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United Nations pension system

Investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund

Report of the Secretary-General

I. Introduction

1. The management of the investment of the assets of the United Nations Joint Staff Pension Fund is the fiduciary responsibility of the Secretary-General of the United Nations, who acts in consultation with the United Nations Investments Committee, taking into account the broad policy observations of the General Assembly and the observations and suggestions made from time to time by the United Nations Joint Staff Pension Board on the investments policy. The Investments Committee provides advice on investment strategy and reviews the investments of the Fund at its meetings. All investments must, at the time of initial review, meet the criteria of safety, profitability, liquidity and convertibility. The Representative of the Secretary-General for the investment and assets of the Fund has been delegated the responsibility and authority to act on behalf of the Secretary-General in all matters involving the fiduciary duties of the Secretary-General relating to the investment of the assets of the Fund. The Representative is assisted by the staff of the Office of Investment Management.

2. The present report gives information on the management of the investments of the Fund during the calendar biennium period from 1 January 2020 to 31 December 2021 and provides information on items including, but not limited to, investment returns, diversification of investments and development-related investments of the Fund.

* A/77/150.



II. Changes during the biennium

3. During the biennium ended 31 December 2021, the Fund's market value of assets increased by \$19,512 million. As at 31 December 2021, the Fund successfully met or exceeded its long-term investment real rate of return objective of 3.5 per cent in United States of America dollars over the past 1, 2, 3, 5, 10, 15, 25 and 50 years. The Fund's nominal return trailed the policy benchmark in 2020 but exceeded the return of its policy benchmark in 2021.

4. The investment performance for the Fund is reported in United States dollars, both real and nominal terms, both of which are time-weighted investment returns. The real rate of return is equal to the nominal rate of return minus inflation, as measured by United States consumer price inflation. The long-term investment objective of the Fund is its actuarial return assumption (3.5 per cent real rate of return) and is measured on a 15-year basis according to the investment policy statement. The Fund's policy benchmark is used to measure its short-term relative performance based on a 3-year horizon. The policy benchmark is a weighted average of the strategic target weightings and the benchmarks for each asset class. The Fund's current policy benchmark was updated on 1 October 2019, after the approval of the asset liability management study and the new investment policy statement.

5. In 2020, following the recommendation by the Office of Internal Oversight Services (OIOS) and an analysis by an internal task force, the Office of Investment Management hired an independent consultant to conduct an asset management and benchmark study to update the asset allocation based on the new environment of capital market assumptions and review the appropriateness of the benchmarks for the different asset classes, particularly in the fixed income portfolio. Although the Fund completes a full asset liability management study every four years, it was necessary to conduct the asset management and benchmark study simultaneously with the benchmark study because of the unprecedented changes in market conditions due to the global coronavirus disease (COVID-19) crisis. The consultant provided new capital market assumptions along with full disclosure of the sources of the assumptions. The study was focused only on the asset side and was not a full-fledged asset liability management study. The implementation of the new benchmarks started in June 2022 after consultations with stakeholders in 2021 and will be finalized during the fourth quarter of 2022. The execution of the strategy is expected to be finalized in two to five years. The implementation will reflect the recommendations related to the "implementable" strategic asset allocation, which is an intermediate step towards the aspirational strategic asset allocation, as explained in detail in the asset management and benchmark study.

6. The Fund's asset allocation as at 31 December 2021 was relatively close to the policy benchmark weight, as shown in table 1 below.

Table 1
Asset allocation as at 31 December 2021
(Percentage)

<i>Asset classes</i>	<i>Minimum</i>	<i>Target (SAA)</i>	<i>Maximum</i>	<i>Benchmark weight^a</i>	<i>Portfolio weight</i>
Global equities	30	45	60	55.7	57.1
Private equity	4	9	15	7.1	7.1
Real estate	5	12	15	7.1	7.1
Real assets ^b	—	4	5	0.2	0.2
Growth assets	39	70	95	70	71.4

<i>Asset classes</i>	<i>Minimum</i>	<i>Target (SAA)</i>	<i>Maximum</i>	<i>Benchmark weight^a</i>	<i>Portfolio weight</i>
Global fixed income	10	29	40	29.0	24.8
Cash and equivalents	—	1	10	1.0	3.9
Non-growth assets	10	30	50	30	28.6
Total		100		100	100

Source: Independent Master Record Keeper, Northern Trust.

Note: Numbers may not add up due to rounding.

Abbreviation: SAA, strategic asset allocations.

^a 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. The policy benchmark weights correspond to the last end-of-month weights for the private asset classes (private equity, real estate and real assets). The structural underweight in those private asset classes (difference between the strategic asset allocation weights and the end-of-month weights) is added back to the strategic asset allocation global equities weight. Private market valuations are available on a three-month lag owing to the nature of that asset class.

^b Real assets include positions in infrastructure, timberland.

7. As at 31 December 2021, the allocation to global equities was 57.1 per cent, compared with a policy benchmark weight of 55.7 per cent, representing an overweight of 1.4 per cent. Investments in private equity, real estate and real assets were 7.1 per cent, 7.1 per cent and 0.2 per cent, respectively, which correspond to the new policy benchmark weights (see note a to table 1). Private market investments are equity-like asset classes, and global equities serves as a temporary substitute for those asset classes until the target strategic asset allocations in those three asset classes are achieved over the next few years, as was explained in the asset liability management study.

8. As at 31 December 2021, 24.8 per cent of the Fund's assets was invested in global fixed income, representing an underweight of 4.2 per cent versus the policy benchmark weight. The cash allocation was 3.9 per cent, that is, 2.9 per cent above the policy benchmark weight.

9. The Office of Investment Management successfully made significant reductions to vacancies during the biennium. As at 31 December 2019, there were seven vacancies, of which two were professional posts and five general service posts.

10. The Information Systems Section made progress with the implementation of the target operating model, which has provided substantial benefits and resulted in further enhancements to the Office of Investment Management's technology and operations infrastructure. The business applications of the Office enable electronic trading capabilities covering the entire investment cycle, which guarantee high availability, security, efficiency and transparency for all processes supporting the management and investment of all assets of the Fund (i.e., portfolio management, trading, compliance, confirmation and affirmation of trades, settlement and reconciliation). In addition, the supporting technology provides real-time access to financial market data from multiple exchanges, benchmark indices, credit rating agencies and financial data for all asset classes, countries, currencies and instruments. Requests for proposals for new system implementations were successfully completed for alternative systems, including a risk and performance system and an integrated buy-side asset management system. The Information Systems Section manages all aspects of information and communications technology (ICT) while providing for ongoing infrastructure and security services, including email services, hosting data centres and disaster recovery, network and communications, cybersecurity and operations resilience, risk management, and business continuity. The Information Systems Section staff were augmented to cover

important roles in information security, business continuity and service desk functions. The request for proposals for a new infrastructure service provider and for implementation of an information technology service management software was successfully completed, and vendor contract negotiations are being conducted. After the migration to the cloud-based Office 365 infrastructure, new roles and responsibilities were defined for the Information Systems Section's functional groups, and new features were implemented to increase productivity, such as Microsoft Teams and SharePoint/One Drive. The completion of ISO certification for information security (ISO 27001:2013) and business continuity (ISO 22301:2019) was a significant landmark achieved in 2020 to strengthen the information systems at the Office of Investment Management. This continued to be maintained in 2021 with the annual certification process, also significantly improved the reliability, scalability, security and maintainability of the Office's infrastructure by migrating to industry standard and cloud platforms. The information security function was enhanced with the implementation of data loss prevention tools and security information and event management monitoring. Business continuity preparedness enabled the Office of Investment Management to seamlessly transition to the remote working environment, facilitated by the cloud-based collaboration tools available, business continuity awareness training and the Office's wide mandatory work-from-home testing previously conducted. Thanks to those improvements, the Office could work entirely remotely during the COVID-19 crisis.

11. The ICT Steering Committee started meeting on a monthly basis and was expanded in size given the impact and significance of technology projects and initiatives across the Office of Investment Management. Great strides were also made in the capability of the Information Systems Section team with the creation of a data management function, the expansion of the project management office to now cover enterprise-wide initiatives and in the establishment of the vendor management office. The terms of reference for the Enterprise Project Management Office and Vendor Management Office were approved. The information technology Change Advisory Board continues to cover requests for reviews in a timely manner and following the Office of Investment Management ICT change management framework. During this period, five OIOS information technology recommendations were also successfully closed.

12. The Board of Auditors, in its reports for the year ended 31 December 2019 ([A/75/5/Add.16](#)) and 2018 ([A/74/5/Add.16](#)), made recommendations to enhance controls over the registration and monitoring of alternative investments. Furthermore, in anticipation of the potential growth of the alternative investments and the limited scalability of existing manual controls and resources, the Office of Investment Management recognized the need to have an enhanced solution to manage the alternative investments portfolio. As a result, in 2021, the Office completed a request for proposals for the provision of alternative investment solutions, including the software platform and services. The managed platform for the Office's alternative investments portfolio will effectively support its plan to grow, monitor, assess and report on the Fund's alternative investment portfolio by providing an ability to automate capital call payments and distribution workflows and monitor accounting data and transactions through an alternative investment system, compared with the spreadsheets-based approach used for the existing manual processes and controls. The implementation has been carried out in multiple phases. The implementation started in the fourth quarter of 2021 and is expected to continue until the third quarter of 2022.

13. In 2020, the Office of Investment Management developed a desktop operational due diligence review process to assist portfolio managers in the selection of alternative investments. During the biennium 2020–2021, the Operations team completed over 30 desktop reviews. The review focused on operational aspects of the target funds, including wiring instruction validation processes, reporting capabilities and understanding of the Fund's audit and internal control environment.

14. To support the implementation of new fixed-income benchmark and local equity trading, during the biennium 2020–2021, the Operations team set up local accounts in Indonesia, the Russian Federation and Thailand and started facilitating securities and foreign exchange trade settlements in those complex markets.

15. To reduce exceptions and fails in trade settlements and to increase straight-through processing, in 2021 the Operations team led a project to consolidate over 40 equity custody accounts and started a project to migrate the SWIFT notification messaging to our custodian via the Depository Trust and Clearing Corporation (DTCC) Central Trade Manager SWIFT Notification platform. That platform introduces trade processing management by exceptions and eliminates the need to manually maintain equity and fixed-income standard settlement instructions and static data for most brokers, thereby drastically reducing settlement risk caused by incorrect and late instructions. Through an enhanced eligibility process, the system also makes it possible to perform straight-through processing without jeopardizing dual approval for trade exceptions.

16. In 2019, DTCC announced that the OASYS platform would be decommissioned from October 2021 and migration to the Central Trade Manager platform would be required. Central Trade Manager provides centralized matching of cross-border and domestic transactions across asset classes, providing an optimal workflow and representing a critical step in upgrading the post-trade process. Central Trade Manager supplies a direct feed from each broker's ALERT database to populate standing settlement instructions. In 2021, the Office of Investment Management moved all of its United States brokers to the Central Trade Manager matching platform ahead of the decommissioning deadline.

17. The Office of Investment Management is assisted by custodian and global tax advisers in its tax recovery efforts. As at 31 December 2021, the Fund had received tax rulings confirming its tax-exempt status in 35 jurisdictions, in conformity with the Convention on the Privileges and Immunities of the United Nations. As part of the tax exemption application process, the Fund is also requesting, where applicable, that the exemption extend to all taxes related to securities transaction, including securities transaction taxes and stamp duty. The exemption is granted either as a relief at source or via a reclaim process. Under the reclaim process, the Fund received \$25.1 million during the biennium 2020–2021 and has tax receivable of \$89.9 million as at 31 December 2021.

18. In addition, as at 31 December 2021, the Fund was pursuing the recovery of \$10.6 million historical American depository receipts tax withheld in Brazil, Chile and the Russian Federation. The Fund does not currently have a confirmation of tax-exempt status for Indonesia and Thailand. Accordingly, the taxes withheld on direct investments in those countries accrued and were deemed not recoverable in 2021. During the biennium 2020–2021, the Office of Investment Management, with assistance from Procurement Division, completed the request for proposals for the provision of global tax consultancy services until 2025. A roster of two vendors was established on the basis of a best value for money approach, thereby enhancing operational efficiencies and competitive advantage in the procurement of tax consultancy services.

III. Economic review

19. The United States economy achieved a rate of real, inflation adjusted gross domestic product (GDP) growth of 5.7 per cent in 2021, compared with minus 3.4 per cent in the prior year. The average annual nominal rate of growth was 11.8 per cent, compared with minus 1.0 per cent in the prior year. The rate of unemployment increased, ending the year at 5.4 per cent, compared with 8.1 per cent in the prior

year. The effective Federal Funds rate ended at 0.08 per cent at year-end 2021, compared with 0.36 per cent at year-end 2020.

20. The Canadian economy achieved a rate of real, inflation-adjusted GDP growth of 4.8 per cent in 2021, compared with minus 5.23 per cent in the prior year. The rate of unemployment decreased, ending the year at 6.3 per cent, compared with 8.9 per cent in the prior year. The Canadian economy benefited from the rise in commodity prices during 2021.

21. Economic conditions in Europe improved during the biennium ended 31 December 2021, with signs of stabilization following the pandemic, some gradual improvement in labour markets and industrial production and GDP at low levels. The European Central Bank continued its stimulus policies, including record low interest rates, purchases of sovereign debt and the lending programme. Equity markets initially declined in 2020 but rebounded in 2021, reacting favourably to the pandemic-linked monetary and fiscal stimulus. The equity markets, measured in local currency terms, were positive during the biennium.

22. The COVID-19 pandemic had a significant impact on the economies of the Asia-Pacific region, resulting in a real GDP contraction in 2020 of 2.1 per cent in Australia, 4.1 per cent in Singapore, 4.6 per cent in Japan and 6.5 per cent in Hong Kong, China. The rebound in 2021 was strong in the region excluding Japan, ranging from 5 per cent to 8 per cent. However, prolonged lockdowns in Japan suppressed GDP growth in the country to just 1.8 per cent in 2021. The core consumer price inflation in Japan, excluding food and energy, remained depressed at minus 0.5 per cent and minus 1.3 per cent in 2020 and 2021, respectively, despite cost inflation and yen depreciation during 2021.

23. Economic growth in emerging markets slowed in 2020 to minus 1.1 per cent and rebounded to 7.1 per cent in 2021. Asian emerging markets continued to lead, with a flat growth in 2020 and a 7.4 per cent growth in 2021, followed by European emerging markets at minus 2.0 per cent in 2020 and 6.3 per cent in 2021, while Latin America lagged with minus 6.6 per cent in 2020 then 6.6 per cent in 2021. Looking at the entire emerging market corporate universe, sales dropped 9 per cent in 2020 and increased 15 per cent in 2021. Earnings dropped 17 per cent in 2020 and increased 57 per cent in 2021. Emerging markets equities however performed well in 2020, with a total return in United States dollars of 18.8 per cent but corrected minus 2.3 per cent in 2021. Markets were volatile, with growing concerns about geopolitical tensions on the one hand and continued optimism on structural growth in areas such as technology as well as ample liquidity on the other.

24. During the biennium ended December 2021, yields in bond markets experienced extreme volatility worldwide as the market digested the effects of the COVID-19 pandemic and lockdowns, followed by the vaccine rollouts, central banks' rate cuts and accommodative policies, followed by communications over rising inflation globally, economic growth optimism and expectations of interest rate increases. After bottoming out in the middle of 2020, yields in bond markets started to rise globally in response to expectations of interest rate increases and the improving situation regarding the pandemic. In the United States, 10-year Treasury yields ended 2021 at 1.51 per cent, 36 basis points lower than 1.87 per cent at the beginning of January 2020 and 100 basis points higher than the low of 0.51 per cent in August 2020. At the end of the biennium, bond yields in Europe, the United Kingdom of Great Britain and Northern Ireland and Japan stood at around the same levels as they were at the start of the biennium, owing to central bank policies. In emerging markets, government index bond yields closed at 5.17 per cent, sold off at 87 basis points from 4.30 per cent during the period.

25. Foreign exchange markets experienced increased volatility, driven mainly by COVID-19, lockdowns and changes in global monetary policies. The value of the United States dollar relative to a basket of other Group of Seven currencies (the United States dollar index) peaked in the first quarter of 2020 followed by the dollar's

weakness towards the end of December 2020, a depreciation of approximately 13 per cent. The United States dollar index ended the biennium approximately 1 per cent weaker compared with the start of the biennium. Emerging market currencies experienced extreme loss of liquidity and valuations in the first and second quarters of 2020, but recovered steadily to end the biennium approximately 2.7 per cent stronger.

IV. Diversification

26. The Fund's policy of broad diversification of its investments by type of asset classes, currency and geographical area continues to be a reliable strategy for improving its risk-return profile over the long term. The Fund is unique among major pension funds in its commitment to diversifying its portfolio on a fully global basis.

By asset class

27. The target strategic asset allocation is composed of the following target weightings by asset class: 45 per cent for equities, 29 per cent for fixed income, 12 per cent for real estate, 4 per cent for real assets, 9 per cent for private equity and 1.0 per cent for cash and equivalents. The Fund is in the process of gradually building its exposure to private market investments to further optimize its risk-return profile. Most of this growth will be in private equity, real estate and infrastructure. At the end of calendar year 2020, global equities were slightly above the policy benchmark weight (59.4 per cent for the portfolio, compared with 58.2 per cent for the policy benchmark); at the end of 2021, global equities were above the policy benchmark (57.1 per cent for the portfolio, compared with 55.7 per cent for the policy benchmark). On 31 December 2020, the fixed income weight was 26.4 per cent and below the policy benchmark of 29 per cent. On 31 December 2021, the weight for fixed income was 24.8 per cent of the Fund, compared with the policy benchmark weight of 29 per cent. Exposure to real estate was 6.7 per cent of the Fund on 31 December 2020 and 7.1 per cent as at 31 December 2021. As at 31 December 2020, the Fund's private equity weight was 5.7 per cent of the Fund and 7.1 per cent at the end of 2021. Real assets exposure remained marginal, with a total exposure of 0.2 per cent of the total portfolio over the biennium. Cash and short-term investments represented 1.6 per cent of Fund on 31 December 2020 and ended the biennium on 31 December 2021 at 3.9 per cent. The Fund and its investment portfolios are rebalanced periodically throughout the year to adhere closely to the policy benchmark weights for each asset class.

By currency

28. As at 31 December 2021, the Fund was well diversified in terms of currencies. In total, the Fund's direct investments across all asset classes included 35 currencies, of which 73.1 per cent were in United States dollars and 26.9 per cent were in non-United States dollar currencies. The global equity portfolio invested in 29 different currencies through direct investments, 63.2 per cent of which were in United States dollars and 36.8 per cent were denominated in non-United States dollar currencies. The fixed income portfolio was invested in 25 different currencies through direct investments, 84.7 per cent of which were in United States dollars and 15.3 per cent were in non-United States dollar currencies. There was a relative stability in terms of United States dollar exposure compared with the previous biennium, with approximately 65.9 per cent invested in United States dollars.

By geography

29. The proportion of the total Fund, based on market value across all asset classes, that is invested in North America increased to 67.82 per cent in December 2021 from 62.26 per cent in December 2019. However, investments in Europe decreased to 12.15

per cent from 13.7 per cent, and investments in the Asia-Pacific region decreased to 5.1 per cent from 6.5 per cent. Investments in emerging markets decreased to 14.9 per cent from 17.6 per cent. In terms of the number of countries, as at 31 December 2021, the Fund had investments in 99 countries and seven regions,¹ including direct and indirect investments in developed and developing countries. Direct investments were as follows: a total of 46 countries, with direct fixed-income investments in 32 countries and direct-equity investments in 42 countries. Indirect investments in additional countries were made through international institutions, externally managed funds in emerging and frontier markets, as well as through private market investments (private equity, real estate, real assets).

V. Investments in developing countries

30. The Office of Investment Management makes every effort to comply with the requests of the General Assembly in its resolution 36/119 A–C to increase the geographic diversification of the Fund's investments in developing countries. This includes investments in emerging and frontier markets. Investments by the Fund in emerging markets are an increasingly important part of the Fund's strategy, owing to long-term growth opportunities in these markets. The Fund's developing market investments are made wherever they are consistent with the best economic interests of the Fund's participants and beneficiaries, taking into account the Fund's four main criteria for investment: safety, profitability, liquidity and convertibility.

31. Direct and indirect investments in developing countries amounted to \$13.657 billion as at 31 December 2021, an increase of approximately 8.93 per cent from \$12.537 billion on 31 December 2019.

32. Areas of the Fund's investments are shown in tables 2, 3 and 4 below.

Table 2

Total Fund: countries/areas of investments
Market value as of 31 December 2021

<i>Countries/regions^a</i>	<i>Market valuation</i>	<i>Percentage</i>
North America		
Canada	1 656 161 420	1.81
United States	60 382 216 074	66.00
Cash and equivalent (external managers)	600 776	0.00
Subtotal, North America	62 038 978 270	67.82
Europe		
Austria	23 595 606	0.03
Belgium	150 234 096	0.16
Denmark	450 889 044	0.49
Finland	157 658 198	0.17
France	1 432 942 170	1.57
Germany	1 577 624 131	1.72
Ireland	160 485 733	0.18
Italy	424 815 769	0.46
Netherlands	781 000 973	0.85

¹ Regions are geographical entities that are not States Members of the United Nations.

<i>Countries/regions^a</i>	<i>Market valuation</i>	<i>Percentage</i>
Norway	203 568 647	0.22
Portugal	22 584 713	0.02
Spain	475 690 219	0.52
Sweden	759 393 795	0.83
Switzerland	1 403 671 163	1.53
United Kingdom	2 975 163 338	3.25
Luxembourg	39 880 521	0.04
Monaco	28 851 639	0.03
Cyprus	29 151 532	0.03
Malta	8 505 506	0.01
Cash and equivalent (external managers)	187 554	0.00
Europe Region	5 070 047	0.01
Subtotal, Europe	11 110 964 394	12.15
Europe emerging markets		
Czechia	71 980 544	0.08
Hungary	72 831 841	0.08
Greece	27 927 949	0.03
Latvia	7 403 937	0.01
Poland	356 312 268	0.39
Türkiye	37 243 039	0.04
Russian Federation	582 975 119	0.64
Kazakhstan	78 789 089	0.09
Romania	23 384 578	0.03
Serbia	6 252 919	0.01
Georgia	552 426	0.00
Ukraine	2 612 129	0.00
Guernsey ^a	5 422 064	0.01
Jersey ^a	13 678 739	0.01
Albania	58 619	0.00
Bulgaria	924 503	0.00
Croatia	388 428	0.00
Republic of Moldova	3 739 100	0.00
Montenegro	1 907 455	0.00
Lithuania	5 932 657	0.01
Belarus	1 903 971	0.00
Armenia	674 835	0.00
Estonia	2 549 541	0.00
Subtotal, Europe emerging markets	1 305 445 751	1.43
Asia and the Pacific emerging markets		
China	3 763 241 283	4.11
India	1 136 009 215	1.24
Indonesia	537 555 182	0.59
Republic of Korea	1 654 231 478	1.81

<i>Countries/regions^a</i>	<i>Market valuation</i>	<i>Percentage</i>
Malaysia	395 954 272	0.43
Philippines	189 117 927	0.21
Taiwan Province of China ^a	1 415 165 367	1.55
Vietnam	16 149 604	0.02
Thailand	356 955 894	0.39
Subtotal, Asia and the Pacific emerging markets	9 464 380 221	10.35
Asia and the Pacific		
Australia	1 166 000 602	1.27
Japan	3 186 249 337	3.48
New Zealand	29 018 509	0.03
Singapore	290 825 670	0.32
Marshall Islands	2 408 567	0.00
Subtotal, Asia and the Pacific	4 674 502 686	5.11
Africa		
South Africa	442 033 067	0.48
Nigeria	15 290 372	0.02
Cameroon	4 491 851	0.00
Kenya	1 273 213	0.00
Mauritius	52 027	0.00
Tunisia	2 685 108	0.00
Egypt	169 516 543	0.19
Gabon	1 258 553	0.00
Ghana	1 555 456	0.00
Mozambique	666 727	0.00
Angola	279 407	0.00
Ethiopia	449 362	0.00
Benin	805 756	0.00
Subtotal, Africa	640 357 439	0.70
Latin America and the Caribbean		
Brazil	755 857 076	0.83
Chile	74 256 216	0.08
Colombia	47 561 186	0.05
Mexico	657 721 333	0.72
Peru	99 803 494	0.11
Bermuda ^a	24 557 583	0.03
Cayman Islands ^a	3 699 237	0.00
Dominican Republic	1 614 352	0.00
Puerto Rico ^a	13 033 902	0.01
Argentina	4 104 058	0.00
Virgin Islands (US) ^a	5 174 632	0.01
Trinidad and Tobago	1 386 686	0.00
Grenada	1 754 936	0.00

<i>Countries/regions^a</i>	<i>Market valuation</i>	<i>Percentage</i>
El Salvador	720 018	0.00
Uruguay	1 112 353	0.00
Venezuela (Bolivarian Republic of)	609 216	0.00
Suriname	1 090 239	0.00
Paraguay	585 601	0.00
Honduras	523 312	0.00
Jamaica	544 622	0.00
Costa Rica	591 629	0.00
Subtotal, Latin American and the Caribbean	1 696 301 681	1.85
Middle East		
Israel	132 368 593	0.14
Jordan	826 976	0.00
Qatar	55 112 127	0.06
United Arab Emirates	89 936 277	0.10
Saudi Arabia	268 514 182	0.29
Pakistan	555 863	0.00
Uzbekistan	1 120 128	0.00
Regional Middle East	0	0.00
Subtotal, Middle East	548 434 145	0.60
Other ^b		
International	2 348 202	0.00
Total	2 348 202	0.00
Total Fund	91 481 712 789	100.00

^a Indicates regions (either territories, dependencies or provinces of States Members of the United Nations).

^b Contains positions in development financial institutions that cannot be categorized into one specific country.

Table 3
Pension Fund investments in developed markets as at 31 December 2021

<i>Country/region^a</i>	<i>Equities</i>		<i>Fixed income</i>		<i>Private equity</i>	<i>Real estate</i>	<i>Real assets</i>
	<i>Direct</i>	<i>Indirect</i>	<i>Direct</i>	<i>Indirect</i>			
Australia	✓		✓		✓	✓	✓
Austria	✓	✓			✓	✓	
Belgium	✓	✓	✓		✓	✓	
Canada	✓	✓	✓		✓	✓	
Denmark	✓	✓	✓		✓	✓	
Finland	✓	✓			✓	✓	
France	✓	✓			✓	✓	
Germany	✓	✓	✓		✓	✓	✓
Ireland	✓	✓	✓	✓	✓	✓	
Israel	✓	✓	✓		✓		
Italy	✓	✓			✓	✓	

Country/region ^a	Equities		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Japan	✓	✓	✓	✓	✓	✓	
Netherlands	✓	✓	✓		✓	✓	
New Zealand	✓		✓		✓		
Norway	✓	✓	✓		✓	✓	
Portugal	✓				✓	✓	
Singapore	✓	✓			✓	✓	
Spain	✓	✓			✓	✓	✓
Sweden	✓	✓			✓	✓	
Switzerland	✓	✓			✓	✓	
United Kingdom	✓	✓	✓	✓	✓	✓	✓
United States	✓	✓	✓	✓	✓	✓	✓

Note: Classification based on Morgan Stanley Capital International definition of developed markets.

Table 4
Pension Fund investments in emerging markets as at 31 December 2021

Country/region ^a	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Albania						✓	
Angola				✓			
Argentina				✓	✓	✓	
Armenia				✓			
Belarus				✓			
Benin				✓			
Bermuda ^b					✓		✓
Brazil	✓		✓	✓	✓	✓	✓
Bulgaria						✓	
Cameroon				✓	✓		
Cayman Islands ^a					✓		
Chile	✓		✓		✓		
China	✓			✓	✓	✓	✓
Colombia			✓	✓			✓
Costa Rica				✓			
Croatia						✓	
Cyprus					✓		
Czechia			✓		✓		
Dominican Republic				✓			
Egypt			✓	✓			
El Salvador				✓			
Estonia					✓		
Ethiopia				✓			
Gabon				✓			

Country/region ^a	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Georgia		✓		✓			
Ghana				✓			
Greece	✓	✓			✓	✓	
Grenada				✓			
Guernsey ^b					✓		
Honduras				✓			
Hungary	✓		✓		✓	✓	
India	✓	✓	✓		✓	✓	✓
Indonesia	✓		✓		✓		
Jamaica				✓			
Jersey ^b					✓		
Jordan				✓			
Kazakhstan				✓	✓		
Kenya				✓	✓		
Latvia						✓	
Lithuania					✓		
Luxembourg	✓				✓		
Malaysia	✓		✓		✓		
Malta					✓		
Marshall Islands					✓		
Mauritius					✓		
Mexico	✓		✓	✓	✓	✓	✓
Monaco						✓	
Montenegro						✓	
Mozambique				✓			
Nigeria				✓	✓		
Pakistan				✓			
Paraguay				✓			
Peru	✓		✓	✓	✓		
Philippines	✓		✓		✓		
Poland	✓		✓		✓	✓	
Puerto Rico ^b					✓		
Qatar	✓						
Republic of Korea	✓		✓		✓	✓	
Republic of Moldova						✓	
Romania			✓		✓	✓	
Russian Federation	✓		✓	✓	✓	✓	
Saudi Arabia	✓						
Serbia					✓		
South Africa	✓		✓	✓	✓		
Suriname				✓			
Taiwan Province of China ^b	✓				✓		

Country/region ^a	Equity		Fixed income		Private equity	Real estate	Real assets
	Direct	Indirect	Direct	Indirect			
Thailand	✓		✓		✓	✓	
Trinidad and Tobago				✓			
Tunisia				✓	✓		
Türkiye	✓		✓	✓	✓		
United Arab Emirates	✓				✓		✓
Ukraine				✓		✓	
Uruguay				✓			
Uzbekistan				✓			
Venezuela (Bolivarian Republic of)				✓			
Viet Nam					✓		
Virgin Islands (United States) ^b						✓	

^a Indicates regions (either territories, dependencies or provinces of States Members of the United Nations).

^b The classification used in the table to identify countries as “emerging markets” are countries classified either as “emerging markets” or “frontier markets” by Morgan Stanley Capital International Index, or countries not belonging to the Morgan Stanley Capital International Index universe of developed markets, emerging markets and frontier markets.

VI. Investment returns

A. Performance

33. During the biennium ended 31 December 2021, the Fund’s market value of assets increased to \$91,481 million as at 31 December 2021, from \$71,970 million as at 31 December 2019, an increase of \$19,511 million, or approximately 27.4 per cent cumulative in nominal value.

34. For the biennium ended 31 December 2021, the Fund had an annualized real return of 8.4 per cent. For the year ended 31 December 2020, the real return was 11.9 per cent, and for the year ended 31 December 2021, the real return was 4.9 per cent. The Fund successfully met or exceeded its long-term real rate of return objective of 3.5 per cent over the 1-, 2-, 3-, 5-, 10-, 15-, 25- and 50-year period ended 31 December 2021. For the 50-year period, the Fund exceeded its 3.5 per cent objective by 98 basis points, with a real rate of return of 4.5 per cent.

35. For the biennium ended 31 December 2021, the Fund had an annualized nominal return of 12.9 per cent, outperforming the policy benchmark return of 12.4 per cent by 46 basis points. For the year ended 31 December 2020, the Fund’s nominal return was minus 13.4 per cent, underperforming the policy benchmark return of minus 13.4 per cent by 4 basis points. The underperformance in calendar year 2020 was attributable primarily to an overweight allocation in investment cash. For the year ended 31 December 2021, the Fund’s nominal return was 12.3 per cent, outperforming the policy benchmark return of 11.4 per cent by 95 basis points. The underperformance was the result of three main factors: private market investments, the underweight position in fixed income and the overweight position in United States small cap. Over the past 15 years, the Fund has achieved an annualized nominal return of 6.6 per cent, outperforming the 6.5 per cent return of the policy benchmark by 11 basis points.

36. Total equities gave a return of 18.8 per cent in 2020 and 16.8 per cent in 2021, for an annualized performance of 17.81 per cent over the biennium. Total fixed income gave a return of 5.4 per cent in 2020 and minus 3 per cent in 2021, for an annualized

performance of 1.1 per cent over the biennium. Real estate performance was 4.6 per cent in 2020 and 21.1 per cent in 2021, for an annualized performance of 12.6 per cent over the biennium. Private equity performance was 21.6 per cent in 2020 and 35.4 per cent in 2021, for an annualized performance of 28.3 per cent over the biennium. Real assets performance was minus 8.3 per cent in 2020 and minus 8.2 per cent in 2021, for an annualized performance of minus 8.3 per cent over the biennium. Cash and equivalents investments gave a return of minus 0.6 per cent in 2020 and 0.1 per cent in 2021, for an annualized performance of 0.35 per cent over the biennium.

37. The performance numbers are calculated by a third-party master record-keeper, Northern Trust, following the global investments performance standards methodology, which are ethical standards for calculating and presenting investment performance based on the principles of fair representation and full disclosure. They are voluntary industry standards that provide transparency and global comparability in a world where regulations and market practices differ significantly from jurisdiction to jurisdiction. The global investments performance standards are developed, maintained and promoted through the collaboration of individual volunteers from the investment community, the Chartered Financial Analyst Institute and global investments performance standards sponsors in over 40 markets. An increasing number of asset owners across the world are in compliance with those standards. The main benefits of such compliance are to help ensure that the asset owner's investment performance is complete and presented fairly, regardless of whether assets are managed internally, externally or both. Compliance with the standards also requires the establishment of robust investment performance policies and procedures, and allows an asset owner to be confident that the data being presented to the oversight body is consistent and transparent. The Office of Investment Management's compliance with the standards will be verified annually by an independent and accredited third-party. Verification provides assurance on whether the asset owner's policies and procedures related to total Fund maintenance, as well as the calculation, presentation and distribution of performance, have been designed in compliance with the global investments performance standards and have been implemented on an asset owner-wide basis. The Office claimed compliance with the standards for the years 2020 and 2021.

38. The Fund exceeded its 50-year long-term investment objective of a real return (United States consumer price index inflation adjusted) of 3.5 per cent by 98 basis points, with a real rate of return of 4.5 per cent for the 50-year period ended 31 December 2021. Table 5 and figure I below display the real returns over the 50-year period and on a rolling 15 years basis. Figures II and III contain a comparison of nominal performance and the policy benchmark on a yearly (fiscal year) and trailing basis. Table 6 shows historic returns by asset class. All of the data in the aforementioned table and figures were made available by the independent master record-keeper.

Table 5
Pension Fund real and nominal returns to 31 December 2021

(Percentage)

	1 year	2 years	3 years	5 years	10 years	15 years	20 years	25 years	50 years
United Nations nominal return (percentage)	12.3	12.9	14.8	11.3	9.1	6.6	7.8	7.4	8.6
United States consumer price index	7.0	4.2	3.5	2.9	2.1	2.2	2.3	2.3	3.9
United Nations real return (percentage)	4.9	8.3	10.8	8.1	6.8	4.3	5.3	5.0	4.5
3.5% real return objective	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5	3.5
United Nations real return minus 3.5 per cent	1.4	4.7	7.1	4.5	3.2	0.8	1.8	1.5	1.0

Note: Nominal returns are annualized. Nominal returns and consumer price index numbers are geometrically linked. Real returns are calculated using a geometric difference.

Figure I
Rolling 15-year annualized real returns to 31 December 2021

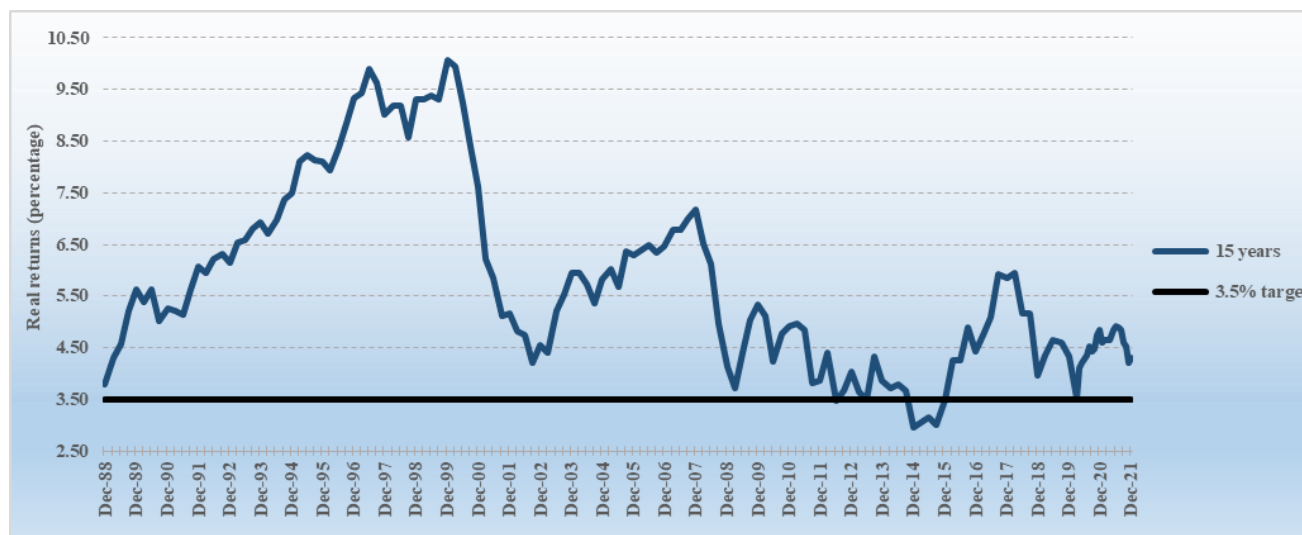


Figure II
Pension Fund long-term rates of return versus policy benchmark, fiscal year ended 31 March from 2001 to 2014 and calendar year from 2014 to 2021

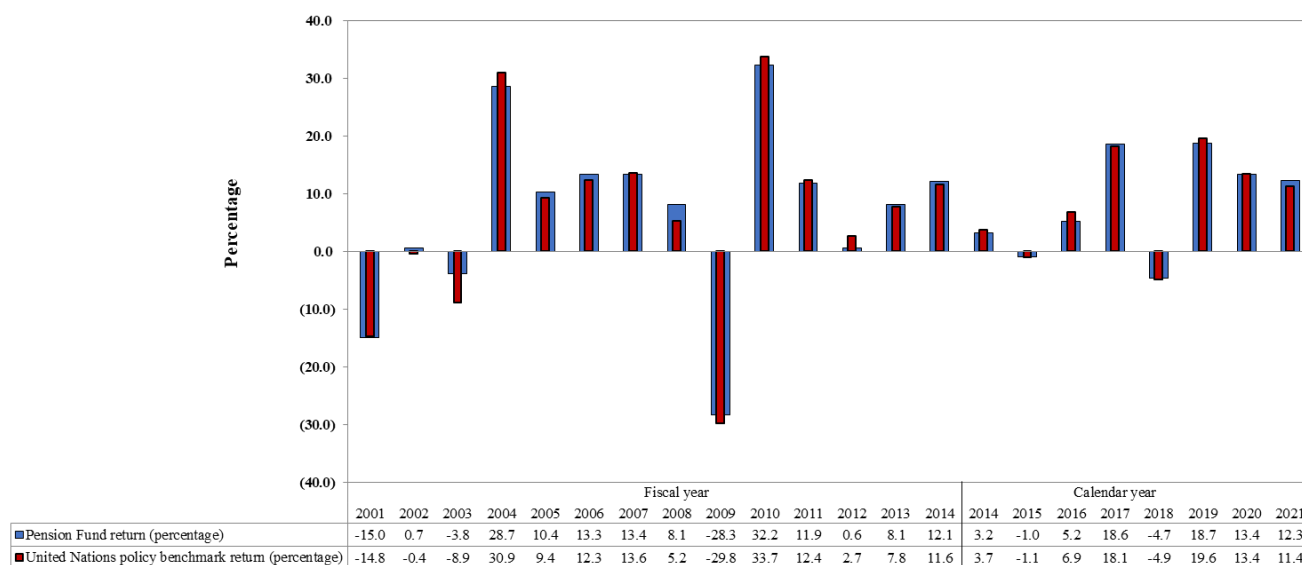


Figure III

United Nations Joint Staff Pension Fund nominal return versus the benchmark for various periods through 31 December 2021

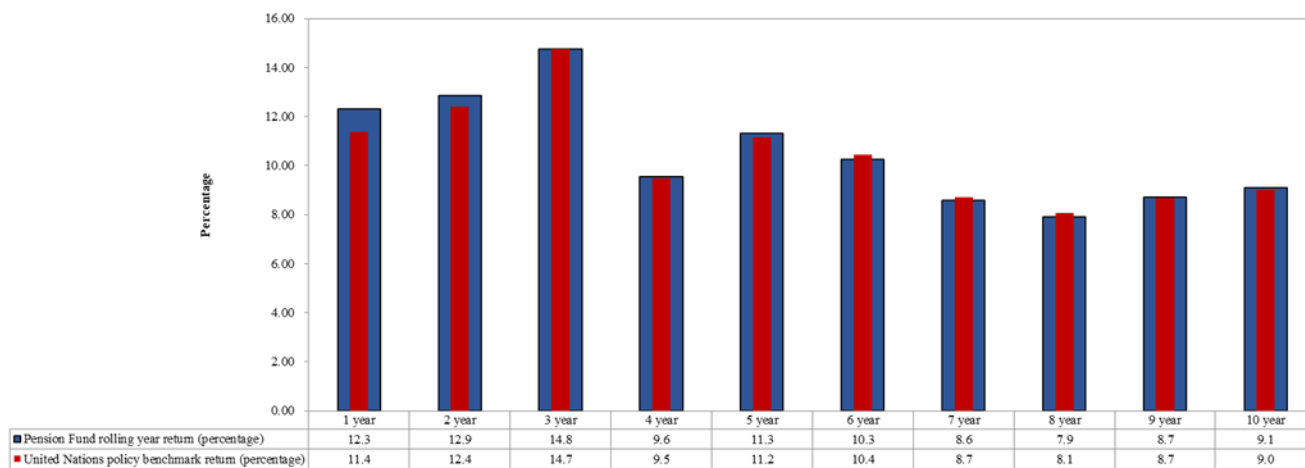


Table 6
Total Fund annual rate of return

Year	Equities				Bonds								Private equity ^d	Short term	Total Fund	Year
	United States	Outside United States	Total ^a	MSCI World Index	United States	Outside United States	Total ^b	CWGBI Bond Index ^c	Real estate	Real assets ^c						
1961	18.8	37.8	19.4	—	—	—	8.0	—	—	—	—	—	12.7	1961		
1962	12.4	0.9	11.7	—	—	—	3.9	—	—	—	—	—	6.6	1962		
1963	(0.6)	(16.3)	(0.6)	—	—	—	5.5	—	—	—	—	—	4.1	1963		
1964	18.2	7.5	17.5	—	—	—	2.1	—	—	—	—	—	8.2	1964		
1965	10.9	8.3	10.4	—	—	—	4.4	—	—	—	—	—	7.0	1965		
1966	4.5	3.2	4.3	—	—	—	(2.1)	—	—	—	—	—	0.7	1966		
1967	11.8	(2.3)	9.0	—	—	—	4.0	—	—	—	—	—	7.9	1967		
1968	2.9	28.3	7.5	—	—	—	(4.9)	—	—	—	—	—	1.6	1968		
1969	13.4	20.1	14.6	—	—	—	2.7	—	—	—	—	—	9.1	1969		
1970	(5.1)	(2.2)	(4.5)	—	—	—	1.4	—	—	—	—	—	(1.8)	1970		
1971	13.9	3.3	11.5	9.3	—	—	14.1	—	—	—	—	8.7	13.5	1971		
1972	14.1	34.3	18.3	16.9	—	—	9.4	—	11.6	—	—	7.2	17.0	1972		
1973	5.9	20.8	9.5	13.5	—	—	7.4	—	4.8	—	—	5.9	8.6	1973		
1974	(16.7)	(21.5)	(18.1)	(16.4)	—	—	1.9	—	10.2	—	—	10.7	(13.6)	1974		
1975	(11.2)	11.6	(5.2)	(6.1)	6.2	14.6	6.6	—	(1.0)	—	—	12.4	0.2	1975		
1976	16.4	10.8	14.6	15.6	11.2	1.9	10.0	—	5.2	—	—	7.7	13.2	1976		
1977	(8.3)	(3.8)	(6.6)	(1.0)	10.4	15.2	11.1	—	3.7	—	—	5.2	(0.3)	1977		
1978	(5.6)	20.3	4.2	6.1	5.6	24.4	8.7	—	8.3	—	—	7.7	6.1	1978		
1979	22.4	21.7	22.1	21.3	4.7	12.5	6.6	8.0	16.9	—	—	8.6	15.1	1979		
1980	10.9	(10.3)	1.1	(0.2)	(9.5)	(4.6)	(7.6)	(13.2)	17.4	—	—	11.8	(0.4)	1980		
1981	43.2	39.6	41.5	34.8	15.0	9.5	12.5	20.4	14.7	—	—	15.8	26.6	1981		
1982	(17.9)	(19.6)	(18.8)	(15.0)	11.1	0.4	6.2	(0.7)	17.5	—	—	18.0	(7.9)	1982		
1983	40.9	23.6	33.6	31.6	32.5	14.5	24.9	20.5	7.1	—	—	12.8	27.1	1983		
1984	5.1	32.5	15.7	17.3	5.5	12.4	8.7	8.2	13.3	—	—	13.1	13.0	1984		
1985	20.8	(6.8)	9.5	7.2	17.9	(8.2)	4.5	5.5	13.5	—	—	3.6	8.1	1985		
1986	35.0	58.5	43.4	56.0	54.3	50.3	51.2	48.7	10.8	—	—	7.0	41.5	1986		
1987	21.6	43.9	30.0	43.2	9.1	32.6	22.6	17.4	12.7	—	—	12.0	24.7	1997		

Year	Equities				Bonds									Year
	United States	Outside United States	Total ^a	MSCI World Index	United States	Outside United States	Total ^b	CWGBI Bond Index ^c	Real estate	Real assets ^c	Private equity ^d	Short term	Total Fund	
1998	(12.2)	2.2	(4.7)	5.8	3.3	20.2	12.7	11.4	9.2	—	—	7.7	3.1	1998
1989	13.2	10.0	11.3	13.6	2.1	(5.5)	(2.4)	0.4	8.2	—	—	10.4	5.9	1989
1990	21.5	13.2	16.6	(2.3)	10.5	2.9	6.2	3.1	12.3	—	—	9.7	11.6	1990
1991	8.9	1.2	4.5	3.2	12.5	17.4	15.0	16.2	5.1	—	—	13.1	8.9	1991
1992	11.3	0.1	4.9	(0.5)	13.7	14.0	14.0	14.0	(4.1)	—	—	6.5	7.6	1992
1993	17.3	6.7	11.2	12.7	15.9	17.7	16.9	19.0	(6.6)	—	—	7.5	11.6	1993
1994	(2.7)	24.4	12.4	14.0	3.4	10.1	7.7	6.8	0.5	—	—	3.0	9.7	1994
1995	11.1	6.5	8.1	9.8	2.9	18.6	12.9	12.1	0.0	—	—	5.0	8.7	1995
1996	30.2	15.1	20.5	20.6	8.0	3.3	5.1	5.3	10.4	—	—	4.1	14.6	1996
1997	18.9	7.2	11.6	9.8	6.2	2.5	3.6	1.2	8.6	—	—	4.4	8.9	1997
1998	45.4	15.4	27.3	32.4	10.6	4.3	7.0	5.4	18.9	—	—	7.0	20.4	1998
1999	18.4	9.7	13.9	13.0	4.8	9.0	6.5	10.0	4.8	—	—	9.9	11.3	1999
2000	17.5	39.9	28.5	21.6	3.1	(5.7)	(2.5)	(0.3)	11.7	—	—	3.0	18.0	2000
2001	(17.2)	(30.3)	(24.2)	(25.1)	13.0	(4.2)	2.0	(1.7)	11.3	—	—	4.2	(15.0)	2001
2002	2.8	(6.1)	(1.3)	(4.2)	4.9	2.1	3.1	0.5	8.4	—	—	3.5	0.7	2002
2003	(23.9)	(21.7)	(23.1)	(24.2)	15.9	34.9	28.4	25.2	8.5	—	—	11.1	(3.8)	2003
2004	29.3	56.5	42.5	43.9	6.8	19.4	15.7	13.5	23.9	—	—	8.1	28.7	2004
2005	6.3	16.9	11.8	11.1	1.2	10.5	7.8	5.5	15.8	—	—	2.5	10.4	2005
2006	13.1	28.8	21.3	18.6	2.4	(4.4)	(2.8)	(2.0)	30.5	—	—	2.9	13.3	2006
2006	—	—	—	20.3 MSCI ACWI ^e	—	—	—	(2.6) BCGA ^f	—	—	—	—	12.3 60/31 ^g	2006
2007	9.5	20.5	15.7	16.4 MSCI ACWI ^e	7.1	9.1	8.4	8.1 BCGA ^f	24.5	—	—	5.5	13.4 60/31 ^g	2007
2008	(0.6)	3.9	3.4	(0.7) MSCI ACWI ^e	8.3	18.4	15.1	15.3 BCGA ^f	9.0	—	—	8.3	8.1 60/31 ^g	2008
2009	(34.6)	(45.1)	(41.0)	(42.7) MSCI ACWI ^e	(1.4)	(12.6)	(8.6)	(4.9) BCGA ^f	(22.9)	—	—	3.9	(28.3) 60/31 ^g	2009
2010	42.6	62.2	54.1	56.3 MSCI ACWI ^e	5.9	16.7	10.8	10.2 BCGA ^f	(17.4)	—	—	(2.7)	32.2	2010
Mar 2011	15.0	13.1	13.8	14.6 MSCI ACWI ^e	5.4	10.3	8.2	7.2 BCGA ^f	12.6	—	—	1.3	11.9	Mar 2011
Dec 2011	(0.9)	(14.1)	(8.6)	(6.9) MSCI ACWI ^e	7.0	2.1	4.1	5.6 BCGA ^f	12.9	(5.5)	(9.6)	0.4	(3.9)	Dec 2011
Dec 2012	15.8	17.9	16.8	16.8 MSCI ACWI ^e	3.9	9.6	7.2	4.3 BCGA ^f	9.7	3.2	1.4	1.5	12.7	Dec 2012

Year	Equities				Bonds									Year
	United States	Outside United States	Total ^a	MSCI World Index	United States	Outside United States	Total ^b	CWGBI Bond Index ^c	Real estate	Real assets ^c	Private equity ^d	Short term	Total Fund	
Dec 2013	33.1	17.1	24.8	23.4 MSCI ACWI ^e	(1.9)	(1.3)	(1.6)	(2.6) BCGA ^f	11.3	(8.1)	4.1	(1.2)	15.5	Dec 2013
Dec 2014	12.2	(3.6)	4.5	4.7 MSCI ACWI ^e	4.2	(5.7)	(1.0)	0.6 BCGA ^f	11.6	(11.9)	12.1	(4.2)	3.2	Dec 2014
Dec 2015	1.7	(3.7)	(0.9)	(1.8) MSCI ACWI ^e	1.1	(8.3)	(3.4)	(3.1) BCGA ^f	10.1	(12.5)	5.0	(5.2)	(1.0)	Dec 2015
Dec 2016	10.9	3.6	7.5	8.5 MSCI ACWI ^e	(0.4)	(2.4)	(-1.4)	2.1 BBCGA ^h	9.2	5.8	11.0	(0.4)	5.2	Dec 2016
Dec 2017	22.0	28.1	24.8	24.6 MSCI ACWI ^e	3.5	11.8	7.5	7.4 BBCGA ^h	10.8	9.2	18.3	5.1	18.6	Dec 2017
Dec 2018	(4.7)	(14.1)	(9.2)	(8.7) MSCI ACWI (Blended) ⁱ	0.6	(2.3)	(1.0)	(1.2) BBCGA ^h	10.2	(5.6)	12.4	(0.1)	(4.7)	Dec 2018
Dec 2019	31.8	22.8	27.9	27.4 MSCI ACWI ESG Custom ^j	7.2	5.8	6.5	7.1 FI Blended ^k	7.2	8.1	14.7	2.0	18.7	Dec 2019
Dec 2020	23.4	13.5	18.9	17.6 MSCI ACWI 80/20 ESG Custom ^l	5.8	0.2	5.3	5.7 FI Blended ^k	4.6	(8.3)	21.6	(0.1)	13.4	Dec 2020
Dec 2021	27.5	3.9	16.8	16.9 MSCI ACWI 80/20 ESG Custom ^l	(1.9)	(9.0)	(3.0)	(2.5) FI Blended ^k	21.1	(8.2)	35.4	0.2	12.3	Dec 2021

Note: Return percentages are based on market value from 31 March 1962 to 31 March 2011, and 31 December 2011 to 31 December 2021. Figures are rounded off to a single decimal place.

Abbreviations: ACWI, All Country World Index; BBCGA, Bloomberg Barclays Capital Global Aggregate; BCGA, Barclays Capital Global Aggregate; CWGBI, Citigroup World Government Bond Index; ESG, environmental, social and governance; MSCI, Morgan Stanley Capital International.

^a Equities total is total public equity, which includes all internally and externally managed equity portfolios.

^b The proportion of bonds held outside the United States was not significant prior to 1975.

^c Real assets began in 2010. First reported calendar performance is 2011.

^d Private equity first began in 2010, and the first reported calendar performance is 2011.

^e MSCI ACWI consists of 23 developed and 26 emerging markets, as at 31 December 2019.

^f Effective 3 November 2008, the bond index name was changed from Lehman Brothers Global Aggregate to BCGA.

^g 60/31 is a policy benchmark with an allocation of 60 per cent in equities, 31 per cent in bonds, 6 per cent in real estate and 3 per cent in cash and short-term investments.

^h Effective 24 August 2016, the bond index name was changed from BCGA to BBCGA.

ⁱ For the calendar year 2018, the MSCI ACWI blended equity benchmark corresponds to the MSCI ACWI benchmark for the first nine months and to the MSCI ACWI ESG Custom benchmark for the last three months.

^j Corresponds to the MSCI ACWI from which tobacco and armaments securities are excluded.

^k Comprises the Bloomberg Global Aggregate until 30 September 2019. From 1 October 2019, the Bloomberg Barclays Enhanced Liquidity Index is used.

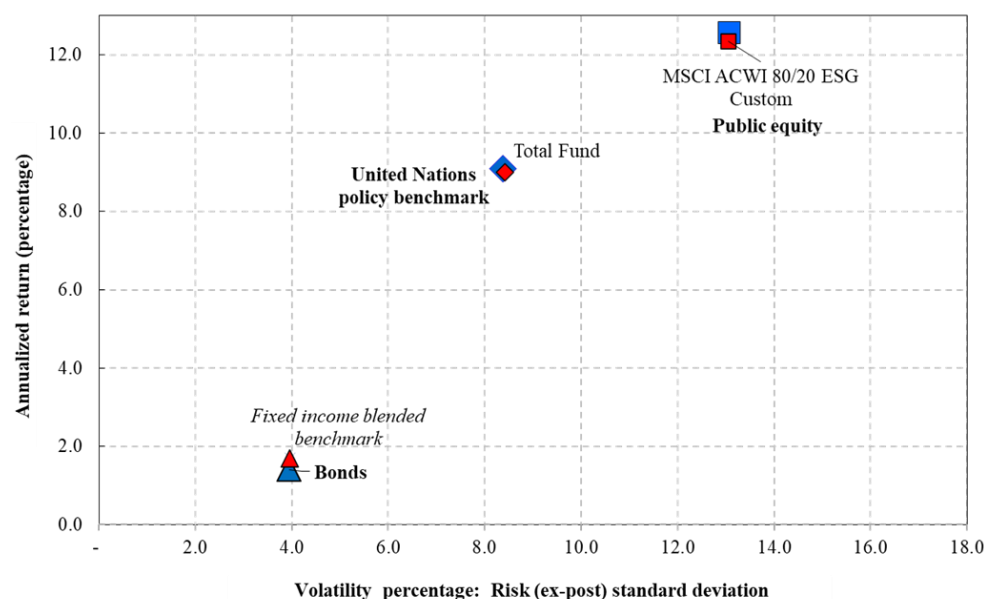
^l Composed of 80 per cent MSCI World Developed ESG Custom and 20 per cent MSCI Emerging Markets ESG Custom.

B. Fifteen-year risk/return profile

39. Over the past 15 years, the Fund's annualized return of 6.4 per cent was higher than the benchmark's return of 6.3 per cent. Its volatility of 9.9 per cent was almost in line with the benchmark's volatility of 9.8 per cent (see figure IV). The Fund had a well-diversified portfolio across asset classes and securities.

Figure IV

Fifteen-year risk/return profile versus indices, 31 December 2021



40. Within asset classes, the Fund's equity portfolio return of 7.6 per cent slightly outperformed the MSCI ACWI Custom (blended) return of 7.5 per cent, and the Fund's equity portfolio had a better risk profile (14.8 per cent) compared with its benchmark (15.0 per cent). The bond portfolio, with a 15-year return of 2.7 per cent, underperformed the fixed income blended benchmark of 3.2 per cent, and had higher volatility (5.5 per cent versus 5.3 per cent).

VII. Sustainable Investment Strategy

41. In 2020 and 2021, the Office of Investment Management reached key milestones in its sustainable investing activities. Those developments cover environmental, social and governance integration into the Fund's portfolios and post-investment activities, as well as major initiatives linked to climate. The long-term goal is to ensure the long-term sustainability of the Pension Fund.

42. In September 2020, the Fund finalized thermal coal divestment following the commitment that was made in 2019 to divest from publicly traded companies in the coal energy sector before the end of 2020. The Fund also joined the United Nations-convened Net-Zero Asset Owner Alliance. The Office of Investment Management published its first interim targets in June 2021. The Office committed to reducing the absolute greenhouse gas emissions of its equities and corporate bonds portfolio by 29 per cent by the end of 2021 and by 40 per cent by 2025. In 2021, The Office reduced those financed emissions by more than 30 per cent, by divesting from heavy polluters (especially the fossil fuels value chain), remaining invested in transitioning companies and reinforcing engagement with them, and continuing to invest in green solutions.

43. In 2020, the Fund committed to implementing the recommendations of the task force on climate-related financial disclosures. In its report published in 2022, the Office of Investment Management outlined how it is aligned with the four pillars of the task force recommendations. Regarding governance, climate-related decision-making in the Office follows a well-structured channel of oversight. For the strategy pillar, the Office recognizes both physical and transitional risks to the value of the assets of the Pension Fund and has strategies to reduce those risks by reaching net-zero by 2050 and aligning with the Intergovernmental Panel on Climate Change 1.5 degrees Celsius scenario. In terms of risk management, the Office uses in-house methodologies and third parties to identify the risks and uses divestment, engagement and investment in transitioning companies to manage climate risks and take advantage of climate opportunities. Finally, for metrics and targets, the Office uses scopes 1, 2 and 3 emissions metrics to assess risks and has a target to reduce financed emissions by 40 per cent by 2025 from 2019 levels.

44. The Office of Investment Management has developed specific environmental, social and governance sustainable investing guidelines for all asset classes, as well as tools to support the investment process. The environmental, social and governance team has built a comprehensive suite of multiple environmental, social and governance reports, including a new investment rationale.

45. In 2020 and 2021, together with its external partners, the Office of Investment Management exercised its right to vote in nearly all meetings where it was allowed to do so (over 98 per cent of meetings for both years) and engaged with more than 500 companies globally each year. This reflects the Office's commitment to be active owners and influence the companies in which it invests.

46. In its resolution [76/246](#), the General Assembly requested the Secretary-General to explore impact investing for the Fund. The Office of Investment Management will leverage its existing internal and external resources to develop a credible impact investing strategy.

47. According to the Global Impact Investing Network, impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Following that definition, the Fund aims to invest a portion of its assets in impact investing solutions. The investments would cover both developed and emerging markets and span across asset classes (private debt and equity, public debt and equity, as well as infrastructure). The Office of Investment Management may use various investment channels to get exposure to impact themes as well as existing best-in-class principles and frameworks – in particular the Sustainable Development Goals – to frame that mandate.

48. The Office of Investment Management will seek market returns for its investments (i.e., returns aligned with current returns for its investments in public and private vehicles). Investment will contribute toward the achievement of the Sustainable Development Goals. Investments will be monitored according to safety, profitability, liquidity, convertibility and impact criteria, and the impact activities will be reported to the relevant stakeholders. Annex I to the present document contains more information on that mandate.

VIII. Expanded Investment Strategies

49. Following the adoption by the General Assembly of its resolution [75/246](#), authorizing the Secretary-General to proceed, on a trial basis, with the expanded investment strategies described in the report of the Secretary-General on the investments of the Pension Fund and measures undertaken to increase the

diversification of the Fund,² the Office of Investment Management commenced the extensive work required to implement such strategies. As reported last year, those strategies include securities lending, repurchase agreements, mortgage-backed securities on a “to be announced” basis, foreign exchange swaps for cash management and foreign exchange forwards for portfolio management and investment in bond (United States Treasury) futures. Each of those separate operations requires an individualized approach. Each involves one or more counterparties, the design and build-out of the infrastructure and implementation of the processes needed to ensure strict adherence to the existing policies and accountability framework. Furthermore, such activities involve the drafting and negotiation of a significant number of bespoke legal agreements that are both fit for the investment purpose and reflect and protect the status, privileges and immunities of the United Nations, of which the Pension Fund is an integral part. Additional requests for temporary resources to support these initiatives were approved in December 2021, and recruitment is currently at different stages. As the Office requires more time to finalize negotiations with counterparties and to ensure that the appropriate cross-functional infrastructure is in place to implement the agreed strategies, the Secretary-General will request the General Assembly to extend the two-year trial period. Subject to the approval of that extension, the Office of Investment Management will continue with the implementation of these strategies and report back to the Assembly, as requested, on the use of these expanded investment strategies, including on their impact on the diversification of the Fund.

IX. Culture transformation programme

50. The results of a 2020 audit by OIOS included a recommendation that the Office of Investment Management develop and implement a culture transformation programme to cultivate a harmonious, high-performing and ethical culture in the Office of Investment Management, including the conduct of culture surveys as appropriate. That recommendation was successfully closed.

51. The Office of Investment Management partnered with the United Nations System Staff College in early 2021 to work on its culture and, together, decided to launch a comprehensive culture change initiative.

52. A culture assessment was performed to collect baseline data on how staff perceived their current work environment and culture using the United Nations leadership culture assessment. The results provide an overview of strengths and areas of improvement, rooted in quantitative and qualitative analysis where progress can be measured yearly. The data was captured, analysed and held by a consultant to ensure objectivity and confidentiality.

53. During the first launch of the assessment in January 2021, 93 per cent of the Office of Investment Management staff participated and provided invaluable insights that informed follow-up dialogue and working sessions to further solicit feedback and ideas for actions to address the gaps identified.

54. Phase two of the culture change initiative was launched in May 2021 with the implementation of three key recommendations, namely: (a) coaching in areas that need strengthening; (b) the launch of an internal change agent network consisting of a cross-section of volunteer staff across teams, functions and levels; and (c) the review and prioritization of recommended actions, led by the change agent network and endorsed by over two thirds of the Office of Investment Management staff.

² A/C.5/75/2, paras. 43–44.

55. Phase three of the culture change journey continued in 2021 with the formation of change agent working groups, which began implementation of priority actions around several workstreams. The change agent network has served as a catalyst for addressing many of the issues in the Office of Investment Management that emerged from the culture survey. The network, which represents about 20 per cent of the workforce, helped to implement actions. Cross-team collaboration improved considerably in the group and by extension across sections. Ownership of the work led to a greater sense of empowerment and feeling of trust among the members.

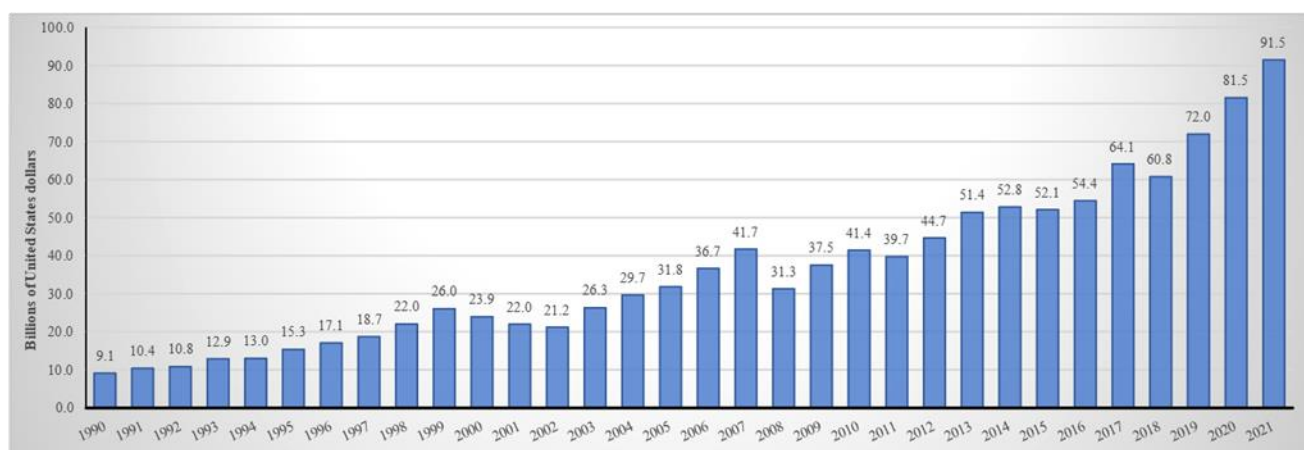
56. Phase four saw the completion of a second leadership culture assessment, and preliminary data suggests an average seven-point increase in results across all the categories measured. In total, 85 per cent of staff participated in the assessment, the results of which are being analysed. The involvement of staff and the change agent network in particular will be helpful in aligning current change initiatives and actions.

57. Furthermore, additional resources will be devoted to coaching in order to help teams become more cohesive, to accompany the organizational changes and to ensure that staff have the capacities they need to lead, collaborate in and manage their work. Culture change is ongoing and is a long endeavour.

X. Conclusion

58. **The Office of Investment Management achieved strong total returns during the biennium, resulting in record-high market value of assets, as shown in figure V. The Fund's market value of assets increased by approximately \$19.51 billion, or approximately 27.4 per cent, from 31 December 2019 to 31 December 2021. Despite short-term market volatility, the Fund has maintained long-term investment returns that resulted in a strong actuarial valuation result as at 31 December 2021. On a closed group termination basis (as required under article 26 of the Fund's regulations), the Fund reported an actuarial surplus of \$12.0 billion, with allowance for pension adjustments. This equates to a funded ratio of 117 per cent, compared with a funded ratio of 107 per cent at the time of the previous valuation at 31 December 2019. The consulting actuary also assessed the impact of recent changes in the financial markets and, at the time of the Fund's financial statements being signed in June 2022, the funded ratio was still found to be above 100 per cent.**

Figure V
United Nations Joint Staff Pension Fund – market value of assets, 1990 to 2021



Annex

Impact investing at the United Nations Joint Staff Pension Fund

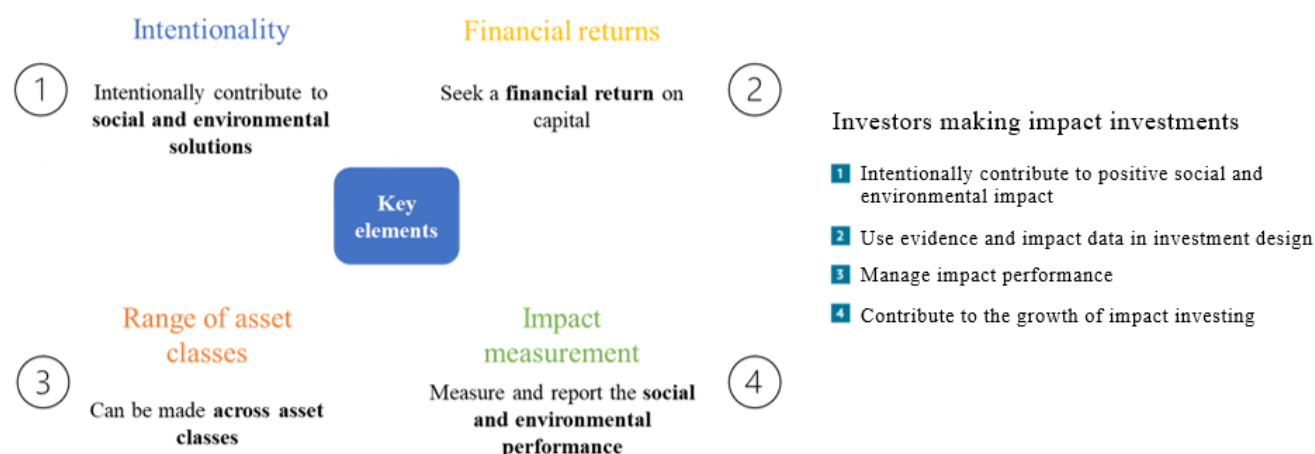
Why is the Pension Fund exploring impact investing?

In its resolution 76/246, the General Assembly recalled the four main criteria for investment utilized by the Fund and requested the Secretary-General to explore, in consultation with the Investments Committee and taking into account the observations and suggestions by the Pension Board, impact investing as part of the portfolio, including in developing and emerging markets, such as Africa, bearing in mind the real rate of return target, and to report thereon to the General Assembly in his next report.

What is impact investing?

According to the Global Impact Investing Network, impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Figure VI
Impact investing



Source: Global Impact Investing Network.

With a market size of \$715 billion (according to the 2020 annual impact investor survey by the Global Impact Investing Network)³ across geographies and sectors, the impact market remains relatively small (less than 1 per cent of total assets under management worldwide).

What would be the scope of investments?

The Fund would aim to invest a portion of its assets in impact investing solutions. The investments would cover both developed and emerging markets and span across asset classes (private debt and equity, public debt and equity as well as infrastructure).

According to the 2020 annual impact investor survey, more than one third of the volume of capital invested in impact investment activity in 2019 was directed towards

³ Available at <https://thegiin.org/research/publication/impinv-survey-2020>.

private debt, followed by public debt (over 20 per cent), private equity (17 per cent), public equity (11 per cent), real assets (11 per cent) and other categories (3 per cent).

Private debt vehicles are favoured for such projects as the investment threshold is significantly lower for private debt than other asset classes; private debt provides diversification, as it has a low correlation with other asset classes; and it is easy to structure private debt for specific (impact) projects.

The aim of the Pension Fund would be to build a diversified portfolio, based on five criteria: safety, profitability, convertibility, liquidity and impact.

How would impact investing activities be structured?

The Office of Investment Management may use various investment channels to get exposure to impact themes.

To make sure that the impact investing portion of investments follows best-in-class principles, the Fund will adhere to and follow the principles and recommendations of recognized organizations.

The Pension Fund will structure its impact investing activities by following existing methods for its screening and due diligence process, impact measurement and monitoring, as well as reporting activities.

The Office of Investment Management will seek market returns for its investments (i.e., returns aligned with current returns for investments in public and private vehicles).

According to the 2020 annual impact investor survey, two thirds of respondents targeted risk-adjusted market returns. In total, 88 per cent of respondents had performances that were either in line with (68 per cent) or exceeded (20 per cent) their financial expectations.

What would be the Fund's impact targets?

To determine which impactful objectives to pursue, we have analysed the Fund's contribution to the Sustainable Development Goals, as well as which of the Goals are covered by existing investment vehicles.

Equity portfolio alignment with the Sustainable Development Goals

Figure VII below shows how investments are aligned, including (a) the positive alignment of the equity portfolio with the Sustainable Development Goals (data from MSCI environmental, social and governance manager, with a solid blue outline), which is mostly unintentional and results from the construction of the equity benchmark; and the engagement themes prioritized by our engagement manager, Hermes Equity Ownership Services (with a dotted green outline). Hermes enables the Fund to be a more active owner of its assets through dialogue with companies on environmental, social and governance issues. Based on the previous information, it is possible to determine those Goals where the Fund has a low footprint (solid grey outline).

The Fund has a positive alignment with Goals 6, 7 and 9, as well as Goals 5, 8, 10, 12 and 13, for which Hermes Equity Ownership Services also conducted important engagement activities in 2021. Goals 3 and 16 are covered by Hermes' engagement activities, but the Fund does not have a positive alignment with them.

Figure VII
Alignment of investments



Abbreviation: SDGs, Sustainable Development Goals.

Source: MSCI, Hermes Equity Ownership Services.












Sustainable Development Goals investment opportunities

In the 2020 annual impact investor survey, respondents were asked in which sectors they were investing (asset allocations by sector) across asset classes. In total, 289 investors, representing \$221 billion of assets under management, answered the survey.

Their answers were mapped to the Principles for Responsible Investment impact investing market map, which is a tool that allows investors to map impact investment opportunities to the Sustainable Development Goals.

Figure VIII below shows the results classified by environmental and social themes. Some themes were not covered or only partially covered by the Impact Investing Market Map.












Figure VIII
Annual impact investor survey: results classified by environmental themes

<i>Global Impact Investing Network environment themes</i>	<i>PRI impact investing market map</i>	<i>SDG mapping</i>	<i>AuMs allocation (percentage)</i>	<i>Types of investments</i>
Energy	Energy efficiency, renewable energy	 	16	Clean tech, power storage, transport (EV), energy management/distrib. energy production, energy projects, energy products (solar panels etc.)
Forestry	Sustainable forestry	 	10	Forest conservation/management Logging companies Technology companies
Food and agriculture	Sustainable agriculture	   	9	Farming companies Multipurpose farming company (packing/manufacturing/multi-purpose agribusiness companies) Food (seeds, fertilizers, etc.)
Water, sanitation, hygiene	Water	 	6	Water management/treatment, water distribution, water desalinization, water technology
Infrastructure	Renewable energy, green building		4	Green building technologies, housing construction, building maintenance, community development

Abbreviations: AuMs, Assets under management; EV, electric vehicles; GIIN, Global Impact Investing Network; PRI, Principles for Responsible Investment; SDG, Sustainable Development Goals.
Source: Global Impact Investing Network, Principles for Responsible Investment.

Manufacturing (3 per cent of assets under management), ICT (3 per cent), art and culture (0.1 per cent) and other (11 per cent) have no Sustainable Development Goals equivalents.

Figure IX
Annual impact investor survey: results classified by social themes

<i>GIIN social themes</i>	<i>PRI impact investing market map</i>	<i>SDG mapping</i>	<i>AuMs allocation (percentage)</i>	<i>Types of investments</i>
Financial services (excl. microfinance)	Inclusive finance	 	12	Financial services provider/financial inclusion funds/MIVs: loans, savings, remittances, cash management, factoring, leasing and mortgages.
Microfinance	Inclusive finance	 	8	Financial technology companies: develop and deliver products and services to inclusive finance institutions.
Housing	Affordable housing, green building	 	8	Social and public housing (renting) elderly houses/social housing management (service providers), affordable homes, student houses
Health care	Health	 	7	Laboratories and pharmaceutical companies, health clinics and health facilities, tech companies
Education	Education	  	3	Primary, secondary, and higher education, master's, vocational and professional training, technology companies (technology services to educational facilities or final beneficiaries of educational programmes)

Abbreviations: AuMs, Assets under management; GIIN, Global Impact Investing Network; MIV, microfinance investment vehicles; PRI, Principles for Responsible Investment; SDG, Sustainable Development Goals.
Source: Global Impact Investing Network, Principles for Responsible Investment.

Based on the mapping of our portfolio and existing investment vehicles, the Office of Investment Management can seek to make an impact in a variety of themes that will be determined during the first phase of the impact investing process.

Monitoring and reporting

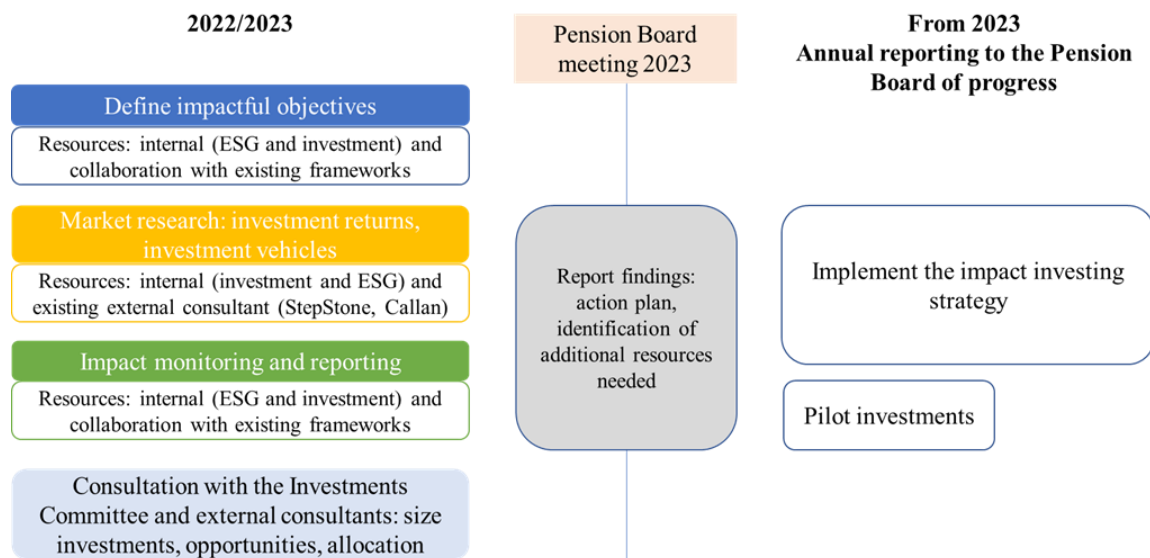
Impact investments will be monitored following the existing principles of the Fund. Performance in terms of financial and impact aspects will be carefully reviewed by the Office of Investment Management's team on a continuous basis.

The Office of Investment Management will report on a yearly basis on its impact investments. Impact reporting may include elements from the IRIS+ impact measurement system and other frameworks.

Timeline

The Office of Investment Management expects to be ready to deploy investments over the coming years. Given the complexity of the launch of such a strategy, the limited resources of the Office of Investment Management and the complex nature of private debt and private equity vehicles, the capital deployment will likely span over several years.

Figure X
Deployment timeline



Abbreviation: ESG, environmental, social and governance.

Although several challenges will need to be addressed (e.g. target allocation and time horizons, with further feasibility studies on each asset class, the expected returns and risks, and track records), the Office of Investment Management believes that, with the support of the General Assembly, it can build a sound impact investing portfolio.