



FEDERATION OF ASSOCIATIONS OF FORMER INTERNATIONAL CIVIL SERVANTS
FÉDÉRATION DES ASSOCIATIONS DES ANCIENS FONCTIONNAIRES INTERNATIONAUX
FEDERACION DE ASOCIACIONES DE EX-FUNCIONARIOS INTERNACIONALES

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**Summary Report of the
Fund's Solvency and Assets and Liabilities Monitoring Committee
(FSALM Committee)**

Note by Suzanne Bishopric

Purpose of the FSALM Committee

1. Ultimately, the management of the solvency of the United Nations Joint Staff Pension Fund is the responsibility of the United Nations General Assembly. The General Assembly has delegated the responsibility for monitoring solvency to the United Nations Joint Staff Pension Board, which should determine the actions required to maintain long-term solvency and make appropriate recommendations to the General Assembly. In that regard, the Board established the Fund Solvency and Asset and Liabilities Monitoring (FSALM) Committee.
2. The terms of Reference of the FSALM Committee include reviewing, providing advice and making recommendations to the Board on:
 - (a) the methodology and assumptions that are used for asset-liability management studies of the Fund;
 - (b) the results of periodic asset-liability management studies as well as other studies and reports relating to asset-liability management;
 - (c) risks associated with imbalances between the assets and liabilities of the Fund;
 - (d) observations or suggestions the Board may wish to make on investments policy as contemplated under Article 19(a) of the Fund's Regulations.

Membership of the FSALM Committee

Governing Bodies	Philip R. O. Owade (UN)	Nasser Okoth Opilo (UNESCO)
Executive Heads	Maria Costa (UN)	Shasha You (FAO)
Participants	Florian Léger (ILO) Chair	Ian Richards (UN)
FAFICS	Suzanne Bishopric	Marashetty Seenappa

3. FAFICS member, Marashetty Seenappa (AFUNPI) and Nasser Okoth Opilo (UNESCO) will conclude their terms of service on the FSALM Committee as of 31 July and 31 July, respectively. FAFICS has nominated Kathrin Bruchmann (APAFI) to the UNJSPF Board, for its consideration as a successor to Marashetty Seenappa. The system of membership rotation balances the need for renewal with the preservation of institutional knowledge.

Meetings of the FSLAM Committee

4. Since last year's FAFICS Council, the FSALMC has held four meetings, three virtual and one in person (from 24 to 26) June. In keeping with its mandate to provide advice and recommendations to the Pension Board on the long-term solvency and sustainability of the Fund, the FSALM Committee focused on both the investments and the liabilities of the Fund.

Investments of the Assets of the Fund

5. The FSALM Committee held briefing sessions with the Representative of the Secretary-General (RSG) for the investment of the assets of the Fund and with staff from the Office of Investment Management (OIM). In the recent June 2025 meeting, Mr. Michael Klein, Chairman of the Investments Committee joined remotely, for a broad-ranging discussion of the work of the Investments Committee to support the Fund's long-term objectives. During that meeting, Mr Klein reported that the Fund had reached an historic milestone of US\$100 Bln, an approximately 60 % increase over the past five years.
6. In keeping with the FSALM Committee's focus on long-term solvency and sustainability, Mr. Klein noted persistent inflation pressures globally, with tariff increases and government deficits possibly contributing to long-term inflation. So long as inflation stays elevated, long-term rates may be expected to remain high also, although short-term rates may decline in response to expectations of monetary easing by central banks.
7. Nevertheless, the Chair of the Investments Committee described the macroeconomic environment as relatively strong. However, in response to a question from an FSALM Committee member, he acknowledged the risks posed over the long run by deficits and inflation. In response to an inflation-related question, Mr. Klein and Mr. Pedro Guazo (RSG) explained that gold and cryptocurrencies were excluded from the Fund's investable universe, "due to their non-income generating nature and high volatility, which made them incompatible with the Fund's long-term risk-return objectives."

8. During the June 2025 meeting the Committee was briefed on the distinctions between absolute and relative performance metrics. Absolute return is defined as the total return over time. The RSG affirmed absolute return as the primary indicator of the Fund's ability to meet its long-term pension obligations. In contrast, relative performance, which compares returns to a benchmark, was described as a tool for evaluating the performance of the investment team. Although both measures are followed, the absolute return is ultimately more important. The guiding principle is that "Pensions are not paid with relative performance, but with absolute return."

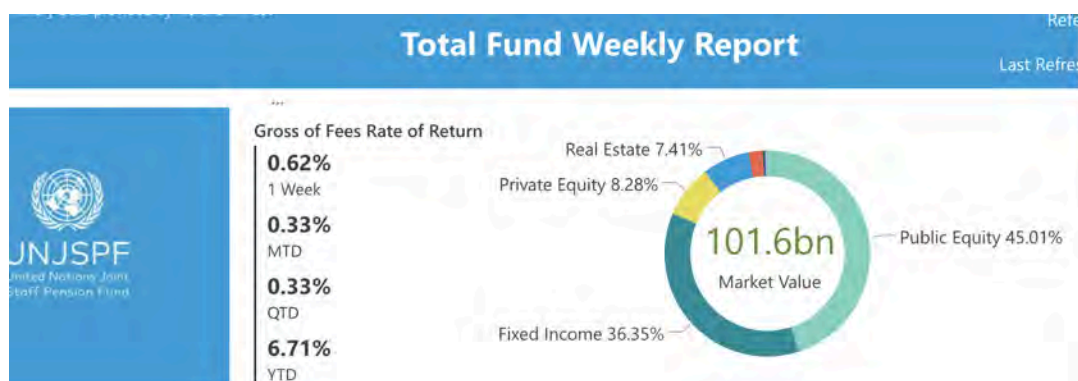
A March 2025 picture of Nominal Return vs Benchmarks appears below:



A separate meeting dedicated to benchmarks was held virtually on 20 May 2025 as FAFICS has pointed out for many years, the frequent shifting of benchmarks since 2015 has meant that instead of the industry-standard long-term benchmarks used to compare the Fund's performance, the performance reports show benchmarks that have changed more frequently. It is the RSG's prerogative, in accordance with Article 19(a) to use benchmarks as short-term operational tools. One of the questions for the newly engaged Consultancy is whether Solvency sustainability monitoring might benefit from reestablishing a set of long-term benchmarks more suitable for long-term projections of pension fund liabilities.

Absolute Returns

9. During the June 2025 FSALM Committee meeting, the Fund rose above the \$100 Billion level, an absolutely welcome achievement.



In the above chart, illustrating the Fund value of \$101.6 Bln as of 4 July 2025, the asset allocation of the Fund is summarized.

10. On that date, Private Equity and Real Estate combined represented 15.8 per cent of the value of the Fund. It is important to note that benchmarks for long-term assets like Private Equity and Real Estate are approximate measures. Such assets are not so liquid. Therefore, unless there is a transaction, the value of an infrastructure, real estate or private equity fund can only be estimated. A portfolio consisting of the Eiffel Tower, the Taj Mahal, Big Ben and Schönbrunn Palace would be quite valuable, but to value that portfolio quarterly would be a daunting task. The uniqueness of any fund's real estate holdings or private equity holdings make comparisons between different funds quite challenging. So when the Fund's illiquid portfolios appear to shift between big gains and big losses when compared with more liquid markets, bear in mind the limitations of benchmarks for assets that characteristically have long holding times and few transactions.

Strategic Asset Allocation and ESG Integration



11. The FSALM Committee has again requested a meeting with ORTEC, the ALM provider, with the aim of understanding the alignment of investment strategy and ESG integration with inflation and benchmark performance. Over the last 3 years, the Fund has had an annual rate of return of 1.72 per cent compared with the policy benchmark return of 2.02 per cent. The 30 basis points shortfall accumulated over the past three years even though the policy benchmark was been carefully customized to reflect the UN General Assembly's prohibitions on armaments, defence stocks and tobacco, plus the additional restrictions implicit in the RSG's decision to subscribe to NetZero Alliance and Biodiversity compacts. It was pointed out in the FSALM meeting that every prohibition reduces the diversification of the Fund. In times of strife, fossil fuels, gold and defence stocks are the usual beneficiaries. Nevertheless, the RSG expects the real rate of return over a 10-year horizon under the current Asset Allocation to be 3.5 per cent.

Actuarial Matters

The Chair of the Committee of Actuaries briefed the FSALM Committee on the context against which the assumptions and methodology were developed for the December 2025 actuarial valuation. The assumptions and further details about the ALM process are in the separate report of Actuarial Matters.

Funding Policy update

The Pension Administration reported that it had completed the first scheduled review of the Funding Policy, originally approved by the Pension Board in 2023 (JSPB/75/R.14). Several amendments were proposed, notably the recommendation to add a **Solvency Risk Dashboard** as an annex to the document to enhance risk transparency. It was noted that the secondary funding

target had been aligned with Article 26 by adopting the funded ratio without pension adjustments, consistent with the measurement of actuarial sufficiency.

The Funding Policy is designed to monitor the valuation of the fund, such that if the valuation is outside of the valuation corridor approved by the Board for a sustained period, that the Board would be prepared to take appropriate action. For the Fund to remain within the valuation corridor, it will be necessary to maintain the required contribution rate within two per cent of the actual contribution rate.

Solvency Risk Dashboard

The Solvency Risk Dashboard summarizes the risks which might thwart a proper balance between the assets and liabilities of the Fund. The Dashboard is maintained by Pension Administration to compare the level of risk for each of the items on the list of risks analyzed by the Committee of Actuaries (CoA) and ranked in consultations between the CoA and the FSALM Committee. The list is described in greater detail in the Report on Actuarial Matters, but repeated here for convenience.

a) The Two-Track System: Recent take up levels have been low, but US dollar weakness suggests this could change. Currency volatility and take-up rates are variables to monitor.

b) Lump-sum commutation: Solvency and liquidity can, in some cases, be sensitive to the amount of lump sum payments.

c) Sponsor/Employer decisions: Downsizing poses a key question for 2025. Changes in staffing may change the risk profile of the Fund's liabilities.

d) New Entrants: profile of the new entrants may be different, with respect to emoluments, employment terms, and age, for example.

e) Mortality: There is no immediate risk to the Fund.

f) Actual investment returns: This long-term investment risk continues to be closely monitored.

g) Future outlook for investment returns: Another key risk driver for solvency. Returns become more important as the Fund matures. While the number of retirees is growing, downsizing may reduce the proportion of active participants and therefore, reduce the level of contributions.

h) Inflation: Macroeconomic factors such as sovereign debt levels and tariffs may mean that higher inflation could persist. Inflation will be closely monitored.

i) Liquidity: Even with greater volumes of separations over the next couple of years, the Fund is not expecting to face any liquidity issues. From a solvency perspective, the key concern would be if OIM were forced to sell assets unexpectedly and at a time that is not optimal for investment returns. This item will be monitored closely.

Updates and refinements to the Solvency Risk Dashboard are reviewed annually by the Committee of Actuaries and the FSALM Committee, with findings reported to the Pension Board. It is always a work in progress, with the expectation that it will be a useful, systematic tool for the Pension Board to monitor and to protect the long-term solvency and sustainability of the Fund.

Planning for the 2027 Asset-Liability Management study; further work

FSALM Committee members reviewed the proposed timeline and suggested that a Chair of the FSALM Committee or a designated representative be included in the procurement panel to ensure alignment with the Committee's expectations and experience. The Committee has scheduled further meetings 13-14 October on more technical topics and 13-14 November for a broader planning forum.

Recommendations for the consideration of the FAFICS Council:

- (a) Welcomes the start of the External Consultancy recommended by the Pension Board in its 2023 meeting.
- (b) Supports the inclusion of the Chair of the FSALM Committee in appropriate parts of the Procurement Process for the next ALM Consultancy.
- (c) Applauds the collaboration between Pension Administration, OIM, the CoA, and the FSALM Committee in providing guidance to the Pension Board.
- (d). FAFICS agrees that, in keeping with Article 19(a), the RSG may use short-term tailored benchmarks as operational portfolio management tools. However, a **long-term benchmark** needs to be reestablished for long-term performance reporting and solvency monitoring.
- (e). The *impact of benchmark changes* should be disclosed, by reporting performance versus *both* OLD and NEW benchmarks.