



**UNJSPF**

United Nations Joint  
Staff Pension Fund



# **ANNUAL REPORT**

2021



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# INTRODUCTION

## Message from the Chief Executive of Pension Administration

I am pleased to present the Annual Report of the United Nations Joint Staff Pension Fund (UNJSPF) for 2021, another year of outstanding performance and modernization of our services.

Let me start by highlighting that the Fund is in excellent financial health, as confirmed by the most recent actuarial valuation completed as at 31 December 2021. The valuation found that the actual contribution rate exceeded the contribution rate required to maintain the actuarial balance in the Fund by 2.3 per cent of pensionable remuneration. Even with the most recent swings in the financial markets, the Fund continues to be well-funded.

In 2021, the Office of Investment Management (OIM) marked another year of strong performance as evidenced by a real rate of return of 4.26% per annum over a 15-year period, with the portfolio valued at US\$91.5bn as at 31 December 2021. OIM also managed to reduce the Fund's portfolio carbon footprint by 39 per cent, exceeding its targets in terms of carbon emission reduction.

On its side, the Fund's Pension Administration provided excellent service to our clients, with more than 90 per cent of initial pension cases processed within 15 business days. All pension payments were issued on time. When the Fund faced geopolitical challenges in submitting payments through international banking channels to beneficiaries in Afghanistan, Mali and Russia in 2021 and beginning of 2022, we actively explored and set up new channels through member organizations to ensure

the transfer of benefit payments. Meanwhile, the Fund has continued its modernization with the implementation of the C.A.R.E. Strategy, further simplifying and digitalizing interactions between the Fund and its clients.

I am particularly proud that one of our flagship digitization projects, the Digital Certificate of Entitlement (DCE) app, won the 2021 United Nations Secretary-General Award for innovation and sustainability. Through facial recognition, blockchain and geolocation technologies, the DCE app allows our clients to use their phone or tablet to fulfil their annual proof-of-life obligation, as an alternative to mailing a paper form.

Overall, in 2021, more than a third of retirees and beneficiaries used either the DCE app or a new functionality in the UNJSPF Member Self-Service (MSS) portal to download and upload the CE form. These efforts not only yielded great efficiency gains for the Fund, but they also saved thousands of pieces of paper as well as time and mailing costs for our clients.

Our member organizations have also benefited from our digitalization efforts, as e-submissions are now the norm for the Fund to receive separation files, speeding up pension processing, reducing paper handling, and improving data accuracy and security.

The payment instruction form needed to elect a benefit when separating or retiring can now be uploaded in MSS. In 2022-2023, the Fund plans to further improve this process with the digital capture of the benefit election and payment

instructions. Filling in the details for payment will be made possible directly in MSS. Separating participants will be guided in selecting the benefit option and be assisted in ensuring that correct banking information and mailing addresses are recorded.

In 2021, we also adopted a new Client Service Delivery Model (CSDM), which will further improve the Fund's services. The CSDM has four high-level goals: (i) the Fund should be a client-oriented organization; (ii) a global service provider; (iii) providing timely, high-quality, and consistent services; and (iv) empowering clients. Eleven initiatives were defined to achieve these objectives, including acquiring a new Customer Relationship Management system anticipated to be deployed in 2022-2023.

Internally, the Fund intensified its cultural transformation efforts in 2021, with the adoption of several strategies on human resources, learning and development, gender, and communication. A new intranet was launched to improve internal communication, and a Leadership Culture Assessment (LCA) was conducted with staff in collaboration with the UN System Staff College to identify areas of improvement in our work environment and practices.

Several staff groups were formed to advance the future of work, inclusion, decision-making and accountability, cross-team collaboration, communication, skill building and transformation, and innovation. Improvements were noticeable in the second LCA concluded in 2022, with an increase of eight percentage points in the positive responses

from staff concerning their opinion about the Fund's work environment.

Externally, the Fund is privileged to enjoy the support of our partners in member organizations, as confirmed by the feedback I have received from them in 2021-2022. The 2021 United Nations General Assembly resolution on pension matters was another illustration of the trust in the Fund, largely approving the Fund's Strategy and proposed 2022 administrative budget.

Based on the financial performance, service delivery and trust established, the Fund is in a strong position to face whatever new challenges the future may bring.



## Rosemarie McClean

Chief Executive of Pension Administration



# KEY STATISTICS

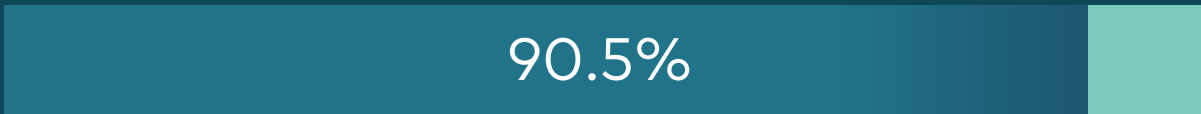
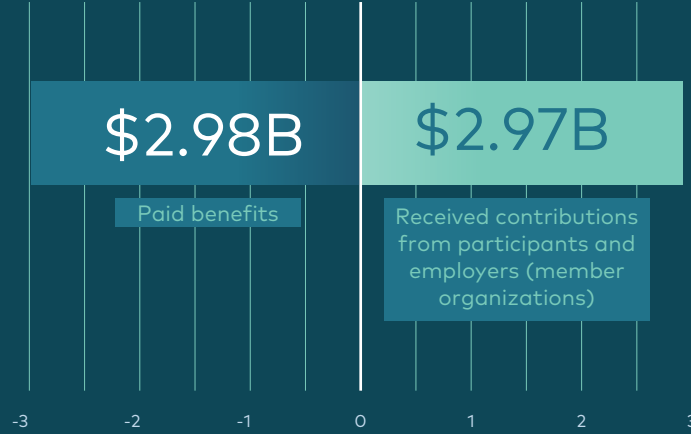
As of 31 December, 2021



PARTICIPANTS



BENEFICIARIES



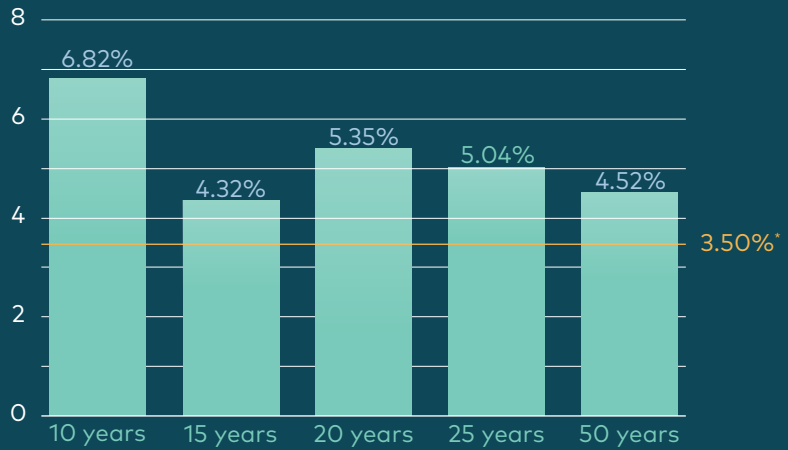
Percentage of initial benefit entitlement cases being processed within 15 business days

## Performance of the investments



35 CURRENCIES  
Other 27%    USD 73%

### LONG TERM INVESTMENT OBJECTIVE



\*Real rate of investment return assumed in the actuarial valuation and therefore the long-term target benchmark.

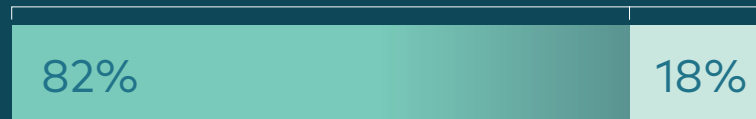
### INVESTMENTS ACROSS



COUNTRIES/TERRITORIES

### Internally managed

### Externally managed



# 3

About the UNJSPF



UNJSPE



## Background

The United Nations Joint Staff Pension Fund was established in 1949 by the General Assembly of the United Nations to provide retirement, death, disability and related benefits for staff upon cessation of their services with the United Nations and other organizations admitted to membership in the Fund. As at 31 December 2021, the Fund comprised 25 member organizations.

The defined benefit lifetime pension plan provided by UNJSPF to staff and their survivors is an important component of the United Nation Family's employee value proposition. The Fund has offices in New York (USA) and Geneva (Switzerland), as well as liaison offices in Nairobi (Kenya) and Bangkok (Thailand).

## General Overview

The Fund has a bifurcated organizational structure:



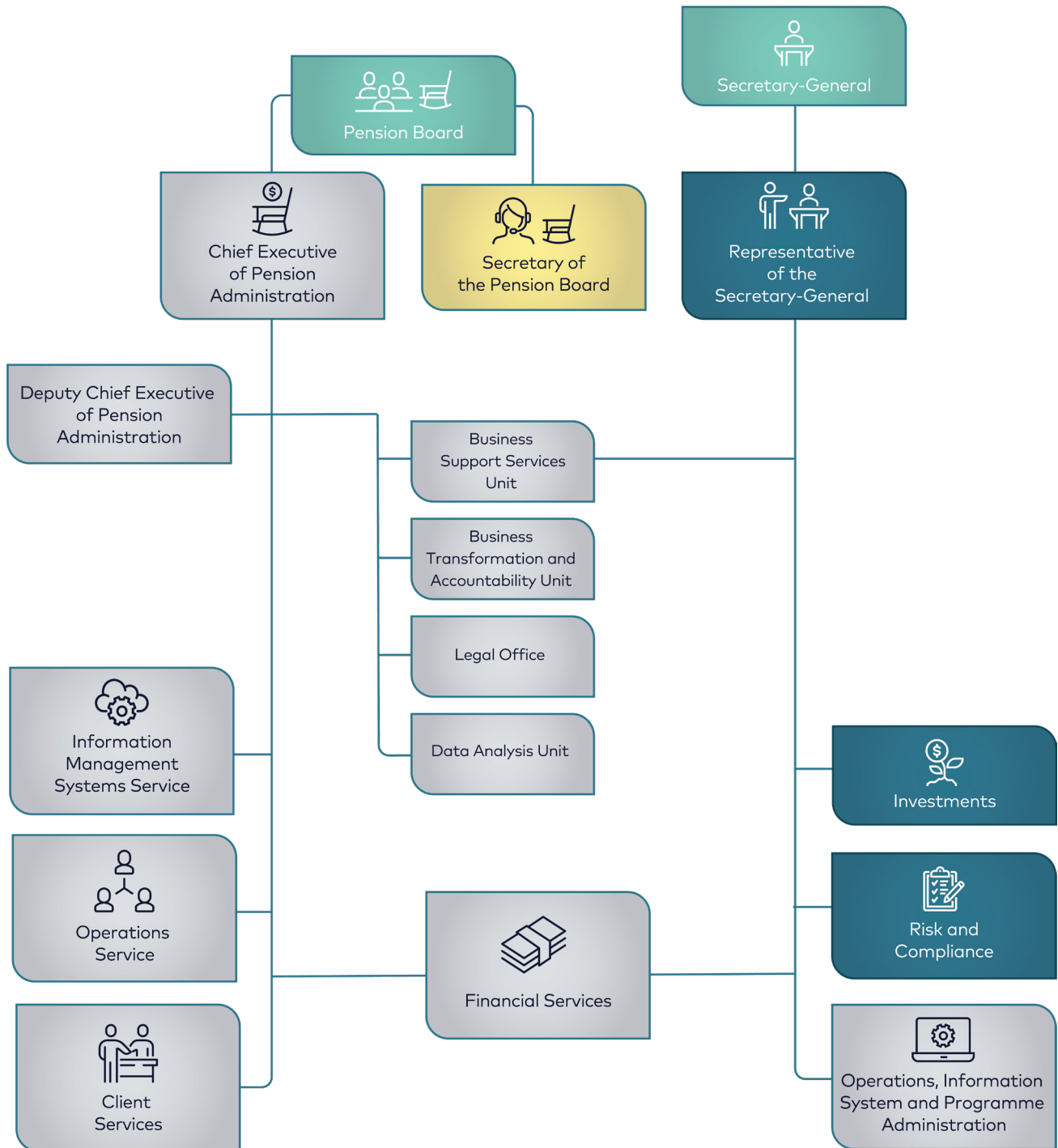
The **Chief Executive of Pension Administration** manages pension administration matters under the authority of the United Nations Joint Staff Pension Board.

The United Nations Secretary-General is responsible for the investment of the assets of the Fund and has delegated his responsibility to his **Representative for the investment of the assets of the Fund**.

The position of Secretary of the Pension Board was created by the General Assembly in 2018 and reports to the Pension Board.

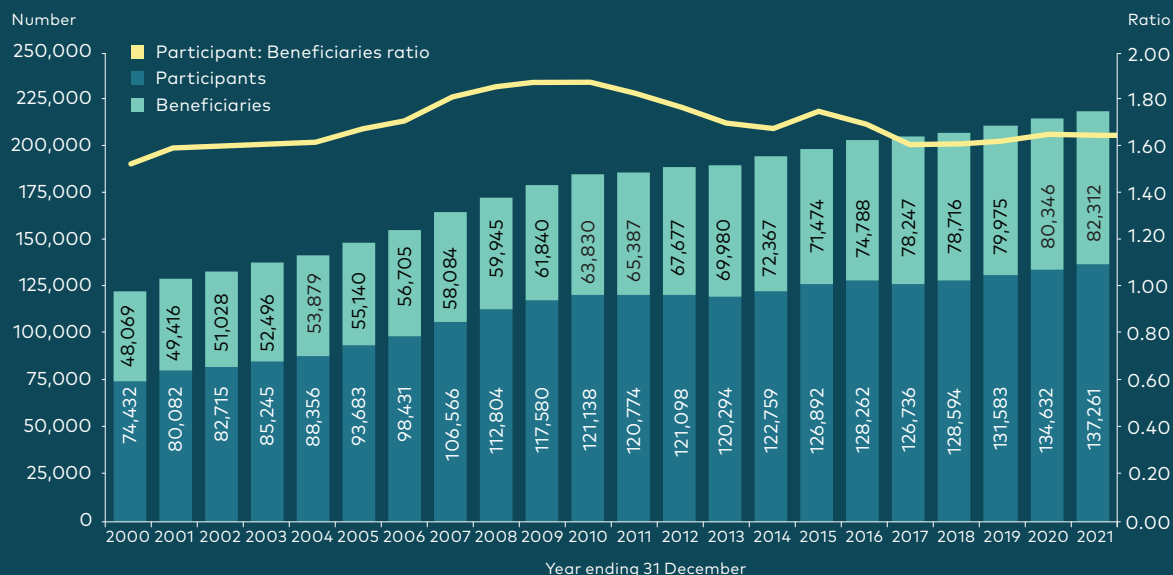
# Organization Chart

As of 1 January 2022



# Participation and Benefits

## UNJSPF PARTICIPANTS AND BENEFICIARIES



### Participation



Staff members of each member organization with an appointment of six months or longer are enrolled in the Fund. Each month, a percentage of the participant's pensionable remuneration is paid to the Fund and the employing organization pays double the amount as its share of the contributions.

### Defined Benefit Plan



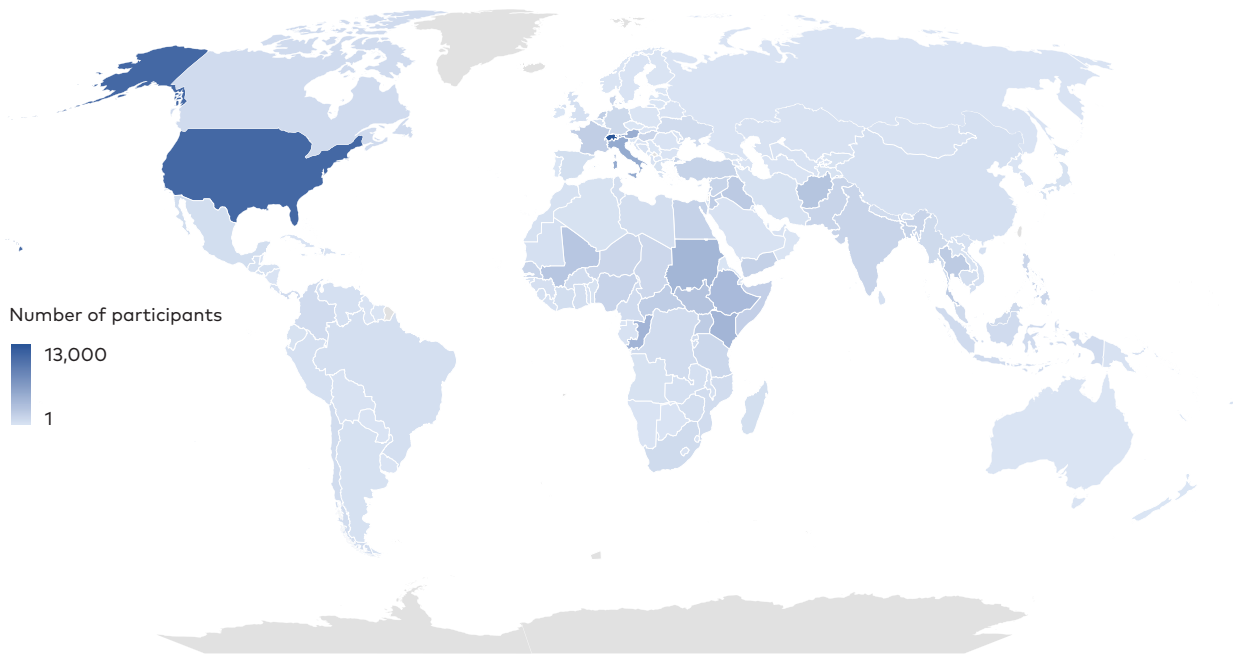
Benefits are not dependent on investment return or longevity. Risks are assumed by the member organizations and shared by participants through the level of contributions paid into the Fund.

### Retirement, Death and Disability Benefits

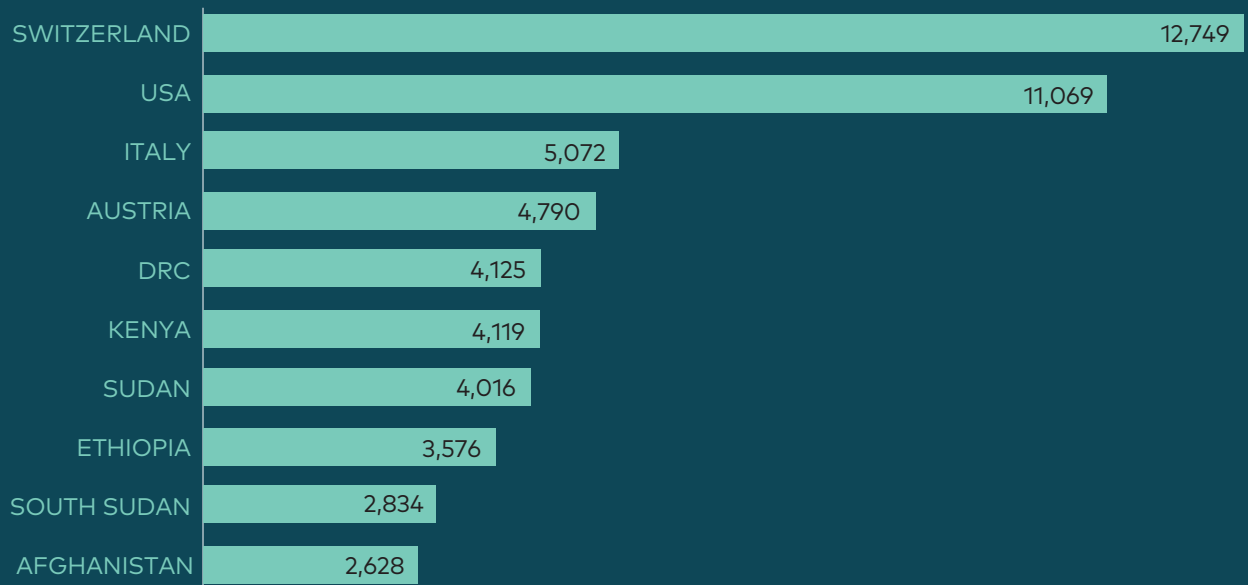


Participants in the UNJSPF are vested after five years of participation, except in the event of death and disability, when vesting is immediate. When they leave the employing organization, participants can opt for a withdrawal settlement (lump sum) or, if they have more than five years of contributory service, a periodic benefit. Children and surviving spouses are also eligible to receive benefits.

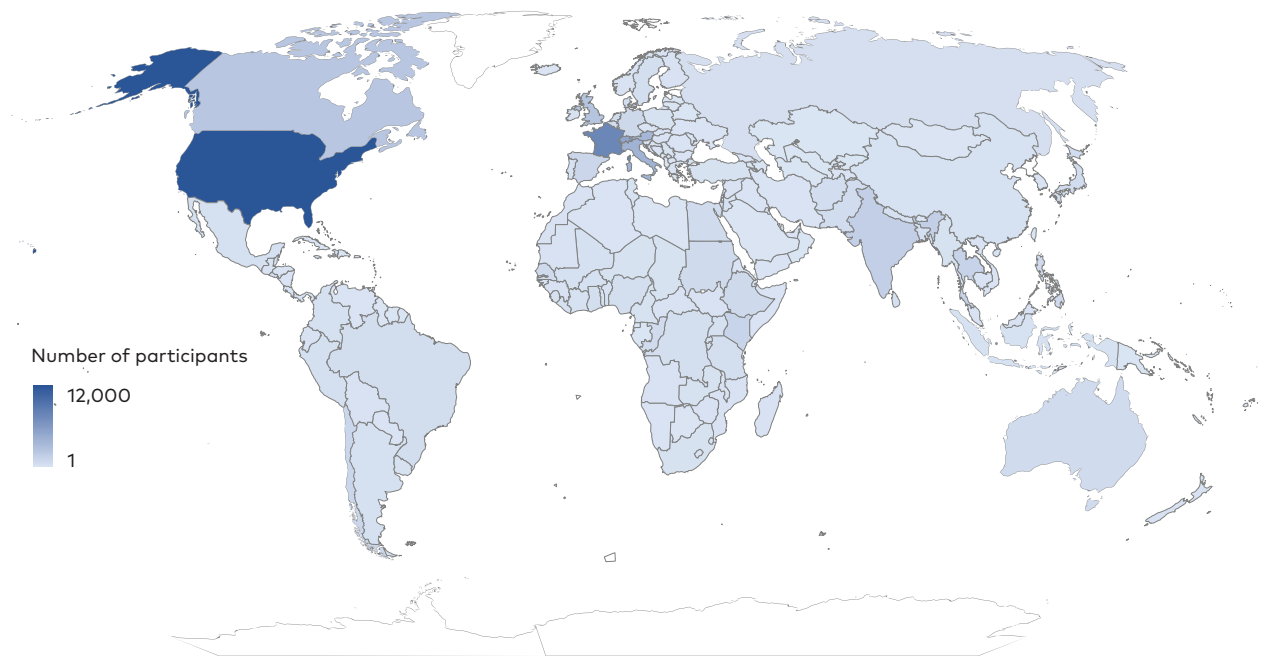
Number of participants by country of employment as at 31 December 2021



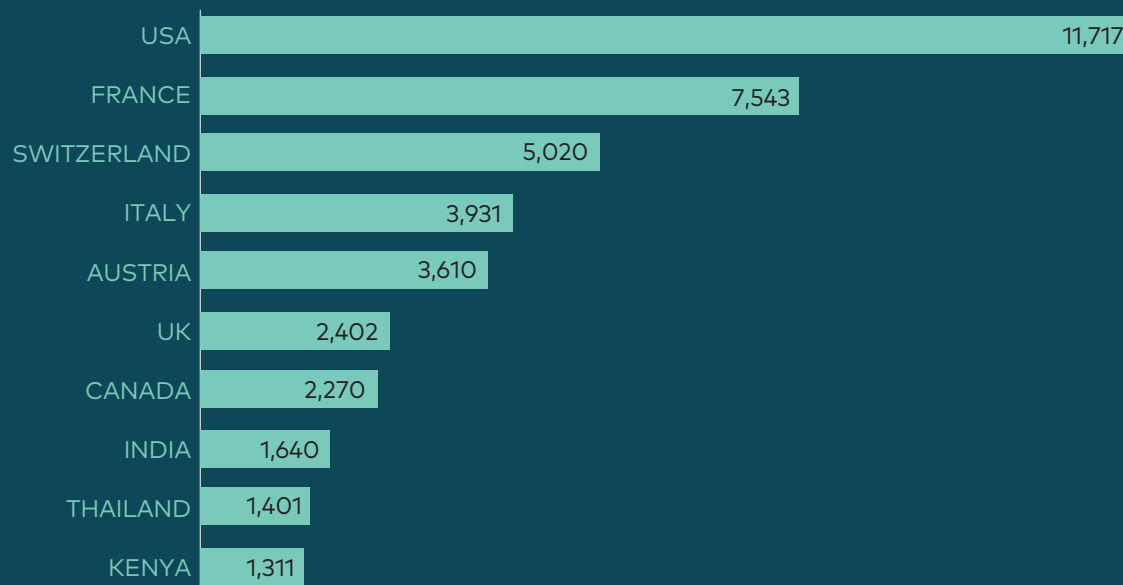
10 most common countries by participant employment location at 31 December 2021



Number of retirees and other beneficiaries by mailing address as at 31 December 2021



10 most common countries by retiree and other beneficiary mailing address as at 31 December 2021



## Member Organizations

As of 1 January 2022, the member organizations of the Fund are the following:

Member Organizations		Number of Participants	Year of Admission
United Nations	UN	86,827	1949
Food and Agriculture Organization	FAO	13,900*	1950
World Health Organization	WHO	11,310	1949
International Organization for Migration	IOM	8,636	2007
International Labour Organization	ILO	4,283	1953
International Atomic Energy Agency	IAEA	2,743	1958
United Nations Educational, Scientific and Cultural Organization	UNESCO	2,539	1951
World Intellectual Property Organization	WIPO	1,210	1977
International Criminal Court	ICC	1,166	2004
International Telecommunication Union	ITU	778	1960
International Civil Aviation Organization	ICAO	720	1951
United Nations Industrial Development Organization	UNIDO	713	1986
International Fund for Agricultural Development	IFAD	646	1977
World Meteorological Organization	WMO	388	1952
International Maritime Organization	IMO	345	1959
Comprehensive Nuclear-Test-Ban Treaty Organization	CTBTO	329	2019
Special Tribunal for Lebanon	STL	259	2009
International Centre for Genetic Engineering and Biotechnology	ICGEB	169	1996
United Nations World Tourism Organization	UNWTO	87	1996
International Seabed Authority	ISA	48	1998
International Centre for the Study of the Preservation and Restoration of Cultural Property	ICCROM	47	1981
Inter-Parliamentary Union	IPU	45	2005
International Tribunal for the Law of the Sea	ITLOS	40	1997
European and Mediterranean Plant Protection Organization	EPPO	19	1983
Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies	WA	14	2021

\*Includes WFP participants who are administered, for pension purposes, by the same staff pension committee as FAO.

## Transfer Agreements

The Fund has signed transfer agreements with 24 entities, which allow the Fund's participants to transfer their pension rights from the Fund to the new entity on leaving the employment of a member organization of the Fund , or vice versa on joining a member organization of the Fund.

Below is a list of the entities with which transfer agreements have been entered into:

- African Development Bank (AfDB)
- Asian Development Bank (ADB)
- Council of Europe (COE)
- European Bank for Reconstruction and Development (EBRD)
- European Centre for Medium-Range Weather Forecasts (ECMWF)
- European Communities (EC)
- European Free Trade Association (EFTA)
- European Investment Bank (EIB)
- European Investment Fund (EIF)
- European Organization for the Safety of Air Navigation (EUROCONTROL)
- European Organization for the Exploitation of Meteorological Satellites (EUMETSAT)
- European Space Agency (ESA)
- European Union Institute for Security Studies (EUISS)
- European Union Satellite Centre (Satcen)
- Government of Canada (limited application one-way to Government of Canada only)
- Inter-American Development Bank (IDB)
- International Monetary Fund (IMF)
- North Atlantic Treaty Organization (NATO)
- Organization for Economic Co-operation and Development (OECD)
- Organization for the Prohibition of Chemical Weapons (OPCW)
- Organization for Security and Co-operation in Europe (OSCE)
- Universal Postal Union (UPU)
- World Bank Group
- World Trade Organization (WTO)

## Diversity and Inclusion

Consistent with the values of the United Nations, the UNJSPF is dedicated to promoting respect for diversity and to ensure a collaborative, supportive, and respectful environment that increases organization-wide participation and contribution.

### GEOGRAPHIC DIVERSITY

As at 31 December 2021, UNJSPF employs staff from 66 countries, including the following:

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 Albania	 Bosnia & Herzegovina	 Canada	 Czechia
 Australia	 Brazil	 China	 Ecuador
 Bangladesh	 Bulgaria	 Colombia	 Egypt
 Belgium	 Burkina Faso	 Comoros	 Estonia
 Benin	 Cambodia	 Costa Rica	 Ethiopia
 Bhutan	 Cameroon	 Cyprus	 France

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 Germany	 Iraq	 Malaysia	 Nigeria
 Guyana	 Italy	 Mauritius	 Pakistan
 Haiti	 Jamaica	 Mexico	 Philippines
 Hungary	 Japan	 Mongolia	 Poland
 India	 Kenya	 Myanmar	 Portugal
 Indonesia	 Kyrgystan	 Netherlands	 Republic of Korea

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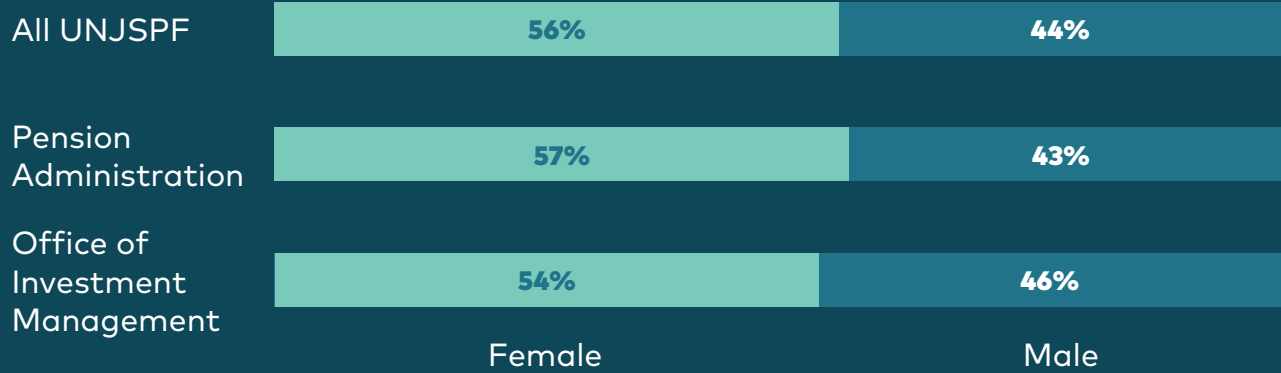
 Romania	 Switzerland	 USA
 Russian Federation	 Thailand	 Uzbekistan
 Senegal	 Trinidad & Tobago	 Viet Nam
 Singapore	 Tunisia	 Yemen
 Spain	 Türkiye	 Zambia
 Sri Lanka	 UK	 Zimbabwe



## GENDER DIVERSITY

As of 31 December 2021

In addition to geographic diversity, the UNJSPF ensures gender diversity among its staff at all levels.



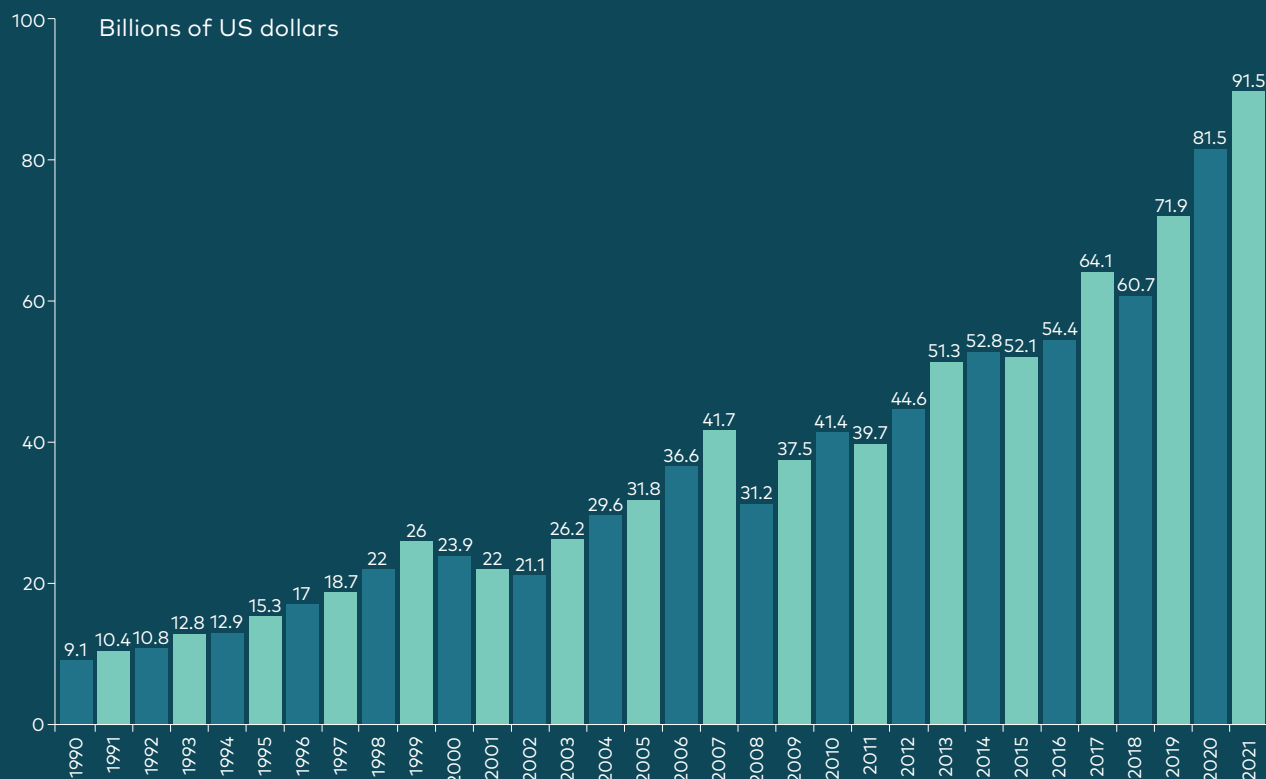


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Investments

# Asset Management

As of 31 December 2021



As of 31 December 2021, the Fund managed a global multi-asset investment portfolio worth approximately US\$91.5 billion, 81.2 per cent of which is actively managed in-house. The Fund invests globally in regions such as North America, Europe, Asia, Latin America and the Caribbean, and Africa. Investments are made across multiple asset classes that include global equities, global fixed income, private equity, real estate, infrastructure, timber and commodities.

## Investment Policy Statement

Management of the investment of the assets of UNJSPF is the fiduciary responsibility of the Secretary-General of the United Nations, in consultation with the Investments Committee, and in the light of observations and suggestions made from time to time by the Pension Board in relation to the investment policy.

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

Investments are carried out within the framework of the Investment Policy Statement (IPS) which is usually updated comprehensively following the completion of an Asset Liability Management (ALM) study, which is conducted once every four years. The Investment Policy Statement was last updated in August 2019, and is available on the UNJSPF website at <https://www.unjspf.org/the-fund/how-we-invest/>.

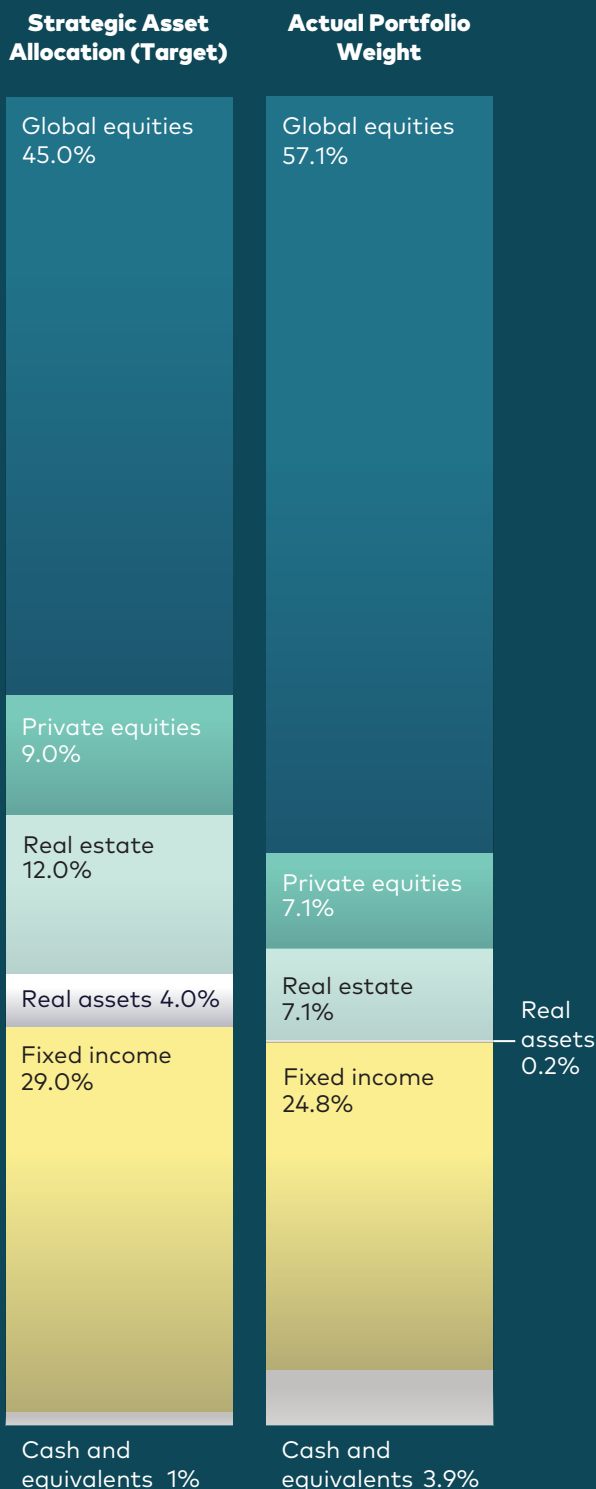
## Long-Term and Short-Term Investment Objectives

The Fund's current **long-term investment objective** is to meet or exceed a 3.5 per cent real rate of return (net of inflation, as measured by the US Consumer Price Index) in US dollar terms annualized over the long term (15 years and longer).

The Fund's current **short-term investment objective** is to meet or exceed the return of the policy benchmark over the short-term (3 years).

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

# Asset Allocation



## GLOBAL PUBLIC EQUITIES

The Global Equities Group seeks to generate superior long-term risk adjusted returns relative to its benchmark. This asset class is managed internally by four teams: North America, Europe, Asia Pacific and Global Emerging Markets teams, with a small allocation to external specialty managers, mainly in small caps. The benchmark is composed of 80 per cent MSCI World Developed ESG Custom plus 20 per cent MSCI Emerging markets ESG Custom, where tobacco, armaments, fossil fuel and thermal coal securities are excluded.

This custom benchmark is composed of approximately 2,900 securities across 49 countries and regions, including 25 Emerging Markets. Small cap equities and select markets outside this benchmark are currently managed through specialized external managers and funds.

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

## GLOBAL FIXED INCOME AND CASH

The Global Fixed Income and Cash teams seek to achieve an above-benchmark return by actively investing in global fixed income markets. Global fixed income is managed internally in four portfolios: US Treasuries, US Securitized, Credit and Global Emerging Markets. The benchmark for Global Fixed Income is the Bloomberg Barclays Blended Enhanced Liquidity Fixed Income Index. In addition to the Global Fixed Income portfolios, the teams also manage the investment cash portfolio against Bloomberg Barclays Treasury Bill Index and provide cash flow and currency requirements in over 34 currencies for the entire fund.

The teams adhere to a robust and disciplined investment process with a top-down macro/fundamental research focus to identify investment ideas in local debt markets. Analysis is performed on the economic outlook, valuations

and positioning. A bottom-up analysis is used for individual security decisions. This includes an examination of credit quality, sector allocation, maturity profile, liquidity and relative value.

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

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## REAL ESTATE

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

The real estate investment programme started in 1971. As of 2021, the portfolio was invested in over 128 externally managed funds globally. The Real Estate programme invests in high-quality real estate managers that provide superior long-term risk adjusted returns while improving overall portfolio diversification.

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

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## REAL ASSETS

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

The Office of Investment Management began investing in infrastructure in 2011. The portfolio invests in high-quality real asset managers around the globe that provide superior long-term risk adjusted returns while improving overall portfolio diversification. As of December 2021, the

Real Assets portfolio was invested in eight externally managed funds globally.

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## PRIVATE EQUITY

The Private Equity Investments team is responsible for investments in private equity through externally managed funds and co-investments. The Private Equity programme was launched in 2010; its charter is to build a private equity portfolio by identifying and investing in and alongside top-tier private equity managers that provide superior long-term risk adjusted returns while improving overall portfolio diversification.

The Fund's Private Equity programme currently consists of a select number of externally managed funds and co-investments diversified by vintage year, private equity substrategy, sector and geography. The performance benchmark for the private equity portfolio is the MSCI ACWI, customized (plus 200 basis points - excluding weapons, tobacco and thermal coal). The Alternative Private Equity Investment team works closely with the Risk, Compliance, ESG and Legal teams to ensure conformity with risk corridors and investment policy considerations.

## Diversification of Investments

The Fund's policy of broad diversification continues to be a reliable strategy for improving its risk-return profile over the long term. The Fund is unique among major pension funds in its commitment to diversifying its portfolio on a fully global basis.

The Fund continually makes an effort to identify opportunities to diversify its investments by asset class and geographical region. As at 31 December 2021, the Fund had investments in 99 countries and territories, including both developed and developing countries. This included direct securities investments in 46 countries and 35 currencies along with indirect investments in additional countries through externally managed funds.

## Risk and Compliance

The Office of Investment Management's Risk and Compliance Section reports to the Representative of the Secretary-General and comprises the Performance team, the Risk team, and the Compliance team. The Risk and Compliance Section is responsible for independently (i) monitoring and assessing risk to the assets of the Fund; and (ii) overseeing risk, compliance and performance measurement and reporting (as calculated by the independent Record Keeper and Custodian) of the Fund.

The Risk team independently monitors and oversees the consistent implementation over time of the Office's risk management policies and practices. A key part of risk management is running frequent analyses and reporting on them regularly to the Risk Committee, as well as to various other internal committees, and supporting the investment process. All periodic (quarterly and annual) official risk reports use information provided by a third party, the independent Master Record Keeper. The team has overall responsibility for measuring, monitoring, and reporting on risks across asset classes. The Risk team also prepares enterprise-wide risk management (EWRM) reports related to the Office's risks and controls, which are shared with the Risk Committee, the EWRM Working Group and the Audit Committee.

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

In 2020, for the first time in its entire history, the Office obtained compliance with the Global Investment Performance Standards (GIPS) for the year 2020, based on independent verification made in 2021. Verification is made on a yearly-basis and the objective is to maintain this certification for the years to come. The Office's compliance with the standards is annually verified by an independent and accredited third party. Independent verification provides assurance on whether the asset owner's policies and procedures

related to Total Fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on an asset owner-wide basis. Compliance policies include the OIM Gifts, Hospitality and Outside Activities Policy, OIM Personal Securities Policy and Procedure, Mandatory Leave Policy, Information Sensitivity, Classification of Documents and Records Management Policy, and OIM Anti-Fraud and Anti-Corruption Policy. The Office adopted a Conflict of Interest and Recusal Policy in January 2021. A revised Reputational Risk Policy was also adopted and implemented in August 2021.

On the Pension Administration side, the Enterprise Risk Management function within the Business Transformation and Accountability Unit develops, implements and monitors the Fund's risk management and internal control framework and approach.

The function works towards ensuring that an enterprise approach to risk management and internal control is embedded in the strategic planning and decision-making processes at all levels; assesses, reports and monitors enterprise-wide risks; and works in close collaboration with managers and staff to select and implement appropriate risk mitigation strategies. The Pension Administration risk management approach promotes ownership and accountability for the management of risks at all levels. Key components of the risk management strategy are the risk-based design and evaluation of internal controls; the monitoring of the delegation of authority framework; and a multi-hazard business continuity management system mainly centred around key business continuity risks.

The risk management function prepares risk management reports which are presented to the EWRM working group; develops and maintains the business continuity strategy, and plans the work the business continuity working group; manages the evaluation of internal controls for the preparation of the Fund's Statement of Internal Control; acts as a liaison with the Fund's oversight mechanisms and management for the implementation of oversight recommendations; and works in close coordination with the Office of Investment Management in enterprise risk management, internal control, and business continuity management matters.



## Operations and Information Systems

The Information Systems Section (ISS) staff were augmented to cover important roles in Information Security and Business Continuity functions as well as Service Desk. The request for proposal (RfP) for a new Infrastructure as a service provider as well as for implementation of an IT Service Management software was successfully completed and vendor contract negotiations are being conducted. After the migration to the cloud-based Office 365 infrastructure, new roles and responsibilities were defined for ISS functional groups and new features to increase productivity were implemented.

RfPs for new system implementations were successfully completed for Alternatives Systems and Risk and Performance System. The RfP for Integrated Buy-Side Asset Management system made significant progress during 2021.

The ISO certification for Information Security (ISO 27001:2013) and Business Continuity (ISO 22301:2019) continued to be maintained in 2021 with the annual certification process. The Information Security function was enhanced with the implementation of Data Loss Prevention tools and Security Information and Event Management monitoring.

The Information and Communications Technology Steering Committee started meeting monthly, and was expanded in size given the impact and

significance of technology projects and initiatives across OIM. Great strides were also made in the capability of the ISS team with the creation of a Data Management function, the expansion of the Project Management Office to now cover Enterprise-wide initiatives and in the establishment of the Vendor Management Office.

To reduce exceptions and fails in trade settlement and to increase straight through processing (STP), in 2021, the Operations team led a project to consolidate over 40 equity custody accounts and started a project to migrate the SWIFT notification messaging to our custodian via DTCC CTM SWIFT Notification (CTM SN) platform. CTM SN introduces trade processing management by exceptions and eliminates the need to manually maintain equity and fixed income Standard Settlement Instructions (SSI) static data for most brokers, drastically reducing settlement risk due to incorrect and late instructions.

OIM developed a desktop operational due diligence review process to assist portfolio managers in the selection of alternative investments. The review focuses on operational aspect of the target funds, including wiring instruction validation processes, reporting capabilities, and understanding of the Fund's audit and internal control environment.

Given the importance of data management, the Data Programme was re-initiated; and to enable a robust platform for Alternative Investments, an RfP was also launched.



# 5

Sustainable Investing

## SUSTAINABLE INVESTMENTS

In 2021, the Office of Investment Management continued to improve ESG integration in its investment processes with a particular focus on climate change. The Fund aims to take action to contribute to the achievement of the Paris Agreement on CO2 emission reduction, as per the Secretary-General's guidance, as well as reduce the portfolio risk associated with climate change. The goal is to ensure the long-term sustainability of the Fund.

As a member of the Net-Zero Asset Owner Alliance, which the Fund joined in 2020, the Office is committed to transitioning its investment portfolio to net-zero Greenhouse Gas (GHG) emissions by 2050. The Fund published its first interim targets in June 2021. The Office committed to reduce the absolute GHG emissions (scope 1 and 2) of its equities and corporate bonds portfolio by 29 per cent by the end of 2021 and 40 per cent by 2025. In 2021, the Office reduced these financed emissions by more than 30 per cent.

These results were achieved by divesting from heavy polluters (especially the fossil fuels value chain), remaining invested in transitioning companies and reinforcing engagement with them, and by continuing investing in green solutions. The divestment decision targeted all businesses in the fossil fuel value chain - extraction and production, pipelines and transportation, equipment and services, refining, petrochemicals, trading, and distribution and retail. Any company that derived either more than 10 per cent of its revenues from fossil fuels (oil and gas, thermal coal, and biofuels) or more than one per cent of its revenues from thermal coal was divested from the Fund's equity and fixed income portfolios in 2021. There will be no new investments in these businesses; only companies which are transitioning their business models towards a low-carbon economy will be considered for investment.

The Office also published its first Task Force on Climate-Related Financial Disclosures (TCFD) report. The report outlined how the Office is aligned with the four pillars of the TCFD recommendations. Regarding governance, climate-related decision-making of the Office follows a well-structured channel of oversight and culminates with the Secretary-General. For the strategy pillar, the Office recognizes both physical and transitional risks to the value of the assets of UNJSPF and has strategies to reduce these risks by reaching net-zero by 2050, and aligning with the IPCC 1.5°C scenario. In terms of risk management, the Office uses in-house methodologies and third parties to identify these risks and uses

divestment, engagement, and investment in transitioning companies to manage climate risks and take advantage of climate opportunities. Finally, for metrics and targets, OIM uses scopes 1, 2 and 3 emissions metrics to assess risks and has a target to reduce financed emissions by 40 per cent by 2025 from 2019 levels.

The Office has also developed new tools to improve the integration of ESG factors into the investment process. In particular, a new investment rationale has been released for investment officers to be able to easily access ESG information from various sources. For Private Markets, ESG due diligences of external managers are being performed to measure the degree of integration of ESG principles into their investment activities.

Regarding stewardship activities, the Office exercised its right to vote in nearly all meetings where it could vote and engaged with more than 500 companies globally. With these activities, the Office aims to influence the businesses in which it invests to tackle issues related to environmental, social and governance factors which could affect the long-term sustainability of its investments.

## 2021 HIGHLIGHTS



Reduction of financed emissions by >30% for equities and corporate bonds



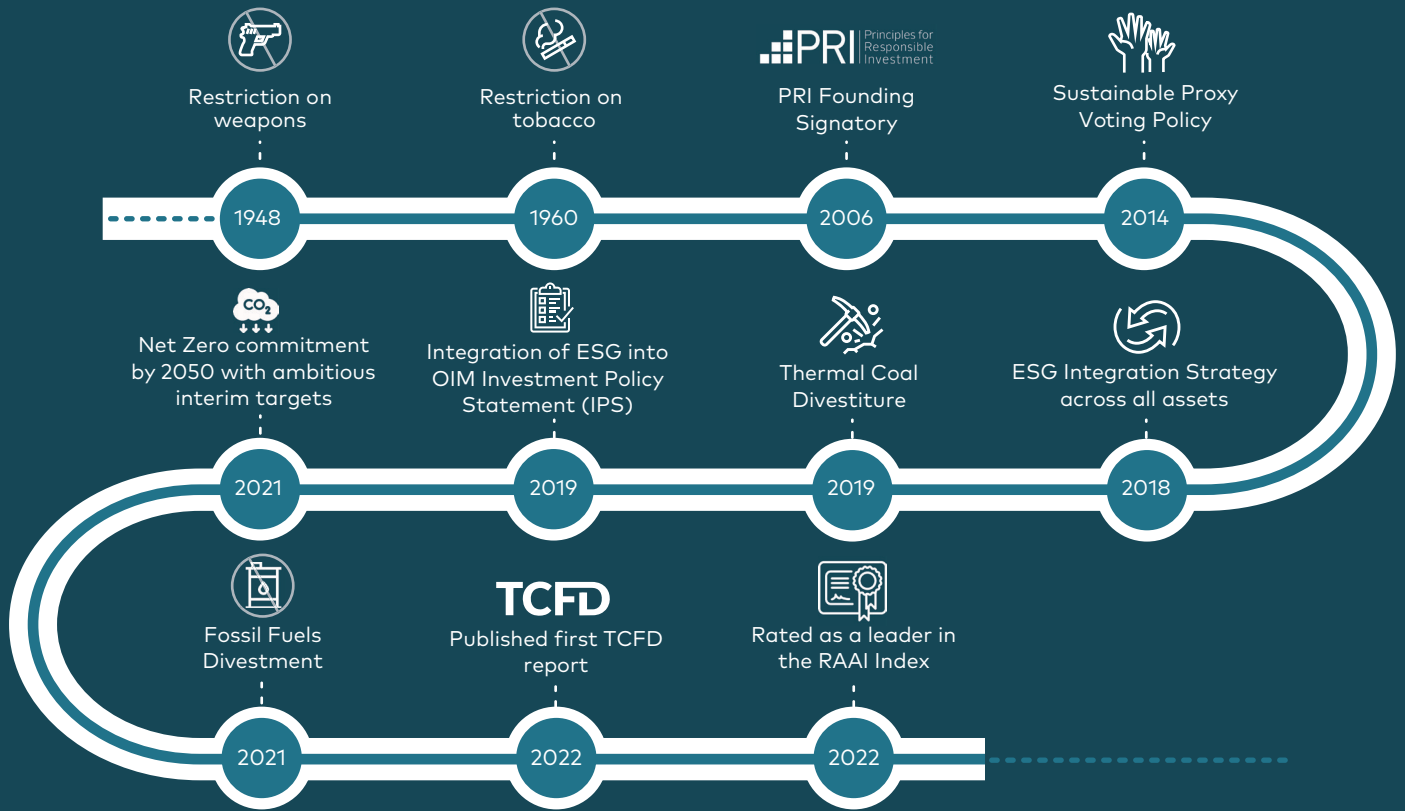
Divestment from fossil fuels



Engaged with more than 500 companies across environmental, social and governance issues

# Achievements to Date

## HISTORY OF SUSTAINABLE INVESTING



## OUR CURRENT FRAMEWORK

We follow the internal policies and methodologies of the Office of Investment Management to ensure sustainability across the Fund. The Investment Policy Statement (IPS) was updated in 2019 to integrate sustainable considerations.

Sustainable factors are integrated into portfolio construction. The Office's sustainable investment strategy includes material ESG considerations that are integrated throughout the investment decision-making process. Our approach is based on three pillars:

### EXCLUSIONARY

Prohibits investments in tobacco, weapons and fossil fuels across the Fund's assets

### ESG INTEGRATION

Incorporates ESG metrics in security selection across public equities and fixed income; ESG due diligence for private market investments

### POST-INVESTMENT

Proxy voting and active engagement with external partners aimed at pro-active investment

# 6

Actuarial Matters and  
Asset Liability Management

# ACTUARIAL VALUATION

Ensuring that the Fund can continue to pay benefits over the long term is crucial. The Fund's solvency is monitored through actuarial valuations and asset liability management (ALM) studies.

The Fund's actuarial valuation is undertaken every two years and uses various economic and demographic assumptions to model the future and associated uncertainties. This values current and future liabilities, for comparison against current and projected assets. With liabilities extending over an average of 40 years into the future, the actuarial valuation takes a long-term view of the Fund's assets. Short-term market fluctuations in assets are smoothed to avoid this long-term assessment being distorted by short-term capital market movements (both up and down) that do not impact the Fund's ability to meet its obligations. The most recent valuation of the Fund was carried out as of 31 December 2021, with the results presented to the Pension Board at its seventy-second session in July 2022. The next actuarial valuation will be undertaken to reflect the position of the Fund at 31 December 2023.

The actuarial valuation considers the solvency of the Fund from two main perspectives:

- **Open group valuation:** This valuation assumes the Fund remains open to existing and new participants. The key metric is the required contribution rate, which is the theoretical

contribution rate that maintains a balance between liabilities and assets over the long term. It provides a measure of the overall health of the Fund.

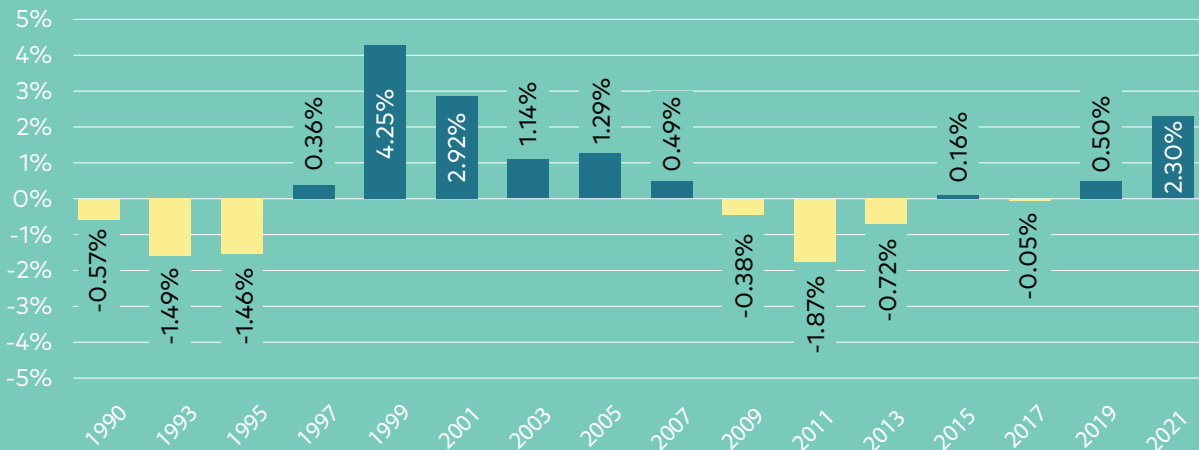
- **Closed group valuation:** In common with many national pension fund regulations, this is a valuation that is required under the Fund's own Regulations. The key metric from this valuation is the funded ratio, which provides a view of the Fund's ability to meet its obligations if it were to be closed to all participants.

Factors that affect the solvency of the Fund include investment returns; trends in participant patterns and behaviours; changes in benefit provisions; and changes in contributions to the Fund. Each of these factors is monitored closely by the Pension Board through the actuarial valuation, the biennial experience analysis, and the advice of the Committee of Actuaries and the Consulting Actuary.

## 2021 open group valuation result

The 2021 actuarial valuation resulted in a required contribution rate of 21.4 per cent of pensionable remuneration, which compared against the current actual contribution rate of 23.7 per cent, equated to an actuarial surplus of 2.3 per cent of pensionable remuneration. The following diagram shows recent historical results.

## HISTORICAL DIFFERENCES BETWEEN REQUIRED AND ACTUAL RATE OF CONTRIBUTIONS



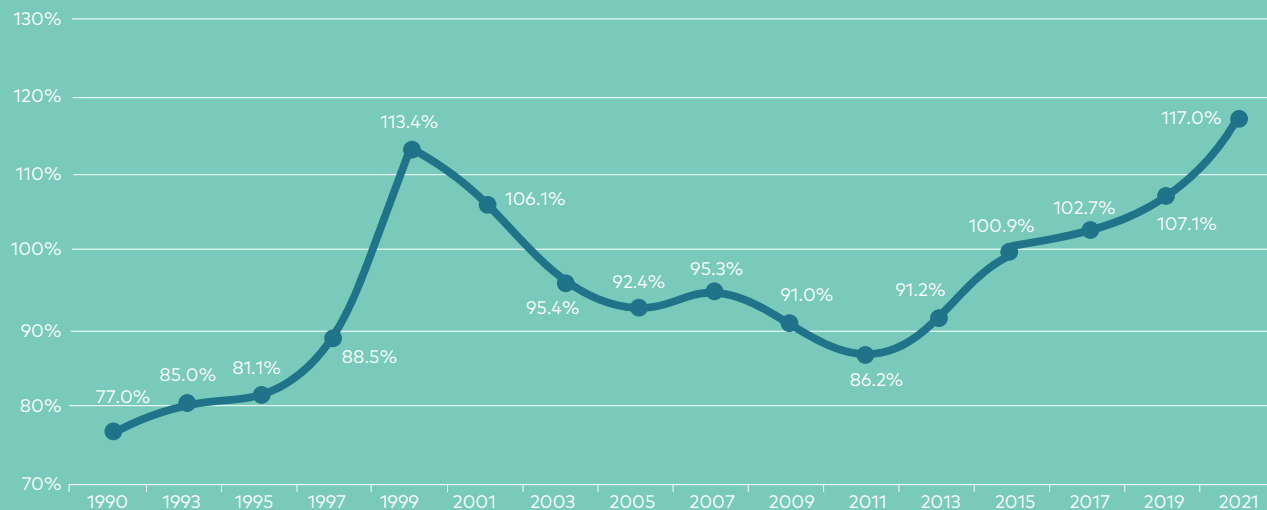


## 2021 closed group valuation result

The 2021 closed group valuation resulted in US\$70,873.8 million in accrued benefit liabilities, as compared with an actuarial value of assets of

US\$82,911.7 million. This equates to a funded ratio of 117 per cent with the historical funded ratios summarized below.

### Historical funded ratios



Both the open and closed group valuation results suggest that the Fund is financially strong.

## ASSET LIABILITY MANAGEMENT

Every four years, an Asset Liability Management (ALM) Study is carried out by an external consultant to evaluate the assets and liabilities of the Fund, and reviewed by the Fund Solvency and Assets and Liability Monitoring (FSALM) Committee.

The main objectives of the ALM study are to:

- Establish if the current contribution rate will remain sufficient in the future
- Establish if the solvency of the Fund will remain within an acceptable range
- Evaluate current and alternative asset allocations
- Assess whether the assumed rate of investment return is expected to be achieved in the long term

The results are utilized by the Office of Investment Management in setting the Fund's investment strategy, and by the Board in understanding the effects of potential plan design changes and future demographic trends.

The last ALM study was undertaken and published in 2019. The key conclusions were that:

- The real rate of investment return continues to be the most significant factor in maintaining solvency
- The current contribution rate (23.7%) continues to be appropriate
- There are no expected liquidity problems for the Fund over the next 30 years.

The next ALM study is due to be completed in 2023.





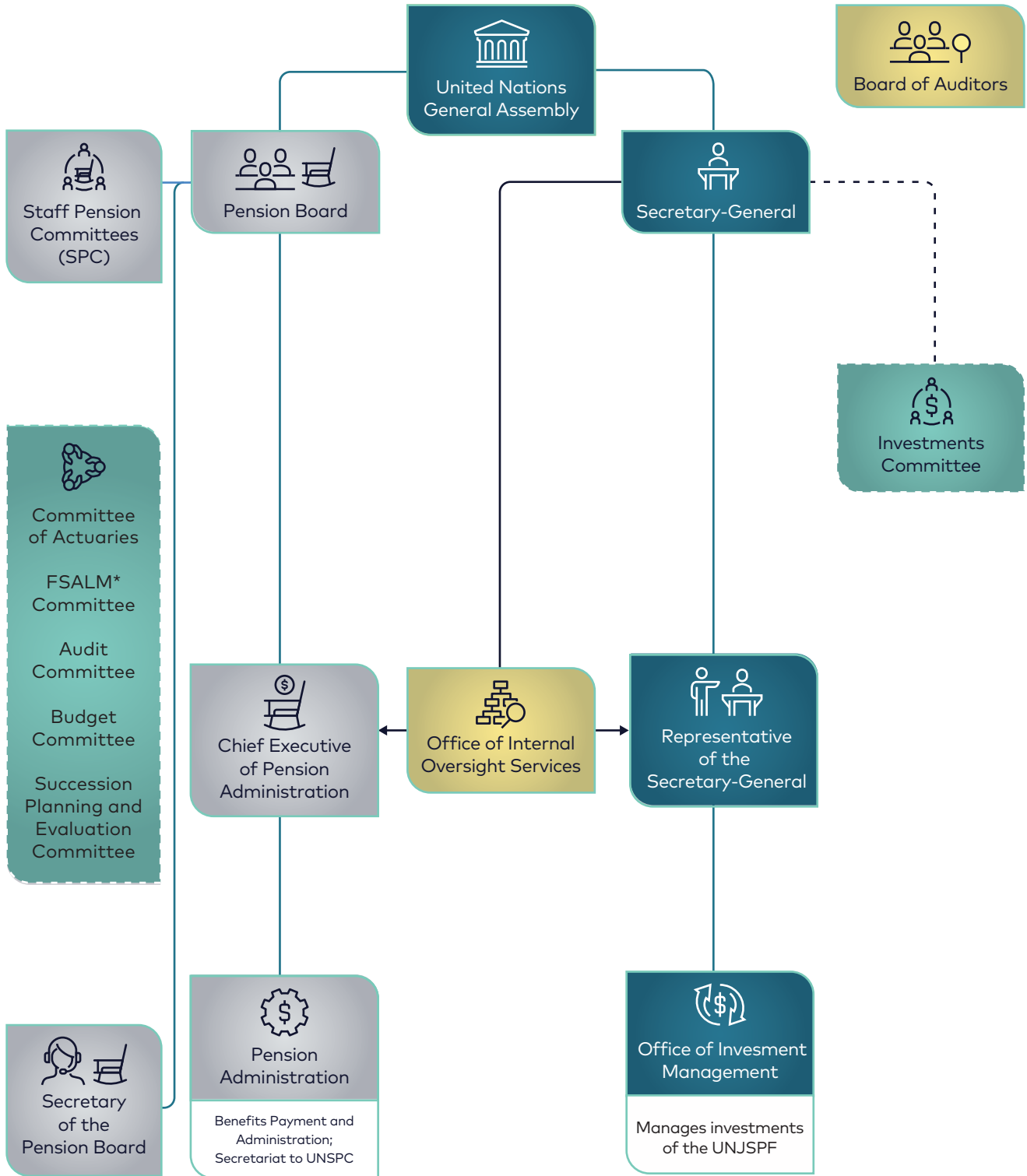
Governance

## Governance

The Fund is administered by the United Nations Joint Staff Pension Board, the Chief Executive of Pension Administration, the Staff Pension Committee of each member organization, and the secretariat to each Staff Pension Committee. Governance of the Fund has been high on the agenda of the Pension Board and the General Assembly of the United Nations since 2019. The independent post of Secretary of the Pension Board was created by General Assembly resolution 73/274 as of 1 January 2020. The governance discussions resulted in the adoption of a comprehensive reform package which was supported by the General Assembly in its resolution 76/246. As part of the reform package, the Board has clarified the responsibilities of Board members, and is holding more frequent meetings.



# Governance Chart



\*Fund Solvency Assets and Liabilities Monitoring Committee

# Fund Administration

## UNITED NATIONS JOINT STAFF PENSION BOARD



**Function:** The Pension Board formulates recommendations for approval by the General Assembly, including the budget, changes to the Regulations and Rules, and governance. It also reports on the long-term solvency (30 or more years) of the Fund and makes observations and suggestions on the investment policy from time to time.



**Composition:** The Pension Board is made up of 33 members, of which, 11 represent the governing bodies of the member organizations, 11 are appointed by the Chief Administrative Officers of the member organizations, and 11 are elected by participants in service. Attendance at Board meetings includes other categories without voting rights, such as representatives of retirees.

## STANDING COMMITTEE



**Function:** The Standing Committee is appointed by the Pension Board and has the power to act on behalf of the Board when the latter is not in session. The Committee also considers appeals by participants of decisions of the Staff Pension Committees and of the Chief Executive of Pension Administration.



**Composition:** The Committee has 15 members, of which, five represent the governing bodies of the member organizations, five are appointed by the Chief Administrative Officers of the member organizations, and five are elected by participants in service. In addition, representatives of retirees without voting rights may participate.

## STAFF PENSION COMMITTEES (SPCs) AND THEIR SECRETARIES



**Function:** For each member organization, a Staff Pension Committee administers staff members' participation in the Fund and has the power to determine incapacity for the purpose of awarding disability benefits.



**Composition:** Each Staff Pension Committee comprises an equal number of members representing (i) the governing body; (ii) the Chief Administrative Officer; and (iii) participants in service.



**Secretaries:** The Fund secretariat acts as the secretariat for the United Nations Staff Pension Committee (UNSPC). The Secretaries of the Staff Pension Committees of other member

organizations are appointed by the Chief Administrative Officer of the respective member organization, upon the recommendation of the respective Staff Pension Committee.

## Board Committees

The Board has delegated some of the detailed review work to the committees below. Nonetheless, final responsibility remains with the Board which normally endorses the recommendations of the committees.

### COMMITTEE OF ACTUARIES



**Function:** The Committee of Actuaries advises the Pension Board on actuarial questions arising from the operation of the Fund's Regulations.



**Composition:** The Committee consists of at least five independent volunteer actuaries from around the world, all of whom are respected in their field and bring an external perspective. The members are appointed by the Secretary-General of the United Nations upon the recommendation of the Pension Board.

### FUND SOLVENCY AND ASSETS AND LIABILITIES MONITORING COMMITTEE



**Function:** The Fund Solvency and Assets and Liabilities Monitoring (FSALM) Committee monitors the solvency of the Fund and provides advice and recommendations to the Pension Board on asset/liability matters.



**Composition:** The FSALM Committee is made up of eight members designated by the Pension Board, including two from each of the three constituent groups on the Board, and two additional members designated by the Federation of Associations of Former International Civil Servants (FAFICS). It is also supported by the Consulting Actuary and members of the Committee of Actuaries and Investments Committee.

### AUDIT COMMITTEE



**Function:** The Audit Committee provides assistance to the Pension Board in fulfilling its oversight responsibility regarding: (a) the performance and independence of the internal audit function; (b) the accounting and financial audit reporting processes of the UNJSPF; (c) adherence to the Internal Audit Charter of the Fund, and UNJSPF Regulations and Administrative Rules relating to audits.



**Composition:** The Committee has six members reflecting the tripartite composition of the Pension Board, two external experts, and one representative of FAFICS.

## SUCCESSION PLANNING AND EVALUATION COMMITTEE



**Function:** The Succession Planning Committee assists the Board in selecting senior staff of the Fund, particularly the Chief Executive of Pension Administration, Deputy Chief Executive of Pension Administration, and Secretary to the Board for recommendation to the Secretary-General for appointment; and develops evaluation methodologies for senior positions.



**Composition:** The Committee has six members reflecting the tripartite composition of the Pension Board and two representatives of FAFICS.

## BUDGET COMMITTEE



**Function:** The Budget Committee advises the Board on the Fund's budget proposal on the administrative expenses to the General Assembly; the Fund's budget performance and revised budget estimates; and the Fund's budget methodology.



**Composition:** The Committee has six members reflecting the tripartite composition of the Pension Board and two representatives of FAFICS.

## Investments Committee



**Function:** The Investments Committee advises the United Nations Secretary-General on the investment of the assets of the Fund.



**Composition:** The Committee is made up of nine members plus ad hoc members appointed by the United Nations Secretary-General after consultation with the Pension Board and the United Nations Advisory Committee on Administrative and Budgetary Questions, subject to confirmation by the General Assembly.

## Record of Board meetings

The sixty-ninth session of the United Nations Joint Staff Pension Board was held as a virtual meeting, from 22 to 30 July 2021.

The Board recognized the excellent financial health and operational performance of the Fund. The Board approved the Fund's 2022 administrative budget, its 2020 financial statements and assumptions for the next actuarial valuation as at 31 December 2021. Good

governance being a priority for the Board, it adopted a series of proposals on attendance of Board members with and without voting rights, frequency of meetings and efficiency measures aimed at improving the effectiveness of its oversight and decision-making process. Changes to the regulations were adopted to establish an ethics policy that complements its code of conduct. The Board also approved measures to streamline the administration of disability cases, a framework for addressing cases where a beneficiary of a disability benefit is engaged in paid activities while remaining incapacitated, and in respect of its Pension Adjustment System.

The Investments Committee met four times in 2021 and continued to advise the Representative of the Secretary-General on world economic and financial markets developments. The Committee of Actuaries held its meeting in June 2021, and focused mainly on the methodology and assumptions for the actuarial valuation as at 31 December 2021.

The Audit Committee met three times, and the Fund Solvency and Assets and Liabilities Monitoring (FSALM) Committee met twice in 2021. The FSALM Committee focused on monitoring the risks to the Fund's solvency. The Audit Committee continued to focus on internal and external audit, financial management, risk management and the internal control framework.

## 2021 General Assembly decisions

In December 2021, the General Assembly adopted resolution 76/246 whereby it, inter alia, approved the Fund's budget for 2022.

The General Assembly noted with appreciation the work of the Board on governance matters, taking into account best practices as recommended by the Governance Working Group while respecting the unique nature of the Fund.

The General Assembly also concurred with the new transfer agreements of the Fund with the European Investment Bank and the European Investment Fund, as approved by the Board.

The General Assembly also approved amendments to provisions of the Fund's Regulations and the Pension Adjustment System in its resolution 76/246. New article 6(d) reflects the provision in section C.1 of the rules of procedure, while the new article 33(g) allows the beneficiary of a disability benefit under article 33(a) to engage in paid activity while remaining incapacitated.

The Regulations and Rules in force as of 1 January 2022 are available on the Fund's website.







Financial Statements

# Certification of Financial Statements for the Year Ended 31 December 2021

The financial statements of the United Nations Joint Staff Pension Fund ("Fund") for the year ended 31 December 2021 have been prepared in accordance with the Regulations, Rules and Pension Adjustment System of the Fund, 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.

*Signed*

Karl-Ludwig W. Soll, Chief Financial Officer,  
United Nations Joint Staff Pension Fund  
(New York)

# Statement of Net Assets Available for Benefits

Thousands of US dollars

	31-Dec-21	31-Dec-20	Inc/Dec
<b>ASSETS</b>	91,769,192	81,785,717	12%
Cash and cash equivalents	1,625,122	591,585	175%
Investments			
Equities	52,022,627	48,245,215	8%
Fixed income	24,741,886	22,377,531	11%
Real assets	6,613,872	5,627,373	18%
Alternatives and other investments	6,477,746	4,641,189	40%
	89,856,131	80,891,308	11%
Withholding tax receivable	64,701	52,150	24%
Receivables and other assets	223,238	250,674	-11%
<b>LIABILITIES</b>	309,639	274,042	13%
ASHI and other employee benefit liabilities	119,720	116,330	3%
Other accruals and liabilities	189,919	157,712	20%
<b>Net assets available for benefits</b>	91,459,553	81,511,675	12%

# Statement of Changes in Net Assets Available for Benefits

Thousands of US dollars

	For the Year 2021	For the Year 2020	Inc/Dec
<b>Investment income and related costs</b>			
Net change in fair value of investments	8,709,060	8,208,579	6%
Interest income	582,824	598,316	-3%
Dividend income	893,950	817,362	9%
Income from unitized real estate funds	78,015	74,344	5%
Transaction costs, management fees, taxes	(216,678)	(182,561)	19%
	10,047,171	9,516,040	6%
<b>Pension contributions</b>	2,969,265	2,847,147	4%
<b>Pension benefits</b>	2,977,543	2,790,109	7%
<b>Administrative expenses, net</b>	91,015	95,881	-5%
<b>Increase in net assets available for benefits</b>	9,947,878	9,477,197	5%

## Statement of Accumulated Benefits

Actuarial present value of accumulated plan benefits

Millions of US dollars

	Year ending 31 December		
	2021	2020	2019
Participants in receipt of benefits	36,784	35,701	34,703
Vested terminated participants	1,810	1,963	1,852
Vested active participants	26,790	24,343	22,136
Non-vested participants	1,272	1,252	1,138
<b>Total</b>	<b>66,656</b>	<b>63,259</b>	<b>59,829</b>

Notes:

- 1) The amounts reflect cost-of-living adjustments (Pension Adjustment System).
- 2) The amounts for the year 2019 and 2021 are from full actuarial valuations, and 2020 from a roll-forward valuation without census data.

# 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 (the Fund), which comprise the statement of net assets available for benefits (statement I) as at 31 December 2021, the statement of changes in net assets available for benefits (statement II), the cash flow statement (statement III), and the statement of comparison of budget and actual amounts on a comparable basis in relation to administrative expenses for the year ended 31 December 2021 (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 as at 31 December 2021, and the changes in net assets available for benefits and its cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS) and International Accounting Standard 26.

## Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. 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 of Pension Administration and the Representative of the Secretary-General for the investment of the assets of the Fund, within their respective authority under the Regulations of the Fund, are responsible for the other information, which comprises the financial report for the year ended 31 December 2021,

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 in 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 of Pension Administration and the Representative of the Secretary-General, within their respective authority under the Regulations of the Fund, are 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, the 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 management 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:

- (a) 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;
- (b) 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;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- (d) 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 United Nations Joint Staff Pension Fund to cease to continue as a going concern;

- (e) 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

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 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 Fund.

*Signed*

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

*Signed*

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

*Signed*

Hou Kai  
Auditor General of the People's Republic of China

21 July 2022



**UNJSPF**

United Nations Joint  
Staff Pension Fund

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