

# INVESTMENT POLICY STATEMENT



# UNJSPF

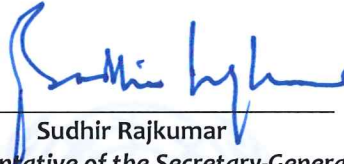
United Nations Joint  
Staff Pension Fund

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OFFICE OF INVESTMENT  
MANAGEMENT

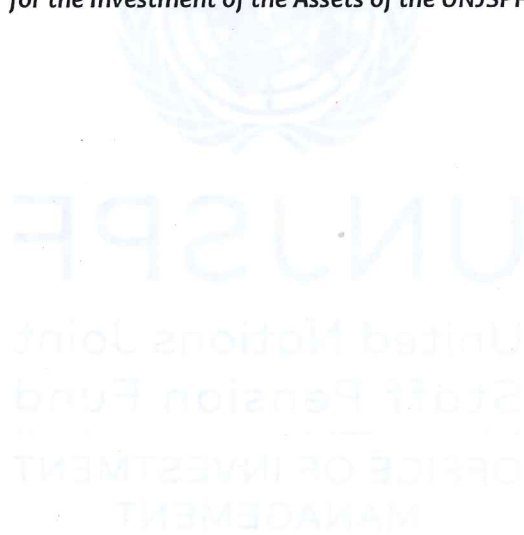
06 August 2019

Approved by:



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**Sudhir Rajkumar**  
**Representative of the Secretary-General**  
**for the Investment of the Assets of the UNJSPF**



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## **Preface to the July 2019 Edition**

A full-scale review and updating of this Investment Policy Statement (IPS) will be undertaken in consultation with the Investments Committee and other stakeholders, in light of the observations and suggestions provided by the United Nations Joint Staff Pension Board (Pension Board or UNJSPB), and taking into account the results of each Asset-Liability Management (ALM) Study, currently conducted once every four years. In between these full-scale updates, the IPS remains a living document and will be continuously updated, amended and enhanced as needed by the Representative of the Secretary-General (RSG), in order to provide the Fund with the necessary flexibility and tools required to address specific market conditions or developments.

I wish to express my gratitude to the valuable advice of the Investments Committee, the Committee of Actuaries, the Pension Board and the Asset and Liability Monitoring Committee, as well as my appreciation to OIM staff members who have contributed their time and effort to the successful completion of the July 2019 edition.

**Sudhir Rajkumar**

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

New York, 06 August 2019

**TABLE OF ACRONYMS**

<b>ACABQ</b>	Advisory Committee on Administrative and Budgetary Questions
<b>ALM</b>	Asset-Liability Management
<b>GA</b>	General Assembly of the United Nations
<b>GIPS</b>	Global Investment Performance Standards
<b>IC</b>	United Nations Investments Committee
<b>OIM</b>	Office of Investment Management
<b>IPS</b>	Investment Policy Statement
<b>RFP</b>	Request for Proposal
<b>RSG</b>	Representative of the Secretary-General for the investment of the assets of the UNJSPF
<b>SAA</b>	Strategic Asset Allocation
<b>SG</b>	Secretary-General
<b>SLA</b>	Service-Level Agreement
<b>TAA</b>	Tactical Asset Allocation
<b>UN</b>	United Nations
<b>UNJSPB</b>	United Nations Joint Staff Pension Board or the Pension Board
<b>UNJSPF</b>	United Nations Joint Staff Pension Fund or the Fund
<b>VaR</b>	Value at Risk

## THE FUND

1. The United Nations Joint Staff Pension Fund (UNJSPF or Fund) is a defined benefit fund established by the General Assembly of the United Nations (General Assembly or GA) in 1948. The Fund is entrusted to provide retirement, death, disability and other benefits and related services to its participants, retirees and beneficiaries comprising the staff of the United Nations and 23 other organizations admitted to membership in the Fund.

## GOVERNANCE, STAFF OBLIGATIONS AND OBJECTIVES

2. The authority of the Secretary-General to decide upon the investment of the assets of the Fund was first established in Article 25 of the initial version of the Fund Regulations (Regulations) adopted by the General Assembly in its Resolution 248 (III) of 1948 and has been reiterated periodically by the GA. The current formulation of such authority is found in Article 19(a) of the Regulations and expressed as follows: ***“The investment of the assets of the Fund shall be decided upon by the Secretary-General after consultation with an Investments Committee and in the light of observations and suggestions made from time to time by the United Nations Joint Staff Pension Board on the investments policy.”***
3. The Secretary-General has delegated to the Representative of the Secretary-General (RSG) the responsibility and authority to act on behalf of the Secretary-General (SG) in all matters involving the fiduciary duties of the SG 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 the UNJSPF are being discussed (see ***Delegation of Authority, Annex I***). The Terms of Reference of the RSG (***Annex II***) were approved by the General Assembly in its resolution A/RES/68/247 B dated 9 April 2014. The RSG is responsible and accountable for the investments of the Fund, including oversight of the Office of Investment Management (OIM) which assists the RSG in carrying out his/her duties for which s/he has been delegated responsibility and authority by the Secretary-General.
4. All OIM staff members have a fiduciary obligation to manage the investment of the assets of the Fund in the best long-term interest of its participants and beneficiaries. OIM staff members must adhere to the policies, procedures and practices as set forth in this Investment Policy Statement, and strive to ensure that the Fund’s Long-Term and Short-Term Investment Objectives are met. OIM staff members must annually attend the compliance training given by the OIM Compliance Officer. OIM staff members must acknowledge receipt of OIM’s policies and procedures and agree to abide by these policies for the purposes of ensuring compliance and the maintenance of the UNJSPF’s reputation and integrity. OIM staff members, by virtue of their status as staff members of the United Nations, are obliged to remain loyal to the aims, principles and purposes of the United Nations, as set forth in its Charter, and to uphold the highest levels of efficiency, competence, integrity, and respect for human rights.
5. The Fund’s current “Long-Term Investment Objective” is to meet or exceed a 3.5% real rate of return (net of inflation, as measured by the US Consumer Price Index) in US dollar terms annualized over the long-term (15 years and longer). The Fund’s current “Short-Term Investment Objective” is to meet or exceed the return of the Policy Benchmark over the short-term (3 years).
6. OIM strives to ensure that all of its activities integrate the ideals of sustainable investing, including taking into account environmental, social and governance (ESG) metrics, while remaining entirely consistent with our fiduciary responsibility to meet our Long-Term Investment Objective.

## PURPOSE AND PERIODIC REVIEW OF INVESTMENT POLICY STATEMENT

7. The purpose of this Investment Policy Statement (IPS) is to set forth the parameters which shall guide the RSG and OIM staff in managing the investment of the assets of the UNJSPF. This IPS specifies the Long-Term and Short-Term Investment Objectives; the eligible investment universe of asset classes, investment channels, and investment instruments; the Strategic Asset Allocation (SAA) and the Policy Benchmark; the risk parameters; and the investment process.
8. A full-scale review and updating of the IPS will be undertaken in consultation with the Investments Committee and other stakeholders, in light of the observations and suggestions provided by the United Nations Joint Staff Pension



Board (Pension Board or UNJSPB), and taking into account the results of each Asset-Liability Management (ALM) Study, currently conducted once every four years.

9. In between these full-scale updates, the IPS remains a living document and will be continuously updated, amended and enhanced as needed by the RSG, in order to provide the Fund with the necessary flexibility and tools required to address specific market conditions or developments.

## RESPONSIBILITIES AND AUTHORITIES

### General Assembly

10. In its Resolution 248 (III) of 1948, the General Assembly entrusted the fiduciary responsibility for the investment of the assets of the Fund to the Secretary-General of the United Nations. GA Resolution A/RES/73/274 of 22 December 2018 reaffirmed that the Secretary-General serves as fiduciary for the investment of the assets of the Fund. The General Assembly may from time to time adopt resolutions on general investment policy as long as these resolutions are not conflicting with the fiduciary responsibility of the Secretary-General.

### Secretary-General

11. Article 19(a) of the Regulations states that 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 Pension Board on the investments policy.
12. Article 19(b) of the Regulations provides that the Secretary-General 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.

### Representative of the Secretary-General

13. The Secretary-General has delegated the fiduciary responsibility for the investment of the assets of the Fund to the RSG (*Annex I*).
14. The Terms of Reference of the RSG were approved by the General Assembly in its resolution A/RES/68/247 B dated 9 April 2014 (*Annex II*). Paragraphs 3 & 4 of these Terms of Reference state, *inter alia*, that the “**representative of the Secretary-General.....will exercise discretionary authority over the investment of the assets of the Fund and will be responsible for the overall investment policy and management of the investments of the Fund.**” and that the “**The representative of the Secretary-General will lead the investment operations in terms of strategy and policy analysis, asset allocation, portfolio management and investment decision-making; risk management and compliance and monitoring; and back-office accounting, trade settlement, cash management and systems and information technology requirements.**”
15. The Secretary-General has also delegated to the RSG the responsibility of representing the SG at meetings of the Investments Committee, the Pension Board, and at other meetings – such as the Advisory Committee on Administrative and Budgetary Questions (ACABQ) and the General Assembly – where investment matters pertaining to the UNJSPF are being discussed.

### Investments Committee

16. In its Resolution 155 (II) of 15 November 1947, the General Assembly authorized the Secretary-General to seek advice from the United Nations Investments Committee (IC) “in regard to the investment of special and other funds under the control of the United Nations as well as the pension funds”. The IC provides advice on investment policy, risk control, diversification of the Fund in terms of investment vehicles and markets, best practice in the area of investments, and other investment related matters. Article 20 of the Regulations states that the IC shall consist of nine members appointed by the Secretary-General after consultation with the Pension Board and the ACABQ, subject to confirmation by the General Assembly. The Secretary-General may appoint ad hoc members to serve with the IC. The Secretary-General has delegated to the RSG the responsibility of representing the SG at meetings of the IC.

#### **United Nations Joint Staff Pension Board**

17. In accordance with the Regulations, the Fund is administered by the United Nations Joint Staff Pension Board (UNJSPB or Pension Board), a staff pension committee for each member organization and a secretariat to the Pension Board and to each such committee.
18. The Pension Board reviews the investments of the Fund at its regular sessions and may provide observations and suggestions to the Secretary-General on investment policy.

#### **Office of Investment Management**

19. The staff of OIM is responsible for the day to day management of the Fund's investments under the oversight of the RSG. Under the guidance and oversight of various internal OIM committees, they implement the approved investment policy and ensure that the portfolio conforms to the approved asset allocation, investment guidelines, and risk parameters. OIM staff analyze global economic, geopolitical, and financial market developments, and monitor their impact on various asset classes and regions in which the Fund is invested. They sell and purchase securities or other types of assets, evaluate the returns achieved, and ensure that risk levels remain within the allocated risk budget. In asset classes or markets where external managers or funds are employed, OIM staff are responsible for making selection and termination recommendations to the appropriate internal committee, and monitoring the managers' and funds' performance and risk levels. OIM staff adhere to the IPS in all investment matters, and are accountable for ensuring that performance and portfolio risk analyses reports are accurate and up-to-date for the asset classes and/or investment portfolios for which they are responsible during any time period. OIM staff are responsible for arranging the maintenance of appropriate and accurate accounts on the Fund's investments for onward reporting to various stakeholders.
20. The due diligence process for the hiring, monitoring and termination of external managers and/or funds for public market investments, along with guidelines, risk and return expectations, are outlined in the *UNJSPF OIM Policy for External Managers*.

#### **Internal OIM Committees**

21. The Secretary-General's delegation of responsibility and authority to act on the SG's behalf in all matters involving the fiduciary duties of the SG relating to the investment of the assets of the UNJSPF is personal to the RSG. ***"While [the RSG] may have such assistance as is required to carry out the duties for which [s/he has] been delegated responsibility and authority, [s/he] may not further delegate such responsibility and authority."***
22. The Office of Investment Management assists the RSG with carrying out these responsibilities. The RSG has set up several internal OIM committees to institutionalize and strengthen the investment decision-making process, as well as oversight of the Fund's investments. In most cases, these OIM committees are at the initial stage of functioning, and will be fine-tuned over time as needed and in the light of actual experience as to their efficacy in achieving the objectives for which they have been set up.
23. Internal OIM committees currently in existence include the Internal Investment Committee (IIC), the Information and Communications Technology (ICT) Steering Committee, the Risk Committee, the Compliance Committee, the Best Execution Committee, and the Private Markets Committee (PMC).

#### **Authorization for Trades/Investments**

24. The internal authorization process requires an approval from two investment officers, or other senior officers of OIM, for all purchases and sales of securities and other types of investments, including equities, bonds, interests in private market assets – real estate, private equity, infrastructure, timber – commodities, currencies, and short-term investments. The level of officials authorized to approve purchases and sales of securities and other types of investments varies depending on the asset class, and the size of the transaction, either as a percentage of assets in



the regional group, or an absolute dollar amount. The details of the authorization process are outlined in the *Delegation of Authority Memorandum*.

## INVESTMENT MANAGEMENT

### Investment Parameters

25. *“The Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments.”* This risk appetite, together with the Fund’s Long-Term Investment Objective, is taken into account when undertaking the quadrennial ALM Study. The results of the ALM Study assist the RSG in determining the Fund’s Strategic Asset Allocation (SAA), after consultation with all stakeholders, and taking into account what is reasonable and feasible for OIM to implement. The SAA is the major determinant of long-term investment returns and risk.
26. Investment criteria take into account direction from the Secretary-General, along with guidance from the General Assembly, and suggestions made by the Pension Board. The investment criteria are also reviewed and interpreted by the Investments Committee. These criteria are as follows:
27. *Safety* is achieved by ensuring adequate asset class, geographic, currency, sector and industry diversification, by careful due diligence and documentation of investment recommendations, and by constant review of the portfolio in order to position it optimally in light of economic and geopolitical trends, and resulting financial market movements. Nevertheless, all investments are subject to market risk.
28. *Profitability* requires that each investment at the time of purchase be expected to earn a positive total return, taking into account potential risks such as market risk and credit risk which may be mitigated but cannot be eliminated by diversification.
29. *Convertibility* is the ability to readily convert investments into liquid currencies. The fiduciary responsibility to the Fund’s participants and beneficiaries mandates that due to the US dollar based market valuation of the Fund, and the US dollar based appraisal of its actuarial soundness, all investments, at the time they are made, should be readily and fully convertible into US dollars.
30. *Liquidity* is the ready marketability of the assets in recognized sound, stable and competitive exchanges or markets. Liquidity is required to ensure that the portfolio can be restructured as needed in order to enhance total return, to minimize potential losses, and meet the liquidity needs of the Fund.
31. Liquidity needs of the Fund over the next ten years are projected during the quadrennial ALM Study, and serve as an input in the determination of the SAA. In establishing liquidity needs of the Fund, OIM will take the following factors into consideration:
  - (a) need for liquidity to meet payroll requirements in an array of currencies
  - (b) need for funds to take advantage of investment opportunities as they arise
  - (c) need for funds required for projected cash flows
  - (d) need for a safety buffer
32. The emphasis on liquidity shall be an investment consideration based on the expected short-term and long-term cash flow profile of the Fund. Managing liquidity to meet the Fund’s requirements will be met by structuring the investment portfolio to maintain a sufficient allocation of funds in highly liquid securities or in cash. OIM will consider an acceptable range of illiquidity to generate a higher return from the eligible investment universe.
33. It is noted that there may be attractive investment opportunities which require long-term commitments from the Fund. The Fund may invest in longer-term asset classes, such as private market investments with the concurrence of the RSG.

### Investment Time Horizon

34. The purpose of the Strategic Asset Allocation (SAA) as reflected in the Policy Benchmark is to achieve the Fund’s Long-Term Investment Objective. Therefore, strategic investment decisions for the Fund shall be made based on a

long-term horizon. Tactical tilts around the target SAA may be adopted for a short-term horizon to optimally position the Fund's portfolio in light of expected short-term financial market movements.

### Modeling Assumptions and Process

35. In order to establish risk and liquidity parameters for the management of the assets of the UNJSPF, appropriate financial models may be used by OIM to estimate and calculate risk levels. OIM's Risk Team will perform stress tests for the UNJSPF's assets, based on extreme historical market events in addition to assuming instantaneous shocks for different asset classes.

### Investment Portfolio

36. The SAA shall be designed to meet the Long-Term Investment Objective subject to the specified risk appetite as translated into appropriate risk metrics. The main asset classes in the SAA are comprised of Public Equities, Private Equity, Real Estate, Other Real Assets (Infrastructure, Timber, etc.), Fixed Income, and Cash. The UNJSPF has a very long time horizon consistent with its very long term liabilities. Long-term performance of the investment portfolio shall be evaluated relative to the Long-Term Investment Objective and corresponding time horizon. Short-term performance of the investment portfolio shall be evaluated relative to the Short-Term Investment Objective and corresponding time horizon.
37. Multiple objectives are achieved through investment in private market asset classes (real estate, private equity, infrastructure, timber, etc.). Public markets are not well-developed in many parts of the world; our diversification objectives would not be achieved if OIM were to restrict itself to public market asset classes. Even in regions where public markets are well-developed, efficient, and liquid, they have been shrinking in size over the past decade. Significant parts of the real economy in both developed and emerging markets can therefore be accessed only by investing in private market asset classes. Private market asset classes generally require investment over a longer-term than public market asset classes; this together with a certain element of illiquidity results in an ex-ante expectation of higher investment returns than in other comparable asset classes. All of these factors combine to ensure that investing in private market asset classes can expand OIM's eligible investment universe, increase access to returns from economic growth in different regions and sectors of the global economy, increase diversification benefits, and improve the risk-return profile of the Fund's investment portfolio.
38. The Fund's Strategic Asset Allocation is:

Eligible Asset Classes and Ranges				
Asset Class	Benchmarks	Minimum	Target (SAA)	Maximum
Global Equities	Blended: MSCI World Customized (80%); MSCI Emerging Markets Customized (20%)	30%	45%	60%
Private Equity	Blended: MSCI World Customized (80%); MSCI Emerging Markets Customized (20%) + 200 bps	4%	9%	15%
Real Estate	NCREIF NFI-ODCE + 100bp	5%	12%	15%
Real Assets	US CPI + 400 bps	0%	4%	5%
Global Fixed Income	Blended: Bloomberg Barclays - US Securitized (50%); US Treasury (35%); EM Local Currency Government (15%)	10%	29%	40%
Cash & Equivalents	Bloomberg Barclays US Treasury Bills: 1 - 3 Month Index	0%	1%	10%

39. Customized means the MSCI index adjusted for restrictions on investing in tobacco and controversial weapons companies. The calculation of the Policy Benchmark will be adjusted for the structural underweights in private markets asset classes (Real Estate, Private Equity, Infrastructure, Timber, etc.) during the build-out period. All structural underweights in private markets asset class exposures, relative to the SAA targets, will be added to Global Equities for the purpose of calculating the Policy Benchmark return at the end of each quarterly and annual reporting period. This will result in more accurate performance and risk reporting to both external stakeholders and within OIM, thereby improving investment decision-making.

40. Based on the long-term risk return characteristics of the Policy Benchmark, OIM may invest in eligible asset classes (*Annex III*), with the goal of achieving its Short-Term Investment Objective and/or its Long-Term Investment Objective.
41. The actual investment portfolio may be more granular with a larger number of asset classes from the list specified at *Annex III*, in conjunction with the appropriate benchmark for each asset class. After discussions on the global investment environment at each IC meeting, the RSG finalizes the tactical tilt ranges by asset class for the next period. The tactical tilt ranges are then shared with the Fund's independent, third-party Master Record Keeper for compliance and reporting purposes.
42. *Annex III* lists the eligible assets and instruments in which OIM may invest. In addition, OIM may establish securities lending programs and enter into repurchase transactions to enhance returns. In order to facilitate the implementation of its investment strategies, OIM may (i) invest in all types of securities and assets consistent with its eligible investment universe, including without limitation: common stock; preferred stock; convertible stock; warrants; depositary receipts; American depositary receipts; global depositary receipts; exchange traded funds; money market funds; commercial paper; structured notes; bank deposits; limited partnership interests; real estate investment trusts; interests in closed and open-end collective investment funds; interests in funds of funds, and (ii) enter into the following types of transactions or investment structures: segregated investments accounts in the name of the Fund customized to the specific requirements of OIM; investments in single assets through one or more entities controlled by OIM; investments in single assets through one or more entities controlled by OIM in parallel with a collective investment fund or other institutional investor.
43. OIM will consult with and obtain the IC's advice and guidance prior to completing its first investment in a new asset class or initial use of a new instrument.
44. The Fund applies concentration limits for both internally and externally managed assets which are specified in the *OIM Risk Manual*.
45. OIM may use exchange-traded futures, swaps, and f/x forwards for the purpose of increasing the efficiency and lowering the transaction costs of implementing various investment strategies, as well as for risk management and hedging purposes.

#### **Geographical Diversification**

46. The General Assembly has requested the Secretary-General in consultation with the Investments Committee, to ensure that, subject to careful observance of the requirements of safety, profitability, liquidity and convertibility, and in strict conformity with the Regulations of the UNJSPF, a larger proportion of the investment of the resources of the Fund is made in developing countries.

#### **Restricted/Prohibited Industries**

47. Investments in companies that derive any revenue from the production of tobacco and that primarily deal with manufacturing and distribution of tobacco and tobacco related products are prohibited.
48. The Fund is prohibited from investing in securities of companies that derive any revenue from the production of military weapons, weapons systems or weapons of mass destruction, including nuclear, chemical or biological weapons, or derive more than 10 per cent of their revenue from the production of customized components for purposes of the production of military weapons, weapons systems or weapons of mass destruction.
49. *Annex IV* outlines the construction of the MSCI All Country World Index ex Tobacco ex Controversial Weapons Custom ESG Index.

#### **Mitigation of Reputational Risk**

50. OIM will strive, on a best efforts basis, to ensure that the investments of the Fund conform to the high ethical standards of the United Nations, and do not expose the Fund to reputational risk.



## Disclosure

51. OIM maintains and updates a public website which discloses, on a quarterly basis, a broad range of information on Fund investments by asset class, geographical diversification, countries and regions in which the Fund invests, the Fund's market value of assets, and historical Fund performance versus both the Long-Term Investment Objective and the Short-Term Investment Objective. Some quarterly performance information is available with a one quarter lag due to delays in obtaining valuations for private market investments. Year-end information is up-to-date in all respects and is usually available by the end of April of the following year.
52. The Fund's investment performance is independently measured and reported by the Fund's third-party Master Record Keeper. The Master Record Keeper, as an asset service provider, calculates investment performance returns that are compliant with industry standards, such as CFA Institute's Global Investment Performance Standards (GIPS). The Fund's annual performance is audited and reported independently after a stringent periodic audit and verification.
53. Information about actual or proposed UNJSPF investments, including information about companies, countries, regions or currencies is normally commercially sensitive information and therefore kept confidential, but may be disclosed on a need to know basis, subject to formal clearance from the RSG. OIM has to balance the need for transparency about its investments and the objective of maintaining confidentiality to minimize market impact. Any request for investment information from any external party shall be reviewed by the OIM internal Legal Officer, Risk and Compliance Group, and the Director whose recommendation shall be submitted to the RSG for decision, prior to any disclosure. OIM's policy is not to disclose investment information related to individual companies or funds in which it may have an investment.
54. Any UNJSPF investment performance or other report distributed outside of OIM shall be disseminated in a secure PDF or otherwise inalterable format.
55. Any UNJSPF investment performance or other report being presented otherwise than by OIM staff shall be cleared with the RSG, on recommendation of the Director.
56. All requests for UNJSPF investment performance or other reports to be distributed outside of OIM shall be submitted by the Director to the RSG for clearance, prior to any dissemination.

## RISK MANAGEMENT

57. The Risk Appetite is the amount of risk an organization is willing to take in order to achieve its goals. The UNJSPF Risk Appetite statement, as approved by the Pension Board, states: *"The Fund recognizes the very long-term scope of its operations, its insurance-like nature which pools resources and risks to provide retirement, death, disability and other defined benefits and related services to its participants, retirees and beneficiaries as well as the importance of ensuring the continuing viability of its operations and finances. The Fund has very low appetite for the risk of losing its long-term sustainability and not being able to meet its long-term financial commitments."*
58. Among the objectives of an ALM Study is to present various hypothetical SAAs and offer a choice of very different risk profiles, which take into account the Fund's Risk Appetite as translated into appropriate risk metrics, and the Fund's Long-Term Investment Objective which is designed to ensure long-term financial sustainability of the Fund. Once an SAA has been selected by the RSG with input from the Investments Committee, OIM will manage the portfolio in accordance with that SAA and related risk limits. To manage risks in the investment portfolio, the RSG defines risk based on different indicators.

### Risk Monitoring

59. Total Portfolio Risk – OIM will monitor the total portfolio Value at Risk (VaR), which assesses the Fund's potential loss, at different levels of probability of occurrence, and over different timeframes. The RSG approves the established risk limits and reviews them periodically including in consultation with the Investments Committee.
60. Active Risk - OIM will monitor the acceptable level of active risk expressed as the variation of the Fund's investment performance from the Policy Benchmark's performance (Tracking Error). Tracking Error is defined as one standard deviation of the difference between the return of the actual total Fund portfolio and the return of the Policy

Benchmark (at the total Fund level), and versus individual asset class or portfolio benchmarks (for each asset class or individual portfolio).

61. OIM will monitor tracking error for the public markets components of the total Fund portfolio. The maximum allowable tracking error (or risk tolerance) for each public markets portfolio – by asset class or region – is reviewed on an annual basis and approved by the Risk Committee.
62. OIM will also determine an overall Risk Budget for active risk, with the objective of allocating risk among asset classes and individual portfolios where it may be used to add the most value to the total Fund portfolio.
63. Actual risk in various portfolios will be monitored (both *ex-ante* and *ex-post*) to ensure that it remains within the established risk tolerance, and is reported weekly to the RSG as well as reviewed by the Risk Committee every quarter, or more frequently if required.
64. Risk in certain portfolios may temporarily exceed established risk limits during times of heightened market volatility or sustained instability. OIM has established yellow and red zones for risk limits. If a portfolio's risk strays into the red zone for a sustained period, OIM takes immediate action by adjusting that portfolio composition.

#### **Asset-Liability Management (ALM) Study**

65. A full ALM study is performed every four years unless the Pension Board considers it necessary to conduct an ALM study more frequently. The purpose of the ALM study is to examine the financial condition of the Fund, estimate the feasibility of achieving the desired long-term investment return targets, set an appropriate Long-Term Investment Objective consistent with maintaining the Fund's long-term financial sustainability, and propose a reasonable, feasible, and implementable Strategic Asset Allocation consistent with the Long-Term Investment Objective, the Fund's Risk Appetite and its current financial condition.

#### **OIM's APPROACH TO SUSTAINABLE INVESTING**

66. The Fund acknowledges its responsibility to society as part of an international organization committed to social progress by being a founding signatory to the Principles for Responsible Investment (PRI) and its association with the United Nations Global Compact (UNGC) and the United Nations Environment Programme (UNEP) Finance Initiative.
67. OIM's sustainable investing approach seeks to promote sustainable business practices and stewardship that advocates improvement of the environment, fair labour practices, non-discrimination and the protection of human rights, and references such internationally recognized sustainability-related initiatives as the UNEP Finance Initiative, PRI, the UNGC, the Global Reporting Initiative, and the conventions of the International Labour Organization.
68. The Fund restricts investments in the tobacco industry and in the securities of companies producing controversial weapons, including weapons of mass destruction. OIM is using a customized equity benchmark provided by a leading index provider to reflect these restrictions for internally managed public equity portfolios (*Annex IV*).
69. OIM's sustainable investment strategy is aligned with its fiduciary duty and responsibility, and includes material environmental, social and governance (ESG) considerations that are currently in the process of being integrated throughout the investment decision-making process. OIM is of the view that portfolios that have integrated material ESG metrics in their investment decision-making process have the potential to provide returns that are superior to those of conventional portfolios, while exhibiting lower risk over the long term. This view is supported by a large amount of academic research and literature.
70. The Fund adheres to sustainable investment proxy voting guidelines in partnership with a leading global provider. OIM's sustainable voting policy generally references globally recognized sustainability-related initiatives such as the Principles for Responsible Investment (PRI). It promotes sustainable business practices, fair labour practices, non-discrimination, the protection of human rights, and gender diversity on boards, among other objectives. They advance positive corporate ESG actions which promote practices that mitigate financial and reputational risk.



71. An active sustainable voting policy combined with an engagement approach creates more effective and sustainable impact. The Fund believes in a constructive dialogue with company management in order to positively affect corporate behavior and promote change consistent with sustainability and our fiduciary responsibilities.

#### **OTHER EXTERNAL RELATIONSHIPS**

72. The Fund's Custodian and independent Master Record Keeper is chosen through a competitive Request for Proposal (RFP) process. OIM monitors the performance indicators of the Service-Level Agreement (SLA) and meets with the Custodian at least once a year. The scope of these visits is to review the operations, evaluate processes, infrastructure and provide an opportunity for face to face meetings with various managers. OIM's Compliance Group will monitor financial health by reviewing the relevant parameters such as the Custodian's credit rating, regulatory actions, and assets under custody.
73. Public market and private market investment managers and Funds are selected and terminated based on a structured and thorough evaluation process, several key criteria, including investment process and philosophy, performance, assets under management, and suitability to the Fund's needs. Advisors to the Fund are reviewed by the relevant investment groups based on the presentations submitted, economic analysis, activity, quality of idea generation and research, and timeliness, and chosen through an RFP process.



Annex I - Delegation of Authority from Secretary-General to Representative of Secretary-General



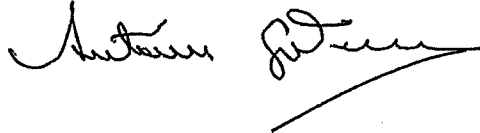
TO: Mr. Sudhir Rajkumar  
A: Representative of the Secretary-General for the investment  
of the assets of the United Nations Joint Staff Pension Fund

DATE: 18 January 2018

THROUGH:  
S/C DE:

FROM: The Secretary-General  
DE:

REFERENCE:



SUBJECT: **Delegation of authority: Investments of the assets of the United Nations Joint Staff Pension Fund and the United Nations University Endowment Fund**  
OBJET: **Pension Fund and the United Nations University Endowment Fund**

Responsibility and authority to act on my behalf in all matters involving the fiduciary duties of the Secretary-General relating to the investment of the assets of the United Nations Joint Staff Pension Fund and of the United Nations University Endowment Fund, including representing me at meetings of the Investments Committee of the United Nations Joint Staff Pension Fund, the United Nations Joint Staff Pension Board and other meetings where investment matters pertaining to the United Nations Joint Staff Pension Fund and the United Nations University Endowment Fund are being discussed, is hereby delegated to you, effective as and from 1 January 2018, until further notice.

This delegation of responsibility and authority is personal to you. While you may have such assistance as is required to carry out the duties for which you have been delegated responsibility and authority, you may not further delegate such responsibility and authority.

cc: The Deputy Secretary-General  
Mr. Arvizú  
Ms. Beagle

18-00442

## Annex II – Terms of Reference for the Representative of the Secretary-General (RSG)

(Extract from Resolution A/RES/68/247 B adopted by the General Assembly on 9 April 2014)

Terms of reference of the representative of the Secretary-General (Assistant Secretary-General) for the investment of the assets of the United Nations Joint Staff Pension Fund

1. Article 19 (a) of the regulations of the United Nations Joint Staff Pension Fund provides that 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 United Nations Joint Staff Pension Board on the investments policy. The General Assembly, in its resolution 35/216 B of 17 December 1980, reaffirmed the fiduciary responsibility of the Secretary-General for the interests of the participants and beneficiaries of the Fund under the Regulations and Rules of the Fund. In addition, on numerous occasions, the Assembly has emphasized that the Secretary-General's decisions concerning the investment of the assets of the Fund should be guided by the key criteria of safety, profitability, liquidity and convertibility.
2. In order to assist the Secretary-General in carrying out the fiduciary responsibilities for the investment of the assets of the Fund, the Secretary-General shall appoint a representative for the investment of the assets of the Fund. The representative shall oversee the Investment Management Division of the Fund.

### Responsibilities

3. The representative of the Secretary-General, reporting to the Secretary-General and in consultation with the Investments Committee of the Fund and in the light of observations and suggestions made from time to time by the Board on investments policy, will exercise discretionary authority over the investment of the assets of the Fund and will be responsible for the overall investment policy and for oversight and management of the investments of the Fund.
4. The representative of the Secretary-General will lead the investment operations in terms of strategy and policy analysis, asset allocation, portfolio management and investment decision-making; risk management and compliance and monitoring; and back-office accounting, trade settlement, cash management and systems and information technology requirements. The representative, supervising the Director of the Investment Management Division, will ensure that all the operations and functions of the Division are properly coordinated and coherent, are aligned to safeguard fiduciary responsibilities, support the goals of the office and enhance the long-term sustainability of the Fund. He or she will work closely with the Chief Executive Officer of the Fund. The representative is responsible for investment policy, strategic and tactical asset allocation and the appropriate investment strategy in consultation with the Investments Committee and in the light of observations and suggestions made from time to time by the Board on investment policy. He or she will oversee the implementation of investment decisions and ensure that the approved investment policy and asset allocation are followed. He or she will be responsible for carrying out the responsibilities of the Secretary-General under article 19 (b) of the regulations of the Fund, including to ensure that detailed accounts of all investments and other transactions relating to the Fund are maintained and to report to the Board, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly on the Fund's investments.
5. Within delegated authority, the representative of the Secretary-General will provide overall oversight and management of the investment of the Fund, involving the following:
  - (a) *Investments.* In consultation with the Investments Committee established in accordance with article 20 of the regulations of the Fund, and in the light of observations and suggestions made from time to time by the Board on investment policy, the representative will be responsible for an investment strategy and a coherent framework of investment operations aimed at meeting and exceeding the long-term real rate of return goal. In consultation with the Investments Committee, he or she will define the Investment Management Division's globally diversified portfolio

and the strategic and tactical asset allocation of the Fund; define the main investment strategies for diversified portfolios to generate investment returns corresponding to the long-term real rate of return issued in the Fund's actuarial assumptions to meet its long-term obligations of maintaining the solvency of the Fund; ensure adherence to the investment criteria established by the General Assembly (i.e., safety, profitability, liquidity and convertibility) and to the objectives of preserving the principal of the Fund and of obtaining optimal investment return without undue risk; ensure consistency between investments and overall established risk tolerance; ensure the implementation of the established investment strategy and asset allocation; and conduct general monitoring and management of the investments and portfolio management;

(b) *Risk and compliance.* The representative will ensure the establishment and maintenance of appropriate internal controls and risk management systems;

(c) *Operations.* The representative will ensure the alignment of the operations and information systems technology with the Fund's investment strategy and policy;

(d) *Accounting.* The representative will be responsible for carrying out the responsibilities of the Secretary-General under article 19 (b) of the regulations of the Fund to maintain detailed accounts of all investments and other transactions relating to the Fund and ensure the integrity and reliability of investment data reflected in the financial statements of the Fund, as well as to implement risk management and adequate financial controls on investments;

(e) *Intergovernmental bodies.* The representative will liaise with the Board, the Advisory Committee and the General Assembly on the performance of the Fund's investments, providing answers and explanations to questions on performance, structure of the portfolio, investment policies and strategies, custodial arrangements, global economic and market conditions, investment forecast/outlook and requirements for the financing of operations; present proposals on the financing and servicing of the Investment Management Division; and liaise and work closely with the Board and its committees;

(f) *Oversight bodies.* The representative will liaise and consult with the Fund's oversight bodies (the United Nations Board of Auditors, the Audit Committee of the Fund and the Office of Internal Oversight Services of the Secretariat) and ensure the implementation of the accepted recommendations of such oversight bodies as appropriate.

6. The representative of the Secretary-General must also work closely and effectively with the Chief Executive Officer of the Fund with regard to the performance of their respective functions. The representative must collaborate closely with the Chief Executive Officer to ensure optimum results with respect to the Fund's asset/liability management.

### Annex III – Eligible Investment Universe

The table below shows the eligible asset classes and their targets. OIM will consult with and obtain the IC's advice and guidance prior to completing its first investment in a new asset class or initial use of a new instrument.

Eligible Asset Classes and Targets	
Asset Class	Target
Global Public Equities	45%
Developed Markets	
Small Cap	
Emerging Markets	
Frontier Markets	
Exchange Traded Funds (ETFs)	
Global Fixed Income	29%
Government Bonds	
US Agency MBS	
Emerging Market Debt	
Investment Grade Credits	
Inflation-Linked Bonds	
High Yield Credits	
Private Debt	
Real Assets	16%
Real Estate	
Absolute Return Strategies	
Infrastructure	
Timberland, Agriculture and Farmland	
Commodities	
Gold	
Direct Investments	
Co-investments	
Private Equity	9%
Buyouts	
Growth Capital	
Special Situations	
Venture Capital	
Secondaries	
Direct Investments	
Co-investments	
Other	
Global Tactical Asset Allocation	
Cash & Equivalents	1%
<b>Total</b>	<b>100%</b>

## Annex IV

### Construction of MSCI All Country World Index ex Tobacco ex Controversial Weapons Custom ESG Index

The Custom Policy benchmark for United Nations Joint Staff pension fund aims to implement the UNJSPF Policy on restricted securities. This benchmark consists of a selection of securities using proprietary ESG screens to be excluded from the constituent list of the Parent Index and former policy benchmark- MSCI's ACWI Index. These exclusions are determined quarterly on the pro-forma Index calculation date and made effective on the Quarterly Index reviews - defined as the close of last business day- February, May, August and November.

The proprietary screens are as follows for Tobacco and Controversial weapons:

#### **Tobacco**

- All companies classified by MSCI as Producer.
- All companies classified by MSCI as Distributor, Retailer and Supplier that earn 10% or more from tobacco products.

#### **Controversial and Conventional Weapons**

- All companies that manufacture conventional weapons and weapons systems.
- All companies that manufacture controversial weapons including nuclear, biological and chemical weapons, cluster munitions, depleted uranium weapons, and landmines.
- All Companies that are owned at least 50% by a company flagged as manufacturer of biological and chemical weapons, cluster munitions, depleted uranium weapons, and landmines.
- All Companies that own 20% to 49.99% percent of a company flagged as manufacturer of biological and chemical weapons, cluster munitions, depleted uranium weapons, and landmines. When a company owns 50% or more of a subsidiary with involvement, MSCI treats it as a consolidated subsidiary.
- All companies that derive more than 10% of revenue, or estimated revenue, from weapons systems, components and support systems and services.

#### **MSCI Custom Index Process**

In general, MSCI ESG Research data is utilized preceding the Index Reviews for maintenance and rebalancing. For some securities where data may not be published by MSCI ESG Research - data published after month end, when available will be used.