



### Message from the Deputy Chief Executive Officer



Paul Dooley

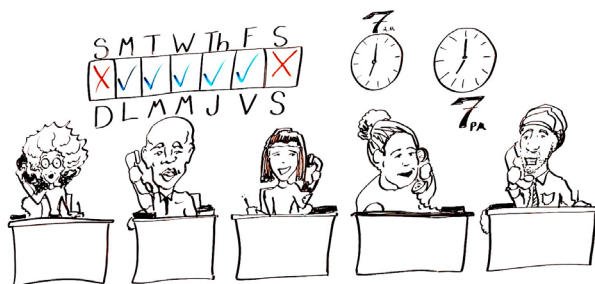
Welcome to the September edition of our quarterly newsletter. Much has transpired over the past three months and I would like to take this opportunity to fill you in on recent developments.

The United Nations Joint Staff Pension Board (UNJSPB) met for its annual session in Rome from 27 July to 3 August at the Food and Agriculture Organization (FAO). In my opening statement, I emphasized that the Fund is in a very good financial position and noted that the Fund received an unqualified audit opinion on the 2017 financial statements.

Following last year's message from the Board that the Fund should focus on core activities, I informed the Board that the Fund has focused on standardization and stabilization following the introduction of our new computer system. All existing beneficiaries have been paid the correct amount and on time and the Fund is processing some 80% of initial benefit cases within the same month that all documents are received.

With respect to the actuarial situation of the Fund, I recalled that the latest actuarial valuation as of 31 December 2017 revealed a small deficit of 0.05% of pensionable remuneration, well within the corridor of +/-2% of pensionable remuneration recommended by the Fund's actuaries which indicates that the Fund is very close to actuarial balance and is considered to be well funded.

Turning to benefit processing, I then reported that the number of new benefits processed monthly (around 1,000) remained significantly above the long term average (800). The Fund is working towards the target of processing 75% of initial separations within 15 business days of receiving all necessary documentation. In June, 64% of initial separations were processed within 15 business days. The median processing time was 12 business days. We expect to improve on this further in the coming months.



I also briefed the Board on the initiatives implemented to establish excellence in client services. The opening of new Call Centers has allowed the Fund to respond to 95% of calls received, while 100% of death-related calls are answered through a dedicated phone number. I noted that the Fund is in the process of establishing toll-free telephone numbers so that we can be contacted free of charge. I also informed the Board that some 80% of

emails are now handled within 15 business days. Moreover, the Fund has added several features to the web-based Member Self-Service (MSS) facility which now has nearly 90,000 participants and beneficiaries registered. The Fund has also expanded its outreach efforts to address our client's needs many areas of the globe.

Finally, I noted the positive feedback the Fund has received from various AFICS representatives and commented that the meetings with the FAFICS Council and the Pension Board had provided good feedback on what clients expect from the Fund. I also highlighted the need to strengthen relationships with our stakeholders to ensure that our clients are served with appreciation for their years of dedicated service. We take our responsibilities very seriously as we seek to improve our service levels through continuous improvement.

Thank you again for your support as we strive to serve your pension needs and expectations.

## Message from the Representative of the Secretary-General (RSG) for investment of UNJSPF assets



Sudhir Rajkumar

### Market Value

The Fund's assets rose modestly during the second quarter, despite negative returns for most of the world's stock and bond markets. The assets of UNJSPF were valued at USD 64.1 billion as of 30 June 2018 (based on preliminary unaudited data). The Fund's investment returns exceeded the policy benchmark's investment returns during the quarter. Annualized returns on the assets have comfortably exceeded the Fund's Long-Term Objective of 3.5% real (net of inflation) in USD terms for 1, 3, 5, 10, 15, 20, and 50 year periods ending

30 June 2018. Measuring returns over long time-periods (15 years or more) is the most appropriate for pension funds because pensions are paid out over a very long time. Market volatility from one year to the next should not influence a move away from the long-term investment course we have set for ourselves based on thoughtful, well-considered asset-liability considerations. It is in the best interests of beneficiaries that pension fund investments maintain a long-term focus. UNJSPF is financially healthy and is in a good position to meet all its obligations to its beneficiaries.

### Name Change to OIM

On 1 June 2018, the Office of Internal Oversight Services (OIOS) recommended that 'the Secretary-General should upgrade IMD to an Office to reflect that the responsibilities for the Fund's investments are vested in a full-time RSG at the rank of Assistant Secretary-General'. The Secretary-General accepted this OIOS recommendation on 18 June 2018. The Investment Management Division (IMD) will henceforth become the Office of Investment Management (OIM).

### Sustainable Investments

OIM is committed to enhance its leadership in sustainable investment through ongoing innovation and development. OIM believes that portfolios which have integrated material ESG metrics in their investment decision making process have the potential to provide returns that are superior to those of conventional portfolios, while exhibiting lower risk over the long term.

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OIM's sustainable investment approach has been acknowledged by the Principles of Responsible Investment and was awarded an A+ rating in 2018 (improved score compared to 2017).

Most recently, OIM finalized an agreement with the Fund's equity benchmark supplier, MSCI, to provide a customized benchmark that excludes investments in tobacco and weapons companies. Investments in such companies are restricted as per the Fund's Investment Policy Statement. The new MSCI All Country Ex-Tobacco and Controversial Weapons World Index will more accurately reflect the Fund's investable universe, while simultaneously improving the risk reporting. OIM is preparing the publication of the Fund's first Annual Sustainable Investment Report, expected in the first quarter in 2019.



### Website

OIM's management is making a strong effort to reach out to all stakeholders, and to maintain proactive, open, two-way communications with them. As part of this effort, the OIM website has been completely revamped. The first version of the upgraded website was specifically targeted to be available before the start of the Pension Board meetings in July; this goal has been met successfully. The hard work of a large, inter-disciplinary team drawn from different parts of OIM made this possible within a short span of a few months.

Please visit <https://oim.unjspf.org> to learn more about UNJSPF Investments.

## Actuarial valuation of the Fund as of 31 December 2017

The Board received the results of the 31 December 2017 actuarial valuation at their 2018 session. The actuarial valuation presented a picture of the funded status of the Fund based on data and assets values as of the end of 2017 and was based on the actuarial assumptions recommended by the Committee of Actuaries and approved by the Pension Board in 2017. Actuarial valuations are completed every two years so that the Pension Board and United Nations General Assembly can monitor the UNJSPF funded status and ensure that the current contribution rate remains sufficient to cover benefit obligations.

The results of the Regular actuarial valuation as of 31 December 2017 showed that the required contribution rate (to maintain actuarial balance over the long term) was 23.75% of pensionable remuneration compared to the current contribution rate of 23.70%. This means that there is a SLIGHT ACTUARIAL DEFICIT of 0.05% of pensionable remuneration. Even though there was a small contribution rate deficiency, this result is well within the 2% corridor established by the Pension Board to monitor valuation results. The corridor was developed because it is expected that actuarial valuation results will never exactly equal 23.7% of pensionable remuneration. Rather, results will be above or below this fixed contribution rate based on factors such as actual investment return and staff member longevity. The Pension Board monitors longer term trends in the actuarial valuation results in case they should appear to be going outside of the corridor; that is, be below 21.7% or above

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25.7% of pensionable remuneration, in which case, the Pension Board would need to consider whether to recommend taking corrective action.

The Fund's Consulting Actuary also presented additional analysis and results that were closely reviewed by the Pension Board. The Board concluded that even though there is very slight contribution rate deficiency, the results of the actuarial valuation are positive for the Fund, showing that it is currently in a strong financial position.

## Appointment of the Deputy Secretary/Deputy CEO

Following the 64th session of the Pension Board, the Deputy CEO had decided that he was not going to seek a second term. Therefore, a Search Panel was established to help the Board identify a shortlist of candidates at its 65th session.

Having assessed, tested and interviewed a number of candidates, the Search Panel unanimously agreed to recommend four candidates for the consideration of the Pension Board. The four candidates were invited to make a short presentation and respond to questions from the Board. After consideration of the process followed and the presentations and interviews of the four shortlisted candidates, the Board decided to recommend a candidate for appointment to the Secretary-General of the United Nations for a first term of five years.

The Board decided to establish a Succession Planning Committee, which would assist the Board, on an ongoing basis, in selecting Senior Staff, particularly the CEO and Deputy CEO.

Regrettably, after the work of the Search Panel, the decision of the Board at its 65th session, and positive reference checks, the candidate recommended for the position for Deputy CEO has withdrawn his candidacy. Accordingly, the Chair of the Board has called upon the Succession Planning Committee to identify an Acting Deputy CEO for up to one year and start the search for a long-term Deputy CEO with a view to providing a shortlist of candidates to the Board in July 2019. In this context, the Board requested and the current DCEO agreed to postpone his retirement and function as Acting CEO until 31 December 2018.

## Financial Statements

Taking note of the unqualified audit opinion issued by the United Nations Board of Auditors Pension Board approved the financial statements of the Fund for the year ended 31 December 2017.

During the financial period ending 31 December 2017, the net assets available for benefits of the Fund had increased in value from \$54.5 billion to \$64.4 billion, reflecting an increase of \$9.9 billion or 18.1 per cent. This was mainly a result of the unprecedented investment income of \$ 10.2 billion for the year 2017 comparing to \$2.7 billion for the prior year.

Based on the actuarial valuation as of 31 December 2017 the present value of accumulated plan benefits with adjustments amounted to \$ 55.8 billion (without adjustments \$ 41.6 billion), which is exceeded by net assets available for benefits of \$ 64.4 billion.

The contributions to the Fund amounted to \$2.4 billion, an increase of \$127.4 million (or +5.6%) compared to 2016. Over the same period, benefit expense amounted to \$2.7 billion, an increase of \$166.8 million (or +6.7%) compared to 2016, exceeding contributions by \$272 million (2016: \$232 million).