

**Statement to the Fifth Committee by Ms. C. Nana Yaa Nikoi,  
Chairman of the United Nations Joint Staff Pension Board**

**20 October 2011**

As Chair of the United Nations Joint Staff Pension Board and a representative of the Executive Heads group from the World Food Program, I am honored to present the report of the Pension Board on the administrative expenses of the United Nations Joint Staff Pension Fund, document A/66/266.

The United Nations Joint Staff Pension Fund operates under Regulations promulgated by the General Assembly. Pursuant to those Regulations, the Pension Fund is administered by a Board, composed of representatives of the twenty-three member organizations of the Pension Fund. The 33-member Board has a tripartite composition, consisting of equal numbers of representatives of the governing bodies of its member organizations, of their participants in service, and of their executive heads.

Due to the biennialization of the work programme of the Fifth Committee, the biennial budget proposals of the Fund are presented in odd-numbered years. The Fifth Committee and the Assembly consider the budget of the United Nations Joint Staff Pension Fund as sub-items under the agenda items for the biennial programme budget of the United Nations. Accordingly, in its report to the General Assembly this year, with the exception of one ad hoc item, the Board covered only the Pension Fund's programme budget for 2010-2011 and its proposed programme budget for 2012-2013. As in the past, other items that were considered by the Pension Board this year, and in some cases decided upon, will be reported to you next year during the 67th session of the Assembly. The one ad hoc item recommends a transitional measure for reporting under the International Public Sector Accounting Standards (IPSAS), beginning 1 January 2012.

The format of this year's budget document is slightly different from prior years. Background and supplementary financial information are now included in a separate document. The budget estimates for the biennia 2010 - 2011 and 2012 – 2013 are presented in A/66/266, with the budget estimates for the biennium 2010-2011 contained in section II. The budget proposals for the biennium 2012-2013 are presented in section III. The

Board's usual request for authorization in respect to the Emergency Fund is included in section IV. The special ad hoc request regarding IPSAS implementation is included in section V. The Board's specific recommendations, which require action by the General Assembly, are contained in section VI and a summary of follow-up actions, taken in respect to Pension Board and ACABQ requests, is provided in section VII.

As background, drawing your attention to section II of the supplemental document, the Fund continues to grow significantly (over 50% in the last 10 years). There are now 23 member organizations and more than 185,000 active participants, retirees and other beneficiaries covered by the Fund. In addition, the scope and complexity of the operations continue to grow, as the Fund has been expanding its provisions to cover not only a greater number of individuals residing in some 190 countries but also to address a wider range of unique circumstances.

Back in 2009, the then Chairman of the Board reported to you that the market value of Fund assets had declined sharply from 41.7 billion US dollars on 31 December 2007 to 31.3 billion on 31 December 2008. The Fund has recovered well since 2008, with the market value of assets reported at 41.4 billion on 31 December 2010. However, recent market trends have

left the value of the Fund much as it was as of the beginning of the year. As of 30 September 2011 the market value was US 38.1 billion dollars.

With respect to the Fund's budget, it should be recalled that the administrative expenses of the Fund are separated into three main components: administrative, investment and audit costs. As requested in the past, the Fund is reporting its budget in the Results-Based Budgeting (RBB) format. Resources are therefore requested in line with the Fund's programmes. In addition, and in order to make the submission clearer, only summarized information has been given in the main part of the document with all justification and subsidiary information contained in the supplemental document.

In Resolution 65/249 of 24 December 2010, the General Assembly approved some redeployment of appropriations to meet the requirements of the Fund for the biennium 2010-2011. The total revised appropriation was comprised of: administrative costs (\$92,308,500), investment costs (\$81,197,500), audit costs (\$2,645,000) and Board expenses (\$167,500). The amount chargeable directly to the Fund and the share of costs borne by the United Nations remain unchanged at \$154,759,100 and \$21,569,400, respectively.

The appropriations for this same period were revised by an increase of \$94,600 in general temporary assistance expenditure to cover the cost of 1 P-4 post for IPSAS related implementation for administrative costs offset by a decrease in contractual services for investment costs of \$94,600. Total expenditure for the 2010-2011 biennium is now estimated at \$154,545,700 comprised of administrative costs (\$80,478,500), investment costs (\$71,289,000) audit costs (\$2,532,900) and Board costs (\$245,300) resulting in an under expenditure of \$21,772,800, or 12.3 per cent of the total appropriation. In addition, the projected expenditure of \$144,300 for extra budgetary costs will result in an under expenditure of \$13,900 or 8.8 per cent of the appropriation.

Section III, on the proposed budget for the biennium 2012 - 2013, provides explanations in respect to resource growth and/or savings for each of the three main components of the budget. It should be recalled that the administrative costs include all the services and activities required on behalf of the participants, retirees and other beneficiaries of the Fund, namely:

- the financial management of contributions received from the active participants and their employing organizations,

- the management and payment of pension benefits to retirees and their beneficiaries,
- the management of information technology systems operated by the Fund, and,
- the administrative services provided to the staff of the Fund.

The investment costs, which are charged fully against the principal of the Fund, relate to the activities of the Investment Management Division (IMD). The audit costs relate to both internal and external auditing of the operations of the Fund.

For each component, a summary table is provided outlining the objects of expenditures, post requirements and activities involved. It should be noted that, for the first time, the Board instructed the budget working group to begin reviewing the proposed budget 90 days before the Board's 2011 session. This new practice allowed appropriate time to consider the budget. The working group was comprised of two members from each of its constituent groups and two retiree representatives from FAFICS. After review of the budget estimates presented by the Fund secretariat and IMD, and after multiple meetings, the working group developed a revised budget for the Board's review. Based on the proposal of its working group, the

Board approved the budget for 2012-2013 as presented in the report you have before you. The budget totals \$194,164,000, which includes:

- \$98,407,600 for administrative costs;
- \$92,938,200 for investment costs;
- \$ 2,613,800 for audit costs; and
- \$ 204,400 for Pension Board expenses.

The Board also approved extra budgetary costs, to be funded by the member organizations, amounting to \$156,800 for the after-service health insurance system.

Of the total amount approved for the 2012-2013 biennium, \$173,260,600 would be apportioned to the Fund and \$20,903,400 to the United Nations under the cost-sharing arrangement. This reflects a decrease of \$666,000 of the amount allocated to the United Nations compared to prior biennium budget.

For the Secretariat, the budget fully reflects the priorities outlined in the Fund's first Strategic Framework, as approved by the Board. The Secretariat's objectives, expected accomplishments, indicators of achievement and planned outputs for the upcoming biennium are summarized in Table 13 of the budget

document. The priorities continue to be the new Integrated Pension Administration System (IPAS), implementation of the new accounting standards (IPSAS), providing responsive client services and improving operational efficiencies, risk evaluation and management, e-learning, training and knowledge management. Regarding the posts associated with Administrative costs, the Board did not recommend any new posts, but did recommend the reclassification of the Budget Officer from P-3 to P-4, as well as approved additional General Temporary Assistance equivalent to 2 posts for client services in Operations. In addition, it agreed on the continuation of 1 extra-budgetary post to be funded by the member organizations for the after-service health insurance system.

In this budget proposal, the bulk of the requested funding for the Secretariat relates to the Fund's new Integrated Pension Administration System, otherwise referred to as IPAS. The Board had considered and approved the project plan and implementation approach in 2008, including a comprehensive work plan for IPAS implementation. Detailed costs relating to hardware, software, contractual services and other costs required for the project and 18 temporary posts (one P-4 of which was approved for 12 months only and was abolished in 2011) for the duration of the project



were approved within the 2010-2011 budget. Details of the project are provided in the supplemental budget document.

Regarding investment costs, the Board recommends 7 new posts and additional General Temporary Assistance funding equivalent to 2 posts for the Investment Management Division.

As it does in each of its budget proposals, the Board also requests authorization to supplement contributions to the Emergency Fund for the biennium 2012-2013 by an amount not exceeding \$200,000.

In addition, due to the Board's decision to adopt the IPSAS accounting rules beginning 1 January 2012 and the fact that the Fund utilizes the United Nations financial rules and regulations, a transitional measure will need to be adopted this year with respect to the financial rules to be followed by the Fund during the interim period until the UN adopts its own financial rules for 2014 IPSAS implementation. The transitional measure recommended by the Board is included in section V of the budget document.

Finally, I note that the ACABQ considered the report of the Board in a meeting held on 28 September 2011 and is recommending that the General Assembly approve the Pension Board's budget proposals for the current and subsequent bienniums.

Thank you, Mr. Chairman.

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