



2018 Annual Report



UNJSPF
United Nations Joint
Staff Pension Fund



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1 / Introduction

Message from the Acting Secretary/CEO



Janice Dunn Lee

Acting Secretary to
the Pension Board/CEO

I am pleased to introduce the 2018 Annual Report of the United Nations Joint Staff Pension Fund and to provide a summary of developments for the reporting period. This year is special as we celebrate the 70th anniversary of the Fund. It is quite an achievement for any institution, and it shows our resilience and sustainability.

Over the years, the number of participants and beneficiaries has increased steadily. For the year ended 31 December 2018, the number of participants in the Fund increased from 126,736 to 128,594; and the number of periodic benefits in award increased from 78,247 to 78,716. In comparison, there were 49,000 participants and 13,000 beneficiaries in 1979.

The Fund remains in a very good financial position. As previously reported, the actuarial situation of the Fund reflects its good health. 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.

The Fund continues to improve its operational performance. At the end of 2018, over 80% of the new separation benefits where payments are due were processed within 15 business days of receipt of complete separation documents, thereby exceeding the Fund's benchmark of 75%. This confirms the stabilization of the pension administration after the introduction of a new Enterprise Resource Planning system in 2015, which caused some disruptions. The number of new benefits processed monthly remains at around 1,000.

The secretariat has also focused on new initiatives to improve its client services. The implementation of a dedicated Call Center at the end of 2016 allows the Fund to respond to virtually all calls received during normal business hours in English and French, and the Fund has expanded its toll-free telephone numbers to 62 countries. Further, 80% of the queries received by the Fund are handled within 15 business days.

The Fund has also improved its communication outreach, with a newly designed more user friendly and comprehensive website available in English and French, which, among other features, offers numerous new learning tools, like tutorial videos available in English, French, Russian, and Chinese, informative booklets on various topics, an Urgent Assistance page in six languages, and an online Contact Form for query submission by topic. The Fund now has a LinkedIn account; the newsletter frequency has been increased and is now available monthly instead of quarterly.

The web-based Member Self-Service (MSS) facility now has over 100,000 registered participants and beneficiaries, providing them with access to essential personal pension related information.

The Fund continues to expand its outreach efforts to address its clients' needs worldwide, with its Client Services staff offering information and training sessions all year long to the HQ and country offices of all of its member organizations as well as to Retiree Associations.

Message from the Representative of the Secretary-General (RSG)



Sudhir Rajkumar

Representative of the Secretary-General (RSG) for the Investment of UNJSPF Assets

Your Fund is in excellent financial health. Despite a challenging 2018 in financial markets, the 2019 Asset-Liability Management Study, performed by an independent external specialized firm, confirmed that the United Nations Joint Staff Pension Fund (UNJSPF) was fully funded as of 31 December 2018. Markets in 2019 have been much more favorable, and the market value of the Fund's assets has increased to US\$67.8 billion as of 30 September 2019, US\$7 billion higher than the US\$60.8 billion value as of 31 December 2018.

As of 30 June 2019 — the latest fully updated figures available at this time — the Office of Investment Management (OIM) has exceeded by a healthy margin our Long-Term Investment Objective of 3.5% real (net of inflation) annualized return in US dollar terms over 1, 2, 3, 5, 10, 15, 25 and 50-year periods. Our goal is to fully discharge all our obligations to current and future beneficiaries. Pension payments are made over decades, and short-term fluctuations in investment returns do not have a material impact on these pension payments so long as the Long-Term Investment Objective is being met.

Nevertheless, OIM also seeks to provide information on short-term investment returns as soon as reliable data is available. In line with most of our global peers, OIM updates its website on a quarterly basis once the performance data from its independent, third-party Master Record Keeper has been received, checked, and finalized. Annual performance numbers are usually available on the website by the end of April of the following year. Quarterly performance numbers are provided with a one quarter lag in accordance with global best practice, to account for delays in obtaining valuations for private equity, real estate and other private market investments.

In 2018, OIM completely revamped its website, but this remains a work in progress. We are continuously striving to further improve the information on our website, and you should see some enhancements in the granularity of investment information over the near future.

I am also pleased to share with you that we recently published our first annual **Report on Sustainable Investing**. I invite you to visit our website to peruse it. Over this past year, we have explicitly defined our mission. The mission of the Office of Investment Management is to contribute to the global mission of the UN family of organizations by ensuring the long-term financial sustainability of the UNJSPF. The defined benefit, inflation indexed, lifetime pension provided by the UNJSPF to staff and their survivors is a vital component of the UN family's employee value proposition. It helps attract the best and the brightest from around the world to serve with the UN family.

In pursuit of this mission, we have articulated a vision for OIM: to become a best-in-class global long-term investment institution, defined as an organization able to deliver to its stakeholders superior returns over the long term — net of costs, adjusted for risk, and relative to peers. Realizing this vision requires us to be open to systematic change as we adopt global best practices; institutionalize and strengthen our investment, risk management, and operational processes and decision-making; increase transparency of individual portfolio returns; and thereby create accountability among our investment professionals for these portfolio returns.

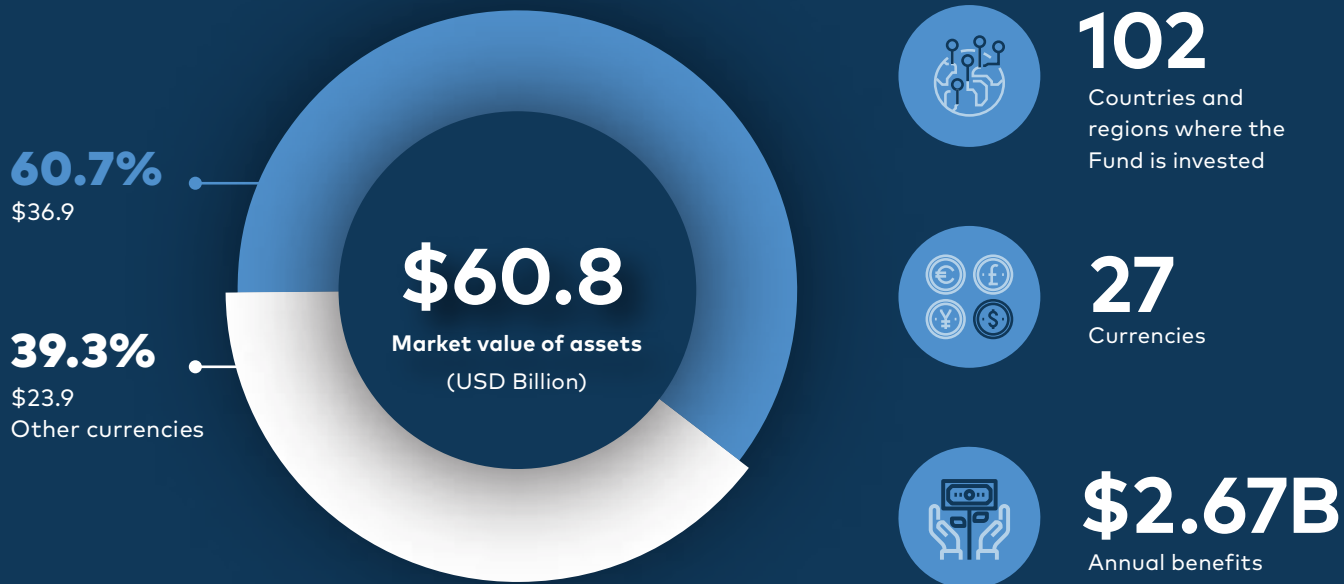
Change in OIM is visible and is being managed carefully within our current resources and limitations. Not changing is not an option. Many government bonds globally currently deliver zero or negative real yields. If we are to meet our 3.5% real return Long-Term Investment Objective, we need to modernize and build the capabilities, processes, and standards required to operate successfully in this more complex global investment environment.

We in OIM are committed to this change since without it we will be endangering the long-term interests of the 207,000 plus participants and beneficiaries and their families who depend on this Fund for their old age security. I am committed to a change management process which embraces the themes of communication, inclusion, empathy, and support for adaptation.

I would like to conclude by referring to some commitments I have made in my Compact with the Secretary-General: 'promote a culture of integrity and honesty within the Organization'; 'ensure transparency of performance'; and 'ensure... psychological safety that empowers staff, fosters creativity and innovation....'. I will do everything in my power to ensure that I live up to these commitments.

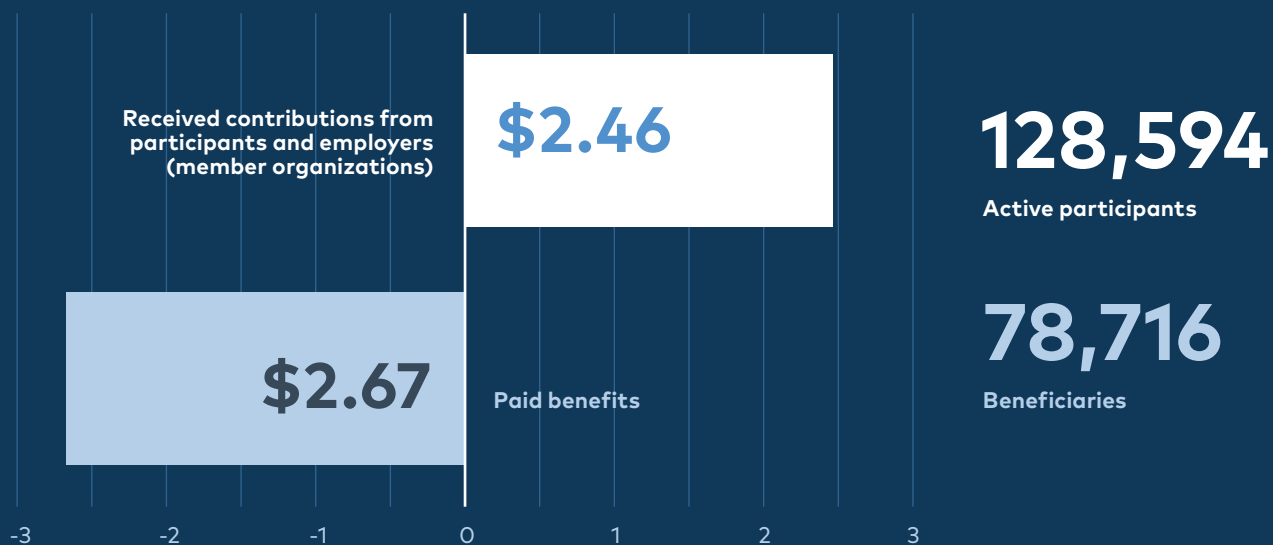
2 / Key Statistics

as of 31 December, 2018



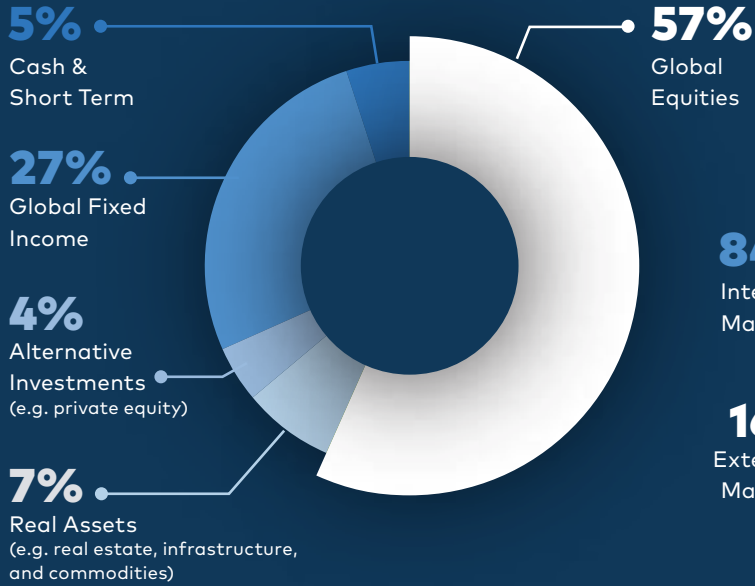
2018 Total Contributions and Benefit Payments

(USD Billion)



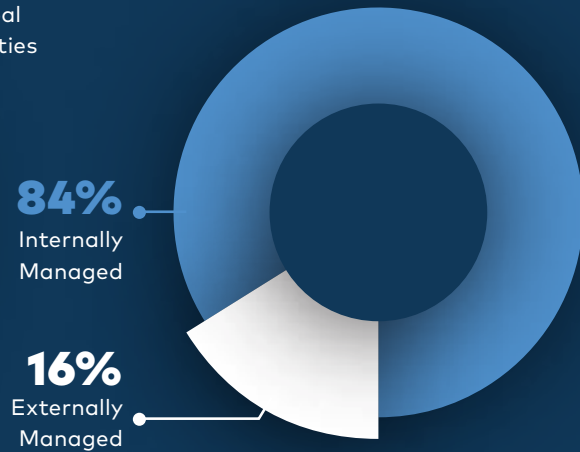
Fund Investments by Asset Class

as of December 31, 2018



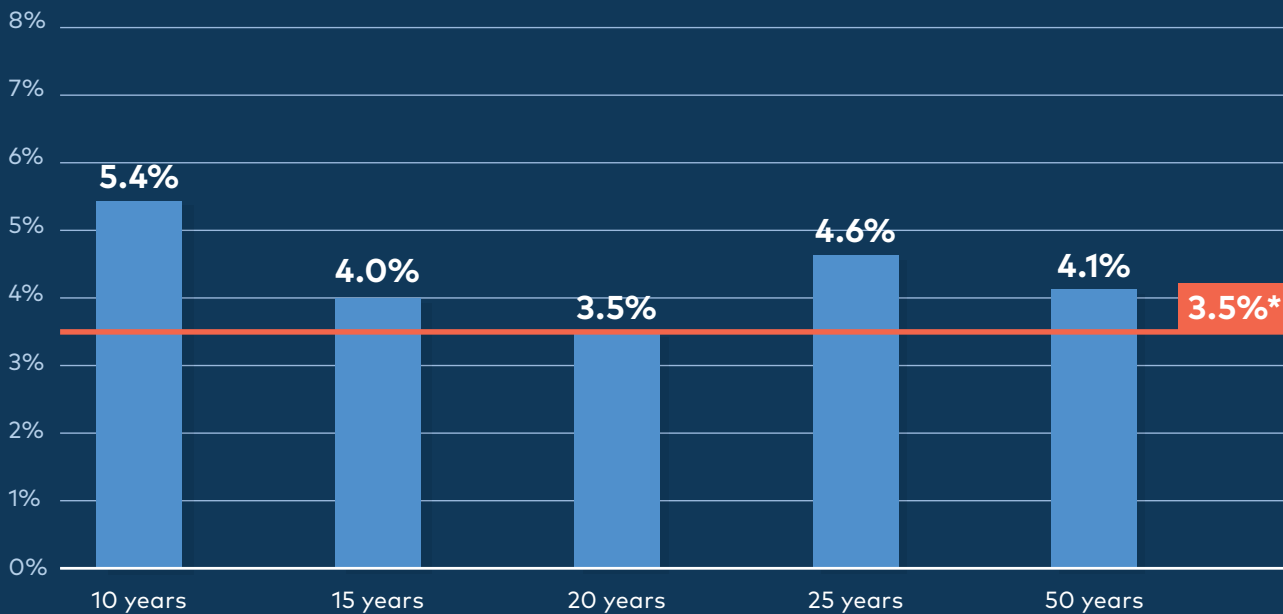
Internally Managed Assets

as of December 31, 2018



Investment Performance

Long-Term Investment Objective as of December 31, 2018



*The actuarial required long-term real rate of returns in US Dollars.

3

About the UNJSPF



Background

The United Nations Joint Staff Pension Fund (UNJSPF) was established by the General Assembly of the United Nations in 1949 to provide retirement, death, disability, and related benefits for staff upon cessation of their services with the United Nations and the other 23 organizations admitted to membership in the Fund.

The defined benefit lifetime pension provided by the UNJSPF to staff and their survivors is a vital component of the UN family's employee value proposition. It enables the UN family to continue to attract the best and the brightest from around the world, in an era otherwise defined by resource constraints. The Fund has offices in New York and Geneva and a liaison office in Nairobi.

The Fund has a bifurcated organizational structure

The **Office of Investment Management (OIM)** is responsible for the investment of UNJSPF assets. Its mission is to contribute to the global mission of the UN family of organizations by ensuring the long-term financial sustainability of the UNJSPF. OIM reports to the Secretary-General (SG) through his Representative (RSG) for the investment of the assets of the Fund.

The **Pension Administration** is responsible for Benefit Payments and Administration, and currently also serves as the Secretariat of the UN Staff Pension Committee. The Pension Administration reports through the **Pension Benefits Administrator (PBA)*** to the Pension Board.

Additionally, the Secretary of the Pension Board heads the Pension Board Secretariat.



The Office of Investment Management (OIM)

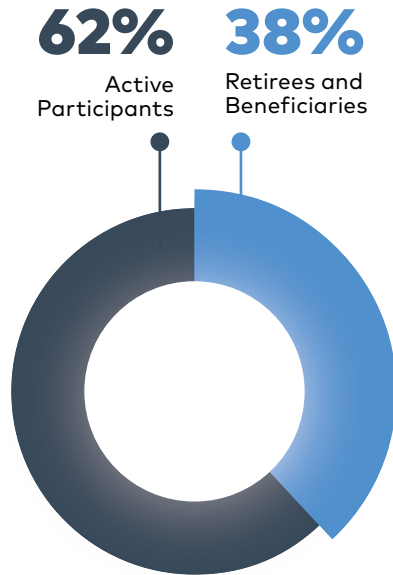


Pension Administration

* In its Resolution A/RES/73/274 dated 22 December 2018, the United Nations General Assembly decided to replace the existing Secretary/CEO post by two distinct and independent posts, namely, "Pension Benefits Administrator" and "Secretary of the Pension Board" by January 2020.



Ratio of Active Participants to Retirees and Beneficiaries



Participation and Benefits

Participation

By and large, every full-time staff of each member organization becomes a participant in the Fund under an appointment of at least six months or longer. Each month, a percentage of the participant's pensionable remuneration is paid to the Fund, and the employing organization pays double the amount of the participant's contribution.

Retirement, Death, and Disability Risks

When they leave their employing organization, participants can opt for a withdrawal settlement (lump sum) or, if they have more than 5 years of service, monthly payment after they reach the age of retirement. Death and disability risks are also covered, and survivors (widows, children) may also be entitled to receive benefits.

Defined Benefit Plan

When a monthly payment option is selected by a participant, the Fund guarantees such payment, defined by a formula using service and pensionable remuneration. Therefore, benefits are not dependent on investment return or longevity. These risks are assumed by the member organizations and shared by participants through the level of contributions paid to the Fund.





Member Organizations

As of December 2018, the member organizations of the Fund are **the United Nations*** and the following:

MEMBER ORGANIZATIONS		Year of Admission	Number of Active Participants
World Health Organization	WHO	1949	10,819
Food And Agriculture Organization	FAO	1950	11,163
United Nations Education, Scientific And Cultural Organization	UNESCO	1951	2,479
International Civil Aviation Organization	ICAO	1951	789
World Metereological Organization	WMO	1952	360
International Labour Organization	ILO	1953	3,819
International Atomic Energy Agency	IAEA	1958	2,734
International Maritime Organization	IMO	1959	277
International Telecommunication Union	ITU	1960	726
World Intellectual Property Organization	WIPO	1977	1,222
International Fund For Agriculture Development	IFAD	1977	586
International Centre For The Study Of Preservation And The Restoration Of Cultural Property	ICCROM	1981	43
European And Mediterranean Plant Protection Organization	EPPO	1983	19
United Nations Industrial Development Organization	UNIDO	1986	698
International Centre For Genetic Engineering And Biotechnology	ICGEB	1996	174
United Nations World Tourism Organization	UNWTO	1996	88
International Tribunal For The Law Of The Sea	ITLOS	1997	40
International Seabed Authority	ISA	1998	42
International Criminal Court	ICC	2004	1,225
Inter-Parliamentary Union	IPU	2005	48
International Organization For Migration	IOM	2007	5,951
Special Tribunal For Lebanon	STL	2009	438
Comprehensive Nuclear-Test-Ban Treaty Organization	CTBTO	2019	350**

* Number of Active Participants from the United Nations were 84,854

** This number is an estimate

Transfer Agreements

Currently, the Fund has signed Transfer Agreements with 23 entities, which allow the Fund's participants to transfer their pension rights from the Fund to an outside non-member organization, or vice versa, when they start a new job.

Below is a list of the current Transfer Agreements that the Fund has entered into:

African Development Bank	AfDB
Asian Development Bank	ADB
Comprehensive Nuclear-Test-Ban Treaty Organization	CTBTO
Council of Europe	CoE
European Bank for Reconstruction and Development	EBRD
European Centre for Medium Range Weather Forecast	ECMWF
European Commission	EC
European Free Trade Association	EFTA
European Organization for the Safety of Air Navigation	Eurocontrol
European Organization for the Exploitation of Meteorological Satellites	EUMETSAT
European Space Agency	ESA
European Union Institute for Security Studies	EUISS
European Union Satellite Centre	SatCen
Government of Canada	
Inter-American Development Bank	IDB
International Monetary Fund	IMF
North Atlantic Treaty Organization	NATO
Organization for Economic Co-operation and Development	OECD
Organization for the Prohibition of Chemical Weapons	OPCW
Organization for Security and Co-operation in Europe	OSCE
Universal Postal Union	UPU
World Bank	
World Trade Organization	WTO




Staff

UNJSPF embraces diversity among its employees. As of 31 December 2018, staff members are nationals of **63 countries**, including the following

AFRICA

-  Benin
-  Burkina Faso
-  Cameroon
-  Comoros
-  Ethiopia
-  Kenya
-  Mauritius
-  Nigeria
-  Senegal
-  Zambia
-  Zimbabwe

MIDDLE EAST

-  Egypt
-  Morocco
-  Tunisia
-  Yemen

ASIA & THE PACIFIC

-  Australia
-  Bangladesh
-  Bhutan
-  Cambodia
-  China
-  India
-  Indonesia
-  Israel
-  Japan
-  Mongolia
-  Malaysia
-  Myanmar
-  Pakistan
-  Philippines
-  Republic of Korea
-  Sri Lanka
-  Thailand
-  Viet Nam

AMERICAS

-  Brazil
-  Canada
-  Costa Rica
-  Ecuador
-  Guyana
-  Haiti
-  Jamaica
-  Mexico
-  Trinidad and Tobago
-  USA

EUROPE & CENTRAL ASIA

-  Albania
-  Belgium
-  Bosnia and Herzegovina
-  Bulgaria
-  Czech Republic
-  Estonia
-  Finland
-  France
-  Germany
-  Holland
-  Hungary
-  Italy
-  Norway
-  Poland
-  Romania
-  Russian Federation
-  Spain
-  Switzerland
-  Turkey
-  UK

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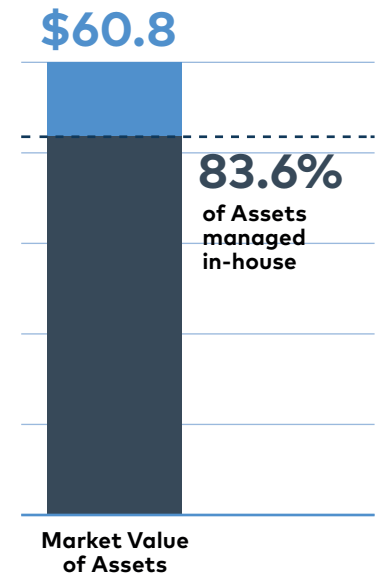
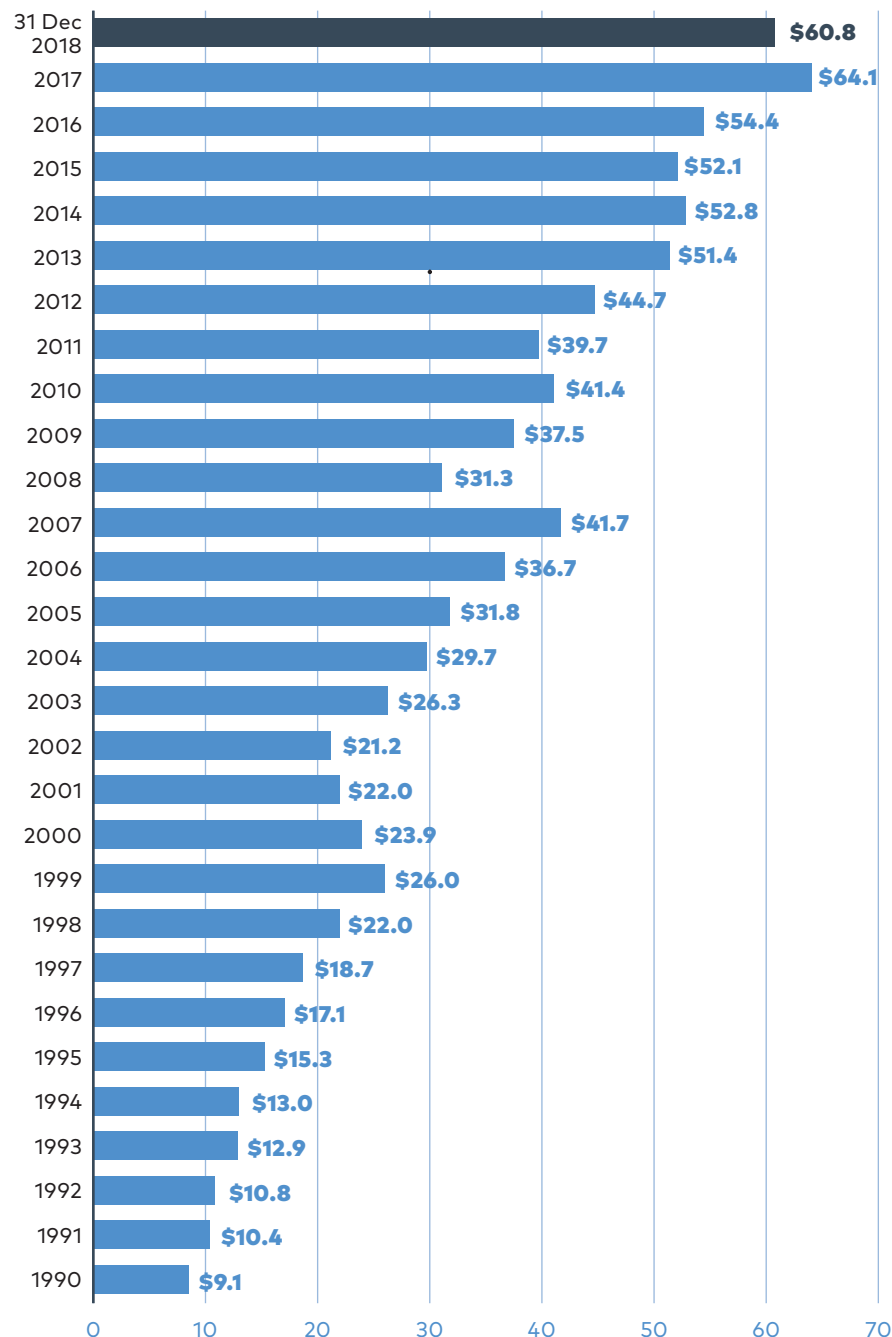
Investments



Investments

As of 31 December 2018, the Fund managed a multi-asset class, global investment portfolio worth approximately US\$60.8 billion, 83.6% of which is actively managed in-house. The Fund invests globally in regions such as North America, Europe, Asia, Latin America and the Caribbean, and Africa. Investments are made across multiple asset classes that include global equities, global fixed income, private equity, real estate, infrastructure, timber, and commodities.

Market Value of Assets as of 31 December, 2018 (USD Billion)



Multiple asset classes include:



Global Equities



Global Fixed Income



Private Equity



Real Estate



Infrastructure



Timber & Commodities



Investment Policy Statement

The management of the investment of the assets of the United Nations Joint Staff Pension Fund (UNJSPF) is the fiduciary responsibility of the Secretary-General (SG) of the United Nations, in consultation with an Investments Committee, and in light of the observations and suggestions, made from time to time, by the Pension Board on the investment policy.

The Representative of the Secretary-General (RSG) has been delegated the responsibility and authority to act on behalf of the SG in all matters involving the fiduciary duties of the SG relating to the investment of the assets of the Fund, including representing the SG at meetings of the Investments Committee, the Pension Board, and other meetings where investment matters pertaining to the UNJSPF are being discussed. The Representative of the SG is assisted by OIM. Investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility.

Investments are carried out within the framework of an Investment Policy Statement (IPS) which is usually updated comprehensively subsequent to the completion of an Asset-Liability Management (ALM) study, conducted once every four years. The Investment Policy Statement was last updated in August 2019 and is available on the OIM website.

Long-Term and Short-Term Investment Objectives

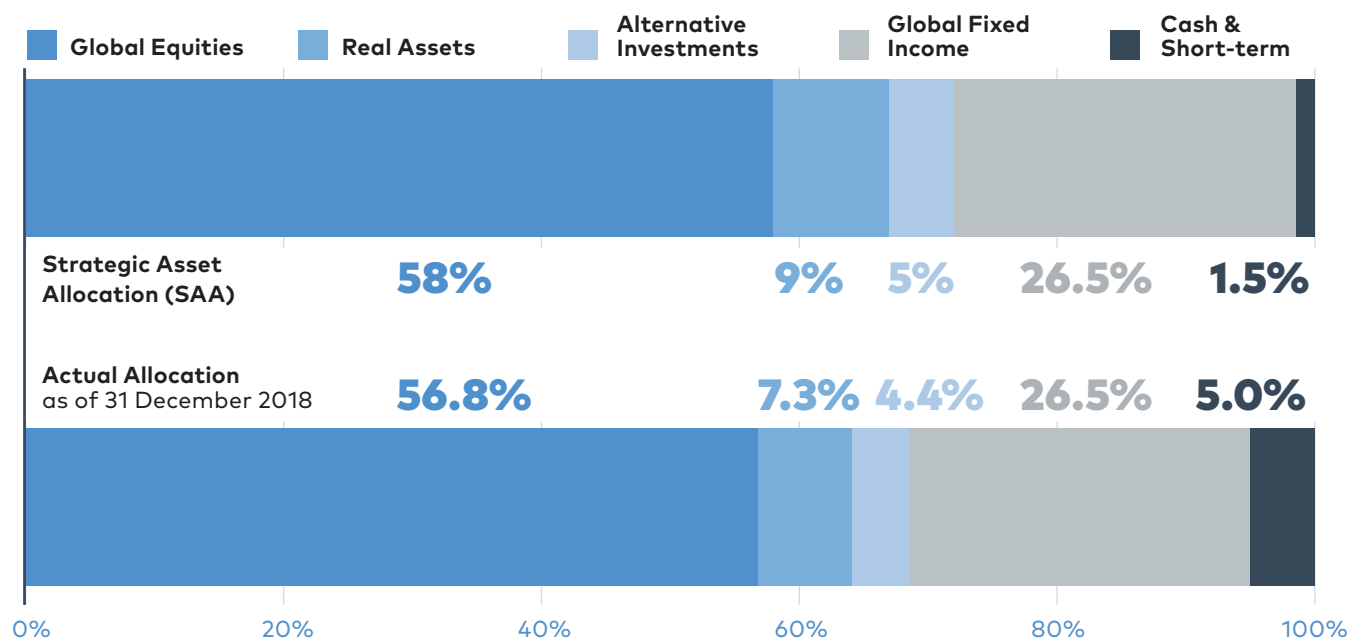
The Fund's current "Long-Term Investment Objective" is to meet or exceed a 3.5% real rate of return (net of inflation, as measured by the US Consumer Price Index) in US dollar terms annualized over the long-term (15 years and longer).

The Fund's current "Short-Term Investment Objective" is to meet or exceed the return of the Policy Benchmark over the short-term (3 years).

In aiming to prudently meet its long-term obligations, the Fund must ensure an adequate level of investment return on its assets while being mindful of the approved Risk Appetite Statement and the requirements posed by its liabilities.

Asset Allocation

Real assets include both real estate and real assets investments.

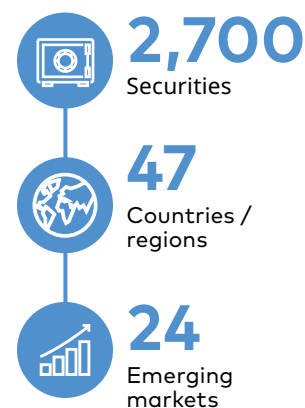


Global Public Equities

The Global Equities Group seeks to generate superior long-term risk adjusted returns relative to its benchmark. It is managed internally and actively by four teams: North America, Europe, Asia Pacific, and Global Emerging Markets. The benchmark for Global Equities is the Morgan Stanley Capital International All Country World Index (MSCI ACWI), customized to exclude tobacco and armaments stocks. The benchmark is composed of approximately 2,700 securities across 47 countries/regions, including 24 Emerging Markets. Each regional team’s benchmark is the relevant MSCI regional benchmark. Small cap equities and select markets outside this are currently managed through specialized external managers and funds.

The internally managed public equity teams follow a disciplined investment process, centered on equity screening, fundamental analysis and frequent dialogue with corporate management teams of the companies the Fund invests in or is interested in adding to the portfolio. OIM is a long-term, long-only investor and prefers high quality companies, able to generate stable cash flow return on investment above their cost of capital and achieve sustainable and profitable growth. The equity teams also consider ESG factors in their investment decisions. All investments are made in compliance with applicable risk parameters and investment guidelines.

The benchmark is composed of:



Global Fixed Income

The Global Fixed Income & Treasury Teams seek to achieve an above benchmark return by actively investing globally in local currency, investment grade securities. In addition to the Global Fixed Income portfolio, the teams manage the Operational Cash and Treasury Cash portfolios.

The teams use a top-down macro/fundamental research focus to identify investment ideas in local debt markets. Analysis is performed on the economic outlook, valuations and positioning. A bottom-up analysis is used for individual security decisions. This includes an examination of credit quality, sector allocation, maturity profile, liquidity and relative value.

The portfolio is constructed with a bias towards low risk securities and with consideration given to diversification and relative value. The portfolio is reviewed actively to adjust to changes in the economic environment and to take advantage of emerging opportunities. Strict compliance with investment guidelines and the allocated risk budget is maintained at all times.

Real Assets

The Real Assets team invests in externally managed funds, predominantly in infrastructure. Selection is based on moderate leverage, strong cash flow yield and a demonstrated track record of profitable realizations. Modest allocations to timber, agriculture and commodities funds, invested on a global basis, are also part of the Real Assets portfolio.

OIM started investing in Infrastructure in 2011. As of 31 December 2018, the Fund's Real Asset exposure remained at 0.4 percent of Total Fund. The portfolio invests in global managers.

The performance benchmark for the Real Assets portfolio is US CPI + 400 basis points. All investments are made within the parameters of the risk and compliance policies and investment guidelines.

Real Estate

The Real Estate team is responsible for global investments in real estate through externally managed funds. The team works proactively through the selection and management of its external managers to reduce risk and increase long term returns.

OIM's real estate investment program started in 1971. The portfolio was invested globally through over 100 externally managed funds in 2018. The real estate program invests in high quality managers that provide superior long-term risk adjusted returns while improving overall portfolio diversification.

The allocation target is 50 percent core "open ended" funds and 50 percent non-core "closed end" funds. The Fund's core funds are diversified by geography and property type, and its non-core funds are diversified by vintage year, geography, property type and risk profile. The performance benchmark for the Real Estate portfolio follows the National Council of Real Estate Investment Fiduciaries Fund Index - Open End Diversified Core Equity (NCREIF NFI-ODCE) + 100 basis points.

Private Equity

The Alternative Investments team is responsible for investments in private equity through externally managed funds. The private equity program began in June 2010. Its charter is to build a private equity portfolio by identifying and investing in top-tier managers that provide superior long-term risk adjusted returns while improving overall portfolio diversification. The Fund's Private Equity program currently consists of a select number of externally managed funds diversified by vintage year, private equity sub-sectors and geography. The performance benchmark for the private equity portfolio is the Morgan Stanley Capital International All Country World Index Custom Index (MSCI ACWI Custom) plus 200 basis points (excluding weapons and tobacco). The Alternative Investment team works closely with the Risk, Compliance and Legal teams to ensure conformity with risk corridors and investment policy considerations.



Risk and Compliance

Risk and Compliance at OIM is comprised of two teams:

Risk Team



Compliance Team

The Risk Team independently monitors and oversees the consistent implementation over time of OIM's risk management policies and practices. A key part of Risk Management is running frequent analyses and reporting them back on a regular basis to the Risk Committee, as well as various other internal committees, and supporting the investment process. All periodic (quarterly and annual) official risk reports use information provided by a third party, the independent Master Record Keeper. The team has overall responsibility for measuring, monitoring and reporting on risks across asset classes.

Monitoring and ensuring compliance with existing policies and guidelines is an integral part of the activities of OIM. Our office has a comprehensive governance framework which includes a Compliance Committee, committed to the transparency of its activities, and emphasizing standards of honesty, integrity and professionalism in which management leads by example. The Compliance function of OIM is focused on identifying, assessing, monitoring and reporting on compliance risks in matters relating to OIM's investment activities, and the personal conduct of staff members related to their professional activities.

In the Fund secretariat, the Enterprise Risk Management function within the Risk Management and Legal Services Section executes, maintains and monitors the Fund's risk management and internal control policies and methodologies.

The function works towards ensuring that an enterprise approach to risk management and internal control is embedded in the strategic planning and decision-making processes; independently assesses, reports and monitors enterprise-wide risks; and works in close collaboration with management to select and implement appropriate risk mitigation strategies.

The function presents risk management reports to the enterprise-wide risk management working group; coordinates the business continuity strategy and serves the meetings of the business continuity working group; facilitates the documentation and testing of internal controls to support the preparation of the Fund's Statement of Internal Control; acts as a liaison with the Fund's oversight mechanisms; and works in close coordination with the Office of Investment Management in enterprise risk management and internal control matters.



Sustainable Investments

In 2018, OIM made substantial progress to develop and implement a comprehensive approach to sustainable investing that is entirely consistent with its fiduciary responsibility to meet or exceed its Long-Term Investment Objective. The Fund's approach to sustainable investing includes the gradual integration of environmental, social, and governance (ESG) factors into the investment decision-making process, in the belief that this could provide risk-adjusted returns that are superior to those of conventional portfolios over the long term. An active sustainable voting policy combined with an engagement approach, creates a more effective sustainable impact and change consistent with our mission. More information can be found in our **2018 Report on Sustainable Investing**, OIM's first report on the Fund's approach to sustainable investing.

2018 Recognition

- ▶ Awarded an A+ rating for the PRI
- ▶ Ranked #7 out of 100 global pension funds in the 2018 Asset Owners Disclosure Project



Three Pillars of ESG Investing



1

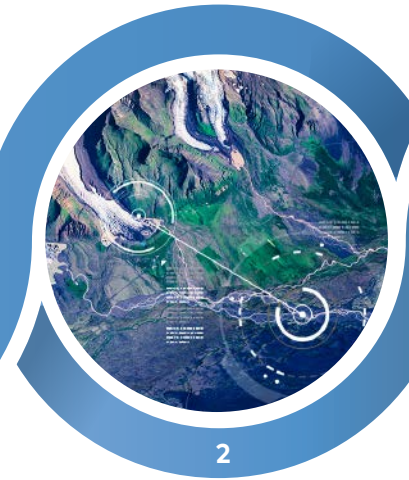
Utilizing Technology and Data Analytics

OIM is evaluating the application of unconventional datasets to support our investment decisions.

We are constructing an internal, proprietary ESG database by leveraging our partnerships with key data providers.

These partnerships will provide the investment teams with robust screening capabilities by making sense of material ESG data and determining what is relevant.

Data Partners



2

Developing New Investment Tools

To successfully evaluate return and risk exposures related to climate change and new energy sources, investors need new tools. These tools will integrate energy economics and alternative climate scenarios with traditional financial data. Ultimately, they aim to help our team achieve greater climate sustainability for the Fund.

We are testing the use of forward-looking methodologies that will evaluate the impact of climate change on our investment portfolio.

OIM has recently signed a strategic partnership with a leading provider of predictive climate analytics. With this partnership, we are transitioning to an active strategy. Our team will be able to use highly sophisticated climate and energy simulation models to assess a firm's ability to adapt to various carbon emission scenarios.

An environmental score will be used as an input factor in developing our proprietary ESG investment-decision technology.

We are planning to incorporate these scores into our risk management and reporting.



3

Engaging and Collaborating

The last pillar of our sustainable investing approach is engagement.

An active sustainable voting policy, combined with engagement, can lead to more effective and durable changes. OIM believes in a collaborative and constructive dialogue with company management to achieve mutually beneficial outcomes.

A proxy vote is a ballot cast by a person or firm on behalf of a corporate shareholder. Our portfolio managers are able to vote on various proposed corporate actions. This includes things like electing board members and amending executive salaries.

OIM is a member of NGO-led collaborative engagement initiatives with other institutional investors that dialogue with companies on material ESG issues.

Our ESG Journey




Restriction of Weapons

1948


Restriction of Tobacco

1960s


Sustainable Proxy Voting Policy

2014


UNGC Incorporation

2000

Invested in the First Green Bonds Issued by
 WORLD BANK

2008


Low Carbon ETF's Launch

2014


PRI Founding Signatory

2006


ESG Integration Strategy Across All Assets

2016

A+
PRI A+ Rating, AODP #17 of 500, BW Top 25 Responsible Investors

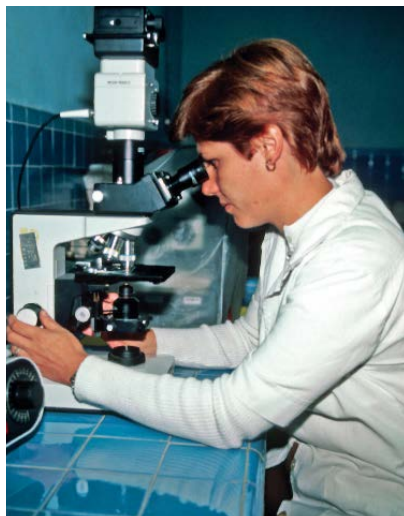
2017


Climate Action +100 Tobacco-Free Pledge AODP #7 out of 100 (Pension Funds)

2018


GRESB as Benchmark for Core Real Estate

2019



Restrictions

Investments in companies that derive any revenue from the production of tobacco, and that primarily deal with manufacturing and distribution of tobacco and tobacco related products, are prohibited. In addition, the Fund shall not invest in securities of companies that derive any revenue from the production of military weapons systems or weapons of mass destruction, including nuclear, chemical, or biological weapons, or derive more than 10 percent of their revenue from the production of customized components for purposes of the production of military weapons, weapons systems, or weapons of mass destruction.

OIM also announced in 2019 that it will divest from investments in publicly traded companies in the coal energy sector by 31 December 2020. Going forward, OIM shall not make any new investments in the coal energy sector across all asset classes. We believe that this will strengthen our existing engagement and stewardship approach of a collaborative and constructive dialogue with company management to achieve mutually beneficial outcomes, supported by an active investment management strategy.



5 Actuarial Matters and Asset Liability Management



Actuarial Valuation

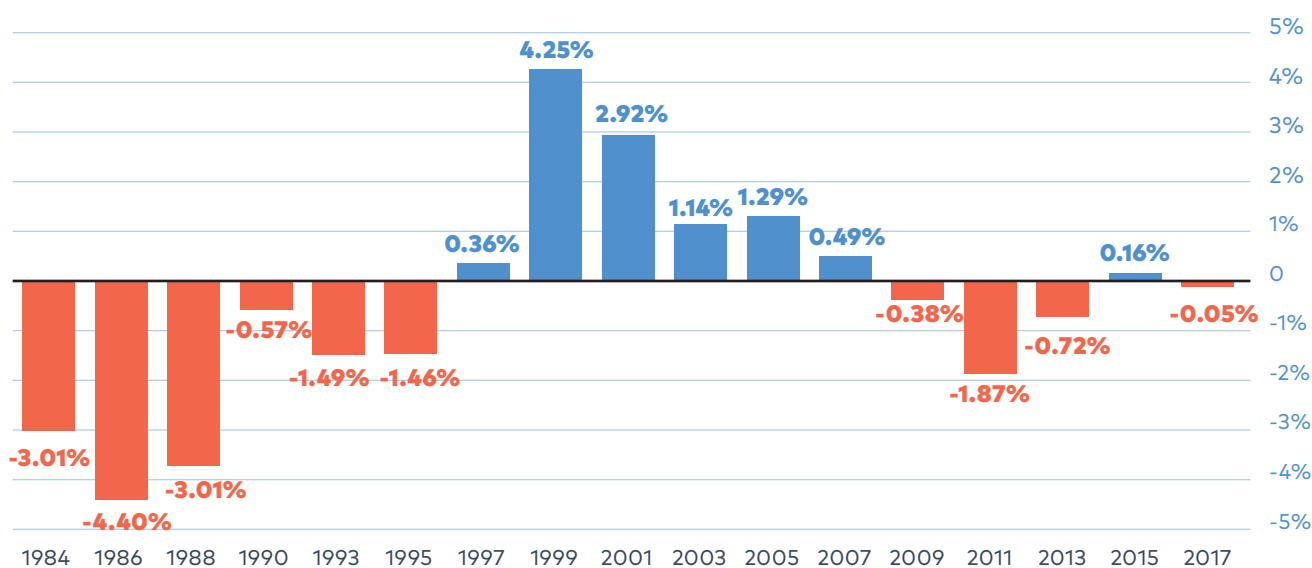
Every two years, an actuarial valuation of the Fund is completed by the Consulting Actuary and reviewed by the Committee of Actuaries. The valuation determines the present and future liabilities of the Fund and compares that to current and projected Fund assets, respectively. The latest regular valuation was performed as at 31 December 2017. The next one will be performed as of 31 December 2019.

The valuation calculates the liabilities for the Fund for both current and future participants based on many assumptions, such as mortality rates and investment return. These liabilities are then compared to current assets and expected future contributions. The amount required to pay for all current and future benefit obligations on an annual basis is then determined and compared to the current contribution rate of 23.7% of pensionable remuneration (paid 1/3 by staff members and 2/3 by member organizations). The most recent actuarial valuation as of 31 December 2017 showed a small deficit of 0.05% of pensionable remuneration. In other words: the 23.7% of pensionable remuneration

collected annually for each participant is 0.05% below what is required to be contributed to achieve actuarial balance over the long-term. This is the narrowest historical difference between required and actual contribution rates.

Actuarial balance means to have exactly enough money to cover the benefit obligations for all current and future participants and beneficiaries, which is a very long-term consideration of over 100 years. As noted above, to complete the actuarial valuation, assumptions for the long-term must be made. It is not expected that actual experience will exactly match the results generated by the assumptions. Rather, the hope is that the selection of assumptions will be close enough to reality so that valuation results will be within a certain range around 23.7%. However, when clear long-term trends indicate an imbalance between the contributions expected to be collected and the required contribution rate, the Board would study and propose corrective action for the General Assembly to consider.

Historical differences between required and actual contribution rates

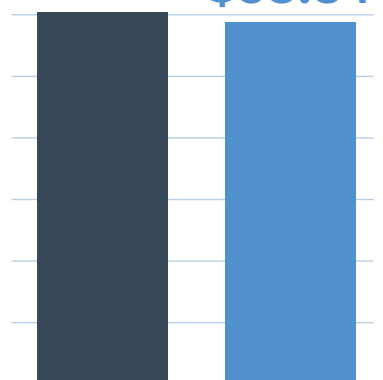


Funded Ratio

as of 31 December 2017

103%

USD Billion

\$60.42 **\$58.84**Actuarial Value
of AssetsActuarial Value
of the Accrued
Benefits

The key assumptions used in the actuarial valuations are the economic assumptions, such as inflation and investment return, and the demographic assumptions for projecting participant growth, mortality, separation, and disability. The valuation that was performed as of 31 December 2017 used the following three economic assumptions: (a) an assumed rate of increase in pensionable remuneration of 3.5% per annum; (b) an assumed rate of nominal investment return of 6.0% per annum; and (c) an assumed rate of inflation of 2.5% per annum. It was also assumed that the growth in participant population for each of the next ten years would be 0.5 percent per annum, with a “zero participant growth assumption”, thereafter.

The historical results of prior biennial valuations are summarized in the graph above, which shows the amount by which the current contribution rate differed from the contribution rate required to achieve balance each year. It is noted that the valuation results have been within the 2% corridor since 2003. Another analysis that is completed in conjunction with the actuarial valuation is the determination of funding ratios. This analysis is carried out to assist the Board in its assessment of the position of the Fund on a current rather than projected basis and is required to be included in the Fund’s financial statements. The funding ratios are comparisons of the current assets of the Fund with the value of the benefits accrued (liabilities) on the given valuation date and are calculated on a “plan termination basis.” As of 31 December 2017, the Fund was found to be in a strongly funded position, as it had been for the past ten valuations (see table below). The current funded ratio is 103%, which was obtained by dividing the actuarial value of assets (i.e. US\$60,419 million) by the actuarial value of the accrued benefits (i.e. US\$58,836 million).

Actuarial services are provided by an external actuarial consultancy firm. A Committee of Actuaries, consisting of nine independent actuaries, is also appointed on the recommendation of the Board. Its members are selected from the five different regions of the world. The Committee’s function is to review the actuarial results and advise the Board on actuarial questions arising out of the operations of the Fund’s Rules and Regulations.

Funded ratios for valuations as of 31 December 1997-2017

1997	1999	2001	2003	2005	2007	2009	2011	2013	2015	2017
88	113	106	95	92	95	91	86	91	101	103

Asset Liability Management

Every four years, an external consultant performs an Asset Liability Management (ALM) study that evaluates the assets together with the liabilities of the Fund and is reviewed by the ALM Committee. The ALM Study uses long-term capital market assumptions to model the assets and develop the optimal strategic asset allocation which will help to deliver on the obligations of the Fund and be within the risk appetite defined by the Fund. The next ALM study will be submitted to the Pension Board in July 2019 and will incorporate actuarial valuation of the liabilities as of 31 December 2017.







SO INAME

SEYCHELLES

ROMANIA

ALGERIA

DOMINICAN REPUBLIC

PAKISTAN

INDONESIA

UNITED STATES OF AMERICA

UNITED KINGDOM OF GREAT BRITAIN

FRANCE

CHINA

RUSSIA

INDIA

GERMANY

EUROPEAN UNION

AFRICA

ASIA

AMERICAS

ARAB STATES

SMALL ISLAND DEVELOPING STATES

EUROPEAN UNION

AFRICA

ASIA

AMERICAS

ARAB STATES

SMALL ISLAND DEVELOPING STATES

EUROPEAN UNION

AFRICA

ASIA



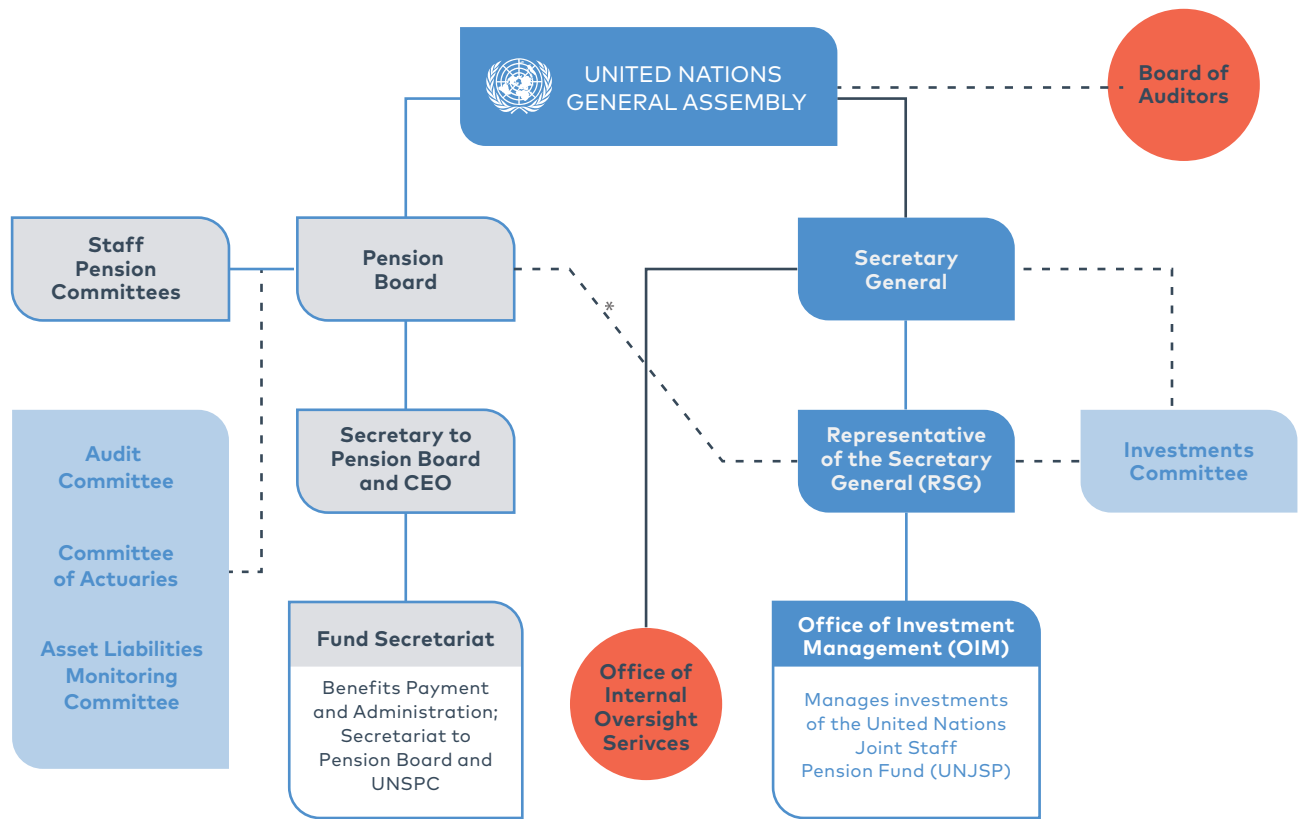
6

Governance

The Regulations of the Fund were adopted by the United Nations General Assembly by resolution 248 (III), effective on 23 January 1949, and have been amended by the General Assembly a number of times since then, following recommendations by, and consultation with, the United Nations Joint Staff Pension Board.

The UNJSPF Regulations, together with the Administrative Rules, Rules of Procedure, and Pension Adjustment System, set out the governance of the Fund; the benefits that are payable and how they are administered; and the rules of procedure for the proceedings of the Pension Board and the Staff Pension Committee of each member organization. In addition, the Fund's appeals process is found in the Administrative Rules.

Governance Structure



“The authority of the Secretary-General to decide upon the investment of the assets of the Fund was first established in Article 25 of the initial version of the Fund Regulations adopted by the General Assembly in its Resolution 248 (III) of 1948 and was reiterated periodically by the GA, most recently in its Resolution 73/274 of 22 December 2018. The current formulation of such authority is found in Article 19(a) of the Fund’s Regulations and expressed as follows: “The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the Board on the investments policy.”

The Fund operates through a bifurcated organizational structure. OIM reports to the Secretary-General through his Representative (RSG) for the investment of the assets of the Fund. The Fund Secretariat reports to the Pension Board through the Secretary/CEO. This bifurcated governance structure provides adequate checks and balances, and ensures that the fiduciary responsibility and accountability for the Fund’s assets are placed at the highest executive level.

The Fund operates under Regulations approved by the General Assembly and is administered by the United Nations Joint Staff Pension Board, which currently consists of 33 members: 11 members represent Governing Bodies, 11 members appointed by the chief administrative officers of the member organizations, and 11 members elected by participants in service. In addition, there are four non-voting representatives of retirees on the Pension Board.



Record of Board Meetings

The sixty-fifth session of the United Nations Joint Staff Pension Board was held at the Food and Agriculture Organization of the United Nations (FAO), Rome, from 26 July to 3 August 2018. The Board welcomed the fact that the Fund remained very close to actuarial balance. One of the main items on the Board's agenda was an audit report on the governance of the Board. The Board established a Working Group to consider the recommendations. The Investments Committee met four times in 2018 and continued to advise the RSG on world economic and financial markets developments. The Committee of Actuaries held its regular annual meeting in June 2018, in order to consider the results of the 34th actuarial valuation as at 31 December 2017. The Audit Committee and the

Asset Liability Monitoring (ALM) Committee each met three times in 2018. The ALM Committee focused its work on the preparations for the ALM study and monitoring the risks to the Fund's solvency. The Audit Committee continued to focus on internal and external audit, financial management, risk management and internal control framework.

The Board finds it to be effective to have delegated some of the detailed review work to its committees, who can therefore devote more time to the detailed subject matter and interact with the Fund's management more effectively and at greater length than the Board would otherwise have time to do. That being said, final responsibility remains with the Board which normally endorses the recommendations of the committees.

Record of Board Meetings

Membership of the Board and attendance at the sixty-fifth session

The following members and alternate members were accredited by the staff pension committees of the organizations members of the United Nations Joint Staff Pension Fund, in accordance with the rules of procedure:

REPRESENTATION	MEMBERS	ALTERNATES
United Nations		
General Assembly	D. Chumakov	H. Kozaki
	T. Repasch	J. Stosberg*
	P.R.O. Owade	Md. M. Rahman ^{a/}
	L. Mazemo	P. Porolí
Secretary-General	J. Beagle	K. Alford
	B. Bartsiotas	T. Panuccio ^{b/}
	M. H. Lopez	
	C. Saunders*	
Participants	M. Abu Rakabeh	N. A. Ndiaye
	I. Richards	I. Faye
	M. Rockcliffe	
	B. Nyiratunga	
Food and Agriculture Organization of the United Nations		
Governing Body	V. Mustaciosu	A. Minaev
Executive Head	A. Vanhoutte	D. Marzano
Participants	J. Levins ^{c/}	C. Ascone (26 Jul–27 Jul)
		D. Fontana* (30 Jul–3 Aug)
World Health Organization		
Governing Body	A. Ludowyke	N. Jeffreys
Executive Head	J. Kobza	N. I. Vigil
Participants	K. Bruchmann	
United Nations Educational, Scientific and Cultural Organization		
Governing Body	J. E. Garcia	
Participants	T. Jongwe	

*Did not attend.

^{a/} Rapporteur.

^{b/} Second Vice-Chairperson.

^{c/} Chairperson.

^{d/} First Vice-Chairperson.

REPRESENTATION	MEMBERS	ALTERNATES
Comprehensive Nuclear-Test-Ban Treaty Organization		
Participants	E. Fombuena	F. Leger*
International Labour Organization		
Executive Head	W. Tam	
World Intellectual Property Organization		
Governing Body	V. Yossifov	
Executive Head	T. Dayer	
International Civil Aviation Organization		
Governing Body	D. Mendez	K. Balram
Executive Head	L. Lim	
United Nations Industrial Organization		
Participants	L. Azzouni-Gerold	G. Boldt
International Telecommunication Union		
Participants	M. A. Pegorier	P. Ransome
World Meteorological Organization		
Governing Body	G. Navarro	
International Maritime Organization		
Executive Head	L. Dominic	
International Fund for Agricultural Development		
Participants	F. Ranalletta	L. Chicca*

*Did not attend.

Membership of the Board and attendance at the sixty-fifth session

The following attended the session of the Board as representatives, observers or secretaries of staff pension committees, in accordance with the rules of procedure:

REPRESENTATION	ORGANIZATION	PREPRESENTING
N. Wozencroft	UNESCO	Executive Head
I. Zabaar	IAEA	Participants
J. Makori ^{d/}	UNIDO	Governing Body
B. Fitzgerald	WIPO	Participants
C. Dermarker	ICAO	Participants
J. Sanou	ITU	Governing Body
J. P. Lovato	ITU	Executive Head
B. Exterkate	WMO	Executive Head
M. Schalk	WMO	Participants
A. Prempeh	IMO	Governing Body
S.-J. Kim	IMO	Participants
P. Pestana	IFAD	Governing Body
A. Lario (26& 31–3 Aug)	IFAD	Executive Head
P. Moreau-Peron (27&30 Jul)	IFAD	Executive Head
S. Goffard	ICCROM	Governing Body
A. Holmes	IOM	Executive Head
S. Buergers	ITLOS	Participants
L. Saputelli	FAFICS	Pensioners
W. Sach	FAFICS	Pensioners
M. Breschi	FAFICS	Pensioners
G. Schramek	FAFICS	Pensioners
M. Sebti (Alt.)	FAFICS	Pensioners
A. Gomez (Alt.)	FAFICS	Pensioners
V. M. Gonzalez Posse	ALMC	Chairperson
O. Briones	ALMC	
J. Pozenel	ALMC	
M. Seenappa	ALMC	

^{d/} First Vice-Chairperson.

OBSERVERS	ORGANIZATION
K. Rhodes	ICSC
A. Mantovani	ICSC
Y. Orlov	ICSC
I. M. Razali	FICSA
L. Lo Cicero	CCISUA
L. Gallacher	HLCM/CEB

SECRETARIES	STAFF PENSION COMMITTEES
K. Guseynova	FAO
B. Sperandio de Llull	WHO
C. McGarry	ILO
I. Welter	UNESCO
A. Leveque (25–27 July)	UNESCO
R. Dotzauer	UNIDO
M.-S. Zinzindohoué	WIPO
S. Suedi	ITU
M. Buch	WMO
D. Maffi	WMO
A. Barbato	IMO
C. Schiarini	IFAD
S. Janowski	ICCROM
M. Grant	IOM
B. Tamaro	ICGEB

The following attended all or part of the session of the Board

COMMITTEE OF ACTUARIES

D. Latulippe, Chairman

B. KYS Yen, Rapporteur

A. Scardino

A. Billig

CONSULTING ACTUARY

T. Manning, Buck Consultants, LLC

S. Schulman

AUDIT COMMITTEE

D. Thatchaichawalit, Chairperson

MEDICAL CONSULTANT^{e/}

J. Farmer

BOARD OF AUDITORS^{e/}

A. Bajaj

P. Sen

N. Singhvi

OIOS^{e/}

E. Burns

G. Kumar

F. Salon

N. Yamakawa

V. Singhal

M. Fridman

INVESTMENTS COMMITTEE (30 Jul)

M. Dhar, Chairman

S. Jiang

L. Mohohlo

G. Oliveros

K. Honda

K. Adeosun

REPRESENTATIVE OF THE SECRETARY-GENERAL FOR THE INVESTMENTS OF THE FUND

S. Rajkumar

OFFICE OF INVESTMENT MANAGEMENT

H. Brill, Director

W. Wilkinson (30 Jul–1 Aug)

W. C. Wang (30 Jul–1 Aug)

T. Shindo (30 Jul–1 Aug)

I. Munch (25 Jul–30 Jul)

S. Peerthum, Secretary, Investments Committee

B. Petkova

P. David

P. Dooley, Deputy Chief Executive Officer, served as Secretary for the session, with the assistance of A. Blythe, J. Sareva, K.-L. Soll, M.C. O'Donnell, C. Dell'Accio, D. Mapondera, K. Toomel and K. Manosalvas.

^{e/} By video-conference.

7

Financial Statements



Financial Statements

I. Statement of New Assets Available for Benefits

Thousands of United States dollars

	Notes	31 December 2018 \$'000	31 December 2017 \$'000
ASSETS			
Cash and cash equivalents	4	564 891	971 807
Investments	5,6		
Short-term investments		2 710 995	1 834 280
Equities		34 401 1 59	39 784 228
Fixed income		16 113 838	15 329 947
Real assets		4 340 466	4 213 829
Alternatives and other investments		2 743 377	2 403 366
		60 309 835	63 565 650
Contributions receivable	7	55 889	6 939
Accrued income from investment	5	158 251	154 655
Receivable from investment traded	8	7 869	28 401
Withholding tax receivable	9	20 133	26 554
Other assets		22 068	23 194
Total assets		61 138 936	64 777 200
LIABILITIES			
Benefits payable	10	102 488	148 186
Payable from investments traded	5	159 913	157 699
ASHI and other employee benefit liabilities	11	87 891	94 363
Other accruals and liabilities	12	12 597	11 044
Total Liabilities		362 889	411 292
Net assets available from benefits		60 776 047	64 365 908

The accompanying notes are an integral part of these financial statements.

II. Statement of Changes in Net assets Available for Benefits

Thousands of United States dollars

	Notes	For the Year 2018 \$'000	Reclassified* For the year 2017 \$'000
INVESTMENT INCOME (LOSS)	13		
Net change in fair value of investments		(4 502 075)	9 081 326
Interest income		376 716	361 742
Dividend income		912 237	865 788
Income from real assets		55 510	65 530
Less: Transaction cost and management fees		(143 435)	(133 145)
Less: Withholding tax		(5 972)	(2 518)
Other investment related income, net		505	9 379
		(3 306 514)	10 248 102
CONTRIBUTIONS	14		
From participants		820 209	792 593
From member organization		1 630 838	1 577 151
Other contributions		6 104	31 168
		2 457 151	2 400 912
BENEFIT EXPENSES	15		
From withdrawal settlements and full commutation benefits		181 671	194 803
From retirements benefits		2 530 498	2 479 573
Other benefits/adjustments		(42 609)	(1 119)
		2 669 560	2 673 257
ADMINISTRATIVE EXPENSES	16		
Fund secretariat		36 222	58 947
Office of Investment Management		32 212	36 650
Audit		1 235	1 394
Pension Board		450	409
		70 119	97 400
OTHER EXPENSES	17	819	575
Increase (decrease) in net assets available for benefits		(3 589 861)	9 877 782

The accompanying notes are an integral part of these financial statements.

*Refer to Note 24 for details of the reclassifications



UNJSPF

United Nations Joint
Staff Pension Fund

Pension Fund Secretariat

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www.unjspf.org

Office of Investment Management (OIM)

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investmentinfo@unims.org
www.oim.unjspf.org