



# UNJSPF

United Nations Joint  
Staff Pension Fund

# INVESTMENT POLICY STATEMENT

SEPTEMBER 2022

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# Table of Acronyms

<b>ACABQ</b>	Advisory Committee on Administrative and Budgetary Questions
<b>ALM</b>	Asset-Liability Management
<b>CIO</b>	Chief Investment Officer
<b>COO</b>	Chief Operating Officer
<b>GA</b>	General Assembly of the United Nations
<b>GIPS</b>	Global Investment Performance Standards
<b>IC</b>	United Nations Investments Committee
<b>ICT</b>	Information and Communication Technology
<b>IIC</b>	Internal Investment Committee
<b>OIM</b>	Office of Investment Management
<b>PMC</b>	Private Markets Committee
<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. 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. 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: All Urban Consumers not seasonally adjusted) 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, and 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.

14. The RSG reports directly to the Secretary-General. The responsibilities and functions of the RSG are stipulated in the Terms of Reference of the representative of the Secretary-General for the investment of the assets of the United Nations Joint Staff Pension Fund in the Annex to General Assembly Resolution 68/247 B. Those responsibilities and functions include, but not limited to (a) 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 Pension 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. (b) Leading 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. (c) Is responsible for carrying out the responsibilities of the Secretary-General under article 19 (b) of the regulations of Fund including to ensure that detailed accounts of all investments and other transactions relating to the Fund are maintained and for reporting to the Pension Board, the Advisory Committee on Administrative and Budgetary Questions and the General Assembly on the Fund's investments.

15. The RSG directly oversees the Risk and Compliance Services and IT and Operation Section, ensuring the segregation of duties from the Chief Investment Officer (CIO) who oversees the Investment Section to maintain proper check and balance in investment management.

16. 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

17. The United Nations Investments Committee (IC) advises the Secretary-General 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 on which their advice may be sought. 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

18. 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.

19. 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.

### Chief Investment Officer and Investment Section

20. Under the delegated authority and oversight from the RSG, the CIO's responsibilities and function include, but not limited to, (a) Directing the work programme of the Office of Investment Management by implementing the strategic and tactical asset allocation based on the investment policy and strategy set by the RSG and by overseeing the five strategic portfolios: Public Equities, Private Equity/Real Assets, Real Estate, Fixed Income, and Cash and Short-term securities; (b)



Assisting the RSG to report on related matters to the Pension Board, ACABQ and the Fifth Committee, (c) Collaborating in the Asset and Liabilities Management working Group, together with the Pension Fund Administration and other staff in the Office of Investment Management, in the development of the Asset and Liability Management studies.

21. The Investment Section of OIM is responsible for the day-to-day management of the Fund's investments under the oversight of the CIO. Under the guidance and oversight of various internal OIM committees, it implements 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, Investment Section is 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 responsible for ensuring that performance and portfolio risk analyses reports are accurate and up to date for the asset classes and/or investment portfolios within their purview at any time. OIM staff are responsible for arranging the maintenance of appropriate and accurate accounts on the Fund's investments for onward reporting to various stakeholders.

22. 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 and delegations of authority

23. The RSG ensures proper check and balance in the OIM decision making. The RSG delegates the specific investment recommendations to the CIO and the

Internal Investment Committee (IIC), the Private Markets Committee (PMC), and the Best Execution Committee are chaired by the CIO. The Risk Committee and the Compliance Committee are chaired by the Chief Risk and Compliance Officer and the Information and Communications Technology (ICT) Steering Committee is chaired by the COO.

### Authorization for Trades/Investments

24. The internal authorization process requires an approval from two investment officers except for unsolicited orders through electronic trading platforms for which dual approval is not possible, 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. Dual approval is also not possible for any trades placed by phone. 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*.

25. Unsolicited trades are exempt from dual approval. *Unsolicited workflow on electronic trading platforms requires an automatic confirmation of trades (email notification) sent to all Fixed income team members and Back Office when a trade is complete. In addition, trades are evaluated the next day against the Bloomberg AIM compliance system post trade and oversight is provided by Compliance through the Daily Trade Blotter and Post Trade Compliance Report which is sent daily by email to the RSG and senior management.*

## INVESTMENT MANAGEMENT

### Investment Parameters

26. *"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.

27. 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:

28. 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.

29. 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.

30. 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, should be readily and fully convertible into US dollars.

31. 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 in the shortest possible time in order to enhance total return, to minimize potential losses, and meet the liquidity needs of the Fund.

32. 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

33. 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.

34. 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

35. 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

36. 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

37. 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.

**Table 1: The Fund's Strategic Asset Allocation**

Asset Classes	Minimum	Target (SAA)	Maximum
<b>TOTAL EQUITY</b>	<b>50%</b>	<b>60%</b>	<b>70%</b>
Global Equities	38%	53%	68%
Private Equity	2%	7%	12%
<b>TOTAL REAL ASSETS</b>	<b>4%</b>	<b>9%</b>	<b>14%</b>
Real Estate	2%	8%	16%
<i>Real Estate Core</i>	1%	4%	7%
<i>Real Estate Non-Core</i>	1%	4%	9%
Infrastructure	0%	1%	5%
<b>TOTAL FIXED INCOME</b>	<b>26%</b>	<b>29%</b>	<b>32%</b>
US Core Bonds	25%	28%	31%
Non-Core Bonds (EMD Local Currency)	0%	1%	4%
<b>TOTAL CASH</b>	<b>1%</b>	<b>2%</b>	<b>3%</b>
Cash	1%	2%	3%

38. ESG Custom means the MSCI, and Bloomberg US Aggregate indexes are adjusted for restrictions on investing in tobacco, controversial weapons, thermal coal and fossil fuel companies.

39. The Total Fund Policy benchmark is computed following a composite-weighted based methodology. It means that its return is determined by multiplying the performances of each asset classes respective benchmarks by their target weights, which are the target strategic asset allocation (SAA) weights defined in the IPS. However, instead of using fixed target (SAA) weights for Private Market investments (Private Equity, Real Estate and Infrastructure), floating weights, corresponding to Private Markets portfolio weights, will be used instead. The difference between target (SAA) weights and portfolio weights for Private Market investments will be added back to Global Equities target (SAA) weight. Indeed, due to the nature of private market investments, it is not possible to invest the SAA targeted amounts over a short period of time. It can only be done gradually through years, on a steady pace basis. As the Fund will only be able to meet its targeted SAA weights over a medium-term horizon, it suffers from what we can defined as a structural underweight in Private Markets. This structural underweight is mitigated by adding it back to Global Equities for benchmark computation purposes. The benchmark is rebalanced at the end of each month. Benchmark rebalancing means that the weights, which are evolving on a daily basis due to market movements, are reset to the target (SAA) weights, or portfolio weights for Private Market investments, at the end of each month. The purpose of the rebalancing is to avoid that the weights, because of market movements, become too far away from predetermined target (SAA) weights. Targets are only set at the Asset Class level and not at the sub-asset classes level as the strategy is set relative to the respective sub-benchmarks. The benchmark is depicted in table 2.

40. Each asset class of the portfolio must stay within specified limits (see table 2). On a monthly basis, during OIM IIC (Internal Investment Committee), the portfolio weights by asset classes will be reviewed and, in case of any breach, the concerned asset class(es) will be rebalanced and put it back to SAA ranges. It is possible that Total Cash stay temporarily above the limits, but it needs to be remediated in within 90 days.

**Table 2: Total Fund Policy Benchmark – Composition**

Asset Classes	Indexes	Weight
<b>TOTAL EQUITY</b>		<b>60%</b>
Global Equities	MSCI ACWI IMI ESG Custom	53%
<i>North America Equities</i>	<i>MSCI North America IMI ESG Custom</i>	
<i>North America Large and Mid Caps Equities</i>	<i>MSCI North America ESG Custom</i>	
<i>North America Small Caps Equities</i>	<i>MSCI North America Small Caps ESG Custom</i>	
<i>Europe + Middle East Equities</i>	<i>MSCI Europe + Middle East IMI ESG Custom</i>	
<i>Europe + Middle East Large and Mid Caps Equities</i>	<i>MSCI Europe + Middle East ESG Custom</i>	
<i>Europe + Middle East Small Caps Equities</i>	<i>MSCI Europe + Middle East Small Caps ESG Custom</i>	
<i>Asia Pacific Equities</i>	<i>MSCI Pacific IMI ESG Custom</i>	
<i>Asia Pacific Large and Mid Caps Equities</i>	<i>MSCI Pacific ESG Custom</i>	
<i>Asia Pacific Small Caps Equities</i>	<i>MSCI Pacific Small Caps ESG Custom</i>	
<i>Emerging Markets Equities</i>	<i>MSCI Emerging Markets IMI ESG Custom</i>	
<i>Emerging Markets Large and Mid Caps Equities</i>	<i>MSCI Emerging Markets ESG Custom</i>	
<i>Emerging Markets Small Caps Equities</i>	<i>MSCI Emerging Markets Small Caps ESG Custom</i>	
Private Equity	MSCI ACWI IMI ESG Custom + 2%	7%
<b>TOTAL REAL ASSETS</b>		<b>9%</b>
Real Estate	NCREIF Open End Diversified Core Equity (ODCE) +	8%
<i>Real Estate Core</i>	<i>NCREIF Open End Diversified Core Equity (ODCE)</i>	4%
<i>Real Estate Non-Core</i>	<i>NCREIF Open End Diversified Core Equity (ODCE) + 2%</i>	4%
Infrastructure	US CPI + 4%	1%
<b>TOTAL FIXED INCOME</b>		<b>29%</b>
US Core Bonds	Bloomberg US Aggregate Bond Index ESG Custom	28%
<i>US Securitized</i>	<i>Bloomberg US Securitized ESG Custom</i>	
<i>US Treasuries</i>	<i>Bloomberg US Treasuries ESG Custom</i>	
<i>US Corporates</i>	<i>Bloomberg US Corporates ESG Custom</i>	
<i>US Government-Related</i>	<i>Bloomberg US Government-Related ESG Custom</i>	
Non-Core Bonds (EMD Local Currency)	Bloomberg EM Local Currency Government (10% Country Capped) ESG Custom	1%
<b>TOTAL CASH</b>		<b>2%</b>
Cash	Bloomberg 1-3 Month US Treasuries	2%

41. Based on the long-term risk return characteristics of the Policy Benchmark, OIM may invest in eligible asset classes (**Annex I**), with the goal of achieving its Short-Term Investment Objective and/or its Long-Term Investment Objective.

42. **Annex I** list the eligible assets and instruments. 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; depository receipts; American depository receipts; global depository 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, To Be Announced (TBA), Repo and Reverse Repo and F/X forwards for the purpose of risk management and hedging as per General Assembly (GA) mandate. OIM may use security lending program only for US Treasury to generate revenues.

46. OIM may establish securities lending programs and enter into repurchase transactions to enhance returns. Due to reputational risk concerns, the securities lending program scope has been limited to US Treasury In order to facilitate the implementation of its investment strategies.

### Credit Rating Policy

47. The credit risk framework is based on the composite risk rating of the following agencies: Fitch, Standard and Poor's (S&P) and Moody's. Please see table 3 for explanation of respective ratings. The minimum rating accepted for any rated eligible security is B-/B3 respecting the limits established for the individual



securities. Please refer below to the cascading approach, which was approved by official memorandum dated February 14, 2018, for establishing the composite rating when ratings are not available from all the agencies. If the security does not have a public rating, the rating of the issuer can be used. Automated monitoring of these limits is conducted daily by the Compliance team. Results are presented on a quarterly basis to the Risk Committee.

- When a rating from only 2 of rating agencies is available, the lower is used to determine the investment grade rating
- When only 1 agency has provided a rating for the bond, then that rating is used to determine the grade rating
- Expected ratings may be used for new issues to ensure timely inclusion in the investment universe
- An issuer rating may be used in lieu of a security rating

#### Geographical Diversification

48. 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

49. 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 and fossil fuels companies (including thermal coal companies). 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.

**Table 3: Credit Rating Tables**

Standard & Poor's (S&P)	
Investment Grade	
Long-term issue credit ratings	
AAA	An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's.
AA	An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.
AA+	equivalent to Moody's Aa1 (high quality, with very low credit risk, but susceptibility to long term risks appears somewhat greater)
AA	equivalent to Aa2
AA-	equivalent to Aa3
A	An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories
A+	equivalent to A1
A	equivalent to A2
BBB	An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.
Non-Investment Grade (also known as junk bonds)	
BB	An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the obligor's inadequate capacity to meet its financial commitments.
B	An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.
CCC	An obligor rated 'CCC' is currently vulnerable, and is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.
CC	An obligor rated 'CC' is currently highly vulnerable.
C	highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations
CI	past due on interest
R	An obligor rated 'R' is under regulatory supervision owing to its financial condition. During the pendency of the regulatory supervision, the regulators may have the power to favor one class of obligations over others or pay some obligations and not others.
SD	has selectively defaulted on some obligations
D	has defaulted on obligations and S&P believes that it will generally default on most or all obligations
NR	not rated
Short-term issue credit ratings	
A-1	obligor's capacity to meet its financial commitment on the obligation is strong
A-2	is susceptible to adverse economic conditions however the obligor's capacity to meet its financial commitment on the obligation is satisfactory
A-3	adverse economic conditions are likely to weaken the obligor's capacity to meet its financial commitment on the obligation
B	has significant speculative characteristics. The obligor currently has the capacity to meet its financial obligation but faces major ongoing uncertainties that could impact its financial commitment on the obligation
C	currently vulnerable to nonpayment and is dependent upon favorable business, financial, and economic conditions for the obligor to meet its financial commitment on the obligation
D	is in payment default. Obligation not made on due date and grace period may not have expired. The rating is also used upon the filing of a bankruptcy petition.

Fitch Ratings	
Long-term credit ratings	
Investment grade	
AAA	the best quality companies, reliable and stable
AA	quality companies, a bit higher risk than AAA
A	economic situation can affect finance
BBB	medium class companies, which are satisfactory at the moment
Non-investment grade	
BB	more prone to changes in the economy
B	financial situation varies noticeably
CCC	currently vulnerable and dependent on favorable economic conditions to meet its commitments
CC	highly vulnerable, very speculative bonds
C	highly vulnerable, perhaps in bankruptcy or in arrears but still continuing to pay out on obligations
D	has default on obligations and Fitch believes that it will generally default on most or all obligations
NR	not publicly rated
Short-term credit ratings	
F1+	best quality grade, indicating exceptionally strong capacity of obligor to meet its financial commitment
F1	best quality grade, indicating strong capacity of obligor to meet its financial commitment
F2	good quality grade with satisfactory capacity of obligor to meet its financial commitment
F3	fair quality grade with adequate capacity of obligor to meet its financial commitment but near term adverse conditions could impact the obligor's commitments
B	of speculative nature and obligor has minimal capacity to meet its commitment and vulnerability to short term adverse changes in financial and economic conditions
C	possibility of default is high and the financial commitment of the obligor are dependent upon sustained, favorable business and economic conditions
D	the obligor is in default as it has failed on its financial commitments.

Moody's		
Investment grade		
Rating	Long-term ratings	Short-term ratings
Aaa	Rated as the highest quality and lowest credit risk	Prime-1 Best ability to repay short-term debt
Aa1		
Aa2		
Aa3		
A1	Rated as upper-medium grade and low credit risk	Prime-1/Prime-2 Best ability or high ability to repay
A2		
A3		
Baa1	Rated as medium grade, with some speculative elements and moderate credit risk	Prime-2 High ability to repay short term debt
Baa2		Prime-2/Prime-3 High ability or acceptable ability to repay
Baa3		Prime-3 Acceptable ability to repay short term debt
Speculative grade		
Rating	Long-term ratings	Short-term ratings
Ba1	Judged to have speculative elements and significant credit risk	Not Prime Do not fall within any of the prime categories
Ba2		
Ba3		
B1	Judged as being speculative and a high credit risk	
B2		
B3		
Caa1	Rated as poor quality and very high credit risk	
Caa2		
Caa3		
Ca	Judged to be highly speculative and with likelihood of being near or in default, but some possibility of recovering principal and interest	
C	Rated as the lowest quality, usually in default and low likelihood of recovering principal or interest	

50. Exchange Traded Funds (ETFs) and any other Index products are exempt from ESG and ratings restrictions.

#### Mitigation of Reputational Risk

51. 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

52. OIM maintains and updates a public website which discloses, on a regular 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.

53. 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 earned the GIPS compliance certification starting in 2020.

54. The Fund's annual performance is audited and reported independently after a stringent periodic audit and verification. Moreover, Fund's performance is also externally audited for GIPS compliance purposes.

55. 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 Services, and the Chief Investment Officer 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.

56. Any UNJSPF investment performance or other report distributed outside of OIM shall be disseminated in a secure PDF or otherwise inalterable format.

57. Any UNJSPF investment performance or other report being presented otherwise than by OIM staff shall be cleared with the Chief Risk and Compliance Officer, the Chief Investment Officer and the RSG.

58. All requests for UNJSPF investment performance or other reports to be distributed outside of OIM shall be submitted to the Chief Risk and Compliance Officer and the RSG for clearance, prior to any dissemination.

## RISK MANAGEMENT

59. 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."*

60. 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.

### Risk Monitoring

61. Total Portfolio Risk – OIM will monitor and report 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 Risk Committee approves risk limits and reviews them periodically.

62. Active Risk - OIM will monitor and report 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).

63. OIM will monitor and report 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.

64. 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.

65. 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.

66. 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

67. 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

68. 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.

69. 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.

70. The Fund restricts investments in the tobacco industry and in the securities of companies producing controversial weapons, including weapons of mass destruction



as well as fossil fuel companies. OIM is using a customized equity and fixed income benchmark provided by a leading index provider to reflect these restrictions.

71. OIM's sustainable investment strategy is aligned with its fiduciary duty and responsibility, and includes material environmental, social and governance considerations that are currently in the process of being integrated throughout the investment decision-making process.

72. 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). They promote a fair, unified and productive reporting and compliance environment. They advance positive corporate ESG actions which promote practices that present new opportunities or that mitigate related financial and reputational risks.

73. An active sustainable voting policy combined with an engagement approach, creates a more effective positive sustainable impact and change consistent with our mission. The Fund believes in an effective and productive dialogue with company management in order to affect corporate behavior and advocate for better action and outcomes.

## OTHER EXTERNAL RELATIONSHIPS

74. 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.

75. 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. External Managers are subjected to the Policy of External Managers. Comprehensive details on the selection process, due diligence, operations and risk management of External Managers are included in the Policy of External Managers. External Managers risk is monitored and assessed on an ongoing basis and presented quarterly at the Risk Committee. Reputational Risk of External Managers is also monitored and assessed and presented at the Compliance Committee. 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 - Eligible Investment Universe

The table below shows the eligible asset classes. 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.

## **Asset Class**

### **Global Public Equities**

Developed Markets

Small Cap

Emerging Markets

Frontier Markets

Exchange Traded Funds (ETFs)

### **Private Markets**

#### **Private Equity**

Buyouts

Growth Capital

Special Situations

Venture Capital

Secondaries

Direct Investments

Co-Investments

Private Debt

### **Total Real Assets**

#### **Real Assets**

Infrastructure

Timberland, Agriculture and Farmland

Direct Investments

Co-Investments

Real Estate  
Real Estate  
Direct Investments  
Co-Investments

**Global Fixed Income**

Government Bonds  
Government-related Bonds  
Securitized Debt and To Be Announced (TBA)  
Emerging Market Debt  
Corporate Securities  
Inflation Linked Bonds  
Private Debt  
Exchange Traded Funds (ETF's)  
Exchange-traded Derivatives  
Over the counter Derivatives, Repo and Reverse Repo  
Other  
Securities Lending

**Cash and Equivalents**

Government and related securities  
Money Market Instruments (Deposits, Discount notes and others)  
Floating Rate Notes  
Securitized Debts  
Inflation Linked Bonds  
Corporate Securities  
Exchange-traded Derivatives  
Over the counter Derivatives  
Repo and Reverse Repo



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