United Nations Joint Staff Pension Fund

Financial report and audited financial statements

for the year ended 31 December 2018

and

audit opinion of the UN Board of Auditors

United Nations • New York, 2019

Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such symbol indicates a reference to a United Nations document.

Letters of transmittal

Letter dated 31 May 2019 from the Acting Chief Executive Officer of the United Nations Joint Staff Pension Fund and the Representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund addressed to the Chair of the Board of Auditors

In accordance with Financial Rule G.5 of the of the United Nations Joint Staff Pension Fund, we have the honour to transmit the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which we hereby approve. The Chief Executive Officer of the Fund (CEO) and the Representative of the Secretary General for the Investment of the Assets of the Fund (RSG) approve the financial statements for their respective areas of responsibilities. The financial statements have been completed and certified by the Chief Financial Officer of the Fund as correct in all material respects.

(*Signed*) Janice **Dunn Lee**
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(*Signed*) Sudhir **Rajkumar**
Representative of the Secretary-General
for the investment of the assets of the
United Nations Joint Staff Pension Fund

Letter dated 24 July 2019 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018, which were submitted by the Acting Chief Executive Officer of the Fund and the Representative of the Secretary-General for the investment of the assets of the Fund. The statements have been examined by the Board of Auditors.

In addition, I have the honour to transmit the report of the Board of Auditors with respect to the above-mentioned accounts, including the audit opinion thereon.

Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the United Nations Joint Staff Pension Fund, which comprise the statement of net assets available for benefits (statement I) as at 31 December 2018 and the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III), the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018 (statement IV), as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the net assets available for benefits of the United Nations Joint Staff Pension Fund and the changes in net assets available for benefits as at December 2018, cash flows statement for the year then ended and the statement of comparison of budget, actual amounts on a comparable basis and the notes to the financial statement.

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are described in the section below entitled "Auditor's responsibilities for the audit of the financial statements". We are independent of the Fund, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and the auditor's report thereon

The Chief Executive Officer and the Representative of the Secretary-General are jointly responsible for the other information, which comprises the financial report for the year ended 31 December 2018, contained in chapter IV below, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

The Chief Executive Officer and the Representative of the Secretary-General are jointly responsible for the preparation and fair presentation of the financial statements in accordance with International Accounting Standard 26 and IPSAS and for such internal control as the management determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the Fund intends either to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Fund.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Fund.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

- Draw conclusions as to the appropriateness of the management's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the Fund to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the Fund that have come to our notice or that we have tested as part of our audit have, in all significant respects, been in accordance with the Financial Regulations and Rules of the United Nations and the financial rules of the United Nations Joint Staff Pension Fund and their legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the United Nations Joint Staff Pension Fund.

Kay **Scheller**
President of the German Federal Court of Auditors
Chair of the Board of Auditors

Jorge **Bermúdez**
Comptroller General of the Republic of Chile
(Lead Auditor)

Rajiv **Mehrishi**
Comptroller and Auditor General of India

24 July 2019

Certification of Financial Statements for the year ended 31 December 2018

New York, 31 May 2019

The financial statements of the United Nations Joint Staff Pension Fund for the year ended 31 December 2018 have been prepared in accordance with International Public Sector Accounting Standards (IPSAS) as issued by the International Public Sector Accounting Standards Board and International Accounting Standard (IAS) 26, Accounting and Reporting by Retirement Benefit Plans as issued by the International Accounting Standards Board (IASB). The summary of significant accounting policies applied in the preparation of the financial statements is included in the notes to the financial statements. The notes provide additional information on and clarification of the financial activities undertaken by the Fund during the period covered by these statements.

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

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

Statement of Internal Control for the year ended 31 December 2018

Scope of Responsibility

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

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

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

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

The purpose of the system of internal control

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

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

UNJSPF Statement of Internal Control is related to the control objective of reliability of financial reporting, and therefore, its scope is limited to the effectiveness of internal controls over financial reporting as of 31 December 2018.

Capacity to handle risk

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

The UNJPSF Internal Control Policy approved in May 2014, defines internal control objectives, components and responsibilities, as well as, the lines of defense include related to i) management; ii) risk management and compliance sections; iii) internal audit; and iv) external audit. UNJSPF internal controls over financial reporting provide reasonable assurance that assets are safeguarded; transactions are properly recorded; authorized; and that there are no material misstatements in the financial statements.

UNJSPF risk management and internal control framework

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

- **Risk Management Governance**: The operation of the risk management framework is supported by the full ownership and accountability of the Pension Board, management and staff for risk management activities. Specialized Committees conduct oversight and provide advice to the Pension Board on risk management and internal control:
  - i) Audit Committee: Provides general oversight and offers recommendations for the Fund's internal and external auditing, and the UNJSPF's internal control framework.
  - ii) Assets and Liabilities Monitoring Committee: Advices the Board on risk management, funding policy, asset-liability management and investment policy matters.
- **Enterprise-Wide Risk Management Policy:** The policy provides the basis for the operation of the risk management framework and specifies its applicability throughout the Fund. The EWRM Methodology complements the policy and defines the steps, roles and responsibilities in the risk management process.

- **Enterprise-wide Risk Assessment:** The Fund conducts periodic risk assessment exercises, which serve as a basis to define strategies to address the Fund's key risks.
- **Risk Monitoring:** The Enterprise-wide Risk Management Working Group, chaired by the Fund's CEO and the RSG, includes representatives from all units, and monitors the Fund's risk profile and the implementation of risk management strategies. Risk management officers promote the implementation of the EWRM framework; facilitate risk assessments; advice in the implementation of risk management strategies; and monitor and report on the Fund's risk profile.
- **Fraud Risk Assessment:** The Office of Investment Management ("OIM") performs a fraud risk assessment to identify specific fraud schemes and risks, assess their likelihood and significance, evaluate existing fraud control activities, and implement actions to mitigate residual fraud risks. The Fund secretariat has various anti-fraud mechanisms in place including periodic fraud assessments and a mix of preventive and detective anti-fraud controls.

Review of the effectiveness of internal controls over financial reporting

The Fund has considered the Internal Control – Integrated Framework Committee of Sponsoring Organizations of the Treadway Commission (COSO) as guideline for assessing its internal controls over financial reporting. UNJSPF management review of the effectiveness of internal controls over financial reporting as of 31 December 2018 is supported by:

- The preparation of the Statement of Internal Control which involved:
  - A scoping exercise to identify key processes, accounts and disclosures and their supporting key information and communications technology (ICT) services;
  - Identification of key financial reporting risks;
  - Identification and documentation of: i) entity level controls, ii) key controls over financial reporting, and iii) key ICT general controls that support the operation of other controls over financial reporting; and,
  - Operational effectiveness testing of the key controls over financial reporting performed by management.
- Assertion Letters on the effectiveness of internal controls over financial reporting signed by key officers in the Fund secretariat and OIM. These officers recognize their responsibility for maintaining and executing internal controls over financial reporting and reporting any deficiencies identified.
- An independent service auditor performed an independent service audit on the controls applied by Northern Trust, the Master Record Keeper for the Fund's investments and a Custodian Banks for the investments. Additionally, the Fund received an independent service audit report from and by Citibank N.A, a second Custodian Bank for the investment of the Fund until 31 January 2018, when Northern Trust became the sole Global Custodian Bank for the investment of the Fund. The audits were conducted in accordance with the Standards defined by the American Institute of Certified Public Accountants (AICPA) and the Internal Auditing and Assurance Standards Board. Both audits concluded that, in all material respects, the controls were suitably designed and operating effectively to provide reasonable assurance that control objectives would be achieved.
- An independent provider was engaged to assess the effectiveness of managing information security risks of the new Integrated Pension Administration System, following the protocols defined by the International Organization for Standardization (ISO). In April 2016, the Fund secretariat obtained the ISO27001 information security certification for IPAS, which is valid for three years, until March 2019. A surveillance audit conducted in 2018 concluded that the information security processes function as expected and effectively meet the requirements of the standard.
- An independent auditor performed an ISAE 3402 type 2 audit of United Nations International Computing Centre (UNICC) internal control framework. The ISAE 3402 type 2 audit provides an independent assessment of whether UNICC's controls are suitably designed and operated effectively. The ISAE 3402 type 2 Audit Report conclusion for 2017 was a qualified opinion due to deficiencies identified in relation to six controls. UNICC management developed a plan to address the issues found. In

January 2019, the Independent Auditor concluded that four control deficiencies were resolved to satisfaction and two other were in the process of resolution and will need further adjustments during 2019.

- The Audit Committee reviewed the results of the Office of Internal Oversight Services ("OIOS") and the Board of Auditors ("BoA") audits and received information on the implementation of audit recommendations. The Fund's CEO, RSG, Chief Financial Officer, Risk and Compliance Officers, internal and external auditors had periodic meetings with the Audit Committee.
- In accordance to its mandate, OIOS, provided assurance that internal controls are adequate and functioning effectively. In the execution of a risk-based audit plan discussed with the Audit Committee and following special requests by the General Assembly, OIOS conducted audit examinations to provide assurance on the effectiveness of internal controls and identify control deficiencies. The CEO and the RSG, in their respective areas of responsibility, took appropriate actions to address recommendations resulting from internal audits.
- As per its mandate, BoA examined independently the financial statements, performing such tests and other procedures as they considered necessary to express an opinion in their annual audit report. BoA was given full and unrestricted access to all financial records and related data, and to the Fund's management and Audit Committee to discuss any findings related to the integrity and reliability of UNJSPF financial reporting. The external audit report accompanies the financial statements.

Significant internal control matters arising during the year

The Statement of Internal Control for the year ended 31 December 2018 draws attention to key areas impacting internal controls over financial reporting:

1. Pursuant to General Assembly resolution 72/262 A, OIOS conducted a comprehensive audit of the governance structure and related processes of the United Nations Joint Staff Pension Board. The General Assembly considered the OIOS audit report during its 73rd session and adopted resolution 73/274, which contains comments/decisions relating to the audit recommendations. The Pension Board created a Governance Working Group to consider governance issues, including those identified by the General Assembly. The Governance Working Group will report back to the Pension Board at its 66th session in July 2019.
2. The Fund's management has implemented process and system changes to address efficiency aspects in the processing of benefit entitlements. These actions translated into the Fund making significant progress in benefit processing during 2018 and allowed downgrading a critical audit recommendation related to benefit processing.

OIM performed a fraud risk assessment by evaluating applicable fraud risks and schemes. OIM considered existing compliance activities, operational controls and financial reporting as part of the fraud risk evaluation and noted areas where additional controls and processes may be required. OIM is developing remedial actions to be deployed and tested during 2019.

Statement

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

We are committed, within the scope of our respective areas of responsibility, to address any weaknesses in internal controls over financial reporting identified during the year and to ensure continuous improvement of internal controls.

Based on the above, we conclude that to our best knowledge and information there are no material weaknesses in internal controls over financial reporting, in our respective areas of responsibility, which would prevent the external auditors from providing an unqualified opinion on the financial statements or would need to be raised in the present document for the year ended 31 December 2018.

(signed) Janice Dunn Lee
Acting Chief Executive Officer
United Nations Joint Staff Pension Fund

(signed) Sudhir Rajkumar
Representative of the Secretary-General
for the investment of the assets of the Fund

22 April 2019
New York, NY

Financial Overview

Introduction

1. United Nations Joint Staff Pension Fund ("UNJSPF" or the "Fund") was established by the United Nations General Assembly in 1949 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The UNJSPF is a multiple employer defined benefit plan. As of 31 December 2018, there were twenty three member organizations participating in the Fund, and an additional member organization joined as of 1 January 2019. All participating organizations and employees contribute to the UNJSPF based on pensionable remuneration. The contribution rate is a fixed rate of 7.9% for participants and 15.8% for employers.

2. The Fund is governed by the United Nations Joint Staff Pension Board (the "Pension Board") made up of (i) twelve members appointed by the United Nations Staff Pension Committee, four of whom are elected by the General Assembly, four from those appointed by the Secretary-General, and four from those elected by the participants in service in the United Nations; and (ii) twenty-one members appointed by the staff pension committees of the other member organizations in accordance with the Rules and Procedure of the Fund, seven of whom are chosen by the bodies of the member organizations corresponding to the General Assembly, seven from those appointed by the chief administrative officers of the member organizations and seven from those chosen by the participants in service.

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

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

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

Financial Performance

Changes in Net Assets Available for Benefits

6. There was a decrease in the net assets available for benefits for the year ended 31 December 2018 of $3,589.9 million (2017: an increase of $9,877.8 million). The decrease was primarily attributable to investment losses for the year.

7. The investment loss for 2018 was $3,306.5 million (2017: income of $10,248.1 million). Investment loss for 2018 primarily comprised of net change in fair value of investments of $4,502.1 million, offset by dividend income of $912.2 million and interest income of $376.7. The change of $13,555 million from prior year was largely driven by the change in the fair value of financial assets designated at fair value.

8. Total contributions (from participants $820.2 million, member organizations $1,630.8 million, and other contributions of $6.1 million) for 2018 were $2,457.2 million (2017: $2,400.9 million), reflecting an increase of $56.3 million (an increase of 2.3%) over the 2017 total contributions.

9. Benefit expenses for 2018 of $2,669.6 million (2017: $2,673.3 million), reflected a decrease of $3.7 million (a decrease of 0.1%) over the 2017 benefit expenses, mainly due to the forfeiture of benefits of $42.2 million included in other benefits/adjustments. The forfeiture included forfeiture of benefits for multiple prior reporting periods.

10. Administrative expenses for 2018 of $70.1 million (2017: $97.4 million) reflected a decrease of $27.3 million (a decrease of 28.0%). The decrease in administrative expense was primarily due to the impact of the changes of the post-employment benefits liabilities including the after-service health insurance of $23.3 million and a decrease in contractual services of $9.2 million.

Statement of Net Assets Available for Benefits

11. Net assets available for benefits at 31 December 2018 were $60,776.0 million (2017: $64,365.9 million) which is a decrease of $3,589.9 million (a decrease of 5.6%).

12. Cash and cash equivalents at 31 December 2018 were $564.9 million (2017: $971.8 million) which is a decrease of $406.9 million (a decrease of 41.9%).

13. Fair value of Investments at 31 December 2018 were $60,309.8 million (2017: $63,565.7 million) reflecting a decrease of $3,255.9 million (a decrease of 5.1%). Details of the investment classes at 31 December 2018 and 2017 are below:

Investments:

	31 December 2018	31 December 2017	Change	
	$ million	$ million	$ million	%
Short-term investments	2 711.0	1 834.3	876.7	47.8
Equities	34 401.2	39 784.2	(5 383.0)	(13.5)
Fixed income	16 113.8	15 329.9	783.9	5.1
Real assets	4 340.4	4 213.8	126.6	3.0
Alternatives and other investments	2 743.4	2 403.4	340.0	14.1
Investments	**60 309.8**	**63 565.6**	**(3 255.8)**	**(5.1)**

14. Investments and cash and cash equivalents:

	31 December 2018	31 December 2017	Change	
	$ million	$ million	$ million	%
Investments	60 309.8	63 565.6	(3 255.8)	(5.1)
Cash and cash equivalents	564.9	971.8	(406.9)	(41.9)
Total Investments	**60 874.7**	**64 537.4**	**(3 662.7)**	**(5.7)**

15. Total liabilities of the Fund at 31 December 2018 were $362.9 million (2017: 411.3 million) a decrease of $48.4 million (a decrease of 11.8%). The decrease in total liabilities was primarily due to the decreases in benefits payable of $45.7 million and after-service health insurance liability of $6.5 million.

Actuarial situation of the Fund

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

17. The actuarial present value of accumulated plan benefits as of 31 December 2018 is as follows:

If future pension payments are made under Regulations:		
	Without Pension Adjustments $ Million	**With Pension Adjustments $ Million**
(1) Actuarial Value of Vested Benefits		
(a) Participants Currently Receiving Benefits	26 732	36 054
(b) Vested terminated Participants	787	1 356
(c) Active Participants	14 430	19 880
(d) Total Vested Benefits	41 949	57 290
(2) Non-Vested Benefits	947	1 202
(3) Total Actuarial Present Value of Accumulated Plan Benefits	42 896	58 492

Key Statistics

18. The number of Fund participants at 31 December 2018 was 128,594 (2017: 126,736), an increase of 1,858, or 1.4%.

19. The *number of periodic benefits paid by the Fund at 31 December 2018 was 78,716 (2017: 78,247), an increase of 469 or 0.6* %.

Financial Statements for the year ended 31 December 2018

United Nations Joint Staff Pension Fund

I. Statement of Net 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		34 401 159	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		55 889	6 939
Accrued income from investments	7	158 251	154 655
Receivable from investments traded	5	7 869	28 401
Withholding tax receivable	8	20 133	26 554
Other assets	9	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 for 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 costs 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.

III. Cash Flow Statement

(Thousands of United States dollars)

	Notes	For the Year 2018 $'000	For the Year 2017 $'000
Cash flows from investing activities:			
Purchase of investments		(25 154 053)	(15 346 130)
Proceeds from sale/redemption of investments		23 932 026	13 933 105
Dividends received from equity investments, *excluding withholding tax*		876 424	839 462
Interest received from fixed income investments		377 678	345 952
Income received from unitized real asset funds, *excluding withholding tax*		55 483	65 506
Other income received/(losses incurred), net		510	11 611
Transaction costs, management fees and other expenses paid		(144 649)	(134 993)
Withholding taxes reimbursement		31 732	9 394
Net cash (used) / provided by investing activities		**(24 849)**	**(276 093)**
Cash flows from operating activities:			
Contribution from member organizations and participants		2 405 906	2 401 970
Benefits payments		(2 710 412)	(2 656 307)
Net transfer to/from other plans		(475)	3 302
Administrative expenses paid		(77 953)	(72 501)
Other payments, net		(696)	(513)
Net cash used by operating activities		**(383 630)**	**(324 049)**
Net (decrease)\ increase in cash and cash equivalents		(408 479)	(600 142)
Cash and cash equivalents at the beginning of year	4	971 807	1 562 522
Exchange gains on cash and cash equivalents		1 563	9 427
Cash and cash equivalents at the end of year	4	**564 891**	**971 807**

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

IV. Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018

(Thousands of United States dollars)

	Initial appropriation 2018			Actuals on a comparable basis 2018			Variance			
	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Percentage
A. Fund secretariat										
Posts	15 988.5	7 217.4	23 205.9	16 020.7	7 177.1	23 197.8	32.2	(40.3)	(8.1)	(0)
Other staff costs	5 707.7	324.3	6 032.0	6 426.3	110.9	6 537.2	718.6	(213.4)	505.2	8
Hospitality	2.9	-	2.9	-	-	-	(2.9)	-	(2.9)	(100)
Consultants	89.1	-	89.1	78.0	-	78.0	(11.1)	-	(11.1)	(12)
Travel of staff	581.8	-	581.8	376.6	-	376.6	(205.2)	-	(205.2)	(35)
Contractual services	9 586.5	1 072.5	10 659.0	9 030.0	1 152.0	10 182.0	(556.5)	79.5	(477.0)	(4)
General operating expenses	6 566.4	1 838.0	8 404.4	9 908.4	3 336.9	13 245.3	3 342.0	1 498.9	4 840.9	58
Supplies and materials	67.8	33.9	101.7	26.3	13.2	39.5	(41.5)	(20.7)	(62.2)	(61)
Furniture and equipment	864.3	316.0	1 180.3	216.2	3.3	219.5	(648.1)	(312.7)	(960.8)	(81)
Sub-total	**39 455.0**	**10 802.1**	**50 257.1**	**42 082.5**	**11 793.4**	**53 875.9**	**2 627.5**	**991.3**	**3 618.8**	7
B. Office of Investment Management										
Posts	12 698.7	-	12 698.7	12 963.0	-	12 963.0	264.3	-	264.3	2
Other staff costs	1 735.4	-	1 735.4	1 068.6	-	1 068.6	(666.8)	-	(666.8)	(38)
Hospitality	14.6	-	14.6	6.9	-	6.9	(7.7)	-	(7.7)	(53)
Consultants	621.3	-	621.3	380.1	-	380.1	(241.2)	-	(241.2)	(39)
Travel of representatives*	355.6	-	355.6	218.7	-	218.7	(136.9)	-	(136.9)	(38)
Travel of staff	844.4	-	844.4	553.5	-	553.5	(290.9)	-	(290.9)	(34)
Contractual services	22 381.0	-	22 381.0	16 143.2	-	16 143.2	(6 237.8)	-	(6 237.8)	(28)
General operating expenses	4 032.4	-	4 032.4	4 333.0	-	4 333.0	300.6	-	300.6	7
Supplies and materials	31.3	-	31.3	33.2	-	33.2	1.9	-	1.9	6
Furniture and equipment	852.7	-	852.7	273.7	-	273.7	(579.0)	-	(579.0)	(68)
Sub-total	**43 567.4**	**-**	**43 567.4**	**35 973.9**	**-**	**35 973.9**	**(7 593.5)**	**-**	**(7 593.5)**	(17)

Statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2018

(Thousands of United States dollars)

	Initial appropriation 2018			Actuals on a comparable basis 2018			Variance			
	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Pension Fund	United Nations	Total	Percentage
C. Audit										
External audit	327.7	65.6	393.3	327.6	65.5	393.1	(0.1)	(0.1)	(0.2)	(0)
Internal audit	879.0	175.8	1 054.8	999.9	200.0	1 199.9	120.9	24.2	145.1	14
Sub-total	**1 206.7**	**241.4**	**1 448.1**	**1 327.5**	**265.5**	**1 593.0**	**120.8**	**24.1**	**144.9**	10
D. Pension Board	**494.3**	**-**	**494.3**	**450.7**	**-**	**450.7**	**(43.6)**	**-**	**(43.6)**	**(9)**
Total administrative expenses	**84 723.4**	**11 043.5**	**95 766.9**	**79 834.6**	**12 058.9**	**91 893.5**	**(4 888.8)**	**1 015.4**	**(3 873.4)**	(4)

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

* includes travel of Investments Committee members only

Explanation of significant differences (greater than +/-10 per cent) between budget and actual amounts on a comparable basis

A. Fund secretariat

Hospitality: The underexpenditure is the result of the minimization of hospitality costs.

Consultants: The underexpenditure is due to the lower than anticipated communication consultancy services.

Travel: The underexpenditure is due to the postponement of the client service outreach missions to the second year of the biennium.

General operating expenses: The overexpenditure reflects the full obligation of the rental of office space for the entire biennium 2018-2019.

Supplies, furniture and equipment: The underexpenditure is due to postponing certain IT equipment acquisitions to the second year and lower than anticipated requirements for furniture.

B. Office of Investment Management

Other staff costs: The underexpenditure is attributable to postponement of certain recruitment action until towards late 2018 and early 2019 subsequent to review of staffing strategy by the new Representative of the Secretary-General.

Hospitality: The underexpenditure is attributable to several meetings taking place away from headquarters reducing hospitality costs.

Consultants: The underexpenditure is attributable primarily to the cancelation of the benchmark study.

Travel: The underexpenditure is lower than anticipated expenditure for travel of staff including travel related to training as much of the training was done locally. When possible, the travel of staff was replaced by use of teleconference, videoconferences and web-based training. The underexpenditure also relates to the travel of Investments Committee members where travel for 12 members are budgeted initially and the Committee ended up with 9 regular members. In addition, several members did not ask to be reimbursed for their travel expense which also contributed to the underexpenditure.

Contractual services: The underexpenditure is primary resulting from the postponement of the implementation of the ICT Target Operating Programme to the second year of the biennium and from the credit note received from International Computing Centre. Furthermore, cost of global custodial services was reduced, resulting from a new contract, and requirement for external legal consultant services was less than anticipated. Underexpenditure is also attributable to the cancellation of non-discretionary Investment Strategy Advisory services and to some services and procurement cases which are being competed in 2019.

Furniture and equipment: The underexpenditure is attributable primarily to the strategy to use cloud-based and virtualized solutions and to the acquisition of some information technology-related equipment being postponed to the second year.

C. Audit

Internal audit: The overexpenditure is due to higher actual general temporary assistance compared to the standard cost utilized for the budget.

Notes to the Financial Statements

1. Description of the plan

1. The following is a brief description of the United Nations Joint Staff Pension Fund ("UNJSPF" or the "Fund"). The UNJSPF Regulations and Administrative Rules are available at the Fund's website www.unjspf.org.

1.1 General

2. The UNJSPF was established by the United Nations General Assembly in 1948 to provide retirement, death, disability and related benefits for staff of the United Nations and the other international organizations admitted to membership in the Fund. The UNJSPF is a multiple employer defined benefit plan. There were twenty three member organizations participating in the Fund at 31 December 2018, and the Comprehensive Nuclear-Test Ban Treaty Organization ("CTBTO") entered the UNJSPF as its twenty forth member organization as of 1 January 2019. All participating organizations and employees contribute to the UNJSPF based on pensionable remuneration. The contribution rate is a fixed rate of 7.9% for participants and 15.8% for employers (Note 3.5).

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

1.2 Administration of the Fund

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

5. The Chief Executive Officer of the Fund (the "CEO") also serves as Secretary of the Pension Board. The Secretary/CEO is appointed by the Secretary-General on the recommendation of the Pension Board.

6. The CEO is responsible for the administration of the Pension Fund and for the observance, by all concerned, of the Fund's Regulations, Rules and Pension Adjustment System. This includes responsibility for the establishment of policy; the administration of the Fund's operations and the overall supervision of its staff; the responsibility for the organization, servicing and participation of the Fund secretariat in the meetings of the Pension Board, its Standing Committee, the Audit Committee, the Committee of Actuaries, the Assets and Liabilities Monitoring Committee and other related bodies; the responsibility for representing the Board in meetings of the Fifth Committee of the UN General Assembly, the Advisory Committee on Administrative and Budgetary Questions, the International Civil Service Commission and any other pertinent bodies; and serving as Secretary of the United Nations Staff Pension Committee. In accordance with article 7 (c) of the Fund's Regulations, in the absence of the CEO, the Deputy CEO ("DCEO") shall perform the functions of the CEO.

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

8. A range of administrative functions supporting the Fund Secretariat and the Office of Investment Management ("OIM") are provided by the Fund's executive office reporting to the CEO. Since 2019, the executive office is reporting to the CEO and the RSG.

9. The Chief Financial Officer (the "CFO") reports to the CEO and to the RSG in their respective substantive responsibilities. The CFO is responsible for formulating financial policy for the Fund, for reviewing budgetary, financial and accounting operations of the Pension Fund and for ensuring that an adequate financial control environment of the UNJSPF is in place to protect the Fund's

resources and guarantees the quality and reliability of financial reporting. Additionally, the CFO is responsible for setting the rules for the collection from the different information systems and areas of the Fund, the financial and accounting data necessary for the preparation of the Fund's financial statements and has full access to such systems and data. The CFO ensures that the financial statements are in compliance with the Fund's Regulations and Rules, the accounting standards adopted by the Fund, as well as the decisions of the Pension Board and UN General Assembly. The CFO also certifies the Fund's financial statements.

1.3 Participation in the Fund

10. Members of the staff of each of the 23 member organizations of the Fund become participants in the Fund upon commencing employment under an appointment for six months or longer or upon completion of six months service without an interruption of more than thirty days. As of 31 December 2018, the Fund had active contributors (participants) from Member organizations/agencies include the main UN Secretariat, UNICEF, UNDP, and UNHCR as well as the various specialized agencies such as WHO, ILO, IAEA, ICAO, and UNESCO. (See Annex for a complete list of member organizations). There are currently periodic benefits paid to individuals in some 190 countries (See Annex for details). The total annual pension expenses are about US $2.7 billion, which are paid in 15 different currencies.

1.4 Operation of the Fund

11. Participant and beneficiary processing and queries are handled by Operations of the Fund secretariat, in offices located in New York and Geneva. All the accounting for operations is handled in New York by centralized Financial Services. The centralized Financial Services of the Fund secretariat also manages receipt of monthly contributions from member organizations and the payments of the monthly pension payroll.

12. The RSG is assisted by the staff of OIM where investments are actively traded and processed, and investment transactions are reconciled and accounted for.

1.5 Actuarial valuation of the Fund

13. Article 12 of the Regulations of the UNJSPF (JSPB/G.4/Rev.22) provides that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years. The Fund is performing actuarial valuations every two years and intends to continue doing so in the future. Article 12 further provides that the actuarial report shall state the assumptions on which the calculations are based, describe the methods of valuation used, and state the results, as well as the recommendations, if any, for appropriate action. See Note 18 for the actuarial situation of the Fund as at 31 December 2018.

1.6 Retirement benefit

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

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

a) 1.5% of final average remuneration multiplied by the first five years of contributory service,
b) 1.75% of final average remuneration multiplied by the next five years of contributory service,
c) 2% of final average remuneration multiplied by the next twenty five years of contributory service, and
d) The years of contributory service in excess of 35 and performed as from 1 July 1995, by 1% of the final average remuneration, subject to a maximum total accumulation rate of 70%.

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

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

18. The retirement benefit shall however be payable at the minimum annual rate which is obtained by multiplying the years of the participant's contributory service, not exceeding 10, by the smaller of $1,095.81 [effective 1 April 2018 – subject to subsequent adjustments in accordance with the movement of the United States CPI under the Pension Adjustment System] or 1/30 of the final average remuneration.

19. The annual rate of the retirement benefit shall nevertheless not be less, when no other benefit is payable on account of the participant, than the smaller of $1,743.00 [effective 1 April 2018 – subject to subsequent adjustments in accordance with the movement of the United States CPI under the Pension Adjustment System] or the final average remuneration of the participant.

20. "Final average remuneration" means the average annual pensionable remuneration of a participant during the 36 completed months of highest pensionable remuneration within the last 5 years of contributory service.

21. A participant may, except in the case where a minimum benefit is payable and he or she does not waive the rights thereto, elect to receive (i) if the retirement benefit is $300 per annum or more, a lump sum not greater than the larger of one-third of the actuarial equivalent of the retirement benefit (not exceeding the maximum amount payable to a participant then retiring at normal retirement age, with final average remuneration equal to the pensionable remuneration for the top step of level P-5) or the amount of the participant's own contributions at retirement, and the participant's retirement benefit is then reduced accordingly; or (ii) if the participant's retirement benefit is less than $1,000 per annum, the lump sum actuarial equivalent of the full retirement benefit, including the prospective spouse's benefit, if any, if the participant so elects.

Early retirement

22. An early retirement benefit is payable to a participant whose age on separation is at least 55 (58 for a participant whose participation commenced on or after 1 January 2014) but less than the normal retirement age and who has 5 years or more of contributory service at separation.

23. The early retirement benefit for a participant whose participation commenced prior to 1 January 2014 is payable at the standard annual rate for a retirement benefit reduced by 6 percent for each year between retirement date and normal retirement age; except that (i) if the participant has completed 25 but less than 30 years of contributory service at the date of retirement, the part of the benefit for service before 1 January 1985 is reduced by 2 percent a year, and the remaining part of the benefit is reduced by 3 percent a year; or (ii) if the participant has completed 30 or more years of contributory service at the date of retirement, the benefit is reduced by 1 percent a year; provided however that the rate in (i) or (ii) applies to no more than five years. The methodology of calculation of the early retirement benefits for employees participating on or after 1 January 2014 is detailed in article 29 of the UNJSPF Regulations and Administrative Rules.

24. The early retiree may elect to receive a lump sum on the same terms as for a retirement benefit.

Separation from service prior to eligibility for early retirement

25. A deferred retirement benefit is payable to a participant whose age on separation is less than normal retirement age and who has 5 years or more of contributory service at separation. The deferred retirement benefit is payable at the standard rate for a retirement benefit and commences at normal retirement age. The participant may elect to have the benefit commence at any time once the participant becomes eligible to receive an early retirement benefit from the Fund on the same terms as for an early retirement benefit.

26. A withdrawal settlement is payable to a participant separating from service before normal retirement age or on or after normal retirement age if the participant is not entitled to a future retirement benefit. The participant receives his or her own contributions increased by 10 percent for each year of contributory service in excess of 5 years, to a maximum increase of 100 percent.

1.7 Disability benefit

27. A disability benefit is payable to a participant incapacitated for further service for a period likely to be permanent or of long duration.

28. The disability benefit is payable at the standard or minimum annual rate for a retirement benefit if the participant is at least normal retirement age at disability. If the participant is under normal retirement age, it is payable at the rate of the retirement benefit

to which the participant would have been entitled if he or she had remained in service until normal retirement age and his or her final average remuneration had remained unchanged.

29. The annual rate of the benefit shall, notwithstanding the above, not be less, when no other benefit is payable on account of the participant, than the smaller of $2,902.32 [effective 1 April 2018 – subject to subsequent adjustments in accordance with the movement of the United States CPI under the Pension Adjustment System] or the final average remuneration of the participant.

1.8 Survivor's Benefit

30. A benefit is payable to a surviving spouse of a participant who was entitled to a retirement, early retirement, deferred retirement, or disability benefit at the date of his or her death or who died in service if they were married at the time of separation and remained married at the time of death. Certain limitations on eligibility apply in cases of divorced surviving spouses. The surviving spouse's benefit is generally payable at half the amount of the participant's retirement or disability benefit and is subject to certain minimum levels.

1.9 Child benefit

31. A child's benefit is payable to each child under the age of 21 of a participant who is entitled to a retirement, early retirement, or disability benefit or who has died in service, while the child remains under 21. The benefit may also be payable in certain circumstances to a child that is over the age of 21, such as when the child is found to have been incapacitated for substantial gainful employment. The child benefit for each child is generally 1/3 of any retirement or disability benefit due to a participant or that would have been due in the case of a participant who died in service, subject to certain minimum amounts and also limited in maximum amount. In addition, there are certain total maximum amounts that apply in cases of multiple children of the same participant.

1.10 Other benefits

32. Other benefits include the secondary dependants' benefit and the residual settlement benefit. A full description of these benefits is available in the UNJSPF Regulations and Administrative Rules.

1.11 Pension adjustment system

33. The provisions of the Fund's Pension Adjustment System provide for periodic cost-of-living adjustments in benefits. In addition, for participants who retire in a country whose currency is not the US dollar, the current pension adjustment system is intended to ensure that, subject to certain minimum and maximum provisions, a periodic benefit never falls below the "real" value of its U.S. dollar amount, as determined under the Regulations, Administrative Rules and Pension Adjustment System, and preserves its purchasing power as initially established in the currency of the recipient's country of residence. This is achieved by establishing a dollar base amount and a local currency base amount (two-track system).

34. The "real" value of a U.S. dollar amount is that amount adjusted over time for movements of the U.S. Consumer Price Index (CPI), while the purchasing power of a recipient's benefit, once established in local currency, is preserved by adjusting it to follow movements of the CPI in his or her country of residence.

1.12 Funding policy

35. As a condition of participation in the Fund, participants are required to contribute 7.9% of their pensionable remuneration to the plan and earn interest at a rate of 3.25 percent per year in accordance with the article 11 (c) of the UNJSPF Regulations. The participants' contributions for the year ended 31 December 2018 and 31 December 2017 were $820.6 million and $792.6 million, respectively. The contribution figures do not include interest on the contributions.

36. The member organizations' funding policy is to make contributions on an estimated monthly basis and then to reconcile these estimated amounts in an annual year-end process. The member organizations' contributions are also expressed as a percentage of

the participants' pensionable remuneration as defined in article 54 of the Regulations of the Fund. The member organizations' contribution rate is currently 15.8%; these contributions to the Fund totalled $1,630.8 million and $1,577.2 million during calendar year 2018 and 2017 respectively. When combined with the participants' contributions and expected investments returns, total funding is estimated to be sufficient to provide for all employees' benefits by the time they retire.

37. The assets of the Fund are derived from:

(a) The contributions of the participants;
(b) The contributions of the member organizations;
(c) The yield from the investments of the Fund;
(d) Deficiency payments, if any, under article 26; and
(e) Receipts from any other source.

1.13 Plan termination terms

38. Membership in the Fund may be terminated by decision of the General Assembly, upon the affirmative recommendation of the Board, following application for termination by a member organization or continued default by an organization in its obligations under these Regulations.

39. In the event of such termination, a proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund on such date, pursuant to an arrangement mutually agreed between such organization and the Board.

40. The amount of the proportionate share shall be determined by the Board after an actuarial valuation of the assets and liabilities of the Fund.

41. In the event that an actuarial valuation of the Fund shows that its assets may not be sufficient to meet its liabilities under these Regulations, there shall be paid into the Fund by each member organization the sum necessary to make good the deficiency.

42. Each member organization shall, contribute to this sum an amount proportionate to the total contributions which each paid under article 25 during the three years preceding the valuation date.

43. The contribution of an organization admitted to membership less than three years prior to the valuation date shall be determined by the Board.

1.14 Changes in Funding policy and Plan terminations terms during the reporting period

44. There were no changes in the funding policy and plan termination terms during the reporting period.

2. General information

2.1 Basis of presentation

45. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with International Public Sector Accounting Standards ("IPSAS") as issued by the International Public Sector Accounting Standards Board ("IPSASB"). The UNJSPF adopted IPSAS as of 1 January 2012. This also specifically included the adoption of International Financial Reporting Standards ("IFRS") International Accounting Standard ("IAS") 26, *"Accounting and Reporting by Retirement Benefit Plans"*. While the Standard provides accounting guidance, it also offers direction on the presentation of financial statements as it requires the presentation of a statement of net assets available for benefits and a statement of changes in net assets available for benefits. As UNJSPF has incorporated the guidance in IAS 26 into its financial policies, its financial statements presentation is based on this guidance. On a voluntary basis and upon request of the UN Board of Auditors, the Fund also presents cash flow statements on a comparative basis in accordance with IPSAS 2 *"Cash Flow Statements"* since 2016. Additional information is presented where requested by IPSAS standards. For instance, as required by IPSAS 24 *"Presentation of Budget Information in Financial Statements"*, the Fund has included in its financial statements a comparison of budget and actual on a comparable basis and a reconciliation of actual and actual on a comparable basis (note 22). While IPSAS 24 states that the actual on a comparable basis should be reconciled to the cash flows from operating, investing and financing activities as per cash flow, management has

decided to reconcile these amounts to the administrative expenses recognized in the statement of changes in net assets. This is due to the fact that the Fund's budget is limited to the administrative expenses incurred in a biennium.

46. The financial statements are prepared on an annual basis. The financial statements are presented in US dollars and all values are rounded to the nearest thousand US dollars except where otherwise indicated.

2.2 Significant Standards, interpretations, and amendments during the year

47. In January 2017, IPSASB issued IPSAS 40, "Public Sector Combinations" IPSAS 40 address accounting for combinations of entities and operations. The standard classifies public sector combinations as either amalgamations or acquisitions. For amalgamations, IPSAS 40 requires use of the modified pooling of interests method of accounting, in which the amalgamation is recognized on the date it takes place at carrying values of assets and liabilities. For acquisitions, IPSAS 40 requires use of the "acquisition" method of accounting, in which the acquisition is recognized on the date it takes place. The acquirer recognizes, separately from any goodwill recognized, the identifiable assets acquired and liabilities assumed at acquisition date fair value. The standard is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. IPSAS 40 will be applicable for combinations of entities and operations from 1 January 2019, accordingly the Fund does not expect any impact on its financial statements upon adoption of this accounting standard.

48. In August 2018, IPSASB issued IPSAS 41, "Financial Instruments". IPSAS 41 establishes new requirements for classifying, recognizing and measuring financial instruments and replaces those in IPSAS 29, Financial Instruments: Recognition and Measurement. IPSAS 41 is based on International Financial Reporting Standard (IFRS) 9, Financial Instruments, developed by the International Accounting Standards Board (IASB). The significant changes introduced by IPSAS 41 as compared to IPSAS 29 are: Applying a single classification and measurement model for financial assets that considers the characteristics of the asset's cash flows and the objective for which the asset is held; Applying a single forward-looking expected credit loss model that is applicable to all financial instruments subject to impairment testing; and Applying an improved hedge accounting model that broadens the hedging arrangements in scope of the guidance. The model develops a strong link between an entity's risk management strategies and the accounting treatment for instruments held as part of the risk management strategy. The standard is effective for annual reporting periods beginning on or after 1 January 2022, with early adoption permitted. Since the Fund's investments are carried at fair value and as at 31 December 2108 and the Fund does not have any derivative contracts, an initial high level analysis indicates that the impact of change is not expected to be material. Since IPSAS 41 fundamentally changes the approach for classification, recognition and measurement of financial instruments the Fund is currently evaluating the requirements of IPSAS 41 in detail and the impact of change in measurement and disclosure requirements on the Fund's financial statements.

49. Other accounting standards and amendments to the existing standards that have been issued by the IPSASB are either not expected to have any impact or have immaterial impact on the Fund's financial statements.

2.3 Other general information

50. The Fund compiles its financial statements with data collected from three main areas. For operational activities (contributions and payment of benefits), the Fund maintains its own records and systems. For investment activities, the Fund receives a monthly general ledger feed from the independent Master Record Keeper (MRK) collected and reconciled from source data provided by the OIM, global custodians and fund managers. Starting 1 February 2018, OIM retains only one single global custodian. For its administrative expenses, the Fund utilizes UN systems (Umoja) to record and compile its administrative expense activity. Umoja provides information on a modified cash basis, which is subsequently restated to a full accrual basis by the Fund. Some of the administrative expenses of the Fund, including costs associated with the administrative tasks of the UN Staff Pension Committee performed by the Fund on behalf of the United Nations, are reimbursed by the United Nations under the terms of a cost sharing arrangement. Consequently, the Fund has decided to reflect the reimbursement by the United Nations as a reduction of its administrative expenses, subsequently converted in full accrual accounting in accordance with IPSAS requirements.

3. Significant accounting policies

3.1 Cash and cash equivalents

51. Cash and cash equivalents are held at nominal value and include cash on hand, cash held with external managers, and short-term highly liquid time deposits held with financial institutions with maturities of three months or less from date of acquisition.

3.2 Investments

3.2.1 Classification of investments

52. All investments of the Fund are designated at fair value through surplus and deficit. Consequently, the Fund’s investments are carried and reported at fair value on the statement of net assets available for benefits with changes in fair value recognized in the statement of changes in net assets available for benefits. Purchases and sales of securities are recorded on trade date basis. The designation and classification of the investments are carried out at initial recognition and reassessed at each reporting date.

53. Any transaction costs arising as part of an investment trade designated at fair value are expensed and recognized in the statement of changes in net assets.

54. The Fund classifies its investments into the following categories:

- Short-term investments (including fixed income investments maturing more than three months but less than one year from date of acquisition)
- Equities (including exchange-traded funds (ETFs), common and preferred stocks, stapled securities, publicly-traded real estate investment trusts)
- Fixed income (including fixed income investments maturing more than one year from acquisition date)
- Real assets (including investments in funds where the underlying assets are real assets such as real properties, infrastructure assets, timber and agriculture)
- Alternative and other investments (including investments in private equity funds, and commodity funds).

3.2.2 Valuation of financial instruments

55. The Fund uses the established and documented process of its independent MRK for determining fair values which is reviewed and validated by the Fund at reporting date. Fair value is based on quoted market prices where available. If fair market value is not available, valuation techniques are used.

56. Investments in certain commingled funds, private equity and private real estate investment funds are not quoted in an active market and therefore may not have a readily determinable fair market value. However, the fund managers generally report investments of the funds on a fair value basis. Therefore, the Fund determines fair value using the net asset value (NAV) information as reported by the investee fund managers in the latest available quarterly capital account statements adjusted by any cash flows not included in the latest NAV reported by the investee fund manager. For financial assets and liabilities not designated at fair value through surplus and deficit, the carrying value approximates fair value.

3.2.3 Interest and dividend income

57. Interest income is recognized on a time-proportionate basis. It includes interest income from cash and cash equivalents, short-term and fixed income investments.

58. Dividend income is recognized on ex-dividend date when the right to receive payment is established.

3.2.4 Income from real assets and alternative investments

59. Income distributed from unitized funds is treated as income in the period in which they are earned.

3.2.5 Receivable/payable from/to investments traded

60. Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the date of the statement of net assets available for benefits. These amounts are recognized at the amount expected to be paid or received to settle the balance. Distributions from real assets and alternative fund investments declared but not received prior to year-end are also included under receivable from investments to the extent the latest available NAV of the fund that declares a distribution has recognized the distribution to be made.

61. Impairment of receivable from investments traded is recorded when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the receivable from investments traded is impaired.

3.3 Tax status and withholding tax receivables

62. The Fund's portfolio comprises of direct investments and indirect investments. Indirect investments are typically through an investment vehicle like Real Estate Investment Trust's, Exchange Traded Fund's Limited Liability Partnership's or Depository receipts. The Fund is exempt from national taxation of member states in accordance with Article 105 of the Charter of the United Nations and with Article II, Section 7(a) of the Convention on the Privileges and Immunities of the United Nations.

63. For direct investments some member states grant relief at source for the Fund's investment related transactions and income from investments whereas other member states continue to withhold taxes and reimburse the Fund upon filing of claim. In these instances, the Fund's custodians file claims to the governmental taxing authorities for refunds on behalf of the Fund. Taxes withheld on direct investments are initially recognized as "Withholding tax receivable" in the statement of net assets available for benefits. After initial recognition if there is objective evidence that the taxes are not recoverable, the carrying amount of the asset is reduced through the use of an allowance account. Any amount considered to be unrecoverable is recognized in the statement of changes in net assets available for benefits and is included under "Withholding tax expense". At end of the year, the Fund measures its withholding tax receivable at the amount deemed recoverable.

64. For indirect investments the investment vehicle is typically taxable entity and the Fund is not directly responsible for any tax; further the taxes incurred by investment vehicle can seldom be attributed to the Fund other than investment in Depository receipts. Taxes attributed to the Fund on indirect investments are recognized in the statement of changes in net assets available for benefits and is included under "Withholding tax expense". To the extent the Fund is subsequently virtually certain that the taxes will be recovered the amount is recognized as "Withholding tax receivable" in the statement of net assets available for benefits.

65. The Fund also incurs cost on account of certain taxes which are based on the value of the transaction. Transaction based taxes include Stamp duty, Security Transaction Tax, Financial Transaction Tax amongst others. Transaction based taxes are recognized in the statement of changes in net assets available for benefits and is included under "Other Transaction Cost". To the extent the Fund is subsequently virtually certain that the taxes will be recovered the amount is recognized as "Other receivable" in the statement of net assets available for benefits.

3.4 Critical accounting estimates

66. Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of financial instruments

67. The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques. Where valuation techniques are used to determine fair values, they are validated and periodically reviewed and modified as required. Valuation models are calibrated by back testing to actual transactions to ensure that outputs are reliable. The Fund primarily relies on these tests performed by the investee company's independent auditors.

68. Fair value of financial instruments not quoted in an active market may also be determined by the Fund using reputable pricing sources (such as pricing agencies) or indicative prices from bond/debt market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. The Fund exercises judgment on the quantity and quality of pricing sources

used. Where no market data is available, the Fund may value financial instruments using internal valuation models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

69. Valuation models are created using observable data to the extent practicable. However, in areas such as credit risk (both the Fund and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

70. The determination of what constitutes 'observable' requires significant judgment by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Taxes

71. Uncertainties exist with respect to the interpretation of complex tax regulations and changes in tax laws on withholding tax. Given the wide range of international investments, differences arising between the actual income and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax expense already recorded.

Impairment

72. Annual review to assess potential impairment is another area where the Fund exercises significant judgment.

Provision for the Fund's non-investment related receivables

73. A provision is established to reflect the position of the accounts receivable, for all non-performing overpayments of pension benefits that are two years or older as of the respective year-end date of the financial statements.

Actuarial assumptions

74. The Fund uses actuarial methods for the disclosure of employee benefit liabilities. The related assumptions are disclosed in Note 11 in respect to after-service health insurance and other employee benefits of the Funds staff and in Note 18 for information on assumptions used for the actuarial liability to the beneficiaries of the Fund.

3.5 Contributions

75. Contributions are recorded on an accrual basis. Participants and their employing member organizations are required to contribute 7.9% and 15.8%, respectively, of their pensionable remuneration to the Fund. Each month the Fund accrues a receivable amount for contributions expected. When contributions are actually received, the receivable is offset. Contributions are due to be paid by member organizations by the second business day of the month following the month for which the contributions relate. The contributions vary based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and the yearly grade step-increase to individual pensionable remuneration received by all participants.

3.6 Benefits

76. Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment. An estimated benefit liability is recognized for withdrawal settlements with a participation period of less than five years for which the beneficiary has not submitted the payment instruction for 36 months from the time of the obligating event. The estimate is based on the average of the last five year expense for such cases.

3.7 Accounting for non-US dollar denominated currency translations and balances

77. Non-US dollar denominated currency transactions are translated using the spot exchange rate between the functional currency and the non-US dollar denominated currency at the date of the transaction.

78. At each reporting date, non-US dollar denominated monetary items are translated using the closing spot rate. The Fund applies the WM/Reuters Company rates (primary source) and Bloomberg and Refinitiv rates (secondary source) as spot rate for the investment activities and the United Nations Operational Rate of Exchange for non-investment activities. Exchange differences

arising on the settlement of these monetary items or on translation of these monetary items at rates different from those at which they were previously translated are recognized in the change in net assets available for benefits in the period in which they arise.

3.8 Leases

79. All of the Fund’s leases are categorized as operating leases. An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

3.9 Property, plant &equipment (PP&E)

80. PP&E are stated at historical cost less accumulated depreciation and any impairment losses. All assets acquired for a cost of $20,000 and above will be capitalized. The Fund reviews this threshold annually for reasonableness. The Fund does not own land or buildings.

81. Depreciation is provided for PP&E over their estimated useful life using the straight-line method. The estimated useful lives for PP&E classes are as follows:

Class	Estimated useful life in years
Computer equipment	4
Office equipment	4
Office furniture	10
Office fixtures and fittings	7
Audio/Visual equipment	7

82. Leasehold improvements are recognized as assets and valued at cost and are depreciated over the lesser of 7 years or the lease term. Impairment reviews are undertaken if indicators of impairment exist.

3.10 Intangible assets

83. Intangible assets are capitalized if their cost exceeds the threshold of US$20,000, except for internally developed software where the threshold is US$50,000. The capitalized cost of internally developed software excludes those costs related to research and maintenance. Intangible assets are stated at historical cost less accumulated amortization and any impairment losses. Amortization is recognized over the estimated useful life using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	Estimated useful life in years
Software acquired externally	3
Internally developed software	6
Licenses and rights, copyrights and other intangible assets	Shorter of 3 years or the life of the asset

3.11 Emergency fund

84. The appropriation is made when the authorization is approved by the General Assembly. Participants wishing to avail themselves of this benefit make application to the Fund. After review and authorization, approved amounts are paid to the participant. Payments are charged directly against the appropriation account, and any unexpended balance reverts to the Fund at the end of the year. Current expense for the year is reported in the statement of changes in net assets available for benefits.

3.12 Provisions and contingent liabilities

85. A provision is recognized for future liabilities and charges if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

86. Contingent liabilities are disclosed for any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Fund. Contingent liabilities are also disclosed where present obligations that arise from past events cannot be recognized because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations, or the amount of the obligations cannot be reliably measured.

3.13 Employee benefits

87. Amongst certain short-term and other long-term benefits, the Fund provides its employees with certain post-employment benefits.

88. After-service health insurance and repatriation grant are classified as defined benefit schemes and accounted for as such.

89. The employees of the Fund are themselves participating in the UNJSPF. While the Fund is a defined benefit scheme, it has been classified as a multi-employer fund. The plan exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets, and costs to individual organizations participating in the plan. The Fund in line with the other participating organizations in the Fund, is not in a position to identify its share of the underlying financial position and performance of the plan with sufficient reliability for accounting purposes, and hence has treated this plan as if it were a defined contribution plan in line with the requirements of IPSAS 39. UNJSPF's contributions to the plan during the financial period are recognized as expenses in the statement of changes in net assets available for benefits.

3.14 Reconciliation of budget information

90. The Fund's budget is prepared on a modified cash basis and the financial statements on an accrual basis.

91. The General Assembly approves the biennial budget for UNJSPF's administrative expenses. Budgets may be subsequently amended by the General Assembly or through the exercise of delegated authority.

92. As required by IPSAS 24, "Statement of comparison of budget and actual amounts in relation to administrative expenses for the year ended 31 December 2018" provide a comparison of budget and actual on a comparable basis. The comparison includes: the original and final budget amounts; the actual amounts on the same basis as the corresponding budgetary amounts and an explanation of material differences (> +/-10%) between the actual and budget amounts.

93. Note 21 provides a reconciliation of actual amounts presented on the same basis as the budget and administrative expense included in the Statement of changes in net assets.

3.15 Related party transactions

94. Parties are considered to be related when one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or if the related party entity and another entity are subject to common control.

95. The following parties are considered related parties for UNJSPF:

a) Key management personnel: Chief Executive Officer, Representative of the Secretary-General, Deputy Chief Executive Officer, Director of Office of Investment Management, Chief Financial Officer
b) United Nations General Assembly
c) 23 Member Organizations participating in UNJSPF
d) International Computing Centre

96. A summary of the relationship and transactions with the above parties is given in Note 23.

3.16 Subsequent events

97. Any information about conditions that existed at the date of the statement of net assets available for benefits that is received after the reporting period but before the financial statements are signed and that is material to the Fund is incorporated in the financial statements.

98. In addition, any event that occurs after the date of the statement of net assets available for benefits but before the financial statements are signed that is material to the Fund are disclosed in the notes to the financial statements.

4. Cash and cash equivalents

99. Cash and cash equivalents include:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Cash at Bank – OIM	347 391	722 512
Cash at Bank - Fund secretariat	171 557	207 181
Cash held by external managers - OIM	45 943	42 114
Total cash and cash equivalents	**564 891**	**971 807**

5. Financial instruments by category

100. The following tables provide an overview of all financial instruments held by category as of 31 December 2018 and 2017[1]:

(Thousands of United States dollars)

	As of 31 December 2018		
	Financial instruments at fair value	**Loans and receivables**	**Other financial liabilities**
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	564 891	-	-
Investments			
Short-term investments	2 710 995	-	-
Equities	34 401 159	-	-
Fixed Income	16 113 838	-	-
Real assets	4 340 466	-	-
Alternative and other investments	2 743 377	-	-
Contributions receivable		55 889	-
Accrued income from investments		158 251	-
Receivable from investments traded		7 869	-
Withholding tax receivables		20 133	-
Other Assets		18 102	-
Total financial assets	**60 874 726**	**260 244**	**-**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	-	-	102 488
Payable from Investments traded	-	-	159 913
ASHI and other employee benefit liabilities	-	-	87 891
Other accruals and liabilities	-	-	12 597
Total financial liabilities	-	-	**362 889**

Investments exceeding five percent of net assets

101. There were no investments representing five percent or more of equities, fixed income or alternative net assets available for benefits as of 31 December 2018.

102. There were no investments representing five percent or more of equities, fixed income or alternative and other investments as of 31 December 2018. The Fund held a total of $216.8 million in one real estate funds as of 31 December 2018 which represented five percent or more of Real assets category.

[1] Non-financial assets and liabilities other than employee benefits are excluded from the table, as this analysis is required only for financial instruments.

(Thousands of United States dollars)

	As of 31 December 2017		
	Financial instruments at fair value	**Loans and receivables**	**Other financial liabilities**
Financial assets as per statement of net assets available for benefits			
Cash and cash equivalents	971 807	-	-
Investments			
Short-term investments	1 834 280	-	-
Equities	39 784 228	-	-
Fixed Income	15 329 947	-	-
Real assets	4 213 829	-	-
Alternative and other investments	2 403 366	-	-
Contributions receivable	-	6 939	-
Accrued income from investments	-	154 655	-
Receivable from investments traded	-	28 401	-
Withholding tax receivables	-	26 554	-
Other Assets	-	16 758	-
Total financial assets	**64 537 457**	**233 307**	**-**
Financial liabilities as per statement of net assets available for benefits			
Benefits payable	-	-	148 186
Payable from Investments traded	-	-	157 699
ASHI and other employee benefit liabilities	-	-	94 363
Other accruals and liabilities	-	-	11 044
Total financial liabilities	**-**	**-**	**411 292**

Investments exceeding five percent of net assets

103. There were no investments representing five percent or more of net assets available for benefits as of 31 December 2017.

104. There were no investments representing five percent or more of equities, fixed income, real assets or alternative and other investments as of 31 December 2017.

6. Fair value measurement

105. IPSAS establishes a three-level fair value hierarchy under which financial instruments are categorized based on the significance of inputs to the valuation technique. Level 1 includes those securities where unadjusted quoted prices are available in active markets for identical assets or liabilities. Level 2 includes those securities where inputs other than quoted prices included within Level 1 are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). Level 3 includes those securities where inputs for the asset or liability are not based on observable market data (that is, unobservable inputs). The level in the fair value hierarchy within which the fair value measurement is categorized is determined on the basis of the lowest level of information that is significant to the fair value measurement. If a fair value measurement of an investment uses observable inputs that require significant adjustment based on unobservable inputs, that investment is classified as Level 3.

106. Assessing the significance of a particular input to the fair value measurement of an investment in its entirety requires judgment, considering factors specific to the investment.

107. The following tables present the fair value hierarchy of the Fund's investments (by asset class) measured at fair value as at 31 December 2018 and 31 December 2017:

(Thousands of United States dollars)

Fair value hierarchy as of 31 December 2018	Level 1	Level 2	Level 3	Total
Short term investments				
Government and agencies securities	-	2 081 447	-	2 081 447
Corporate bonds	-	171 499	-	171 499
Notes, deposits and commercial paper	-	458 049	-	458 049
Total Short term investments	**-**	**2 710 995**	**-**	**2 710 995**
Equities				
Common and preferred stock	32 402 313	-	-	32 402 313
Funds-exchange traded funds	1 774 285	-	-	1 774 285
Funds-common stock	-	-	127 585	127 585
Stapled securities	96 976	-	-	96 976
Total Equities	**34 273 574**	**-**	**127 585**	**34 401 159**
Fixed income				
Government and agencies securities	-	11 663 395	-	11 663 395
Corporate bonds	-	3 573 634	40 046	3 613 680
Municipal/provincial bonds	-	779 077	-	779 077
Commercial mortgage-backed	-	9 040	-	9 040
Funds - corporate bond	-	-	48 646	48 646
Total Fixed Income	-	**16 025 146**	**88 692**	**16 113 838**
Real Assets				
Real estate funds	-	247 623	3 942 280	4 189 903
Infrastructure assets	-	-	133 818	133 818
Timberlands	-	-	16 745	16 745
Total Real Assets	-	**247 623**	**4 092 843**	**4 340 466**
Alternatives and other investments				
Private equity	-	-	2 640 817	2 640 817
Commodity funds	-	-	102 560	102 560
Total Alternatives and other investments	**-**	**-**	**2 743 377**	**2 743 377**
Total	**34 273 574**	**18 983 764**	**7 052 497**	**60 309 835**

(Thousands of United States dollars)

Fair value hierarchy as of 31 December 2017	Level 1	Level 2	Level 3	Total
Short term investments				
Government and agencies securities	-	158 321	-	158 321
Corporate bonds	-	680 728	90 015	770 743
Notes, deposits and commercial paper	-	36 067	-	36 067
Commercial mortgage-backed	-	869 149	-	869 149
Total Short term investments	**-**	**1 744 265**	**90 015**	**1 834 280**
Equities				
Common and preferred stock	36 781 931	-	-	36 781 931
Funds-exchange traded funds	2 595 365	-	-	2 595 365
Real estate investment Trusts	210 016	-	-	210 016
Funds-common stock	-	-	146 906	146 906
Stapled securities	50 010	-	-	50 010
Total Equities	**39 637 322**	**-**	**146 906**	**39 784 228**
Fixed Income				
Government and agencies securities	-	11 339 964	-	11 339 964
Corporate bonds	-	3 152 503	-	3 152 503
Municipal/provincial bonds	-	778 966	-	778 966
Commercial mortgage-backed	-	9 958	-	9 958
Funds - corporate bond	-	-	48 556	48 556
Total Fixed Income	**-**	**15 281 391**	**48 556**	**15 329 947**
Real Assets				
Real estate funds	-	253 893	3 809 681	4 063 574
Infrastructure assets	-	-	132 167	132 167
Timberlands	-	-	18 088	18 088
Total Real Assets	**-**	**253 893**	**3 959 936**	**4 213 829**
Alternatives and Other investments				
Private equity	-	-	2 285 545	2 285 545
Commodity funds	-	-	117 821	117 821
Total Alternatives and other investments	**-**	**-**	**2 403 366**	**2 403 366**
Total	**39 637 322**	**17 279 549**	**6 648 779**	**63 565 650**

Short Term:

108. No short term investments as of 31 December 2018 (31 December 2017: $90.0 million) were considered to be Level 3. Inputs for the value of these investments considered to be level 3 as at 31 December 2017, while available from third party sources were not well defined readily observable market data. Consequently, the Fund has decided to classify such investments as Level 3.

Equities:

109. Common and preferred stocks, exchange traded funds, real estate investment trusts and stapled securities were classified under Level 1 if bid prices were available from institutional vendors.

110. Common stock funds amounting to $127.6 million as of 31 December 2018 (31 December 2017: $146.9 million) were valued using a net asset value (NAV) approach and hence classified under Level 3.

Fixed income:

111. The vast majority of the fixed income securities prices were not obtained from an active market directly, which would have led to a Level 1 classification. Instead prices were obtained through brokers' bids which were indicative quotes and therefore classified as Level 2.

112. Corporate bond funds amounting to $48.6 million as of 31 December 2018 (31 December 2017: $48.6 million) and corporate bonds amounting to $40.0 million (31 December 2017: nil) were considered to be Level 3. Inputs for the value of these investments, while available from third party sources were not well defined readily observable market data. Consequently, the Fund has decided to classify such investments as Level 3.

Real assets and alternatives and other investments:

113. Real assets amounting to $4,092.8 million as of 31 December 2018 (31 December 2017: $3,959.9 million), net of carried interest of $176.9 million (31 December 2017: $151.5 million) as well as alternative and other investments amounting to $2,743.4 million as of 31 December 2018 (31 December 2017: $2,403.4 million), net of carried interest of $138.2 million (31 December 2017: $135.5 million) were classified under Level 3 as they were priced using the net asset value (NAV) methodology for which the Fund was unable to corroborate or verify using observable market data. In addition, limited options were available to the investors to redeem units, hence making the investments in such funds relatively illiquid.

114. Two real estate fund amounting to $247.6 million (31 December 2017: $253.9 million) which were readily redeemable at net asset value without penalties were classified as Level 2 assets representing the NAV as reported by the fund manager.

115. The following table presents the inter-level transfers for the year ended 31 December 2018:

(Thousands of United States dollars)

	Level 1	Level 2	Level 3	Total
Transfer into				
Fixed income	-	-	43 719	43 719
Equities	-	-	-	-
Alternatives and other Investment	-	-	-	-
Total	**-**	**-**	**43 719**	**43 719**
Transfer out of				
Fixed income	-	(43 719)	-	(43 719)
Equities	-	-	-	-
Alternative and other investment	-	-	-	-
Total	**-**	**(43 719)**	**-**	**(43 719)**

116. There were no transfers between levels in 2017.

117. For the year ended 31 December 2018, there was a transfer of one fixed income security amounting to $40.0 million (31 December 2017: $43.7 million) out of Level 2 and into Level 3. The security was priced by multiple vendors as at 31 December 2017 as compared to a single vendor as at 31 December 2018. As such, the Fund has decided to classify this investment as Level 3.

118. The following table present the movements in Level 3 instruments for the period ended 31 December 2018 by class of financial instrument:

Thousands of United States dollars)

	Equities	Fixed Income	Real assets	Alternative and other investments	Total
Opening balance	146 906	138 571	3 959 936	2 403 366	**6 648 779**
Purchases	2 480	1 545	703 952	720 636	**1 428 613**
Sales/ Return of capital	(71)	(88 062)	(810 005)	(517 237)	**(1 415 375)**
Transfers (out) / in of level 3	-	43 719	-	-	**43 719**
Net gains and losses recognized in the statement of changes in net assets available for benefits	(21 730)	(7 081)	238 960	136 612	**346 761**
Closing balance	**127 585**	**88 692**	**4 092 843**	**2 743 377**	**7 052 497**
Change in unrealized gains and losses for level 3 assets held at the period end and included in statements of changes in net assets available for benefits	(8 659)	(6 514)	241 785	313 387	**539 999**

119. The following table presents the movements in Level 3 instruments for the year ended 31 December 2017 by class of financial instrument:

(Thousands of United States dollars)

	Equities	Fixed Income	Real assets	Alternative and other investments	Total
Opening balance	158 361	172 919	3 556 446	1 663 801	**5 551 527**
Purchases	845	88 130	759 979	780 513	**1 629 467**
Sales/ Return of capital	(29 441)	(139 964)	(756 102)	(440 867)	**(1 366 374)**
Transfers (out) / in of level 3	-	-	-	-	-
Net gains and losses recognized in the statement of changes in net assets available for benefits	17 141	17 486	399 613	399 919	**834 159**
Closing balance	**146 906**	**138 571**	**3 959 936**	**2 403 366**	**6 648 779**
Change in unrealized gains and losses for level 3 assets held at the period end and included in statements of changes in net assets available for benefits	(2 238)	5 859	169 555	216 533	359 709

7. Accrued income from investments

120. Accrued income from investments is income earned during the year which has yet to be received as of the date of the statement of net assets available for benefits.

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Cash and cash equivalents	142	719
Short term investments	8 284	9 243
Fixed income securities	99 896	99 254
Dividends receivable on equities	47 742	43 280
Real assets and alternative investments	2 187	2 159
Total accrued income from investments	**158 251**	**154 655**

8. Withholding tax receivables

121. Withholding tax receivable as of 31 December 2018 and 2017 and withholding tax expense for the year ended 31 December 2018 and 2017 by country are as follows:

(Thousands of United States dollars)

	For the year 2018			As at 31 December 2018			For the year 2017			As at 31 December 2017		
Country	**Tax withheld**	**Tax received**	**Tax expense**	**Tax recoverable**	**Deemed not recoverable**	**Tax receivable**	**Tax withheld**	**Tax received**	**Tax expense**	**Tax recoverable**	**Deemed not recoverable**	**Tax receivable**
Australia	-	134	(134)	-	-	-	-	-	130	140	(140)	-
Austria	-	29	1	-	-	-	-	-	(4)	30	-	30
Belgium	656	653	3	-	-	-	316	320	(4)	-	-	-
Brazil	363	-	363	416	(416)	-	461	-	461	486	(486)	-
Chile	431	260	173	13	-	13	319	25	279	15	-	15
China	3 343	183	3 064	13 206	(13 110)	96	3 189	168	3 021	11 066	(11 066)	-
Czech Republic	85	-	-	85	-	85	-	-	-	-	-	-
France	-	226	(7)	-	-	-	195	-	(24)	219	-	219
Germany	8 724	7 715	787	14 774	-	14 774	7 337	-	(1 519)	14 552	-	14 552
Greece	-	-	-	113	(113)	-	-	-	-	118	(118)	-
Ireland	32	148	(2)	31	-	31	113	-	(11)	145	-	145
Israel	-	-	-	-	-	-	37	-	37	-	-	-
Mexico	44	-	(1)	58	-	58	13	-	-	13	-	13
Netherlands	1 800	881	26	970	-	970	1 716	1 816	(38)	77	-	77
New Zealand	2	-	2	-	-	-	-	-	-	-	-	-
Papua New Guinea	-	-	-	19	(19)	-	21	-	21	21	(21)	-
Russian Federation	1 276	-	1 276	-	-	-	1 254	608	816	-	-	-
Singapore	42	-	-	42	-	42	-	-	-	-	-	-
South Africa	693	673	20	-	-	-	-	-	-	-	-	-
Spain	2 285	1 950	27	537	-	537	1 983	1 974	(29)	229	-	229
Sweden	-	-	-	31	(31)	-	-	-	-	32	(32)	-
Switzerland	9 574	15 968	316	2 538	-	2 538	8 999	2 322	(370)	9 248	-	9 248
Turkey	51	-	14	298	(261)	37	-	-	-	366	(366)	-
United Kingdom	1 882	2 912	44	952	-	952	2 012	2 161	(248)	2 026	-	2 026
Total	**31 283**	**31 732**	**5 972**	**34 083**	**(13 950)**	**20 133**	**27 965**	**9 394**	**2 518**	**38 783**	**(12 229)**	**26 554**

122. In Brazil, some provinces in China and for certain periods in Greece, Papua New Guinea, Sweden and Turkey, there is no formally established reclamation mechanism in place and in these cases the Fund's custodians have thus far been unable to file and / or reclaim the taxes withheld. Despite the fact that these member states have confirmed the Fund's tax exempt status, the taxes withheld from direct investments in these countries are accrued but continue to be fully provided for in 2018, unless there is virtually certainty of reclaim in the subsequent year.

123. Aging analysis of withholding tax receivable as of 31 December 2018 and 2017 are as follows:

(Thousands of United States dollars)

	As at 31 December 2018			As at 31 December 2017		
Country	**Greater than 3 years**	**Less than 3 years**	**Tax receivable**	**Greater than 3 years**	**Less than 3 years**	**Tax receivable**
Austria	-	-	-	30	-	30
Chile	-	13	13	-	15	15
China	63	33	96	-	-	-
Czech Republic	-	85	85	-	-	-
France	-	-	-	-	219	219
Germany	-	14 774	14 774	-	14 552	14 552
Ireland	-	31	31	-	145	145
Mexico	-	58	58	-	13	13
Netherlands	-	970	970	-	77	77
Singapore	-	42	42	-	-	-
Spain	-	537	537	-	229	229
Switzerland	-	2 538	2 538	-	9 248	9 248
Turkey	-	37	37	-	-	-
United Kingdom	-	952	952	-	2 026	2 026
Total	63	20 070	20 133	30	26 524	26 554

9. Other assets

124. The other assets included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	**31 December 2017**
Prepayments and benefits receivable	15 184	16 233
Property, plant and equipment	3 941	2 787
Intangible assets in use	25	3 649
UN receivable	2 339	-
Other receivables	579	525
Total	**22 068**	**23 194**

9.1 Prepayments and benefits receivables

125. An overview of the prepayments and other accounts receivable held by the Fund is as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Prepayments	3 267	2 625
Advance benefit payments due to payroll conversion	7 484	8 663
Benefits receivable	8 764	9 556
Benefits receivable – provision	(4 331)	(4 611)
Total	**15 184**	**16 233**

9.2 Property, plant & equipment

126. An overview of the fixed assets held by the Fund is as follows:

(Thousands of United States dollars)

	IT Equipment	Leasehold Improvements		Total
	in use	in use	under construction	
Cost				
1 January 2018	1 347	13 963	190	**15 500**
Additions	-	-	2 249	**2 249**
Disposals / Transfers	(27)	-	-	**(27)**
31 December 2018	1 320	13 963	2 439	**17 722**
Accumulated depreciation				
1 January 2018	1 202	11 511	-	**12 713**
Depreciation	74	1 021	-	**1 095**
Disposals / Transfers	(27)	-	-	**(27)**
31 December 2018	1 249	12 532	-	**13 781**
Net book value				
31 December 2018	**71**	**1 431**	**2 439**	**3 941**

(Thousands of United States dollars)

	IT Equipment	Leasehold Improvements		Total
	in use	in use	Under construction	
Cost				
1 January 2017	1 595	13 963	-	**15 558**
Additions	-	-	190	**190**
Disposals / Transfers	(248)	-	-	**(248)**
31 December 2017	1 347	13 963	190	**15 500**
Accumulated depreciation				
1 January 2017	1 289	10 357	-	**11 646**
Depreciation	161	1 154	-	**1 315**
Disposals / Transfers	(248)	-	-	**(248)**
31 December 2017	1 202	11 511	-	**12 713**
Net book value				
31 December 2017	**145**	**2 452**	**190**	**2 787**

127. The leasehold improvements In Use and Under Construction included above relate to the Fund’s improvements to its offices at New York.

9.3 Intangible assets

128. The intangible asset amount included in the statement of net assets available for benefits can be broken down as follows:

(Thousands of United States dollars)

	Intangible assets in use	Under Construction	Total Intangible assets
Cost			
1 January 2018	21 722	-	**21 722**
Additions	-	-	-
Transfers	-	-	-
Disposals	(742)	-	**(742)**
31 December 2018	20 980	-	**20 980**
Accumulated amortization			
1 January 2018	18 073	-	**18 073**
Amortization	3 624	-	**3 624**
Disposals	(742)	-	**(742)**
31 December 2018	20 955	-	**20 955**
Net book value			
31 December 2018	**25**	**-**	**25**

(Thousands of United States dollars)

	Intangible assets in use	Under Construction	Total Intangible assets
Cost			
1 January 2017	21 722	-	**21 722**
Additions	-	-	**-**
Transfers	-	-	**-**
Disposals	-	-	**-**
31 December 2017	21 722	-	**21 722**
Accumulated amortization			
1 January 2017	11 424	-	**11 424**
Amortization	6 649	-	**6 649**
Disposals	-	-	**-**
31 December 2017	18 073	-	**18 073**
Net book value			
31 December 2017	**3 649**	**-**	**3 649**

10. Benefits payable

129. The amount shown in the statement of net assets can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Withdrawal Settlements	54 842	57 683
Lump sum payments	19 486	48 236
Periodic benefit payable	27 573	41 974
Other benefits payables/adjustments	587	293
Total	**102 488**	**148 186**

11. After-service health insurance and other employee benefits

130. A breakdown of the after-service health insurance (ASHI) and other benefits payable amount shown in the statement of net assets is as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
ASHI liability	80 477	86 601
Repatriation grant and related costs	3 271	3 407
Education grant and related costs	360	331
Annual leave	3 468	3 735
Home leave	315	289
Total	**87 891**	**94 363**

ASHI, annual leave, and repatriation grants liability:
131. The Fund provides its employees, who have met certain eligibility requirements, with the following after-service and end-of-service benefits.

- Health care benefits after they retire. This benefit is referred to as after-service health insurance (ASHI).
- Repatriation benefits to facilitate the relocation of expatriate staff members.
- Annual leave benefits to provide staff members with periods of time off from work at full pay for personal reasons and for purposes of health, rest, and recreation. Upon separation from service, staff members who have accrued unused annual leave will be paid for each day of unused leave up to a maximum of 60 days.

132. The liabilities as of 31 December 2018 were the result of the roll-forward to 31 December 2018 of the end-of-service benefit obligations as of 31 December 2017 for the Fund by the consulting actuary; and:

- health insurance premium and contribution data provided by the United Nations;
- actual retiree claims experience under health insurance plans;
- estimated travel and shipment costs and annual leave balances reported by the United Nations in the census data;
- various economic, demographic, and other actuarial assumptions; and
- generally accepted actuarial methods and procedures.

133. In performing the roll-forward to 31 December 2018, only the financial assumptions such as the discount rates, inflation and health care cost trend rates were reviewed as at 31 December 2018 and updated when necessary. All other assumptions remain the same as those used for the full valuation as of 31 December 2017.

134. The key assumptions in the calculation of after-service liabilities are the discount rate and healthcare trend rates. The discount rate is based on the "spot" rate that reflects the market expectations at the time of the calculations to meet future expected benefit payments, based on high quality bonds. The discount rate is then the equivalent single rate that would produce the same liability as the full spot curve using the multiple bonds necessary to meet the future cash flow expectations.

135. For 31 December 2018, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 4.29% for ASHI scheme
- 4.15% for repatriation benefits
- 4.20% for annual leave

136. For 31 December 2017, the single equivalent discount rates were selected and determined by the Fund, as follows:

- 3.64% for ASHI scheme
- 3.47% for repatriation benefits
- 3.52% for annual leave

137. For comparison purposes, the table below shows the percentage change due to a 1% change in the discount rate.

Discount rate	ASHI	Repatriation benefit	Annual leave
Increase of 1.0%	18% decrease	9% decrease	9% decrease
Decrease of 1.0%	24% increase	10% increase	10% increase

138. The comparison of health-care cost trend rates is as follows:

	31 December 2018	31 December 2017
US Non Medicare	5.57% trending down to 3.85% after 14 years	5.70% trending down to 3.85% after 15 years
US Medicare	5.38% trending down to 3.85% after 14 years	5.50% trending down to 3.85% after 15 years
US Dental	4.73% trending down to 3.85% after 14 years	4.80% trending down to 3.85% after 15 years
Non US - Switzerland	3.89% trending down to 3.05% after 9 years	4.00% trending down to 3.05% after 10 years
Non US - Eurozone	3.91% trending down to 3.65% after 4 years	4.00% trending down to 3.65% after 5 years

139. The decrease in the total ASHI liabilities reported from 31 December 2017 to 31 December 2018 is primarily due to the impact of changing the financial assumptions, in particular the increase in the discount rates for benefits denominated in USD.

140. Other specific key assumptions used in the calculations based on census data as of 31 October 2017 were as follows:

ASHI

141. 217 active staff were included in the calculation: 181 U.S. based and 36 Non-U.S. based. 91 retired staff or their surviving spouses were included in the calculation: 76 U.S. based and 15 non-U.S. based. In addition, 4 active staff and 3 retirees or their surviving spouses that participated in dental only plans were included. For active staff, the average age was 47 years with 10 years of service. The average age of retirees was 69 years.

Repatriation Benefits

142. Staff members who are appointed as international staff are eligible for the payment of repatriation grant after one year of active service outside his or her country of nationality as long as the reason for separation is not summary dismissal or abandonment of post.

143. The amount ranges from 2-28 weeks of salary depending on the category of employment and years of service of the eligible staff. Travel and shipment of personal effects may also be authorized to the recognized country of home leave.

144. 82 eligible staff with an average annual salary of US$81,804 were considered.

Annual Leave

145. Staff are entitled to accrue annual leave from the date of their appointment. Staff members who, upon separation from service, have accrued leave will be paid up to a maximum of 60 days if on a fixed-term appointment or up to 18 days on a temporary appointment. Payment amount is calculated at 1/261 of applicable salary amounts for each unused annual leave day.

146. 280 active staff with an average annual salary of US$99,432 were considered.

12. Other accruals and liabilities

147. The amount shown as other accruals and liabilities in the financial statements can be broken down as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Accruals for management fees and expenses	6 933	5 030
Restoration payable	2 869	2 485
Operating leases accrual	2 237	1 122
ASHI payable to member organizations	6	6
UN payable	-	1 874
Audit fee accrual	197	197
Other	355	330
Total	**12 597**	**11 044**

13. Investment income

148. The following table summarizes the Fund’s income from investments net of transaction costs recognized during the period. Any transaction cost which can be allocated to a single transaction or trade is netted off against investment income. Examples are broker commissions, other transaction costs and management fees. Any management expense charged to the income statement of a real asset or alternative fund was recorded separately as management expenses in the Fund’s statement of changes in net assets and included under transaction costs.

149. In some jurisdictions, the Fund receives dividend income, interest income and real estate income without any withholding tax. This is primarily a result of the fact that pension funds are exempt from withholding taxes in many jurisdictions. However, a number of jurisdictions do not provide this benefit to all pension funds but recognize that UNJSPF is part of the UN and hence exempt from national taxation of member states on its direct investments in accordance with Article 105 of the Charter of the United Nations and with Article II, Section 7 (a) of the 1946 Convention on the Privileges and Immunities of the United Nations (refer to Note 3.3). The Fund is not able to reliably measure the value of the additional tax exemption obtained by being part of the UN and therefore does not disclose the value of this additional benefit on the face of the statement of changes in net assets available for benefits as non-exchange income in accordance with IPSAS 23, *Revenue from non-exchange transactions*.

(Thousands of United States dollars)

	2018	2017
Total change in fair value for financial assets designated at fair value	**(4 502 075)**	**9 081 326**
Interest income		
Interest income on cash and cash equivalents	8 670	9 298
Interest income on fixed income instruments	368 046	352 444
Total interest income	**376 716**	**361 742**
Total dividend income	**912 237**	**865 788**
Total income from real assets	**55 510**	**65 530**
Transaction costs		
Management fees and other related fees	(111 690)	(103 842)
Small capitalization fund management fees	(12 903)	(12 511)
Brokerage commissions	(14 841)	(13 770)
Other transactions cost	(4 001)	(3 022)
Total transaction cost	**(143 435)**	**(133 145)**
Withholding tax	**(5 972)**	**(2 518)**
Other investment related income/(expense), net	**505**	**9 379**
Net investment income	**(3 306 514)**	**10 248 102**

150. The following tables present the change in fair value of investments by asset class as a result of change in market price and currency exchange rate for the year ended 31 December 2018 and 31 December 2017.

			2018			2017
	Market price	Currency*	Total change	Market Price	Currency*	Total change
Short-term investments	1 257	(34 935)	(33 678)	(8 431)	89 522	81 091
Equities	(3 886 905)	(504 519)	(4 391 424)	6 572 139	865 916	7 438 055
Fixed Income	(191 167)	(326 061)	(517 228)	(6 345)	644 309	637 964
Real assets investments	298 456	(42 080)	256 376	416 993	54 797	471 790
Alternative investments	197 327	(11 524)	185 803	422 238	22 471	444 709
Cash, cash equivalents and receivable and payable from investment traded	-	(1 924)	(1 924)	-	7 717	7 717
Total change in fair value for financial assets designated at fair value	**(3 581 032)**	**(921 043)**	**(4 502 075)**	**7 396 594**	**1 684 732**	**9 081 326**

*Change in currency exchange gain/(loss) includes $256.0 million of realized currency exchange loss (2017: a loss of $332.5 million) and $665.1 million unrealized currency exchange loss (2017: a gain of $2,017.2 million).

14. Contributions

151. Contributions received in the period can be broken down as follows:

(Thousands of United States dollars)

	2018	2017
Contribution from participants		
Regular contributions	814 410	787 636
Contribution for validation	992	869
Contribution for restoration	4 807	4 088
	820 209	**792 593**
Contributions from member organizations		
Regular contributions	1 628 818	1 575 272
Contribution for validation	2 020	1 879
	1 630 838	**1 577 151**
Other contributions		
Contributions for participant transferred in under agreements	2 296	5 826
Receipts of excess actuarial value over regular contributions	236	546
Other contributions/adjustments	3 572	24 796
	6 104	**31 168**
Total contributions for the period	**2 457 151**	**2 400 912**

The contribution varies based on changes in the number of participants, changes in the distribution of participants, changes in pensionable remuneration rates as a result of cost-of-living increases determined by the International Civil Service Commission, and the yearly step-increase to individual pensionable remuneration received by all participants.

15. Benefit expenses

152. Benefit expenses in the period can be broken down as follows:

(Thousands of United States dollars)

	2018	**2017**
Withdrawal settlements and full commutation of benefits		
For contributory services of 5 years or less	47 506	42 413
For contributory services more than 5 years	134 165	152 390
	181 671	194 803
Retirement benefits		
Full retirement benefits	1 335 160	1 343 089
Early retirement benefits	717 804	684 426
Deferred retirement benefits	104 730	97 412
Disability benefits	80 269	75 452
Survivor's benefits	259 848	248 154
Child's benefits	32 687	31 040
	2 530 498	2 479 573
Other benefits/adjustments		
Payments for participants transferred out under agreements	2 772	2 523
Forfeitures	(42 222)	-
Other benefits/adjustments	(3 159)	(3 642)
	(42 609)	(1 119)
Total benefit expenses for the period	**2 669 560**	**2 673 257**

16. Administrative Expenses

153. Administrative expenses in 2018 and 2017 are as follows:

(Thousands of United States dollars)

	2018				
	Fund secretariat	**Office of Investment Management**	**Audit**	**Pension Board**	**Total**
Established posts (excluding change in the value of the ASHI liability)	15 727	12 902	-	-	**28 629**
Changes in the value of the ASHI liability	(4 548)	(1 469)	(106)	-	**(6 123)**
Other staff costs	6 426	1 069	-	-	**7 495**
Hospitality	-	7	-	-	**7**
Consultants	52	376	-	-	**428**
Travel	375	706	-	-	**1 081**
Contractual services	12 645	12 358	-	-	**25 003**
General operating expenses	5 428	6 016	-	-	**11 444**
Supplies and materials	17	31	-	-	**48**
Furniture and equipment	100	216	-	-	**316**
Audit costs (excluding change in the value of the ASHI liability)	-	-	1 341	-	**1 341**
Board expenses	-	-	-	450	**450**
Total administrative expense	**36 222**	**32 212**	**1 235**	**450**	**70 119**

(Thousands of United States dollars)

	2017				
	Fund secretariat	**Office of Investment Management**	**Audit**	**Pension Board**	**Total**
Established posts (excluding change in the value of the ASHI liability)	15 371	11 044	-	-	26 415
Changes in the value of the ASHI liability	12 789	4 130	299	-	17 218
Other staff costs	6 900	692	-	-	7 592
Hospitality	-	1	-	-	1
Consultants	341	7	-	-	348
Travel	329	403	-	-	732
Contractual services	18 194	15 742	-	-	33 936
General operating expenses	4 698	4 085	-	-	8 783
Supplies and materials	29	21	-	-	50
Furniture and equipment	296	525	-	-	821
Audit costs (excluding change in the value of the ASHI liability)	-	-	1 095	-	1 095
Board expenses	-	-	-	409	409
Total administrative expenses	**58 947**	**36 650**	**1 394**	**409**	**97 400**

17. Other Expenses

154. Other expenses during the period can be broken down as follows:

(Thousands of United States dollars)	31 December 2018	Reclassified 31 December 2017
Emergency fund expense	97	117
Provision for unrecoverable benefits overpayments	722	458
Total other expenses for the period	**819**	**575**

18. Actuarial situation of the Fund (See also Note 1.5)

155. The Fund provides retirement, death, disability and related benefits for staff of the United Nations and other organizations admitted to membership in the Fund. Accumulated (promised) plan benefits represent the total actuarial present value of those estimated future benefits that are attributable under the Fund's provisions to the service staff have rendered as of the valuation date. Accumulated plan benefits include benefits to be paid to: (a) retired or terminated staff or their beneficiaries; (b) beneficiaries of staff who have died; and (c) present staff or their beneficiaries.

156. Benefits payable under all circumstances – retirement, death, disability, and termination of employment – are included to the extent they are deemed attributable to service staff have rendered as of the valuation date.

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

158. The Fund is applying the guidance included in IAS 26.28 (b) and discloses the actuarial present value of promised retirement benefits in the notes to its financial statements.

Key assumptions

159. The significant actuarial assumptions used are the same as those used in the valuation as of 31 December 2017:

- Life expectancy of participants (2017 United Nations Mortality Tables adjusted for forecast improvements in mortality);
- Age specific retirement and turnover assumptions;
- Additional assumptions regarding percentage of benefit commuted, percent of married and so forth;
- Annual investment return of 6.0% which serves as the discount rate for liabilities; and
- Annual rate of 2.5% for cost-of-living increases in pensions.

160. These key assumptions were recommended by the Committee of Actuaries and adopted by the Pension Board at its sixty fourth session in July 2017. The foregoing actuarial assumptions are based on the presumption that the Fund will continue. Were the Fund to be terminated, different actuarial assumptions and other factors may be applicable in determining the actuarial present value of accumulated plan benefits.

Statement of accumulated benefits

161. The actuarial present value of accumulated plan benefits as of 31 December 2018 is as follows (See Note 1.11 for the description of the pension adjustment system):

	If future pension payments are made under Regulations:	
	Without Pension Adjustments (in millions)	**With Pension Adjustments (in millions)**
(1) Actuarial Value of Vested Benefits		
(a) Participants Currently Receiving Benefits	$26 732	$36 054
(b) Vested terminated Participants	787	1 356
(c) Active Participants	14 430	19 880
(d) Total Vested Benefits	**$41 949**	**$57 290**
(2) Non-Vested Benefits	947	1 202
(3) Total Actuarial Present Value of Accumulated Plan Benefits	**$42 896**	**$58 492**

Information on participation in UNJSPF

162. The last valuation was provided by the consulting actuaries as at 31 December 2017 based on participation below. The participation in the plan developed as follows:

	As of 31 December 2017
Active Participants accruing benefits	
Number	116 985
Annual remuneration (in millions)	$10 464
Average remuneration	**$89 451**
Inactive Participants no longer accruing benefits	
Number	9 559
Annual benefits payable at Normal Retirement Age (in millions)	$ 83
Average benefit payable at Normal Retirement Age	**$8 635**
Retired Participants and beneficiaries	
Number	78 247
Annual benefits (in millions)	$2 373
Average benefit	**$30 324**

Actuarial asset value used for periodic actuarial valuations

163. The actuarial assets value used for purposes of preparing the periodic actuarial valuation differs from the value presented in the Financial Statements. The periodic actuarial valuation presents a value using a 5-year moving market average methodology. A 15 per cent limiting corridor is applied, which means that the computed value has a minimum value of 85 per cent and a maximum value of 115 per cent of the market value of the assets as of the valuation date. Starting with the 31 December 2013 valuation, a gradual transition to the alternative asset averaging methodology was introduced with a targeted completion in the actuarial valuation effective 31 December 2019. The effect of transitioning to the alternative assets averaging methodology is an increase in actuarial assets of $ 3,439 million as at 31 December 2017.

19. Commitments and contingencies

19.1 Investment commitments

164. As of 31 December 2018 and 2017, the Fund was committed to the following investment commitments:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Real Estate Funds	2 676 748	2 025 968
Private Equity	2 809 048	1 920 260
Infrastructure Funds	144 578	65 598
Timberland Funds	11 270	11 270
Total commitments	**5 641 644**	**4 023 096**

165. In the private equity and real estate, infrastructure and timberland investments, funds are drawn down in accordance with the terms and conditions of the fund agreements. The fund agreements are unique to each individual investment. However, funds are drawn down to (a) fund investments in assets that have been purchased or are being contracted for purchase; and (b) pay fees earned by the general partner or manager under the terms and conditions of the fund agreement.

19.2 Lease commitments

166. As of 31 December 2018 and 2017, the Fund was committed to the following lease commitments:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Obligations for property leases:		
Under 1 year	6 003	6 802
1-5 years	5 532	11 025
Beyond 5 years	-	-
Total property leases obligations	**11 535**	**17 827**

19.3 Legal or contingent liabilities and contingent assets

167. There are no material contingent liabilities arising from legal actions and claims that are likely to result in a significant liability to the UNJSPF.

168. Contingent assets are excluded from the statement of net assets available for benefits on the basis that the inflow of economic benefits is not virtually certain but reliant on the incurrence of an event outside of the control of the Fund. There were no contingent assets as at 31 December 2018 or 31 December 2017.

20. Risk assessment

169. The Fund’s activities expose it to a variety of financial risks including, but not limited to, credit risk, liquidity risk, and market risk (including currency risk, interest rate risk and price risk).

170. The Fund’s investment risk management program seeks to measure and monitor the risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund’s financial performance, consistent with the Fund’s Strategic Asset Allocation policy. The Investments Committee (IC) provides advice to the RSG on investment strategy and reviews the investments of the Fund at its quarterly meetings. The IC advises on long term policy, asset allocation and strategy, diversification by type of investments, currencies and economic sectors and any other matters.

171. The Fund uses different methods to measure, monitor and manage the various types of financial risks to which it is exposed. These methods are explained below.

20.1 Credit risk

172. Credit risk is defined as the potential risk that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms, resulting in a loss. The risk of a trading partner not fulfilling its obligations to another in a timely manner is a risk that all obligors face. Ensuring adequate control over credit risk and effective risk management is critical to the long term sustainability of the Fund. The Fund manages risk by addressing the following important areas:

- Approving and maintaining appropriate credit exposure measurement and monitoring standards;
- Establishing limits for amounts and concentrations of credit risk, monitoring and implementing a review process for credit exposure; and
- Ensuring adequate controls over credit risk.

173. The Fund is primarily exposed to credit risk in its debt securities (Total Fixed Income; Short-term bills and notes). The Fund's policy to manage this risk is to invest in debt securities that have an investment grade rating by at least one of the following well-known credit rating agencies, S&P, Moody's or Fitch. For purposes of consistency in this disclosure, the Fund used Moody's Investors Service which provided ratings on most of the Fund's debt securities in 2018. As of 31 December 2018, 80% (2017: 90%) individual securities of the fixed income portfolio were investment grade (rated between Aaa to Baa3) by Moody's.

174. The analysis below summarizes the credit quality of the Fund's fixed income portfolio at 31 December 2018 and 31 December 2017 respectively as provided by Moody's rating agency.

(Thousands of United States dollars)

	31 December 2018			
	Aaa to A3	**Baa1 to Ba1**	**Not Rated**	**Total**
Commercial mortgage-backed	7 155	-	-	7 155
Corporate bonds	2 274 109	538 604	320 815	3 133 528
Funds - corporate bond	-	-	48 646	48 646
Government agencies	1 342 460	-	189 486	1 531 946
Government bonds	7 401 636	681 602	766 834	8 850 072
Government mortgage-backed	-	-	1 281 378	1 281 378
Municipal/Provincial bonds	655 606	-	123 471	779 077
Non-government-backed collateralized mortgage obligations	1 884	-	-	1 884
Certificate of deposits	-	-	480 152	480 152
Total Fixed Income	**11 682 850**	**1 220 206**	**3 210 782**	**16 113 838**
Short-term investments	**401 292**	**10 954**	**2 298 749**	**2 710 995**

(Thousands of United States dollars)

	31 December 2017			
	Aaa to A3	**Baa1 to Baa3**	**Not Rated**	**Total**
Commercial mortgage-backed	7 262	-	-	7 262
Corporate bonds	2 495 552	472 226	184 725	3 152 503
Funds - corporate bond	-	-	48 556	48 556
Government agencies	1 628 710	-	128 068	1 756 778
Government bonds	7 622 010	807 341	1 011 985	9 441 336
Government mortgage-backed	3 461	-	138 389	141 850
Municipal/Provincial bonds	724 618	-	54 348	778 966
Non-government-backed collateralized mortgage obligations	2 696	-	-	2 696
Total Fixed Income	**12 484 309**	**1 279 567**	**1 566 071**	**15 329 947**
Short-term investments	**649 965**	**122 094**	**1 062 221**	**1 834 280**

175. Of the unrated fixed income securities totaling $3,210.8 million as of 31 December 2018, $2,669.8 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their credit worthiness. Of the remaining unrated debt securities amounting to $541.0 million for which no issuer rating was available by Moody's, twenty three debt securities amounting to $492.4 million were of investment grade by at least one of the other two rating agencies (S&P and Fitch), and another security amounting to $48.6 million was a bond fund, and as such, was not evaluated by a credit rating agency. Of the Baa1 to Ba1 fixed income securities as of 31 December 2018, one security rated as Ba1 by Moodys amounting to $1.9 million was rated as investment grade by other two rating agencies (S&P and Fitch).

176. Of the unrated short-term securities totaling $2,298.7 million as of 31 December 2018, $2,248.8 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their credit worthiness. The remaining one unrated debt security amounting to $ 49.9 million for which no issuer rating was available by Moody's, were of investment grade by at least one of the other two rating agencies (S&P and Fitch).

177. Of the unrated fixed income securities totaling $1,566.1 million as of 31 December 2017, $1,355.6 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their credit worthiness. Of the remaining unrated debt securities amounting to $210.5 million for which no issuer rating was available by Moody's, seventeen debt securities amounting to $161.9 million were of investment grade by at least one of the other two rating agencies (S&P and Fitch), and another security amounting to $48.6 million was a bond fund, and as such, was not evaluated by a credit rating agency.

178. Of the unrated short-term securities totaling $1,062.2 million as of 31 December 2017, $938.2 million were in debt securities that present a very low credit risk as they carry an issuer's credit rating of investment grade, thereby providing evidence of their credit worthiness. The remaining six unrated debt securities amounting to $124.0 million for which no issuer rating was available by Moody's, were of investment grade by at least one of the other two rating agencies (S&P and Fitch).

179. All transactions in listed securities are paid for upon delivery using approved brokers. Settlement risk is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

20.2 Liquidity risk

180. Liquidity risk is the risk of not meeting cash requirements for the Fund's obligations. Cash requirements can arise from settlement needs for various investment trades, capital calls from uncalled or unfunded commitments, and benefit payment disbursements in various currencies. The Fund's financial liabilities as at 31 December 2018 and 31 December 2017 contractually mature within three months. The Fund manages its liquidity risk by investing the vast majority of its investments in liquid securities.

20.3 Market risk

181. Market risk is the risk of change in the value of plan assets due to various market factor movements such as asset price, interest rates, major market index movements, currency exchange rates and market volatility. The Fund has adopted Value at Risk (VaR) as a parameter to measure the market risk, in addition to standard deviation and tracking risk. Value at Risk is a universally accepted parameter to communicate market risk for financial institutions and asset management institutions. The Fund also has risk tolerance for investment risks in the Investment Policy approved by the RSG. Based on this risk tolerance, a risk budget has been assigned to each portfolio manager. The risk budget is modified once a year.

182. Value at Risk (VaR), as a single number, summarizes the portfolio's exposure to market risk as well as the probability of an adverse move or in other words, level of risk. The main purpose of VaR is to assess market risks that result from changes in market prices. There are three key characteristics of VaR: (a) the amount (in percentage or dollar terms), (b) the time horizon (in this case, one year) and (c) the confidence level (in this case, 95%). When reported as 95% confidence, VaR(95) number (in percentage or in dollar terms) indicates that there is 95% chance that portfolio losses will not exceed the given VaR95 number (percentage or dollar terms) over a year. In addition, the Fund reports tail risk or expected shortfall, which measures the average expected loss for the 5% of the time when the losses exceed VaR(95). The Fund also reports contribution to risk. Considering the risk of the whole Fund as 100%, contribution to risk indicates how much of the risk is contributed by that asset class. Contribution to risk is additive (all contributions will add up to 100%). VaR(95) is not additive due to the diversification effect.

183. The table below depicts four important aspects of risks. It shows volatility or standard deviation in percentage, followed by VaR(95) for the given portfolio in percentage terms. Contribution to risk indicates how much each asset class is contributing to the total Fund risk. Clearly, total Fund risk is 100% and each of the asset class below indicates the contribution to the risk. Expected shortfall at 5% (because the Fund is indicating VaR at 95%), indicates average value or expected value of losses for the 5% of the times when losses exceed VaR95.

184. All numbers in the chart below are reported for a one-year term horizon. For 2018, the estimated volatility on absolute basis (benchmark not included) of the total fund was 7.39%, the estimated value-at risk VaR (95%) was 12.38%, and the estimated expected shortfall ES (95%) was 18.94%. VaR of 12.38% indicates that there is 95% chance that portfolio losses will not exceed the 12.38% over a year. The asset class with lowest VaR (lowest risk) is cash, followed by fixed income and equities and the asset class with highest VaR (highest risk) is infrastructure, followed by real estate, commodities, and private equity. The contribution to risk statistics is driven by the asset class 1) risk, 2) weights in portfolio, 3) correlation with other assets in the portfolio. Accordingly, for 2018, total equity portfolio contributed 82.05% to total fund risk, while fixed income contributed 2.76%, real estate 8.86%, and private equity 6.30%. As of 12/31/2018 equities represented 56.60% of the Net assets available for benefits.

185. All numbers in the chart below are annualized using historical simulation.

2018:

Asset Class	Volatility (Standard Deviation)	VaR (95%)	Contribution to Risk	Expected Shortfall (5%)
Total fund	7.39	12.38	100.00	18.94
Total equity	10.96	18.74	82.05	28.64
Fixed income	4.48	7.16	2.76	10.27
Cash and short term	0.09	0.15	0.03	0.21
Real estate	14.04	23.67	8.86	34.72
Private equity	10.98	18.75	6.30	28.75
Commodities	12.00	19.10	0.12	27.28
Infrastructure	14.11	24.35	0.25	35.21

Note: Figures are reported from MSCI RiskMetrics as of 31 December 2018

2017:

Asset Class	Volatility (Standard Deviation)	VaR (95%)	Contribution to Risk	Expected Shortfall (5%)
Total fund	8.10	11.85	100.00	19.84
Total equity	11.35	17.18	84.89	28.79
Fixed income	5.33	8.97	2.29	12.65
Cash and short term	3.19	5.20	0.43	7.31
Real estate	14.62	26.58	7.52	36.35
Private equity	11.07	16.73	4.49	27.93
Commodities	13.36	22.32	0.12	29.16
Infrastructure	14.36	26.65	0.22	35.90

Note: Figures are reported from MSCI RiskMetrics as of 29 December 2017

186. Although VaR is an important tool for measuring market risk, the assumptions on which the model is based give rise to some limitations. Key assumptions include, a 1-day holding period to hedge or dispose of positions which, may not be the case for illiquid assets or may be due to adverse market conditions; a 95% confidence level, which indicates that there is a 5% probability of losses exceeding the VaR at 95%; VaR calculated on an end-of-day basis, which does not reflect changes during the trading day; and the use of historical data and Monte Carlo simulation, which may not cover all possible scenarios, especially those of an exceptional nature.

Price risk:

187. The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments − for example, equity securities − are denominated in currencies other than the US dollar, the price is initially expressed in non-US dollar denominated currency and is then converted into US dollars, which will also fluctuate because of changes in currency exchange rates.

188. At 31 December 2018 and 31 December 2017, the fair value of equities exposed to price risk was as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
Common and preferred stock	32 402 313	36 781 931
Funds – exchange traded funds	1 774 285	2 595 365
Real estate investment trusts	-	210 016
Funds - common stock	127 585	146 906
Stapled securities	96 976	50 010
Total equity instruments	**34 401 159**	**39 784 228**

189. Considering the total Fund risk as 100%, the contribution to risk due to equities is 82.05% (2017: 84.9%) to the total fund risk and the rest is contributed by all other asset classes.

190. The Fund also manages its exposure to price risk by analyzing the investment portfolio by industrial sector and benchmarking the sector weights.

191. The Fund's equity investment portfolio by industrial sector based on General Industry Classification Standards as of 31 December 2018 was as follows:

	31 December 2018	
General Industry Classification Standards	**Fund's equity portfolio**	**Benchmark***
Financials	16.12%	17.77%
Information Technology	15.02%	15.29%
Communication Services	8.01%	9.26%
Consumer Discretionary	10.93%	10.68%
Consumer Staples	7.24%	7.77%
Energy	5.57%	6.37%
Health Care	12.86%	12.49%
Industrials	8.16%	8.51%
Materials	4.58%	5.12%
Utilities	2.90%	3.46%
Real Estate	3.02%	3.28%
Others	5.59%	Not applicable
Total	**100.00%**	**100.00%**

* Benchmark source: MSCI All country world Index

192. As of September 28, 2018, a number of changes were made to the Global Industry Classification Standard. Key change includes the expansion of the telecommunication services sector and renaming it the communication services sector. The new sector combines telecom companies with media and entertainment firms formerly classified in the consumer discretionary sector and internet companies formerly classified within the information technology sector. Accordingly, the classifications of equity investment portfolio by industrial sector as at 31 December 2018 and 2017 are not comparable.

193. The Fund's equity investment portfolio by industrial sector based on General Industry Classification Standards as at 31 December 2017 was as follows:

	31 December 2017*	
General Industry Classification Standards	**Fund's equity portfolio**	**Benchmark**
Financials	18.08%	18.74%
Information Technology	17.97%	18.09%
Consumer Discretionary	11.78%	12.01%
Energy	5.67%	6.38%
Health Care	10.90%	10.68%
Industrials	9.01%	10.86%
Consumer Staples	7.72%	8.75%
Materials	5.21%	5.50%
Telecommunication Services	2.60%	3.02%
Utilities	2.32%	2.90%
Real Estate	2.25%	3.07%
Others	6.49%	Not applicable
Total	**100.00%**	**100.00%**

* Benchmark source: MSCI All country world Index

194. The following table analyses the Fund's concentration of equity price risk in the Fund's equity portfolio by geographical distribution (based on counterparty's place of primary listing or, if not listed, place of domicile).

	31 December 2018	**31 December 2017**
North America	58.4%	55.0%
Europe	18.4%	20.7%
Asia Pacific	11.7%	12.1%
Emerging Markets	10.9%	11.6%
International regions	0.6%	0.6%
Total	**100.0%**	**100.0%**

Currency risk

195. The Fund is one of the most globally diversified pension funds in the world and therefore holds both monetary and non-monetary assets denominated in currencies other than the US dollar, the Fund's base currency. Currency exchange risk arises as the value of financial instruments denominated in other currencies fluctuates due to changes in currency exchange rates. Management monitors the exposure to all currencies. The unrealized foreign exchange gain/loss is primarily attributable to the fluctuation in currency exchange rates during the period.

196. The Fund does not use hedging to manage its non-US dollar denominated currency risk exposure, because the Fund expects currency impact to net out to zero over a full market cycle, as has been the case historically. Currency risk refers to risk due to foreign exchange rate changes.

197. The tables below illustrate the foreign exchange risk exposure of the Fund by class of investments. These summarize the Fund's cash and investments at fair value as of 31 December 2018 and 2017 respectively. Net financial liabilities amounting to

$102.6 million in 2018 (2017: $178.0 million), not held at fair value (Note 5) are excluded from this table. Assets held in exchange-traded funds (ETFs) or externally managed specialty funds are included as United States dollar assets.

	As at 31 December 2018						
Currency	**Equity**	**Fixed income**	**Real assets**	**Alternative and others**	**Short term**	**Cash**	**Total**
United States dollar	34.13%	12.17%	5.51%	3.84%	4.45%	0.86%	60.96%
Euro	5.04%	6.31%	0.70%	0.64%	-	0.02%	12.71%
Japanese yen	4.44%	4.63%	0.22%	-	-	0.01%	9.30%
British pound sterling	3.06%	1.25%	0.17%	0.03%	-	0.01%	4.52%
Canadian dollar	1.56%	0.60%	0.24%	-	-	0.00%	2.40%
Hong Kong dollar	2.03%	-	-	-	-	0.00%	2.03%
Australian dollar	1.27%	0.26%	0.29%	-	-	0.01%	1.83%
Swiss franc	1.50%	-	-	-	-	0.01%	1.51%
South Korean won	0.80%	0.34%	-	-	-	-	1.14%
Swedish krona	0.47%	0.14%	-	-	-	0.00%	0.61%
Indian rupee	0.49%	-	-	-	-	0.00%	0.49%
Brazilian real	0.38%	-	-	-	-	0.00%	0.38%
South African rand	0.35%	-	-	-	-	0.00%	0.35%
Singapore dollar	0.24%	0.08%	-	-	-	0.00%	0.32%
Danish krone	0.25%	-	-	-	-	0.00%	0.25%
Norwegian krone	0.05%	0.18%	-	-	-	0.00%	0.23%
Mexican peso	0.19%	0.02%	-	-	-	0.01%	0.22%
Malaysian ringgit	0.12%	0.05%	-	-	-	-	0.17%
New Zealand dollar	0.01%	0.11%	-	-	-	0.00%	0.12%
Thai baht	-	0.08%	-	-	-	0.00%	0.08%
Czech koruna	-	0.08%	-	-	-	-	0.08%
Philippine peso	0.07%	-	-	-	-	-	0.07%
Polish zloty	-	0.07%	-	-	-	-	0.07%
Chilean peso	-	0.06%	-	-	-	0.00%	0.06%
Turkish lira	0.06%	-	-	-	-	0.00%	0.06%
Hungarian forint	-	0.03%	-	-	-	-	0.03%
Russian ruble	-	0.01%	-	-	-	-	0.01%
Pakistani rupee	-	-	-	-	-	0.00%	0.00%
African franc	-	-	-	-	-	0.00%	0.00%
Grand Total	**56.51%**	**26.47%**	**7.13%**	**4.51%**	**4.45%**	**0.93%**	**100.00%**

Note: Percentages are rounded to the nearest two decimal places. 0.00% indicates a value smaller than 0.01% but not zero.

	As at 31 December 2017						
Currency	**Equity**	**Fixed income**	**Real assets**	**Alternative and others**	**Short term**	**Cash**	**Total**
United States dollar	34.95%	9.92%	5.08%	3.13%	1.63%	1.20%	55.91%
Euro	6.56%	5.79%	0.58%	0.59%	0.80%	0.22%	14.54%
Japanese yen	4.85%	3.64%	0.23%	-	-	0.04%	8.76%
British pound sterling	3.61%	0.78%	0.19%	-	-	0.00%	4.58%
Canadian dollar	1.91%	0.62%	0.15%	-	-	0.00%	2.68%
Hong Kong dollar	2.48%	-	-	-	-	0.01%	2.49%
Australian dollar	1.33%	0.42%	0.30%	-	-	0.03%	2.08%
South Korean won	1.13%	0.51%	-	-	-	-	1.64%
Swiss franc	1.62%	-	-	-	-	0.01%	1.63%
Swedish krona	0.71%	0.17%	-	-	0.13%	0.00%	1.01%
Malaysian ringgit	0.16%	0.24%	-	-	0.16%	0.00%	0.56%
Mexican peso	0.19%	0.32%	-	-	-	-	0.51%
Indian rupee	0.50%	-	-	-	-	0.00%	0.50%
Norwegian krone	0.05%	0.32%	-	-	0.12%	0.00%	0.49%
South African rand	0.48%	-	-	-	-	-	0.48%
Brazilian real	0.43%	-	-	-	-	0.00%	0.43%
Polish zloty	-	0.40%	-	-	-	0.00%	0.40%
Singapore dollar	0.26%	0.07%	-	-	-	0.00%	0.33%
Danish krone	0.24%	-	-	-	-	0.00%	0.24%
Czech koruna	-	0.17%	-	-	-	-	0.17%
Hungarian forint	-	0.13%	-	-	-	-	0.13%
Philippine peso	0.12%	-	-	-	-	0.00%	0.12%
New Zealand dollar	-	0.11%	-	-	-	0.00%	0.11%
Thai baht	-	0.08%	-	-	-	0.00%	0.08%
Turkish lira	0.07%	-	-	-	-	-	0.07%
Chilean peso	-	0.06%	-	-	-	0.00%	0.06%
Pakistani rupee	-	-	-	-	-	0.00%	0.00%
African franc	-	-	-	-	-	0.00%	0.00%
Grand Total	**61.65%**	**23.75%**	**6.53%**	**3.72%**	**2.84%**	**1.51%**	**100.00%**

Note: Percentages are rounded to the nearest two decimal places. 0.00% indicates a value smaller than 0.01% but not zero.

Interest rate risk

198. Interest rate risk arises from the effects of fluctuations in the prevailing levels of markets' interest rates on the fair value of financial assets and liabilities and future cash flows. The Fund holds fixed interest rate securities, floating rate debt, cash and cash equivalents that expose the Fund to interest rate risk.

199. The table below summarizes the Fund's relative sensitivity to interest rate changes versus its reference benchmark of the Barclays Total Aggregate Bond Index. This measure of duration for the portfolio indicates the approximate percentage change in the value of the portfolio if interest rates change by 100 basis points.

	2018		**2017**	
	Fund	**Benchmark**	**Fund**	**Benchmark**
Effective duration	6.40%	6.96%	6.54%	6.99%

200. Effective duration is the sensitivity to interest rate. This means if the interest rate changes by 1%, the Fund can lose or gain approximately 6.40% (2017: 6.54%) compared to benchmark, which can lose or gain approximately 6.96% (2017: 6.99%). This primarily arises from the increase/decrease in the fair value of fixed interest securities.

21. Budget information

21.1 Movement between original and final budgets

(Thousands of United States dollars)

	Initial appropriation 2018	**2017 budget balance carried forward**	**Approved increases/decreases**	**Final appropriation 2018**
Fund secretariat	50 257	-	-	50 257
Office of Investment Management	43 568	-	-	43 568
Audit	1 448	-	-	1 448
Pension Board	494	-	-	494
Total	**95 767**	**-**	**-**	**95 767**

201. Refer A/RES/72/262 dated 16 January 2018 for resolution adopted by General Assembly to approve appropriation for the biennium 2018-19.

21.2 Reconciliation between the actual amounts on a comparable basis and the statement of changes in net assets available for benefits

202. Differences between the actual amounts on a comparable basis with the budget and the actual amounts recognized in the financial statements can be classified into the following:

(a) Basis differences, which occur when the approved budget is prepared on a basis other than the accounting basis, as stated in Note 3.14.
(b) Timing differences, which occur when the budget period differs from the reporting period reflected in the financial statements. There are no timing differences for UNJSPF for the purposes of comparison of budget and actual amounts.
(c) Entity differences, which occur when the budget omits programs or entities that are part of the entity for which the financial statements are prepared. There are no entity differences for UNJSPF.

(Thousands of United States dollars)

	2018	2017
Actual amount on a comparable basis*	**79 835**	**81 862**
Basis differences		
Asset additions/disposals	(2 249)	(190)
Depreciation, amortization and impairment	4 719	7 963
Unliquidated obligations	(6 846)	(2 794)
Prepayments	406	(956)
Employee benefits	(6 479)	17 621
Other accruals	733	(6 106)
Actual amount for administrative expenses in the Statement of Changes in Net Assets Available for Benefits	**70 119**	**97 400**

* Actual amount on a comparable basis refers to the actual amounts of the administrative expenditure related to the Pension Fund and does not include the expenditure related to the United Nations.

203. The above reconciliation illustrates key differences between total administrative expenditure on a budget basis (modified cash basis) and total expenditure on an IPSAS basis. The main differences can be categorized as follows:

- Depreciation/amortization expense: Fixed assets and intangible assets meeting the threshold for capitalization are capitalized and depreciated/amortized over their useful lives on an IPSAS basis. Only depreciation/amortization expense is recognized over the useful lives of the asset whereas the total expense is recognized on a budget basis at the time of acquisition.
- Expense recognition: On a budget basis expenditure is recognized at the time of disbursement or commitment as unliquidated obligations. Under IPSAS, expenses are recognized at the time goods or services have been received. Unliquidated obligations for goods or services not received or prepayments are not recognized as expense. Economic services received but not paid for are recognized as expense under IPSAS.
- Employee benefits: On a budget basis, employee benefit expenses are recognized when the benefit is paid. Under IPSAS, an expense for an employee benefit should be recognized in the period in which the benefit is earned, regardless of time of payment. IPSAS therefore recognizes expenses for post-employment benefits such as after service health insurance, annual leave or repatriation benefits.

22. Funds under management

204. Funds under management are defined as other UN funds for which the Fund has engaged the services of external fund managers, independent of the Fund.

205. Pursuant to General Assembly Resolution 2951 dated 11 December 1972 establishing the United Nations University and General Assembly Resolution 3081 and Article IX of the UNU Charter (A/9149/Add.2), the OIM is providing oversight services for the investments of the UNUEF (United Nations University Endowment Fund) that were outsourced to Nikko Asset Management Co., Ltd. up to 20 November 2017 and subsequently to BlackRock Financial Managers Inc. with a separate custodian bank. Formal arrangements between OIM and UNUEF regarding these services have been agreed upon. Resulting funds are reflected in the accounts of the United Nations University. There is no commingling of investment funds with those of the United Nations Joint Staff Pension Fund which are maintained separately. Costs of OIM management advisory fees amounting to $50,000 per year are reimbursed by UNUEF to OIM and recorded as Other investment related income.

23. Related party transactions

Key Management Personnel

206. Key management personnel remunerated by the Fund for the years ended 31 December 2018 and 31 December 2017 are as follows:

	Number of individuals	Compensation and post adjustment	Entitlements	Pension and health plans	Total remuneration	Outstanding advances against entitlements	Outstanding loans
		(Thousands of United States dollars)					
2018	5	1 046	370	245	1 661	-	-
2017	5	1 027	286	240	1 553	-	-

207. Key management personnel are the Chief Executive Officer, the Representative of the Secretary-General, the Deputy CEO, Director of OIM and the Chief Financial Officer as they have the authority and responsibility for planning, directing and controlling the activities of UNJSPF.

208. The aggregate remuneration paid to key management personnel includes: net salaries, post adjustment, entitlements such as representation allowance and other allowances, assignment and other grants, rental subsidy, personal effect shipment costs, and employer pension and current health insurance contributions.

209. There are no outstanding advances against entitlements of key management personnel as at 31 December 2018 and 2017.

210. Key management personnel are also qualified for post-employment benefits (Note 11) at the same level as other employees. The actuarial valuation of the benefits for the Key management personnel are, as follows:

(Thousands of United States dollars)

	31 December 2018	31 December 2017
ASHI	1 355	1 458
Repatriation grant	157	164
Annual leave	118	127
Total	**1 630**	**1 749**

Other related parties

211. While no transactions occurred with the following parties, they are considered as related parties and a summary of the Fund's relationship with these parties is as follows:

United Nations General Assembly

212. The United Nations General Assembly is the highest legislative body for the Fund. It reviews reports submitted by the Pension Board, approves the budgets for the Fund, decides on new UNJSPF member organizations and amends the Fund’s Regulations.

Member Organizations participating in the Fund

213. The Member Organizations of the Fund (international, intergovernmental organizations) join the Fund by decision of the United Nations General Assembly and at the time of admission agree to adhere to the UNJSPF Regulations. Each UNJSPF member organization has a staff pension committee and a secretary to the committee; the committees and their secretariat are an integral part of the Fund’s administration.

International Computing Centre

214. The International Computing Centre (ICC) was established in January 1971 pursuant to Resolution 2741 (XXV) of the United Nations General Assembly. ICC provides Information Technology and Communications services to Partners and Users in the United Nations System. As a Partner bound by the Mandate of the ICC, the Fund would be proportionately responsible for any third party claim or liability arising from or related to service activities of the ICC as specified in the ICC Mandate. At 31 December 2018, there are no known claims that impact the Fund. Ownership of assets is with ICC until dissolution. Upon dissolution, the division of all assets and liabilities amongst Partner Organizations shall be agreed by the Management Committee by a formula defined at that time.

215. The role of ICC is to:

- provide Information Technology services on a full cost-recovery basis;
- assist in exploiting networking and computing technology;
- provide Information Management services;
- advise on questions related to Information Management;
- provide specialized training.

24. Reclassification and comparative numbers

216. Beginning in 2018, the Fund has updated the presentation of statement of changes in net assets available for benefits such that it provides more meaningful information to the user of the financial statements by presenting all investments related changes as part of investment income (loss) and adding further breakup of administrative expenses . Refer Note 13 for additional and updated disclosure.

217. As a result, certain line items have been amended in the statement of changes in net assets available for benefits and related notes to the financial statements. All comparative figures have been adjusted to confirm to the current year’s classification. The reclassification has no impact in net assets available for benefits.

218. The net zero effect of the change is summarized below:

(Thousands of United States dollars)

	Previously reported 2017	Adjustment	After reclassification 2017
Investment income			
Net change in fair value of investments	9 081 326	-	9 081 326
Interest income	361 742	-	361 742
Dividend income	865 788	-	865 788
Income from real assets	65 530	-	65 530
Less: Transaction costs and management fees	(133 145)	-	(133 145)
Less: Withholding tax	-	(2 518)	(2 518)
Other investment related income/(expense), net	-	9 379	9 379
	10 241 241	6 861	10 248 102
Contributions	2 400 912	-	2 400 912
Other income	11 624	(11 624)	-
Benefit expenses			
From withdrawal settlements and full commutation benefits	194 803	-	194 803
From retirements benefits	2 479 573	-	2 479 573
Other benefits/adjustments	(1 106)	(13)	(1 119)
	2 673 270	(13)	2 673 257
Administrative expenses	97 400	-	97 400
Other expenses	2 807	(2 232)	575
Withholding tax expense	2 518	(2 518)	-
Increase in net assets available for benefits	**9 877 782**	**-**	**9 877 782**

25. Subsequent events

219. At the time of signing these financial statements, the management of the Fund is not aware of any reportable event after the reporting date in accordance with IPSAS 14. Only the Fund's management has the authority to amend these financial statements.

Annex - Statistics on the operations of the Fund

Table 1: Number of participants as of 31 December 2018

Member Organization	Participants as at 31 December 2017	New Entrants	Transfer In	Transfer Out	Separations	Adjustments [2]	Participants as at 31 December 2018	Percent increase / (decrease)
United Nations [1]	85 009	6 805	169	245	6 713	171	84 854	(0.2%)
ILO	3 629	411	35	22	236	(2)	3 819	5.2%
FAO	10 533	1 286	77	67	658	8	11 163	6.0%
UNESCO	2 434	174	14	16	123	4	2 479	1.8%
WHO	10 732	788	67	52	701	15	10 819	0.8%
ICAO	799	64	10	4	75	5	789	(1.3%)
WMO	350	27	7	2	22	-	360	2.9%
IAEA	2 679	205	18	17	149	2	2 734	2.1%
IMO	280	16	1	1	19	-	277	(1.1%)
ITU	721	37	9	6	33	2	726	0.7%
WIPO	1 209	74	15	3	70	3	1 222	1.1%
IFAD	580	35	10	4	33	2	586	1.0%
ICCROM	39	6	-	-	2	-	43	10.3%
EPPO	18	1	-	-	-	-	19	5.6%
ICGEB	175	4	-	1	4	-	174	(0.6%)
WTO/Tourism	83	10	-	-	5	-	88	6.0%
ITLOS	41	-	1	-	1	1	40	(2.4%)
ISA	38	8	2	-	6	-	42	10.5%
UNIDO	673	50	5	6	24	-	698	3.7%
ICC	1 167	96	19	9	46	2	1 225	5.0%
IPU	45	2	1	-	-	-	48	6.7%
IOM	5 052	1 398	28	24	494	9	5 951	17.8%
STL	450	29	9	18	32	-	438	(2.7%)
TOTAL	**126 736**	**11 526**	**497**	**497**	**9 446**	**222**	**128 594**	**1.5%**

1) The United Nations Headquarters, regional offices and all funds and programmes
2) Corrections of prior years' erroneous entries

Table 2: Benefits awarded to participants or their beneficiaries during the year ended 31 December 2018

Member Organization	Number of benefits awarded											
	Retirement Benefit	Early Retirement Benefit	Deferred Retirement Benefit	Withdrawal Settlement		Child's Benefit	Widow & Widower Benefit	Other Death Benefit	Disability Benefit	Secondary Dependency Benefit	Transfer Under Agreement	Total
				< 5 Years	> 5 Years							
UNITED NATION 1)	434	482	447	3 218	1 918	854	77	-	97	2	13	7 542
ILO	26	23	9	137	33	15	1	-	5	-	-	249
FAO	108	63	29	273	154	138	19	-	7	-	1	792
UNESCO	19	13	9	70	10	6	1	-	-	-	-	128
WHO	170	49	24	321	119	157	7	-	8	-	-	855
ICAO	27	6	3	28	8	13	-	-	1	-	-	86
WMO	9	3	-	10	-	-	-	-	-	-	-	22
IAEA	30	21	23	62	8	18	1	-	3	-	1	167
IMO	3	5	2	4	4	4	-	-	1	-	-	23
ITU	4	7	-	15	1	12	-	-	6	-	-	45
WIPO	18	4	3	33	8	15	-	-	4	-	-	85
IFAD	10	6	4	8	-	5	1	-	-	-	3	37
ICCROM	-	1	-	1	-	-	-	-	-	-	-	2
EPPO	-	-	-	-	-	-	-	-	-	-	-	-
ICGEB	1	1	-	2	-	-	-	-	-	-	-	4
WTO	2	1	-	1	1	2	-	-	-	-	-	7
ITLOS	-	-	-	-	1	-	-	-	-	-	-	1
ISA	2	1	-	2	-	-	-	-	1	-	-	6
UNIDO	4	4	-	8	7	6	-	-	1	-	-	30
ICC	3	1	3	24	13	3	-	-	1	-	-	48
IPU	-	-	-	-	-	-	-	-	-	-	-	-
IOM	14	12	4	306	155	15	2	-	2	-	-	510
STL	4	-	1	16	7	4	1	-	2	-	-	35
TOTAL	**888**	**703**	**561**	**4 539**	**2 447**	**1 267**	**110**	**-**	**139**	**2**	**18**	**10 674**

1) The United Nations Headquarters, regional offices and all funds and programmes

Table 3: Analysis of periodic benefits for the year ended 31 December 2018

Type of Benefit	Total as at 31 December 2017	New	Benefits Discontinued, resulting in award of survivor's benefit	All other benefits discontinued	Total as at 31 December 2018
Retirement	29 117	888	(317)	(509)	29 179
Early retirement	16 560	703	(172)	(347)	16 744
Deferred retirement	7 592	561	(63)	(243)	7 847
Widow	11 680	100	531	(731)	11 580
Widower	1 050	10	67	(72)	1 055
Disability	1 583	139	(22)	(24)	1 676
Child	10 629	1 267	-	(1 295)	10 601
Secondary dependent	36	2	-	(4)	34
Total	**78 247**	**3 670**	**24**	**(3 225)**	**78 716**

Table 4: Status of processable entitlement cases

	As at 31 December 2018	As at 31 December 2017
No payment due at all		
Possible Re-employment under Article 21 (cases for closing upon confirmation of re-entry to the Fund)	**327**	**244**
No immediate payment due		
Deferred Retirement Benefit - Art.30 (payment not due until retirement age or from early retirement age)	499	412
Deferment of Choice - Art.32 (benefit election/payment deferred by the beneficiary up to 36 months)	3 717	3 302
Total	**4 216**	**3 714**
Not ready for payment		
Cases reviewed but withheld because of issues/missing additional proof documents	**701**	**656**
For payment (case inventory)		
Cases in progress	329	239
Cases scheduled for review	595	656
Total	**924**	**895**