



# UNJSPF

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## **UNJSPF Strategic Framework for the period 2018-2019**

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## UNJSPF Strategic Framework for the period 2018-2019

### I. Introduction

1. As requested by the Pension Board, this Strategic Framework has been prepared following the approach and format used in the United Nations strategic planning and budgeting processes. However, due to the Fund's unique governance structure, regulatory framework and the mandate, the format used varies somewhat from that used by the United Nations. The United Nations Joint Staff Pension Fund ("UNJSPF" or "the Fund") is an inter-agency body established by the United Nations General Assembly to provide retirement, death, disability and related benefits for international civil servants employed by the United Nations and the other international organizations admitted to membership in the Fund. The Fund is administered by the United Nations Joint Staff Pension Board ("the Board"), a subsidiary organ of the United Nations General Assembly.

2. The Strategic Framework identifies the main priorities and objectives of the Fund for the biennium 2018-2019, and serves as the basis for programme planning, budgeting, monitoring and evaluation. The Framework represents a compact between the Fund's Management and the Pension Board outlining the main objectives for the Fund in the period as well as the corresponding strategies to achieve them. It provides insight into Management's actions with the aim of facilitating the overall monitoring of results and performance assessment of the Fund. It establishes the basis for a concrete and on-going relationship between the Pension Board and Management, thus constituting an important and integral part of the Fund's governance mechanisms.

3. The Strategic Framework for the period 2018-2019 builds on the findings and recommendations of various assessments and reports that have been submitted for the consideration of the Board at its past sessions. These include the Strategic Frameworks for 2014-2015 and 2016-2017<sup>1</sup>, the overall reviews of the UNJSPF staffing and organizational structure ("Whole Office Review") considered in 2008 and 2016<sup>2</sup>, the study on New Client Services Model and the report on possible options for strengthening the Fund's client servicing capabilities<sup>3</sup>, the *Carte Blanche* document submitted to the Working Group on Sustainability and to the Board in 2013<sup>4</sup>, the strategic planning exercises conducted in 2013 and 2016, the comprehensive risk assessment studies undertaken in 2005, 2009<sup>5</sup> and 2013, the Medium-Term Human Resources Action Plan (2010-2017)<sup>6</sup>, the Asset-Liability Management Studies conducted in 2007, 2011 and 2015<sup>7</sup> and the Current State Assessment and Target Operating Model studies<sup>8</sup> undertaken in preparation for the implementation of the Integrated Pension Administration System (IPAS), as well as the Review of IPAS implementation against the approved High Level Business Case<sup>9</sup>.

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<sup>1</sup> JSPB/59/R.27 and JSPB/61/R.27

<sup>2</sup> JSPB/55/R.23 and JSPB/63/R.19

<sup>3</sup> JSPB/63/R.19/Add.1 and JSPB/61/R.48

<sup>4</sup> JSPB/60/R.26/Add.2

<sup>5</sup> JSPB/53/R.46 and JSPB/57/R.23

<sup>6</sup> JSPB/57/R.21 and JSPB/57/R.22

<sup>7</sup> JSPB/54/R.20, JSPB/58/R.8 and JSPB/62/R.22

<sup>8</sup> JSPB/55/R.22

<sup>9</sup> JSPB/63/R.18/Add.1

## **II. Overall Orientation of the Fund**

### **A. Mission**

4. Under the authority of the Pension Board, the Fund is entrusted to provide retirement, death, disability and other benefits and related services to its participants, retirees and beneficiaries.<sup>10</sup>

5. To meet its long-term commitments and liabilities, the Fund must ensure an adequate level of investment return on its assets while remaining mindful of the approved risk appetite and its related risk tolerance philosophy. It must also ensure that all of its activities reflect the best conditions of security, accountability, social responsibility and sustainable development while operating in full compliance with the highest standards of quality, efficiency, competence, and integrity.

6. The Strategic Framework reaffirms a strong commitment to a service-oriented Pension Fund. Pensions are a critical element of the overall conditions of service for all staff of the 23 member organizations of the Fund. They are an integral part of the package of pay and benefits that determines the competitiveness and attractiveness of the organizations as employers in the labour market.

### **B. Longer-term objectives**

7. Considering the outcome of the key studies carried out over recent years and the strategic planning exercise conducted in 2016, the following long-term challenges and objectives for the Fund have been identified:

- i. Strengthened governance;
- ii. Ensuring the Fund is an agile organization;
- iii. Enhancing the service-oriented nature of the Organization;
- iv. Using Information Technology as an agent for change;
- v. Achieving the long term investment objectives.

#### **(i) Strengthened Governance**

8. The UNJSPF is an entity with long-term vision and objectives, which requires sound governance in order to meet pension promises decades into the future. As the Fund has reached a high level of maturity, the stability of the benefit provisions should be maintained and risk management reinforced.

9. Unique features, such as the two-track feature of the Pension Adjustment System, add complexity to the Fund's long-term financial management. The Fund continues to enhance its control structure; implementing an effective enterprise-wide risk management process, developing and maintaining specific internal control mechanisms, and, carrying out periodic asset-liability management studies, in order to make informed decisions regarding

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<sup>10</sup> The legislative mandate of the Fund is derived from the General Assembly resolution 248 (III) in 1948 that approved the UNJSPF Regulations, as well as subsequent General Assembly resolutions and the Pension Board decisions. The General Assembly resolution also determined that the investment of the assets of the Fund will be decided by the Secretary-General.

plan design and investment policy. To that effect, it is important to provide and maintain the framework for a well-funded and actuarially sound Pension Fund, balancing the increasing interdependency of the Fund's assets and liabilities.

#### *Stability in plan design*

10. Mindful of the Fund's maturing nature and its complex plan design, any significant changes to that plan design, or modifications to the Regulations, Administrative Rules and the Pension Adjustment System, represent not only a potential risk to actuarial status of the Fund but also a possible significant administrative burden. This could lead to intergenerational inequities. Therefore, all future changes to the plan design are carefully studied and coordinated keeping in mind the principles set forth by the Committee of Actuaries in 2010, namely:

- a) income replacement;
- b) long-term solvency;
- c) intra and inter-generational equity;
- d) cost control and stability;
- e) simplicity of administration; and
- f) risk control.

11. Amendments should be proposed, planned and implemented keeping in mind long-term strategies, legal implications, simplicity of the related provisions, financial soundness, and administrative viability.

#### *Interdependence of assets and liabilities – coordinated mechanism*

12. One of the findings of the asset-liability management (ALM) studies, considered by the Pension Board in 2007, 2011 and 2015, was that there is a complicated interaction between the Fund's assets and liabilities which requires an integrated approach, especially when dealing with solvency matters and with the determination of the strategic asset allocation for the Fund's investments. The bifurcated governance structure of the Fund could lead to significant risks, which affect its overall effectiveness, and may not yield optimum results, unless there is constant and high degree of coordination, consultation and information sharing between the secretariat (liabilities) and Investment Management Division (IMD) (assets). The wish to ensure the Fund's long-term sustainability was the Board's main driving force, which resulted in establishing an Assets and Liabilities Monitoring Committee. The Committee has a significant and increasing role in the governance of the Fund, providing advice and recommendations to the Board with regard to risk management, particularly with regard to risk tolerance, funding policy, asset-liability management and investment policy.

#### *Internal control framework – Statements of Internal Control*

13. The Fund continues to strengthen its internal control framework. Following the implementation of International Public Sector Accounting Standards (IPSAS), the Fund introduced the Statement of Internal Control for all its areas in 2014. These Statements include disclosures on the scope of responsibility, the purpose of the system of internal control, capacity to handle risk, the risk and control framework and review of its

effectiveness. Since 2014, the Fund has gradually expanded the scope of the SIC and introduced a number of enhancements.

14. The importance of the Statements of Internal Control is highlighted in the context of the implementation of the new Integrated Pension Administration System (IPAS), which is a robust IT system and depends on the correct data feeds from the employing organizations. While the operating model has changed the way the Fund does business with its Member Organizations through increasing automation, the fundamental principle of data ownership has not. The UNJSPF relies on the accurate and opportune reporting of the participation and contributions of the staff members by the Member Organizations, and it is in the interest of all – Member Organizations, the staff members/UNJSPF participants, and the Fund – that the personnel data is correct and that the contributions are calculated and remitted to the Fund accurately and on time.

## **(ii) Ensuring the Fund is an Agile Organization**

### *Challenges*

15. The Fund is responding to its mandate and addressing its objectives in an ever-changing, complex and uncertain environment. The drivers for change include; the dramatic growth in membership of the Fund over the last 15 years (from 129,498 participants and beneficiaries in 2001 to 198,366 in 2015), an enlarged group of staff members moving into retirement and the increasing longevity of retirees who have specific service needs of advanced old age, the highly volatile financial and economic environment with changing foreign exchange rates and CPIs, the complex and evolving plan design that reflects societal and legislative changes, the high level of maturity of the Fund that requires enhanced solvency management processes to respond to the challenges of the interdependency of assets and liabilities; the global change in IT systems and technology, coupled with changes in the UNJSPF member organizations, and, finally, the strive for efficiency – doing more with less.

16. The organizational culture of the Fund needs to adapt to this new uncertainty; the Fund needs to recognize that constant change has, today, become more of a norm than an exception. While the Fund has undertaken a number of modernization initiatives over the years, it needs to respond to the challenges by becoming more agile: it needs to become responsive, flexible, adaptable and innovative. This all originates from the nature of the business of the Fund, which, in respect of its operations, is essentially that of a financial institution. The idea is to enhance the strategic planning, create and empower an effective middle-management team, and establish a learning organization with a service orientation. By building an aligned and cohesive group of “functional” managers, the senior management team has the potential to increase effectiveness. In addition, the budget process of the Fund should be further reviewed and the paradigm of administrative services reviewed and assessed in the future.

17. While the Fund is going through the paradigm shift brought by IPAS, the second phase of modernizing processes for further productivity gains and excellence in service delivery is starting almost simultaneously. While the goal is constant modernization and an efficiency driven culture, it should be recognized that there will be need to strengthen the

staffing levels of the Fund secretariat, particularly in the operations and client service areas, in the future, given the “shoe string” approach the Fund has had over the years.

*Permanent training and staff development platform*

18. It is important to safeguard a seamless transition to the new pension administration system and address immediate “unknowns” resulting from the aftermath of the IPAS implementation. Only that will guarantee that the Fund continues to meet its commitment to ensure a constant stream of income for active participants as they move into retirement status. This requires intensified, systematic training and staff development, which, due to the need to understand and apply the Fund’s complicated benefit provisions, can only be conducted in-house. The Fund will create a corporate learning culture in which every employee drives his/her learning and development, and in which every line manager actively supports this culture and contributes to building a learning organization. The Fund also requires adequate levels of resources to address important change management, knowledge transfer, and quality control issues.

*Active human resources management*

19. The Fund will develop and implement a human resources strategy aligned to its business objectives. Most importantly, the Fund will initiate active talent and career management. In this regard, the Fund will design a talent management strategy and identify and implement technology to deliver strategies. Furthermore, the Fund will develop and deploy a career framework across business functions. To that effect, the Fund will design, develop and execute an organization-wide talent identification process, succession planning process and methodology. It will start the process from skills identification and inventory, and develop planning and prioritization processes, taking into account the most pressing business needs arising in the aftermath of the IPAS implementation and from the results of the organizational review conducted post-IPAS. The Fund will also review performance management improvement initiatives and develop identification and tracking measurements to determine the effectiveness and financial impact of different human resources policies and strategies.

*Review the paradigm of administrative services*

20. The Fund will review its policies, procedures, standards and tools to ensure effective management and control as well as efficient delivery of administrative services in line with the new administrative services model being adopted by the UN as adapted to the Fund’s needs and characteristics. It will develop and promote innovation and best practices in these areas. Administrative operations, particularly human resources management, will be monitored to improve consistency, coherence and client-orientation and to ensure open and transparent administrative services. Administrative systems, policies and procedures will be developed and adjusted to meet the evolving needs of the Fund in the short and long term.

**(iii) Enhancing the Service-Oriented Nature of the Organization**

21. It should be noted at the outset that although the Fund has a dedicated section dealing with client services, the vast majority of the Fund secretariat is also involved in client servicing activities. The Fund has reaffirmed its strong commitment to a service-oriented

Pension Fund. The ongoing growth in the transactional volume related to active participants serviced by the Fund, combined with increasing numbers of individuals reaching retirement age and further increases in life expectancy, continue to translate into heavier workloads for the Fund. In addition, the recent trend towards providing coverage for a wider scope of circumstances is resulting in more complex workloads. The growing numbers as well as the aging of the Fund's retirees will call for greater care and attention to unique needs that only a "state of the art" client servicing section would be able to provide. The Fund must therefore continue strengthening its client servicing capabilities, including its overall work flows and document management and distribution functions.

22. While IT systems can be an agent of change, nothing can replace human involvement when dealing with the clients. The core function of the Fund secretariat is to pay and administer pension benefits, not only for the current participants and retirees, but for future generations. Quality performance standards have been incorporated in the work plan of the Operations, which continue to ensure that all pension entitlements are estimated, calculated and paid consistently, in a timely manner and in full conformity with the Regulations, Rules and Pension Adjustment System.

23. The Fund is well aware that a large share of its clients lives in the various regions of the world that are not within close proximity to the Fund's NY or Geneva offices. The Fund will continue identifying ways to better reach and provide full client services for participants, retirees and other beneficiaries residing in all parts of the world, including enhancing self-service capabilities, significantly increasing its outreach efforts and reviewing possibilities of establishing small regional service centers, or possibly establishing "roving benefit officer" positions within the Fund with the aim of providing more frequent and extended missions to those field offices which are not easily catered for by the more permanent offices

24. The Fund will also enhance its ongoing, comprehensive communication policy with all constituents of the Fund to ensure full transparency and that participants and beneficiaries are in a position to make fully informed decisions and choices regarding their participation and benefit election.

#### **(iv) Using Information Technology as an Agent for Change**

25. With the completion of the IPAS project, the Fund will focus its efforts on leveraging the new system to effect additional process improvements in operations. The Fund will introduce process changes that re-engineer existing workflows and embed new ways of working. Moreover, the Fund will begin to realize the operational benefits and collaborative working environment that the system inherently provides along with a comprehensive and systematic approach to knowledge sharing. Additionally, the Fund's change management process will be expanded to provide a structured and disciplined forum for change in all areas of the Fund. Electronic interfaces with member organizations and associated financial processes will also be strengthened to accommodate monthly contribution reporting and reconciliation, thereby improving quality and mitigating risk. New initiatives will also be introduced to streamline processing in line with changes in antiquated administrative processes. Through a comprehensive review of end-to-end processes with member organizations, it is expected that processing and technological advancements will result in



greater efficiencies and full modernization, particularly in the seamless exchange of information.

**(v) Achieving the Long Term Investment Objectives**

26. Achieving the actuarial real rate of return objective over the long-term is vital to the sustainability of the UNJSPF. In keeping with this objective, an Asset Liability Management (ALM) study was completed in 2015, and the Strategic Asset Allocation (SAA) was updated accordingly. ALM studies are conducted by the Fund every four years. The Fund will migrate toward the new SAA targets over the next four years, and another ALM study will be conducted in 2019. Overall, the changes to the target weightings are modest when compared to recent weightings and/or the prior targets for each asset class respectively. Consequently, future corresponding budget request changes are also expected to be modest.

<b>Strategic Asset Allocation Policy Prior to 1 August 2015</b>			
<b>Asset Classes</b>	<b>Minimum</b>	<b>Targets</b>	<b>Maximum</b>
Global Equities	50%	60%	70%
Real Assets	3%	6%	9%
Alternative Investments	n.a.	n.a.	n.a.
Global Fixed Income	24%	31%	38%
Cash & Short-term	0%	3%	6%
Total		100%	

<b>Strategic Asset Allocation Policy Effective 1 August 2015</b>			
<b>Asset Classes</b>	<b>Minimum</b>	<b>Targets</b>	<b>Maximum</b>
Global Equities	50%	58%	69%
Real Assets	3%	9%	10%
Alternative Investments	0%	5%	10%
Global Fixed Income	19%	26.5%	37%
Cash & Short-term	0%	1.5%	6%
Total		100%	

<b>Actual Asset Class Weightings</b>	
<b>Asset Classes</b>	<b>31 December 2015</b>
Global Equities	62.19
Real Assets	6.57
Alternative Investments	3.48
Global Fixed Income	24.15
Cash & Short-term	3.61
Total	100%

27. The Fund will continue the strategy of diversification of the assets in terms of asset classes, currencies and geography. This will include gradual and incremental expansion of Real Assets (Real Estate, Infrastructure, Timber and Agriculture) and Alternative

Investments (Private Equity), migrating toward the new target weightings for these asset classes over the next four years.

28. Restructuring of the Fund's non-discretionary investment advisory services began during the past biennia. Some of these service providers were terminated, and the proceeds were utilized to offset costs related to new IMD posts which were approved during the past biennium. Some of the general non-discretionary investment advisers were replaced by research providers offering more specific and targeted research on markets and securities. IMD will continue to monitor and streamline its requirements for non-discretionary investment advisory services and research provider services.

29. In keeping with the fiduciary duties of the Secretary-General, the use of outside expertise from consultants, advisors and/or specialty fund managers will remain essential where IMD lacks sufficient expertise, experience or staffing. The majority of the assets will continue to be internally managed.

30. Independent Master Record Keeper and custody arrangements will be reviewed with the intention of ensuring secure, efficient and cost-effective services.

### **III. Priorities for 2018-2019**

31. As a result of a strategic planning exercise conducted in 2016 and subsequent consultative process, and in line with the Fund's mission and the long-term objectives discussed above, the following priorities have been identified for the biennium 2018-2019:

- i. Consolidate the target operating model (TOM) for IPAS
- ii. State-of-the-art client servicing model
- iii. Reinforced communications
- iv. Data management

#### **(i) Consolidate the target operating model (TOM) for IPAS**

32. The Fund's operations must regularly deal with a complex set of regulations in carrying out its business. The Fund must also continue to adapt its processes and procedures to a changing accounting, banking and regulatory environment. Furthermore, ongoing growth in the transactional volume related to active participants serviced by the Fund, combined with increasing numbers of individuals reaching retirement age and further increases in life expectancy, continue to translate into heavier workloads for the Fund. In response, the Fund has been focusing on optimizing its operational model by moving to IPAS.

33. The Fund's most important IT and operational initiative, the Integrated Pension Adjustment System (IPAS) was successfully deployed in August 2015, but requires a period of stabilization. All wide reaching projects such as IPAS are regularly followed by a period in which fine tuning of all processes is required and aimed at further enhancing efficiency and productivity. Some of the refinements that the Fund already envisages are the adaptation of any processes that may not have been taken fully into account in the design phase, preparation of comprehensive training materials, user guides and General Procedures that

may be required as a result of the implementation of an entirely new administrative system. The new system could be leveraged to further improve controls over financial reporting, namely to provide an automated means to reconcile monthly the contributions received from member organizations. The implementation of automated interfaces for HR and financial data exchange is closely related to this project. Furthermore, the deployment of the IPAS project will now allow for the creation of additional web-based self-service functionalities for participants, retirees and beneficiaries as well as for the UNJSPF member organizations, resulting in further efficiencies in service, more accurate information and improved customer experience. Further enhancements to the new system are also planned for the next biennium (2018-2019). That is, the Fund's operational and IT environment is expected to continue to be streamlined, strengthened and made more effective and efficient in the next 2-4 years. The next phase of modernization will include a new client service hybrid model, improved management/performance reporting, interfaces with member organizations concerning data transfer (in line with the results of the joint end-to-end review), strengthening of the Fund's capacity to analyze, coordinate and propose further process enhancements through continued process re-engineering, streamlining of transactional processes, seeking efficiencies and developing coordinated policy and procedural guidance for the Fund.

#### **(ii) State-of-the-art client servicing model**

34. Over the years, the Fund's client base and the complexity of its regulations have been growing at a faster pace than the secretariat's resources. While the Fund has made great strides in modernization and efficiency-driven culture, there will be need to further strengthen the staffing levels of the secretariat in order to adequately respond to the challenges the new operating environment demands. It is envisaged that the implementation of IPAS will result in efficiency gains that should enable the redeployment of staff within the Fund, as the efficiency measures are fully implemented and take effect. However, the implementation of IPAS will, in itself, likely generate an increased demand for effective interaction with constituents. An increased emphasis upon the provision of self-service functionality for both member organizations (Employer self-service) and for participants and beneficiaries (Member self-service) will create a need for a dynamic and competent cohort of operations and client service staff to ensure that organizations and constituents are fully and properly informed regarding the way the Fund operates.

35. Following the IPAS implementation and stabilization period, a comprehensive review of the Fund's organizational structure, and allocation of its resources, including in different geographical locations, will be conducted to ensure that the secretariat's human resources are appropriately aligned with the changed functions and the Fund's mandate and strategic objectives and priorities. In addition, the optimal paradigm of provision of administrative and other support services continues to be assessed. The Fund will place strong emphasis on putting in place a structure that enhances its ability to respond to the current and future needs of its member organizations and clients within an ever-changing and complex environment, while increasing overall performance, taking advantage of synergies and maximizing efficiencies. As a first step, in 2016, the Fund conducted a Whole Office Review and a study on a possible new client services model in 2016 which recommends that the Fund adopts a "hybrid" model.

36. Linked to the organizational review is the need to retain qualified staff and to pass on their knowledge to others, including the improved training of staff in the specialized fields.

The Fund aims at becoming a learning organization with a service orientation. This requires intensified, systematic training and staff development, which, due to the need to understand and apply the Fund's complicated benefit provisions and internal processes, can only be conducted in-house. The Fund must therefore put in place a permanent framework that will address the need for comprehensive, ongoing in-house training, better career prospects and long-term succession planning. The Fund will design and develop a talent management strategy and solutions which ensure that it will manage, develop, motivate and retain employees while creating a high-performance, sustainable organization capable of achieving its strategic objectives.

37. A permanent training platform will provide specialized and targeted training, mentoring and job-shadowing, and thereby effectively shorten the current excessively long learning curve for staff in the Fund secretariat both in New York and Geneva offices. Such an ongoing, progressive and systematic training will provide for an overall expanded base of well-trained, versatile, and multi-skilled technical staff, enhance knowledge transfer, improve career prospects and mitigate the impact of the retirement of senior long experienced staff. Such a platform would also help provide the Fund with ongoing documentation on policy guidance, preparation and updating of new administrative procedures and guidelines, draw lessons learned and carry out special projects and operational reviews, thereby addressing important change management, knowledge management and quality control/compliance issues.

### **(iii) Reinforced communications**

38. The on-going challenges associated with information sharing and communication continue to provide the Fund with opportunities for improved client support. The Fund continues to strive for excellence in communication through professionalism, clarity, accessibility, customization, timeliness and responsiveness in all interactions with our clients. The Fund will design, and execute a revised overall public information and communication strategy, programme and activities. As part of the communications, the Fund will develop strategic partnerships with key constituencies to elicit support for and maximize the impact of its mandate, evaluate the results and impact of communications activities. A comprehensive communication policy with all constituents of the Fund will ensure full transparency and that participants and beneficiaries are in a position to make fully informed decisions and choices regarding their participation and benefit election. The means to achieve these communications objectives continue to include the distribution of publications, reports, and the delivery of appropriate content through the revised and modernized website. One significant area of additional focus will be the provision of client self-service made possible with the deployment of the IPAS project.

39. Moreover, a clear identity and an effective and clear communications style are now necessary to accommodate a diverse and growing client population who are familiar and desirous of modern technologies and the related tools. The Pension Fund has evolved over its 60 year lifetime from a single employer plan of the UN to a fund providing benefits to the members of 23 organizations and covering almost 200,000 participants and beneficiaries. The Fund's distinction as a premier provider of pension services continually needs to be communicated throughout the UN common system.

**(iv) Data management**

40. Data for individual UNJSPF participants, retirees and beneficiaries (“participant data”) is the single most important item needed by the Fund to operate. Participant data is used to a) calculate all benefits; b) determine actuarial funding requirements; c) develop and confirm actual contributions paid to the Fund. Secondly, financial information and other data tables published outside the Fund (or by the Fund but outside of V3) are utilized in the administration of the Fund. The Fund relies solely upon the individual participant data provided by member organizations, participants and beneficiaries. To the extent there are errors in the data, inaccuracies will exist for: a) pension, death and disability benefits; b) administrative analysis and reports; c) ongoing funding; and d) the liabilities determined by the Fund’s Consulting Actuary. Thus, data integrity is key to the accurate operation of the Fund, as well as ensuring correct decisions related to ongoing solvency, which are based on analysis completed with accurate data.

41. Separately, by business function, the Fund’s internal data control and security procedures have been addressed and documented through system security and internal control policies, such as security rules for staff using IPAS, backup for its database, etc. However, the Fund will be developing a comprehensive participant data policy regarding:

1. Data maintenance/changes by member organizations;
2. Data collection policy regarding both electronic and paper transmission;
3. Data testing/verification (from contribution collection procedures, screening during the initial data collection phase of the interface, benefit calculation testing for reasonableness, etc.);
4. Data provided by staff members via self-service and communications with the Fund; and
5. Data retention.

#### IV. Biennial objectives and programme plan by functional area

42. As requested by the Pension Board, the biennial programme plan outlines the main objectives and the corresponding strategies identified by Management for the period under consideration. These objectives and strategies are based on the priorities described above and provide the basis for planning of outputs and activities, budgeting, and allocation of the required resources for the next biennium.

##### A. Fund Secretariat

##### Component 1: Executive direction and management

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**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.

<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Effective management of the Fund's programme of work	(1.1) 100% of the Board and General Assembly decisions and resolutions implemented by deadline  (1.2) Full compliance with the Fund's Regulations, Rules, policies and procedures
(2) Effective substantive, technical and procedural support to the Pension Board, Committees and Working Groups	(2.1) Any feedback reviewed and implemented before the following meeting
(3) Effective management of Fund-wide governance mechanisms	(3.1) Quarterly meetings held and all decisions implemented by deadline
(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  (4.2) Increased number of website visits  (4.3) Increased number of briefings, training, and seminars for the Fund's constituents

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**Strategy:**

43. The Office of the CEO will continue to ensure full implementation of the Fund's work programme through overall strategic planning, policy-setting, direction, supervision and management of the Fund, in line with the Fund's long-term priorities and the guidance provided by its governing bodies. The Office ensures that key decisions and management responses to short and long-term challenges are consistent with the Fund's mission, values and strategy. The Office provides the focus and required coordination to ensure that the Fund provides, in a most responsive, efficient and effective way, services and pay benefits to its active participants, retirees and beneficiaries working and living worldwide. The Office will also continue to lead the Fund's several important modernization initiatives (e.g. Business Continuity, Risk Management, etc.).

44. Moreover, the Office of the CEO will continue to organize and service the meetings of the Pension Board, the Standing Committee, the UNSPC and the Audit Committee, and to provide substantive support, as needed, to the Committee of Actuaries, the joint sessions between the Investments Committee and the Committee of Actuaries, and the Assets and Liabilities Monitoring Committee. Thus, the Office must ensure that it remains in a position to provide each level of the Fund's governance with clear, accurate and up-to-date information on managerial, financial and technical issues.

45. The Office will analyze, coordinate and propose further process enhancements through continued process re-engineering, streamlining of transactional processes, seeking efficiencies and developing coordinated policy and procedural guidance for the Fund. The Office will conduct an end-to-end review jointly with the United Nations and other member organizations in order to identify opportunities for streamlining the overall separation to entitlement/payment process, and establish a whole process dashboard (from separation to benefit payment) that would provide transparency to the process as well as easy monitoring and control.

46. The Office will place strong emphasis on strengthening the capacity for policy analysis and developing a broader performance management framework. An effective results-based culture will be promoted by ensuring that all line supervisors share Management's expectations and goals. The Office will regularly monitor and improve, as required, operational performance in the Fund's New York and Geneva offices, measuring performance against specific and appropriate indicators. The Fund will continue with its plan and efforts to develop a more consistent and meaningful management information, with improved performance metrics and reporting. In particular, tailored performance metrics will continue to be developed to support the measurement and monitoring of the effectiveness and efficiency of the Fund in its different operational, investment and support processes. Additional enhancements and regular maintenance of the Fund's Knowledge Management System will provide for better sharing, retention and more standard and efficient use of information, experience and knowledge.

## **Component 2: Programme of work**

### **Operations**

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**Objective of the Organization:** Ensure that all eligible participants, retirees and other beneficiaries are serviced in accordance with the Regulations, Rules and Pension

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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.

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<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Effective processing of Pension Fund benefit entitlements	(1.1) The percentage of withdrawal settlements, retirement benefits and other initial benefits processed within 15 business days
(2) Enhanced quality of client-oriented services to the Pension Fund clientele	(2.1) The percentage of incoming correspondence through mail and e-mail responded to within 15 business days
	(2.2) The percentage of walk-ins to the Fund's offices served
	(2.3) The percentage of telephone calls answered
(3) Customer satisfaction	(3.1) Positive feedback from surveys

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**Strategy:**

47. As the elevated numbers of active participants continue moving into their retirement years, and as those who retire continue living longer, the need for strengthened client services continues to grow. The aging of the Fund's retirees is calling for greater attention to specific needs that only a "state of the art" client servicing operation can provide, especially given the increasing complexity of the Fund's benefit provisions.

48. The number of two-track cases has increased significantly, calling for more frequent and more extensive consultations and communications with the Fund's clients. Moreover, with the aging of the clientele being serviced and with a wider geographical dispersion of the retirees and other beneficiaries, such efforts are consuming more and more time and resources from the existing client servicing staff. In addition, due to an increasing number of missions recently downsizing its staffing levels, the Fund has been addressing increasing numbers of full withdrawal settlements and retirements that require processing on the basis of information and related documentation that must be submitted to, and reconciled by, the Fund in respect to staff whose employment may have been in any of the some 190 countries in which the UN family of organizations operate. Also, as a result of the Fund's ongoing efforts to provide benefits to address a wider scope of individuals with more unique circumstances, as well as provide adequate services to the aging and more dispersed population, there is a greater and growing need for the specialization of the Fund's client servicing staff. These issues, combined with the implementation and stabilization of IPAS, call for an increased focus and continued ongoing strengthening of the client servicing capabilities of the Fund.

49. During the biennium 2014-2015 the Fund was fully consumed with IPAS implementation activities, while simultaneously addressing the growing needs of the some



200,000 individuals it was servicing during this time. While the numbers being serviced during biennium 2016-2017 will continue to grow significantly as the Fund is incorporating certain refinements to its new system, these numbers will certainly be higher and still growing during biennium 2018-2019. The Fund recognized the need to be prepared for the substantial and ongoing growth of the Fund several years ago through a new vision for its client servicing capacity. The first step in this connection was the procurement and implementation of its new ERP system (IPAS), which will enable the Fund to manage its growing, aging and increasingly dispersed population well into the future.

50. The IPAS implementation was an essential investment in a new and urgently needed system to provide it with the adequate capacity to deal with its well anticipated and significant ongoing growth well into the future. In addition to IPAS, the Fund has also recently elevated both client services units (New York and Geneva) to sections that are now being led by chiefs of section at the P5 level. Also, with the support of the Pension Board, the Fund has added to, and plans to further add to, its staffing levels aimed at strengthening its overall client servicing capacity. The Fund also carried out an initial and specific assessment as to how best to restructure the client services' arms of its operations with the aim of establishing a new state of the art client servicing capacity. The findings of this review were incorporated in the Whole Office Review (WOR), which is presented to the Board in a separate document (JSPB/63/R.19). These reviews, including the recruitment in respect to the new recently approved posts, will be completed during biennium 2016-2017, as will the ensuing recommended actions that do not require additional resources. Also during this period, the Fund will begin initiating annual and targeted training on client servicing techniques, not only for the new staff in client servicing roles, but for all existing staff employed in such roles.

51. Recognizing its increased capacity under IPAS and following the incorporation of certain refinements to its new system during 2016-2017, the Fund expects to be fully in position during biennium 2018-2019 to begin implementing the findings and recommendations revealed in the targeted review of its client servicing activities as well in the subsequent Whole Office Review. The Fund also recognizes that a large share of its clients live in the various regions of the world that are not within close proximity to the Fund's New York or Geneva offices. In addition, and in view of the growing dispersion of the population being serviced, the Fund also intends to provide greater outreach activities. During biennium 2018-2019, the Fund will also continue identifying ways to better reach and provide fuller client services for participants, retirees and other beneficiaries residing in all parts of the world, including enhancing the self-service capabilities that are now available through IPAS, significantly increasing its outreach efforts especially with the field missions and reviewing possibilities of establishing small regional service centers, or possibly establishing "roving benefit officer" positions within the Fund with the aim of providing more frequent and extended missions to those field offices, which are not easily catered to by the more permanent offices.

## **Financial Services**

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**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.

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<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Effective management of benefit payments	(1.1) Timely, accurate and secure payment of Pension Fund periodic benefit payments  (1.2) Timely, accurate and secure payment of Pension Fund non-periodic benefit payments
(2) Enhanced accuracy and consistency of contribution recording	(2.1) Increase in the number of resolved participant reconciliation exceptions  (2.2) All participant records verified within six weeks of receipt of year-end schedule  (2.3) Implementation of monthly reconciliations of contribution schedules for one pilot organization
(3) Enhanced transparency of financial reporting, improved information for internal control and governance purposes	(3.1) Timely provision of financial statements (draft statement issued by end of April of the following year)  (3.2) Unqualified audit opinion by Board of Auditors on financial statements prepared under the financial reporting standards adopted by the Fund  (3.3) Absence of significant adverse audit findings on financial services  (3.4) Expansion of the scope of the Statement of Internal Control

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**Strategy:**

52. Financial Services will continuously strive to strengthen the Accounts, Payments and Cashiers Units. Continuous interaction with the United Nations will remain important in the area of recording and reporting on the administrative expenses of the Fund. Financial Services will continue to combine and present financial information to the Pension Board to assist in its decision-making process and in monitoring the performance of the entire Fund.

53. The Fund will continue to work to strengthen the internal control system. The system of internal control is designed to reduce and manage rather than eliminate the risk of failure

to achieve the UNJSPF objectives and to improve performance. Internal control is an ongoing process, effected by the Fund’s governing bodies, senior management and other personnel, designed to provide reasonable assurance on the achievement of the internal control objectives: effectiveness and efficiency of operations, reliability of reporting and compliance with applicable rules and regulations.

54. The International Public Sector Accounting Standards (“IPSAS”) have been adopted as the accounting standards of the Fund starting 1 January 2012, further strengthening the Fund’s financial reporting processes and enhancing transparency. The Fund will continue monitoring the ongoing development of IPSAS and International Financial Reporting Standards (IFRS), particularly in the area of accounting and reporting for financial instruments, in order to determine the continuing standards most appropriate for the needs of the Fund and its governing bodies.

### **Risk Management and Legal Service**

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**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.

<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Uniform and consistent application of the UNJSPF Regulations, Rules and Pension Adjustment System	(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
(2) Monitoring of the overall actuarial status and sustainability of the Fund	(3.1) Number of periodic monitoring reports on actuarial status and risk measures completed
(3) Enhanced capacity to manage risks to the Fund	(3.1) Number of periodic risk and control assessments completed  (3.2) Number of risk mitigation strategies, action plans or control enhancements proposed to management to implement critical audit recommendations by agreed date
(4) Consistency of technical analysis	(4.1) Percentage of policy proposals related to plan design that take into

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account the funding principles suggested by the Committee of Actuaries<sup>11</sup>.

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### **Strategy:**

55. The Risk Management and Legal Services Section (RMLS) will continue to implement, monitor and continuously improve the Fund's risk management and internal control framework as a mechanism to assure that the long term objectives of the Fund are met. The Section aims to ensure increased awareness, support and involvement in the risk management process of the Fund's management, all business units and staff. It advises the CEO and the Pension Board, as well as its various committees and working groups, on the long-term strategic planning; compliance with Regulations and Rules; and the implementation of pension policy issues with a focus on ensuring the Fund's long-term sustainability.

56. The Section became fully operational in October 2014 and consists of the Risk Management Officer, the Legal and Compliance Unit, and the Risk Management and Technical Analysis Unit. The Section serves four Committees (the Assets and Liabilities Monitoring Committee, the Committee of Actuaries, the Standing Committee and the United Nations Staff Pension Committee), which, together, hold at least seven meetings annually. The Section provides substantive, procedural and administrative support to the Committees as well as offers advice and technical support to the Fund's risk management and business continuity working groups, IT Executive Committee, and the Audit Committee, which hold over fifteen meetings annually. The Section liaises with and represents the CEO in dealings with the Consulting Actuary, the Investment Management Division of the Fund, and outside entities, such as the ICSC, ASHI working group and other *ad hoc* groups, as well as legislative bodies and Tribunals.

57. With the participation of all business units, the Risk Management Officer will maintain risk and control documentation and conduct process and control reviews to ensure that internal controls implemented by management are designed appropriately and are operating as intended to achieve the Fund's objectives and to provide adequate support to the Statement of Internal Control issued by the Fund's management. The actions include monitoring and advising that arrangements are in place to audit the efficiency and effectiveness of the controls to address key financial reporting risks. In line with the Fund's zero tolerance for fraud, the Section will liaise with the UN Ethics Office and other oversight mechanisms to ensure that staff is well aware of the UN policies for reporting and escalating possible fraud events. The Risk Management Officer will continue to act as a liaison between management and the Fund's oversight mechanisms and will work in close coordination with the Investment Management Division in all risk management, internal control and audit matters.

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<sup>11</sup> 1) income replacement; 2) long-term solvency; 3) intra and inter-generational equity; 4) cost control and stability; 5) simplicity of administration; and 6) risk control.

58. The Legal and Compliance Unit (LCU) continues to provide unified legal service for the Fund's management and operations in the New York and Geneva offices. It is responsible for strengthening the compliance functions and facilitating consistent interpretation and application of the UNJSPF Regulations, Administrative Rules and provisions of the Pension Adjustment System. The LCU will continue to support the Fund's operations by providing legal services and assistance to all sections and offices in the secretariat of the Fund. The Unit also serves participants and retirees and/or their legal representatives in regard to the application of the Fund's Regulations and Rules in individual cases. The Unit will continue to document and disseminate legal opinions and jurisprudence, as well as train some key operational staff dealing with pension matters that have legal implications.

59. The Risk Management and Technical Analysis Unit will provide the CEO and the Pension Board with a formal and permanent specialized structure for monitoring the overall actuarial status and sustainability of the Fund through facilitating the completion of periodic actuarial valuation processes, periodic asset-liability modeling studies and other tools. To provide this statistical and actuarial support as well as consultative advice, the Unit will coordinate and support all matters associated with actuarial funding and reporting, manage actuarial costings, participant data submissions, and other matters related to the Fund's actuarial valuation process.

60. Following IPAS implementation and to achieve further efficiencies, the RMLS Section will help assess business changes from a risk management, control and legal perspective and support business units in the design and implementation of automated controls and monitoring tools to reduce manual processes (and the number of overall controls) by focusing on high-risks and priority aspects. As part of its compliance functions, the Section will support the Fund's management and all business units to better organize and streamline the Fund's policies and procedures to reflect changes in organizational structure, processes and system including IPAS. In considering the IPAS Target Operating Model, the Section will identify opportunities for business process enhancements to promote continuous improvement and achieve further efficiency gains and effective delivery. The Section will provide an integrated advice in all plan design and pension policy issues aiming at ensuring consistent, cohesive and simplified approach in all operational and design matters. In that context, the Section will also review the Regulations, Rules and Pension Adjustment System provisions to identify any measures that may be obsolete or require streamlining.

61. The Section will further support new initiatives in client servicing and help to assess how well business processes are working in terms of serving the needs of the Fund's clients. Furthermore, the Section will help ensure that the Fund has processes in place to communicate relevant information to management, staff, the Fund's governing bodies and oversight mechanisms and other stakeholders. External and internal communications are key elements of the Fund's internal control framework.

62. Finally, accurate and complete participant data is fundamental to the Fund's operations not only for successful and timely administration of benefits but also for determining its liabilities and sustainability. The Fund has established electronic interfaces between Member Organizations and UNJSPF to ensure that data transmission to UNJSPF is efficient, reliable, and secure. The interface solution will gradually replace the year-end

schedule files, and will allow reporting and reconciling contributions on a monthly basis. This move will determine the need to replace manual internal controls and procedures with automated filters and validations, where possible. The RMLS Section will assist in drafting new policies and modifying existing practices in order to monitor, coordinate and control the data provided by the Member Organizations and used by the Fund's Operations and the Financial Services Section. This initiative will ensure that the appropriate and accurate information is provided to the Fund in a timely manner; that the data corrections with the Member Organizations are managed appropriately; and that data is maintained correctly by the Fund. Lastly, the related policies and processes should confirm that the participant data is accurately disseminated, as needed, to the actuarial firms retained by the Fund for valuations and other studies.

### **Component 3: Programme support**

#### **Information Management Systems Service**

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**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.

<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Improved information technology services	(1.1) Percentage of information technology systems at satisfactory level (or above) of support
(2) Increased Information Security	(2.1) Percentage increase in compliance, for the defined deliverables as per the International Standardization Organization (ISO) security standards
(3) Improved sharing of electronic information with member organizations, participants, beneficiaries and other clients	(3.1) Percentage of participants human resources information electronically delivered.
	(3.2) Percentage of participants financial information delivered electronically

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#### **Strategy:**

63. The IMSS will support the Fund's newly modernized technology environment to include all functionality introduced with the IPAS project and associated ancillary systems and data bases that are specific to the Fund's new operating model. IMSS will also provide first line support functions for systems infrastructure and analysis services while working closely with system vendors that have been contracted to provide maintenance services.

64. 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 to improve information timeliness and quality. Data repositories will be established for member-wide organization access. This will assist member organizations with establishing UNJSPF participation eligibility bearing in mind that member organizations own the data generated from their systems and are responsible for its integrity and validity. The Fund’s website will be also be strengthened to provide greater functionality with additional links to the IPAS self-service subsystems for the benefit of member organizations, participants and beneficiaries.

65. The IT infrastructure necessary to support the Fund secretariat will be consistent with the IPAS operating model that was established to provide greater consistency while eliminating fragmentation caused by an over-reliance on system interfaces. The IT infrastructures of the Fund secretariat and IMD will also experience greater consolidation within common physical facilities. Business continuity and disaster recovery will be seamless and regularly tested in New York and Geneva.

66. The IMSS will periodically update its risk register and monitor the efficiency and effectiveness of defined risk mitigation measures for the risks under its responsibility.

## Executive Office

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**Objective of the Organization:** Facilitate the achievement of the operational and strategic goals of the Fund through efficient and effective administrative and programme support.

<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Timely recruitment and placement of best qualified candidates	(1.1) Recruitment of staff within organizational timelines  (1.2) Increased percentage of women at the Professional level and above for appointments of one year or more
(2) Ensure all staff receive emoluments in a timely manner	(2.1) Deadlines met for payment of all entitlements
(3) All staff e-performances completed in a timely manner	(3.1) All e-performances finalized by 30 June of each year
(4) Effective consultation with staff on matters concerning staff welfare	(4.1) Regular staff-management meetings of the Fund secretariat and IMD held pursuant to Staff Regulations 8.1 and 8.2.
(5) Improved management and	(5.1) Reduce unliquidated obligations and

monitoring of the Fund's administrative budget	cancellation of prior-period obligations as a percentage of final appropriations
(6) Enhanced quality and timeliness of facilities and property services	(6.1) Decreased working days lost due to down-time of building facilities

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**Strategy:**

67. The Executive Office provides administrative and programme support to the Fund's secretariat and Investment Management Division. In addition, it provides administrative and travel support to the Pension Board, the Audit Committee, the UNSPC, the Committee of Actuaries, Investments Committee, the Assets and Liabilities Monitoring Committee and various working groups. The Executive Office will continue to play a key role in the success of the Fund by enforcing the adherence of regulations and rules, as well as by issuing guidance on processes and procedures related to the regulations and rules. Furthermore, the Executive Office supports hiring managers in line with policies and training opportunities, as well as provides them, as well as staff at large, with policy and procedural advice. The Executive Office will continue to ensure payroll and benefits and entitlements are processed in a timely manner. The Office supports budget development, implementation and control, coordinates facilities management related issues and provides support services to the governance bodies, particularly in the area of travel and conference support.

68. Since the Fund uses the UN Secretariat administrative machinery, the deployment of Umoja (UN Secretariat ERP system), in November 2015 and its full implementation in 2016-2017 and beyond, has resulted in the re-engineering of the back-office administrative processes performed by the different UN Secretariat Departments and Offices, as well as the UNJSPF Executive Office. As part of the Umoja deployment and in line with the guidance and requirements received by the UN Secretariat, the Executive Office has initiated the process of co-locating some of their administrative staff carrying out generic back office functions along with the UN Secretariat administrative units of the various Departments and sections aiming to bring together similar business activities, which are currently performed in individual departments and offices. This change is to bring the support functions into line with the organizational transformation brought by Umoja.

69. There is an on-going discussion across the UN Secretariat about a new global service deliver model affecting all the back office administrative functions performed by the various Departments and sections of OHRM, OCSS, OPPBA and OICT that will have an impact on the functioning of the UNJSPF Executive Office. The scope of functions to be consolidated and the processes to be retained within the Fund are going to be determined taking in consideration the requirements imposed by Umoja vis-a-vis the specific and unique requirements of the Fund. Nevertheless, the Fund will retain its existing authority (for example in budget management and staff selection) and the unique processes that are critical to implement its mandate. The Fund will also need to ensure in-house support and focus on strategic HR matters, such as training and career development, as well as workforce planning to enable greater optimization of resources and their capability. This would also ensure more deliberate succession planning and career management of staff



## B. Investment Management Division

### Component 1: Executive direction and management

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**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.

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<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Effective alignment of the programme of work of Investment, Risk and Compliance, Operations and Information Systems Sections and well as provision of legal and administrative support.	(1.1) 100% compliance with the submission deadlines of reports, responses, presentations, documents, meeting materials to Investments Committee, Pension Board and its Committees and other Governing Bodies
	(1.2.) Number of coordination, monitoring and project implementation monitoring meetings and 100% of decisions made implemented
	(1.3.) Number of negotiated and approved investment transactions and agreements for products and services used by IMD
(2) Effective information sharing and communication with various stakeholders on investment policies, strategies, priorities and results	(2.1.) Increased number of briefings, training sessions and meetings
	(2.2.) Regular updating and distribution of investment related reports
(3) Effective coordination and implementation of periodic ALM study	(3.1.) Timely completion of the RFP
	(3.2.) Completed ALM study
	(3.3.) SAA determined and implemented

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#### Strategy:

70. The Office of the Representative of the Secretary-General (RSG) leads the investment operations and establishes relevant policies and strategies. The Office of the RSG coordinates the work of IMD and sets forth the framework under which IMD's Sections establish their strategies and priorities. The objective is to ensure that IMD carries out its mandate, while affirming the best conditions of security, performance, responsibility and accountability and ensuring full compliance with the highest standards of efficiency, competence and integrity.

71. The Office of the RSG will ensure that all investment decisions adhere to the four criteria set by the General Assembly of safety, profitability, liquidity and convertibility. Without prejudice to the four criteria, IMD will make every effort to find suitable investment opportunities in developing markets.

72. Both sides of the Fund will coordinate the implementation of asset-liability management policies and ensure that ALM studies will be carried out periodically in order to be able to make informed decisions regarding plan design and investment policy and strategy. Management will closely review and implement ALM study recommendations to ensure financial health and solvency of the Fund.

73. The Office of the RSG will lead and manage the work of the IMD to ensure effective utilization of the financial and other resources and coordinate the implementation of the Division's programme of work for the achievement of the Fund's return target. In doing so, the RSG promotes a controlled, efficient and effective management of the assets of the Fund through a work plan designed to reflect the long-term goals and priorities of the IMD and the Fund as a whole. The Office of the RSG provides leadership and guidance in establishing and implementing the appropriate risk management and compliance policies and risk budgets.

## Component 2: Programme of work

### Investment Section

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**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.

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<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Effective management and monitoring of the implementation of strategic asset allocation.	(1.1.) Total Fund return against the Fund's actuarial return objective over a 10-year period.
	(1.2.) Subject to fluctuating market conditions, 100% compliance with the asset allocation ranges.
	(1.3.) Total return against the policy benchmark over a 5-year period.
(2) Management of currency and country risk through sound diversification.	(2.1.) Number of currencies invested in.
	(2.2.) Number of countries invested in.
(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.

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| (4) Enhanced capacity of staff in issues related to investments and portfolio management. | (4.1.) Percentage of staff who attend at least one relevant conference or seminar. |
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**Strategy:**

74. The investment decision-making process, including an appropriate strategic long-term asset allocation policy and the findings of the asset-liability management study, must aim to ensure that the Fund will continue to meet its strategic objective of funding its long-term liabilities. The portfolio must be diversified with respect to asset classes, currency and geographical distribution to improve its risk/return characteristics and gain the benefits of diversification. Investment strategies must be made in the best interest of the participants and their beneficiaries. Investment strategies must conform to the investment policies and strategies reviewed by the Investments Committee and approved by the Representative of the Secretary-General. Investment strategies must adhere to the four investment criteria of safety, profitability, liquidity and convertibility approved by the General Assembly. Investment strategies should also consider the observations and suggestions made from time-to-time by the Pension Board on investment policy.

75. To ensure an optimal return for the Fund, IMD will seek to further diversify by asset class, country and currency. IMD will continue to diversify the portfolio in Alternative Investments (Private Equity) and Real Assets (Real Estate, Infrastructure, Timber and Agriculture), migrating toward the new target weightings for these asset classes over the next four years. These investments should be made judiciously and incrementally, taking into account cost implications and risks, and upon regular consultation with the Investments Committee. The Fund will also continue seeking investment opportunities in the emerging and frontier markets to enhance investment returns without undue risks.

## Risk and compliance

**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.

<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Effective oversight of all material risks involved in the Fund's investment decisions.	(1.1.) Quarterly relative and absolute risk reports submitted with no substantive negative feedback from the IC.
	(1.2.) Risk budget updated annually.
	(1.3.) At least biannual training on effective risk management to all staff.
(2) Effective monitoring of all external fund managers, both in public and private markets.	(2.1.) Effective monitoring, of all external managers and other relevant service providers such as the independent MRK.
(3) Comprehensive reporting of performance and risk statistics of the Fund with effective collaboration from the independent MRK.	(3.1.) Quarterly reports reviewed by the IC with no substantive negative feedback.
	(3.2.) Weekly, monthly, quarterly and/or annually performance reports distributed reports to Governing Bodies and other relevant stakeholders via website.
	(3.3.) Regular performance and risk management updates provided to Governing bodies and other relevant stakeholders.
(4) Effective implementation of all compliance controls as indicated in the relevant manuals. Compliance with IMD's compliance policies and procedures.	(4.1.) Quarterly compliance exception report listing risk control breaches.
	(4.2.) Full attendance of IMD Staff in annual ethics training programme.
	(4.3.) Full compliance by IMD staff with IMD's Fraud Prevention, Personal Securities Trading, Gift and Hospitality policies.
	(4.4.) Business Continuity and Disaster Recovery plans updated via a business assessment and tested periodically.

Audit recommendations responded to and

(4.5.) implemented and closed by agreed deadline.

(5) Awareness of ESG (Environmental and Social Governance) factors. (5.1.) Participation by IMD in at least one PRI/SRI conference annually.

## Strategy

76. The Risk and Compliance Section strategy for the period 2018-2019 will aim at strengthening the monitoring of the IMD Fraud Prevention Policy including an annual fraud risk assessment to identify and assess IMD's exposure to fraud risk scenarios that will utilize existing compliance procedures and controls to aid in the prevention, detection and reporting of fraud against the investments of the UNJSPF. IMD will also strengthen the due diligence and monitoring procedures and processes related to external managers in both private and public markets.

77. Annual review of risk limits (relative and absolute) and monthly monitoring of portfolio risks relative to risk targets will provide the portfolio managers with an understanding of different sources of risks especially in cases where portfolio risk is approaching the allocated risk budget. The Section will also develop in-house capabilities to create models integrating risk, performance and macro-economic factors to assist in optimizing portfolios. IMD will continue to work with the independent Master Record Keeper to further automate risk and performance reports. IMD will also continue to develop and maintain its website by publishing relevant data and reports.

## Operations and Information Systems

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

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<b>Expected accomplishments</b>	<b>Indicators of achievement</b>
(1) Increased capacity, efficiency and effectiveness in processing trades and other related investment activities	(1.1.) Reduced number of manually-processed investment transactions
	(1.2.) Reduced number of compensation claims due to failed trades
(2) Timely and accurate processing of investment transactions	(2.1.) Reduced number of exceptions under cash and holdings/positions aged over two days
	(2.2.) Confirmation of projected cash balances for negative interest rates currencies is

		provided to Fixed Income Team by 2 pm
	(2.3.)	Reduced number of foreign exchange transactions and capital calls for private equity and real estate funds processed beyond cut-off time
	(2.4.)	Reduced number of cash/positions exceptions related to voluntary corporate actions
	(2.5.)	Reconciliation of custody bank accounts within 30 days after month's end
(3) Integrity of financial data and reporting	(3.1.)	Unqualified audit opinion from the Board of Auditors on the Fund's financial statements
	(3.2.)	No significant adverse audit findings related to the Fund's investment operations
(4) Improved data management, security and governance	(4.1.)	No significant adverse audit findings related to IMD data security
	(4.2.)	No significant delays or inaccuracies reported due to data readiness and quality
	(4.3.)	No significant adverse audit findings related to data quality and compliance
(5) Efficient, secure and resilient ICT services.	(5.1.)	IMD operational imperatives and all critical business application support indicators are met.
	(5.2.)	No significant open issues in the IMD ICT Service Desk (iNeed) quarterly reports
	(5.3.)	No significant issues raised during the biannual disaster recovery tests for business continuity drills
	(5.4.)	Number of planned Request For Proposals (RFP) that have been completed.
(6) Development and implementation of planned ICT	(6.1.)	Number of ICT services planned and completed as per Service Level Agreements with vendor providers

services.

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## Strategy

78. The Operations staff will ensure that all investment activities; such as, trades, foreign exchange transactions, income collection, maturities, tax collections and corporate actions are settled and received in a timely manner and properly recorded in accordance with International Public Sector Accounting Standards (IPSAS) adopted by the Fund for financial statement preparation, with adequate internal controls and audit trails. The Operations staff will work closely with the global custodian and brokers for trade and foreign exchange matching and settlements, investigation of claims on failed trades, income collection, maturities, tax collections, and corporate actions. It will also work closely with the Master Record Keeper for the daily reconciliation of cash and holdings, fair valuation of the Fund's investments and the monthly delivery of a general ledger feed. Efforts to estimate the fair value of the Fund's real estate and alternative investments, the accounting treatment of new investment instruments, and the effect of new IPSAS standards affecting the investments of the Fund require continuous increasing expertise and hence the staff will continue with the hiring of additional professionals. In addition, as the number of real estate and alternative investment funds continuous to grow, IMD Operations will work closely with Information Systems staff and Investment Section to secure a Data Hub/Warehouse software to be able to store data references and maintain accounting information currently kept in excel spreadsheets.

79. Additional progress has been made in efforts to obtain tax relief at source on the investments of the Fund particularly in countries where there are no current procedures and tax rulings in place. As of 31 March 2016, the Fund has obtained 26 positive tax rulings. As a result of these rulings, the reclaims obtained for taxes paid by the Fund in prior years was over \$15 million dollars, and the estimated annual tax savings for relief at source amount to almost \$19 million dollars. In this regard, the Fund will continue to hire a global tax advisor to assist in this endeavor.

80. In July 2015, the Fund awarded a contract to Bloomberg Finance L.P. for the acquisition of Bloomberg AIM as IMD's trade order management system to facilitate IMD's current demands for efficient trade execution. As such, since the contract was awarded as a stopgap measure, the Operations and Information Systems Section, together with the Investment Section, will work to issue an RFP to ensure a long-term solution for a managed trade order management system with middle and back office functionalities.

81. A Request for Information (RFI) for Investment Book of Record (IBOR), Accounting Book of Record (ABOR), and Data Hub was initiated in 2015 in order to gather ideas from the industry for the most efficient infrastructure of ICT systems for the Fund's investment operations. This RFI will assist IMD in the ongoing development of its medium to long-term ICT strategy for business applications.

82. The mission of the Information Systems staff is to provide information and communication technology (ICT) services to IMD users, enabling them to achieve IMD's

objectives, in four areas: (1) data management and governance, (2) support of all mission-critical systems and enable all operational needs of all IMD business functions, (3) develop and implement IMD ICT initiatives to continue delivering value for mission-critical business functions, (4) consolidate the ICT services and use the most efficient and cost-effective solution to deliver the services.

83. Most of the OIOS audit recommendations stemmed from deficiencies in information security, segregation of functions, lack of ICT strategy and roadmap, and infrastructure issues. Moreover, new cybersecurity issues are emerging and compliance to ISO standards are getting to be the norm rather than an exception. Whilst these aspects of the Information Systems functions are important, it is taking an enormous amount of time for 6 staff dedicated to providing these services at IMD to keep up with. In this regard, the Fund will look into hiring an ICT consulting firm to assist IMD in securing compliance to ITIL and ISO standards including information security and business continuity management, work towards an ISO 27001 information security and ISO 22301:2012 business continuity management certifications, work to prevent cybersecurity threats, perform cost/benefit analyses, undertake related studies as required by IMD management and governing bodies, and any other ICT consulting work that would be needed. General temporary assistance may also be sought to back-up limited staff during project implementation.

84. The main goal of the ICT strategy going forward is to focus on supporting mission-critical IMD business functions and achieve operational efficiencies through efficient, secure and suitable technology.



**Annex: Key strategic studies/processes**

<b>Study/process</b>	<b>Reference</b>
Strategic Planning Exercise	2013 and 2016
Whole Office Review 2008 and 2016	JSPB/55/R.23and JSPB/63/R.19
Study on New Client Services Model	JSPB/63/R.19/Add.1
Review of IPAS implementation	JSPB/63/R.18/Add.1
Report on possible options for strengthening the Fund's client servicing capabilities	JSPB/61/R.48
<i>Carte Blanche</i> document	JSPB/60/R.26/Add.2
Strategic Framework 2014-2015 and 2016-2017	JSPB/59/R.27 and JSPB/61/R.27
Comprehensive Risk Assessment (Grant Thornton)	2013
Asset-Liability Management Study (2011 and 2015)	JSPB/58/R.8 and JSPB/62/R.22
Biennial Actuarial Valuations	2009, 2011, 2013
Business Impact Analysis	JSPB/57/R.19
Medium-term Human Resources Strategic Plan for the Secretariat	JSPB/57/R.21
Medium-term Human Resources Strategic Plan for the Investment Management Division	JSPB/57/R.22
Revised Enterprise-wide Risk Management (EWRM) Policy	JSPB/57/R.23
Comprehensive Risk Assessment (Deloitte)	2009
Current State Assessment and Target Operating Model (CSA/TOM)	JSPB/55/R.22
Asset-Liability Management Study (2007)	JSPB/54/R.20
Enterprise-wide Risk Management (EWRM) Policy	JSPB/53/R.46 and JSPB/62/R.23/Rev.1