  
*Priority:* High  
*Target date:* Fourth quarter of 2017

20. The Investment Management Division studied various alternatives to its existing practice during 2015, as mentioned in paragraph 74 of document [A/71/5/Add.16](#). Hedging of currency risk was considered and was not utilized, recognizing the zero sum-game representation over time. In 2017, the Division engaged one of its non-discretionary advisers to conduct a formal currency study. The study is under way and is expected to be completed in 2017.

21. **In paragraph 67, the Board recommended that the Fund incorporate provisions for the duration of the contract in the policy and formalize the evaluation method before awarding or renewing the contract of the fund managers.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

22. The Investment Management Division introduced a new external manager policy in 2017, which will be reviewed and updated in order to address the Board's recommendation.

23. **In paragraph 75, the Board recommended that the Fund update the business continuity and disaster recovery plan in the Investment Management Division by including all the critical applications, determine recovery time objectives for all critical applications and carry out a business impact analysis study in view of the criticality of its operations.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* High

*Target date:* Fourth quarter of 2018

24. The Investment Management Division is in the final stages of completing a request for proposals to conduct an information and communications technology (ICT) study to assess its ICT security and business continuity practices, and the outcome is expected to assist the staff of the Division in addressing the Board's recommendation.

25. **In paragraph 79, the Board recommended that the Fund prepare a comprehensive security policy for the Investment Management Division that should be widely circulated among the management and the staff and establish a mechanism to ensure its compliance.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

26. The Investment Management Division will prepare a comprehensive security policy, and the outcome of the ICT security study is expected to assist the staff of the Division in addressing the Board's recommendation.

27. **In paragraph 92, the Board recommended that the Fund: (a) explore the possibility of further automating various steps in benefits processing; (b) build input controls to ensure standardized information in the Integrated Pension Administration System; (c) enhance the functionalities of member self-service**

**and employer self-service modules; and (d) resolve data issues from the migration to the Integrated Pension Administration System.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* High  
*Target date:* Fourth quarter of 2019

28. The Pension Fund will explore possibilities to further automate benefits processing in the Integrated Pension Administration System and will continue to enhance the functionalities of the member self-service and employer self-service. The Fund will study the possibility of receiving separation data electronically, and automate, to the extent possible, the categorization of cases by benefit type. Data issues will continue to be addressed both in a manual and an automated fashion.

**29. In paragraph 101, the Board recommended that the Fund: (a) set a definite timeline to process all outstanding cases where all documents have been received; and (b) prescribe a time frame for processing each type of entitlement/benefit.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* High  
*Target date:* Third quarter of 2018

30. The Fund has a performance indicator defined for the processing of initial separations for which all documents have been received; therefore, the first part of the recommendation is already implemented. The Fund is operating with an inventory of outstanding actionable cases (involving initial separations) requiring only approximately one week of processing at the end of every month. The Fund will continue to implement actions to expedite the processing of other types of benefits and define or update, as needed, indicators for the time taken to process various types of benefits.

**31. In paragraph 105, the Board recommended that the member organizations create pension focal points to facilitate the expeditious processing of the retirement benefit cases.**

*Department responsible:* Member organizations  
*Status:* Not applicable  
*Priority:* Medium  
*Target date:* Not applicable

32. The Fund management submitted for the consideration of the Pension Board at its sixty-fourth session, in July 2017, the report of the Board of Auditors, including the above audit recommendation. The Board also considered the report of the end-to-end review of the separation-to-benefit process, which included recommendations associated with the need to establish focal points within the member organizations.

**33. In paragraph 106, the Board recommended that member organizations identify all cases due for separation in the next six months before the date of separation, send updated demographic details to the Fund and reconcile all differences in contributions.**

*Department responsible:* Member organizations

*Status:* Not applicable

*Priority:* Medium

*Target date:* Not applicable

34. The Fund management submitted for the consideration of the Pension Board at its sixty-fourth session, in July 2017, the report of the Board of Auditors, including the above audit recommendation. The Board also considered the report of the end-to-end review of the separation-to-benefit process, which included recommendations to expedite the separation process and enhance the quality of the information received by the Fund.

**35. In paragraph 112, the Board recommended that the Fund document a client grievance redressal mechanism and include procedures for indexing, segregating, prioritizing and monitoring the queries.**

*Department responsible:* Pension Fund secretariat

*Status:* In progress

*Priority:* High

*Target date:* Fourth quarter of 2019

36. In the budget proposal for 2018-2019, the Fund requested resources for the implementation of a client relationship management system to further improve the management of client queries. This would include better tracking of response times, integration of email, phone and walk-in registration with the new Integrated Pension Administration System platform and improved monitoring of benchmarks and performance reporting.

**37. In paragraph 113, the Board recommended that the Fund devise and implement a structured feedback mechanism to receive feedback from clients.**

*Department responsible:* Pension Fund secretariat

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2019

38. In the budget proposal for 2018-2019, the Fund requested resources for the implementation of a client relationship management system to further improve the management of client queries. The system will include mechanisms to receive feedback from clients.

**39. In paragraph 118, the Board recommended that the Fund review: (a) the process of obtaining the certificate of entitlement; and (b) the suspended cases that are on hold for a longer period.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2018

40. The Fund will review and continue to explore opportunities to enhance the certificate of entitlement process. The member self-service (certificate of entitlement tracker) released on 31 August 2016 allows beneficiaries to monitor when the signed certificate of entitlement was received by the Fund. In addition, the Fund released a functionality that allows beneficiaries to print the certificate of entitlement remotely and email it back to the Fund.

**41. In paragraph 124, the Board recommended that the Fund establish a system for receiving the schedules of contributions on a monthly basis along with a list of participants from the member organizations to eliminate the generation of participant reconciliation exceptions.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2019

42. The implementation of the Integrated Pension Administration System and the common data interface project established the prerequisites for the introduction of a monthly reconciliation process for contributions. The Fund will complete the first pilot for monthly reconciliations in 2017. It should be noted that unresolved participant reconciliation exceptions do not establish receivables or liabilities in the financial statements of the Fund.

**43. In paragraph 128, the Board recommended that the Fund carry out the reconciliation of the contribution by the member organization at regular intervals.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2019

44. The implementation of the Integrated Pension Administration System and the common data interface project established the prerequisites for the introduction of a monthly reconciliation process for contributions. The Fund will complete the first pilot for monthly reconciliation in 2017. However, it should be noted that the monthly reconciliation process will likely not resolve the discrepancies between payables and receivables between the Fund and the member organizations recorded in their respective financial statements. Given that the financial statements are established at a different time and based on a different reconciliation status, differences will likely continue to occur. It should be emphasized that the responsibility for resolving contribution discrepancies lies with the member organizations.

## B. Implementation of the recommendations contained in the reports of the Board of Auditors on the United Nations Joint Staff Pension Fund for prior financial periods

45. In the annex to its report for the year ended 31 December 2016 ([A/72/5/Add.16](#), chap. II), the Board provided a summary of the status of implementation of recommendations from previous financial periods.

46. The overall situation as at August 2017 regarding the 21 recommendations assessed as not fully implemented by the Board is summarized in table 3.

Table 3

### Status of implementation of extant recommendations from prior periods considered not fully implemented in the annex to the report of the Board of Auditors

<i>Department responsible</i>	<i>Number of recommendations</i>	<i>Implemented</i>	<i>In progress</i>	<i>Target date set</i>	<i>No target date</i>
Investment Management Division	10	–	10	10	–
Fund secretariat	11	–	11	11	–
<b>Total</b>	<b>21</b>	<b>–</b>	<b>21</b>	<b>21</b>	<b>–</b>
<b>Percentage</b>	<b>100</b>	<b>–</b>	<b>100</b>		

### Report of the Board of Auditors for the year ended 31 December 2013<sup>2</sup>

47. In paragraph 19, the Board recommended that the Fund closely collaborate with member organizations to ensure that those organizations submit contribution data in a timely manner and keep close communication with the actuarial service provider to ensure that the actuarial report could be produced and included in the formal financial statements in a timely manner.

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Third quarter of 2018

48. To expedite the completion of the financial statements, a roll-forward of the previous actuarial valuation results will be reflected in the interim years between biennial actuarial valuations, as was the case for the financial statements for the year ended 31 December 2015. Complementarily, the Fund will continue to follow up with member organizations and take advantage of new technologies and systems to ensure that the organizations submit contribution data in a timely manner.

49. In paragraph 47, the Fund secretariat agreed with the Board's reiterated recommendation to: (a) continue to improve controls and efficiency of the participant reconciliation exceptions process to ensure the discrepancies are identified and reconciled with member organizations in a timely manner; and (b) prepare monthly and year-end contribution reconciliations to ensure the accuracy of the contributions and receivables recorded in pension system and financial statements.

<sup>2</sup> [A/69/9](#), annex X.

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2018

50. The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. The year-end reconciliation is conducted to ensure the accuracy of the contributions and receivables recorded in the financial statements. Contribution data discrepancies identified require action and resolution by Pension Fund member organizations. The Fund will complete the implementation of the project for monthly reconciliation of contributions, which was approved in the Fund's budget for the biennium 2016-2017, for one member organization by the fourth quarter of 2017.

**51. In paragraph 51, the Fund secretariat agreed with the Board's recommendation to: (a) utilize and promote the online self-service as an additional tool in the certificate of entitlement process along with the smooth implementation of the Integrated Pension Administration System; and (b) consider establishing a practical plan to develop an automatic signature verification system or thumbprint/live image verification system to facilitate the certificate of entitlement process.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2018

52. The Fund has implemented a number of actions to enhance the certificate of entitlement process, including the review of the annual cycle to ensure that all activities from the date of the mailing of the certificate to the related follow-up actions are completed within a calendar year. The member self-service (certificate of entitlement tracker) released on 31 August 2016 allows beneficiaries to monitor when the signed certificate of entitlement was received by the Fund. The Fund also explored the possibility of engaging corresponding banks in the certificate of entitlement process; however, this was not feasible given the use of multiple correspondent banks to distribute payments to 190 countries and a diverse set of local regulations that impede banks' involvement in the process. The Fund will continue exploring opportunities to enhance the certificate of entitlement process.

### **Report of the Board of Auditors for the year ended 31 December 2014<sup>3</sup>**

**53. In paragraph 30, the Board recommended that the Fund expedite introduction of the counterparty settlement system in a time-bound manner.**

*Department responsible:* Investment Management Division  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2018

<sup>3</sup> A/70/325, annex VI.

54. The Investment Management Division completed phase 1 of the implementation of the Bloomberg AIM trade order management system on 18 January 2016, and the new trade order management system includes a counterparty settlement system.

**55. In paragraph 35, the Board recommended that the Fund explore alternatives to mitigate the foreign exchange losses, including a detailed cost-benefit study for a suitable hedging strategy.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2017

56. The Investment Management Division studied various alternatives to its existing practice during 2015, as mentioned in paragraph 74 of document [A/71/5/Add.16](#). Hedging of currency risk was considered and was not utilized, recognizing the zero sum-game representation over time. In 2016, the Division agreed to conduct a formal currency study. The study is under way and is expected to be completed in 2017.

**57. In paragraph 41, the Board recommended that the Fund take steps to achieve the policy benchmarks on each portfolio by improving its internal investment processes and practices and endeavour to achieve the overall minimal real return of 3.5 per cent.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

58. The Investment Management Division reviews its internal investment and risk processes, practices and procedures on an ongoing basis with the intent of meeting or exceeding the benchmarks and the targeted real rate of return of 3.5 per cent over the long term. In 2015, the Fund's strategic asset allocation was updated following the completion of an asset liability management study. The strategic asset allocation target weightings for each asset class are intended to optimize the likelihood that the Fund will achieve its 3.5 per cent real rate of return target over the long term. In 2016 and 2017, the Investment Management Division developed several new reports for this purpose, and work in this area will continue on an ongoing basis.

**59. In paragraph 48, the Board reiterated its recommendation that the Fund continue its efforts to reconcile and resolve all participant reconciliation exceptions with member organizations in a timely manner. The Board adds that until such time as a system is implemented to enable monthly reconciliations, the Fund may consider including a suitable disclosure in the financial statements on the quantum of unresolved participant reconciliation exceptions.**

<i>Department responsible:</i>	Pension Fund secretariat
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Fourth quarter of 2018

60. The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. The year-end reconciliation is conducted to ensure the accuracy of the contributions and receivables recorded in the financial statements. Contribution data discrepancies identified require action and resolution by Pension Fund member organizations. The Fund will complete the implementation of the project for monthly reconciliation of contributions, which was approved in the Fund's budget for the biennium 2016-2017, for one member organization by the fourth quarter of 2017. A disclosure in the financial statements was not deemed necessary given that the participant reconciliation exceptions process does not affect the accuracy of the financial statements.

**61. In paragraph 53, the Board recommended that the Fund ensure adherence to the stipulated benchmark for processing of benefits through improvements in efficiencies and use of information technology enabled services, since service to its members is the primary function of the Fund.**

<i>Department responsible:</i>	Pension Fund secretariat
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Third quarter of 2018

62. The strategic framework approved by the Pension Board specifies the performance indicator and target for the processing of benefits. The Fund has implemented various initiatives approved by the Pension Board at its sixty-third session to enhance performance in benefits processing. These initiatives include the creation of dedicated task forces and in-depth process review to identify opportunities for efficiency. As a result, the Fund has achieved substantial progress in terms of processing benefits within the performance indicator of 15 business days. Benefit processing times have improved steadily since the beginning of 2016. The ageing and volume of outstanding cases also reflect significant improvement, with more than 90 per cent of actionable separation cases processed within the same calendar month. Performance indicators are monitored using periodic enhanced performance reports and a business intelligence dashboard. Death in service, survivor and disability benefits continue to be handled as "priority" cases.

**63. In paragraph 65, the Board recommended that the Fund: (a) formulate a holistic policy for the strategic planning, governance and management of various information technology projects required or under implementation; and (b) take proactive measures to expedite the procurement of the replacement for the existing trade order management system and restrict additional expenditure on interim measures.**

<i>Department responsible:</i>	Investment Management Division
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Second quarter of 2018

64. The Investment Management Division is in the process of developing a comprehensive ICT strategy that will address both infrastructure and applications in order to ensure secure and continuous operations. Progress has been made, as evidenced by the successful implementation of the Bloomberg AIM trade order management system on 18 January 2016. The Division engaged a consultant to conduct an ICT study and to assist with the creation of a target operating model, and the ICT study is under way.

#### **Report of the Board of Auditors for the year ended 31 December 2015<sup>4</sup>**

**65. In paragraph 28, the Board recommended that while filling up the vacancies at senior levels at the earliest, the Fund draw up a succession plan that can foresee and address the changes that will occur when senior positions become vacant.**

<i>Department responsible:</i>	Investment Management Division
<i>Status:</i>	In progress
<i>Priority:</i>	High
<i>Target date:</i>	Second quarter of 2018

66. The Investment Management Department developed and implemented a succession plan in December 2016. The Division has filled all of its senior-level vacancies, and on-boarding is expected to be completed by the end of 2017. Good progress is being made towards filling the remaining vacancies, with the expectation that the vacancy rate will be less than 10 per cent on an ongoing basis by or before the second quarter of 2018.

**67. In paragraph 37, the Board recommended that the Fund devise a mechanism to assess the value addition to performance owing to active management of the portfolio on a regular basis so as to assess its impact and implement course correction as deemed necessary.**

<i>Department responsible:</i>	Investment Management Division
<i>Status:</i>	In progress
<i>Priority:</i>	Medium
<i>Target date:</i>	Second quarter of 2018

68. The Investment Management Division developed new risk and performance dashboards for performance attribution purposes during 2016 and 2017. These reports, along with new currency and duration fixed income limits, assist the Division in ex post and ex ante analysis of the contribution of active management so that the Division can assess its impact and implement course correction as deemed

<sup>4</sup> A/71/5/Add.16, chap. II.

necessary. Additionally, in 2016, the Division began to compare the results of its actively managed stock and bond portfolios with the results produced by the eVestment universe. The Division is supplementing the good progress to date by working on developing active risk limits for its equity portfolios.

**69. In paragraph 68, the Board recommended that the Fund carry out a review of the cash requirements of various currencies in order to keep a minimum investment in cash, as it carries a low return and is subject to foreign exchange fluctuation.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2017

70. The Investment Management Division engaged one of its non-discretionary advisers to conduct a formal currency study. The currency study is under way and is expected to be completed in 2017. It will include a review of related cash requirements. The Division and its custodian, Northern Trust, are also reviewing the logistics related to separating investment and operational cash from an accounting and performance perspective. The Division also developed a new cash flow forecast procedure.

**71. In paragraph 75, the Board recommended that the Fund: (a) address the foreign exchange exposure issue and employ suitable procedures and tools to mitigate foreign exchange losses; and (b) develop an internal mechanism to monitor, evaluate and manage losses or gains owing to foreign exchange in addition to regular monitoring of the fair value of the assets.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2017

72. The Investment Management Division engaged one of its non-discretionary advisers to conduct a formal currency study. The currency study is under way and is expected to be completed in 2017. The currency study will include a review of foreign exchange exposure and related tools. The Division also developed an internal mechanism to monitor, evaluate and manage foreign exchange by creating new attribution reports to monitor and evaluate the gains or losses owing to foreign exchange in addition to regular monitoring of the fair value of the assets.

**73. In paragraph 83, the Board recommended that the Fund review its processes for the fixed income investments to ensure that it meets or exceeds its benchmark.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Second quarter of 2018

74. The Investment Management Division is continuously monitoring and reviewing its fixed income strategy with the intent of meeting or exceeding the benchmark. The Division recently adopted new limits for currency and duration positions in the fixed income portfolio in order to enhance risk management limits for the portfolio, which has resulted in performance that more closely tracks the performance of the fixed income benchmark, the Bloomberg Barclays Global Aggregate Index.

**75. In paragraph 94, the Board recommended that the Fund enter into a service-level agreement defining the respective roles and responsibilities and the service-level benchmarks and that it develop a mechanism to secure its compliance.**

*Department responsible:* Investment Management Division

*Status:* In progress

*Priority:* Medium

*Target date:* Fourth quarter of 2018

76. The Investment Management Division is working with Bloomberg to develop a service-level agreement defining the respective roles and responsibilities and the service-level benchmarks and develop a mechanism to secure its compliance. The Division hopes to have a service-level agreement in place by the fourth quarter of 2018.

**77. In paragraph 99, the Board recommended that the Fund: (a) resolve the issues of data migration; and (b) frame key performance indicators as per functional requirements for assessing the accuracy and timeliness of outcomes of the Integrated Pension Administration System.**

*Department responsible:* Pension Fund secretariat

*Status:* In progress

*Priority:* High

*Target date:* Third quarter of 2018

78. There were minimal data exceptions in the migration to the new Integrated Pension Administration System, which occurred only for historical data not affecting any calculations. Data exceptions have been corrected as part of normal verification in benefits processing since the Integrated Pension Administration System go-live. A business intelligence tool has been deployed for monitoring performance indicators and targets. Performance indicators are available for analysis and monitoring in a management dashboard, which will continue to be enhanced.

**79. In paragraph 105, the Board recommended that the Fund: (a) acknowledge all queries and complaints received from all sources; (b) segregate queries from complaints so to address them appropriately; (c) devise a system of categorization and prioritization of complaints and their resolution; (d) inform clients periodically about the progress achieved in the resolution of the complaint; (e) devise a system for monitoring and reporting the status of grievances to the appropriate levels in the Fund to ensure an effective client delivery mechanism; and (f) review the complaints data to help to identify the weaknesses of the system and to improve and streamline the existing processes.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* High  
*Target date:* Fourth quarter of 2018

80. The Fund has implemented new client servicing mechanisms to ensure that client enquiries are addressed efficiently and effectively. Some elements have already been deployed with excellent results, including: (a) a dedicated two-tier call centre to answer all telephone calls and member self-service emails was established in October 2016; (b) the member self-service feature was launched in August 2016 to provide real-time information on members' accounts, disbursements and the receipt of documents and forms sent to the Fund; and (c) the new Pension Fund website includes a feature to categorize and track emails as well as useful information to address the most common queries from participants and beneficiaries. These enhancements complement the in-person service provided at the Fund's offices in New York and Geneva, which is also tracked and monitored.

**81. In paragraph 110, the Board recommended that the Fund prescribe a time frame for servicing the caseload. An internal reporting framework for each type of benefit based on its priority should be established.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* High  
*Target date:* Third quarter of 2018

82. The strategic framework approved by the Pension Board specifies the performance indicator and target for the processing of benefits. To enhance performance in benefits processing, the Pension Fund has implemented various initiatives approved by the Pension Board at its sixty-third session. As a result, the Fund has achieved substantial progress in terms of processing of benefits within the performance indicator of 15 business days. Benefits processing times have improved steadily since the beginning of 2016. The ageing and volume of outstanding cases also reflect significant improvement, with more than 90 per cent of actionable separation cases processed within the same calendar month. Performance indicators are monitored using periodic enhanced performance reports and a business intelligence dashboard. Death in service, survivor and disability benefits continue to be handled as "priority" cases.

**83. In paragraph 115, the Board recommended that the Fund simplify the process of obtaining the certificate of entitlement, including exploring the option of engaging the corresponding banks in the process.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2018

84. The Fund has implemented a number of actions to enhance the certificate of entitlement process, including the review of the annual cycle to ensure that all activities from the date of the mailing of the certificate to the related follow-up actions are completed within a calendar year. The member self-service (certificate of entitlement tracker) allows beneficiaries to monitor when the signed certificate of entitlement was received by the Fund. The Fund also explored the possibility of engaging corresponding banks in the certificate of entitlement process; however, this was not feasible given the use of multiple correspondent banks to distribute payments to 190 countries and a diverse set of local regulations that impede the involvement of the banks in the process. The Fund will continue exploring opportunities to enhance the certificate of entitlement process.

**85. In paragraph 123, the Board recommended that the Fund: (a) impress upon the participating organizations the need to ensure that they identify and submit to the Fund sufficiently in advance cases that are due for separation in the normal course of business; and (b) check the status of documentation and jointly devise a mechanism to resolve the issues related to incomplete or missing documentation from member organizations.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* High  
*Target date:* Fourth quarter of 2018

86. The roles and responsibilities of the staff pension committees of member organizations are set out in the Regulations and Rules of the Pension Fund. The terms of reference for the staff pension committees and their secretaries consolidate all the roles and responsibilities and recognize that member organizations are responsible for the accurate, complete and timely submission of separation information and documents to the Fund. The Fund continues to work closely with member organizations to identify mechanisms to expedite the submission of separation documents to the Fund and resolve issues related to incomplete and missing documentation from member organizations. The Fund conducted, with the support of an external consultant and in coordination with the member organizations, an end-to-end review of the separation-to-entitlement process. The results of the end-to-end review were presented to the Pension Board at its sixty-fourth session, in July 2017. Complementarily, the member self-service launched in August 2016 provides real-time information on members' accounts, disbursements and the receipt of documents and forms sent to the Fund.

**87. In paragraph 129, the Board recommended that participant reconciliation exceptions needed to be resolved in a time-bound manner in order to avoid any dispute with the participating organizations and to ensure that up-to-date and accurate financial statements can be prepared for the Fund and the participating organizations.**

*Department responsible:* Pension Fund secretariat  
*Status:* In progress  
*Priority:* Medium  
*Target date:* Fourth quarter of 2018

88. The participant reconciliation exceptions process is a quality improvement exercise that does not affect the accuracy of the financial statements. The year-end reconciliation is conducted to ensure the accuracy of the contributions and receivables recorded in the financial statements. Contribution data discrepancies identified require action and resolution by member organizations. The Fund will complete the implementation of the project for monthly reconciliation of contributions for one member organization by the fourth quarter of 2017.

## Annex VIII

### Report on the end-to-end review of the separation to benefit process: executive summary

1. The Pension Board at its sixty-third session in July 2016 approved that an end-to-end review be conducted (in cooperation between the Fund and its Member Organizations) to identify opportunities to improve and streamline the overall separation to payment process and in order to reduce the overall time taken from separation to payment. This annex is submitted in response to the General Assembly resolution [71/265](#), whereby the General Assembly requested the Pension Board to ensure that the Fund completes the review, as a matter of priority, and to report on measures taken to address identified bottlenecks in the context of the next report of the Board. Furthermore, the ACABQ, in its report [A/71/621](#) looked forward to receiving information on the result of the end-to-end review (para. 8).

2. This is the first time in the Fund's 68-year history that the much needed joint and comprehensive review of its kind was undertaken.

3. In addition to the UNJSPF, the following five entities volunteered to take part in the review: World Health Organization (WHO); UN — Department of Field Support (DFS); United Nations Children's Fund (UNICEF); UN — Headquarters (UNHQ); and the Food and Agriculture Organization/World Food Programme (FAO/WFP). The Fund, UN (DM, DFS), UNICEF, WHO, and FAO/WFP jointly launched the project in October 2016. The project was undertaken with the support of a specialized consultancy.

4. The project was overseen by a Joint Project Team, which was made up of experienced staff from the appointed consultancy and representatives from the Fund and from the Staff Pension Committees of Member Organizations and HR and Payroll representatives from reporting entities. The Joint Project Team held regular meetings to review reports and oversee the adequate development of the study.

5. The participating entities offered a good representation of the diverse range of characteristics found within the Fund's Member Organizations and Employing Entities (EE). It is important to note that the Fund has regular interactions not only with the 22 Staff Pension Committees of Member Organizations, but also with the HR and Payroll teams of more than 80 Employing and Reporting Entities. The project team (of the consulting firm) visited all the different entities as well as the Fund and spoke with over 110 staff during the six months of field work. The Fund appreciates the availability, openness, professionalism and support received from all the entities and the staff who participated in the review.

6. A summary report was produced for the consideration of the Pension Board. The summary report brings together all the key, shared themes and findings along with some recommendations. The main recommendations of the review include:

- **Redesign and standardize HR and payroll processes so activities relating to the Participant's pension entitlements are dealt with independently of other separation activity and in a consistent manner (decoupling of the separation and pension processes);**
- **Remove the need for original documents/"wet signatures" — allow submission of "Forms" electronically and allow authorized HR/SPC representatives to submit marriage, birth and death certificates by "photograph" and send them electronically to the Fund resulting in immediate receipt in the corresponding Fund's electronic dossiers;**

- **Simplify the existing separation forms so the Participant can better understand them and thus reduce the number of rejected forms. The Fund should also look to implement SMART forms on the Member Self-Service portal;**
- **MO/EE accelerate the deployment in their organizations of the electronic interface for HR and Payroll data to enable electronic submission of separation information from the MO/EE and facilitate a monthly reconciliation of Participant contributions;**
- **Continue to exploit and leverage the technology that has recently been deployed by re-engineering existing processes — on both the ERPs of the MO, such as Umoja and IPAS;**
- **Agree SLAs/KPIs for all pension-related functions from and to MO/EE and the Fund;**
- **Allocate more resources to the SPC/Fund (Client Service) teams to allow them to spend more time guiding Participants through their separation journey;**
- **In respect of the SPC community, grant SPC read-only access to the Participant record and associated documents held by the Fund. Adopt a single document management solution by making Kofax the single and central repository for all pension related documents. Where paper files exist undertake a project to back scan these;**
- **Remove dependency on legacy systems in some MO/EE where ERP implementations have not migrated all the historic data during the original implementation;**
- **MO/EE perform a data reconciliation exercise covering historic HR, Payroll and Pensions data (e.g. over 2 years old and not likely to be impacted by future retro-activity) and then agree to not revisit historic data held on legacy systems unless a Participant provides evidence of incorrect data being held; All parties agree approach for processing separation benefits for cases impacted by any outstanding retroactivity to minimize any delay to the Participant receiving their benefits on separation (e.g. pay benefits on known information and adjust later following any retroactivity adjustment). Financial thresholds should be maintained and periodically reviewed within which discrepancies are not investigated, where no underlying change to historical data has taken place;**
- **HR and Payroll communities within some Organizations have already established forums where issues on cases or process re-engineering opportunities can be discussed and improvements identified. These should be extended to all MO/EE's. Representatives from the Fund/SPC should be invited to participate so there is much closer cooperation and collaboration.**

7. Five separate detailed reports were also drafted; one for each participating MO/EE with specific recommendations to improve their own HR and payroll separation process; and each MO/EE had the opportunity to review and refine the document. It is the responsibility of each organization to implement their recommendations and it would be beneficial if they decide to share their experiences and lessons in addressing the streamlining opportunities, with the rest of the employing organizations. The Fund and some other entities have started implementing many of the findings and recommendations of the detailed reviews.

8. The Fund is currently processing over 80 per cent of the separation cases within the same month as received. Over the past year, the Fund has already taken a number of measures towards further efficiencies in the separation to benefit process, such as:

- (1) Development, testing and implementation of a dash-board that allows the separating staff to access via the Member Self-Service Module of IPAS the status of their case and where it is, so that he/she may follow-up with either the employing organization's HR or Payroll units or with the Fund;
- (2) Implementation of a monthly report that measures the delays of employing organizations in sending information to the Fund. For example, for the separation cases received in July 2017, for 31 per cent of the cases the required separation documents were sent to the Fund with a delay of over 120 days;
- (3) Preparation and sharing of lists of all cases of pending separation documentation which are sent periodically to employing organizations;
- (4) Establishment of focal points and periodic meetings with focal points of major employing organizations to streamline processes;
- (5) Data quality management activities (including using a Task Force before the year-end process to clean up database, etc.);
- (6) Capacity-building of HR and Payroll to better understand the process and interaction with the Fund (especially through new regional presence in Nairobi and extended outreach activities).

9. At its 64th session in July 2017, the Pension Board took note with appreciation of the report and recommended that lessons learned from the study applicable to all member organizations and the Fund versus best practices and possible budget implications for the Fund be presented at the next Board meeting. The major next step would be for the Board to adopt the integrated Target Operating Model and a pilot initiative which could serve as the basis for lessons learned for the other organizations.

## Annex IX

## Amendments to the Rules of Procedure of the United Nations Joint Staff Pension Fund

### Amendments to the Rules of Procedure of the United Nations Joint Staff Pension Fund<sup>1</sup>

<i>Existing text</i>	<i>Proposed text</i>	<i>Comments</i>
STAFF PENSION COMMITTEES	STAFF PENSION COMMITTEES	
<p>C.1 The composition of the staff pension committee of each member organization shall be in accordance with the provisions of article 6 of the Regulations. Each committee shall hold at least one regular meeting each year. Special meetings shall be held either at the decision of the chairman, at the request of the competent authority or at the request in writing of three members.</p>	<p>C.1 The composition of the staff pension committee of each member organization shall be in accordance with the provisions of article 6 of the Regulations. <b><u>Staff members of the secretariat of the Fund and of the Investments Management Division of the Fund, and staff members of the secretariat of each Staff Pension Committee shall not be eligible to be elected or appointed to represent any constituent group in the Staff Pension Committee of any member organization of the Fund, and consequently to serve on the Pension Board. Consistent with Rule A.9 (e), two UNJSPF retiree representatives shall be entitled to attend meetings of the SPC, but shall not have the right to vote.</u></b> Each committee shall hold at least one regular meeting each year. Special meetings shall be held either at the decision of the chairman, at the request of the competent authority or at the request in writing of three members.</p>	<p>Reflects the Pension Board's approval of a provision to confirm that staff members of the secretariat of the Fund, of the Investment Management Division of the Fund, and those serving in the secretariat of each Staff Pension Committee are not eligible to be elected or appointed to represent any constituent group in the Staff Pension Committee of any member organization. The provision has also been amended to include the retiree representatives on Staff Pension Committees.</p>
Amendment to Terms of Reference for Staff Pension Committee and their Secretaries Appendix 7 to the Regulations		
III. Staff Pension Committees	III. Staff Pension Committees	
<p>12. In accordance with Article 6 (c), following the Pension Board's tri-partite nature, each SPC is composed of an equal number of members representing (a) the governing body; (b) the chief administrative officer; and (c) the participants in service of the member organization.</p>	<p>12. In accordance with Article 6 (c), following the Pension Board's tri-partite nature, each SPC is composed of an equal number of members representing (a) the governing body; (b) the chief administrative officer; and (c) the participants in service of the member organization. <b><u>In accordance with rule C.1 of the Rules of Procedure, two UNJSPF retiree representatives shall be entitled to attend meetings of the SPC, but shall not have the right to vote.</u></b></p>	<p>Reflects the change to Section C.1 of the Rules of Procedure for retirees to be represented on Staff Pension Committees.</p>

<sup>1</sup> Approved additions appear in boldface type.