



FEDERATION OF ASSOCIATIONS OF FORMER INTERNATIONAL CIVIL SERVANTS
FÉDÉRATION DES ASSOCIATIONS DES ANCIENS FONCTIONNAIRES INTERNATIONAUX
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Management of Investments
Note by Suzanne Bishopric

Investments of the Fund

1. This note reviews the report to the Pension Board on Management of Investments presented by the Representative of the Secretary-General in document JSPB/81/R.6.
2. Given the Pension Board's advisory role under Article 19(a) of the Fund's Regulations, the report of the RSG is presented to the Board for information, not decision. Article 19(a) provides that "the investment of the assets of the Fund shall be decided upon by the Secretary-General after consultations with an Investments Committee and in light of observations and suggestions made from time to time by the Board on the investment policy." The Secretary-General has delegated to the RSG his authority under Article 19 to decide on the investment of the Fund's assets.
3. In addition to the provisions of Article 19 of the Fund's Regulations, numerous General Assembly resolutions since the 1980's have emphasized the Secretary-General's fiduciary role in managing the investment of the Fund's assets and have further emphasized that his decisions on investments should meet the criteria of **safety, profitability, liquidity and convertibility**.
4. Given the role of the Pension Board in the overall management of the Fund under Article 4(a) of the Fund's Regulations and its role in ensuring the actuarial sustainability of the Fund pursuant to Articles 11 and 12 of the Fund's Regulations, the Board relies on its own committees (FSALM Committee and the Audit Committee) as well as the Fund's statutory committees (Investments Committee and Committee of Actuaries) to assist it in ensuring that the Fund's long term return on investments align with the Fund's actuarial determined liabilities.

Fund Performance

5. Over the past year, the Fund had a nominal return (i.e., before discounting for inflation) of 8.52 per cent, resulting in a balance of US\$95,426 million as of 31 December 2024. This represented an increase of US\$7.18 million from the previous balance of \$88.251 million as of 31 December 2023.
6. The 3-year annualized nominal return was 1.72 per cent, 30 basis points (one basis point = .01 = one tenth of one per cent) *below* the policy benchmark. The chart below, reproduced from JSPB/81/R.6 with permission from the RSG, provides a longer term perspective on total Fund performance:

Table 2. Fund Performance as of 31 December 2024

	Rate of Return (%)									
	1 Year	2 Years	3 Years	5 Years	10 Years	15 Years	20 Years	25 Years	30 years	50 years
UN Nominal Return	8.52	11.03	1.72	6.04	6.47	6.75	6.33	5.75	7.35	8.76
US CPI	2.89	3.12	4.22	4.20	3.00	2.56	2.56	2.55	2.52	3.68
UN Real Return	5.47	7.67	-2.40	1.77	3.37	4.09	3.68	3.12	4.71	4.90
3.5% Real Return Objective	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50	3.50
Excess of 3.5% Return	1.90	4.03	-5.70	-1.67	-0.12	0.57	0.17	-0.37	1.17	1.36

1 Nominal Returns are annualized.

2 Nominal Returns and CPI numbers are geometrically linked.

3 Real Returns are calculated using a geometric difference.

Figure 2. Rolling 15 Years Real Return (Long-Term Investment Objective)



Source: Independent Master Record Keeper, Northern Trust. Graph compiled by UNJSPF staff

As stated in the RSG's report, OIM's primary objective is to meet or exceed a 3.5% real rate of return (i.e., net of inflation, as measured (by the US CPI) in USD terms annualized over the long-term, which the RSG measures as 15 years. This is actually the former actuarial assumed real rate of return on the Fund's investments that the Pension Board had adopted under Article 11 of the Fund's Regulations and maintained as an assumption for many years. Based on the

Asset-Liability Management (ALM) study conducted in 2024, which was based on 2023 results, the Pension Board reduced the actuarial assumed real rate of return was reduced to 3.4 per cent. In that 2024 ALM study, a strategic asset allocation (SAA), and the ranges for tactical tilts were recommended by the consultant carrying out the ALM study.

The Strategic Asset Allocation of the Fund

The table below summarizes the asset allocation as of 31 December 2024. The actual portfolio weights are shown in the far right column, and the ALM- based strategic asset allocation (SAA) and its ranges together are shown in the middle. As of 31 December 2024, the exposure to global equities was 44.8 per cent. The exposure to private equity, real estate and real assets amounted to 8.6 per cent, 7.4% and 0.5%, respectively. The exposure to global fixed income was 37.1 which was underweight when compared with the policy benchmark. Cash was weighted at 1.7%, which was significantly overweight when compared to the policy benchmark weight of 1.0 per percent.

Summary of asset allocation as of 31 December 2024:

Asset Class	Strategic Asset Allocation (SAA)	Portfolio weight
Global Equities	0.43	0.45
Private Equity	0.07	0.09
Real Estate	0.09	0.07
Infrastructure	0.02	0.01
Core Fixed Income	0.35	0.33
Non-Core Bonds	0.04	0.04
Cash	0.01	0.02
Total (may not add due to rounding)	100	100

The full Table of Target SAA Ranges and Asset Allocation as of 31 December 2014, appears below, as copied, with permission from JSPB/81/R.6:

Table 1. Target SAA Ranges and Asset Allocation as of 31 December 2024

Asset Class	Index	Minimum	SAA Weight	Maximum	Benchmark Weight	Portfolio Weight
Total Equity and Private Assets		52.0%	60.0%	68.0%	60.0%	61.2%
Global Equities		35.0%	43.0%	51.0%	43.0%	44.8%
Developed Market Equity	MSCI World IMI Custom ESG Index	27.0%	35.0%	43.0%	35.0%	
Emerging Market Equity	MSCI Emerging Markets IMI Custom ESG Index	4.0%	8.0%	12.0%	8.0%	
Private Equity	MSCI ACWI IMI ESG Custom + 2%	3.0%	7.0%	11.0%	7.0%	8.6%
Real Assets		5.0%	10.0%	15.0%	10.0%	7.8%
Real Estate	NCREIF Open End Diversified Core Equity (ODCE) + 1%	4.5%	8.5%	12.5%	8.5%	7.4%
Real Estate Core	NCREIF Open End Diversified Core Equity (ODCE)					
Real Estate Non-Core	NCREIF Open End Diversified Core Equity (ODCE) + 2%					
Infrastructure	US CPI + 4%	0.0%	1.5%	3.5%	1.5%	0.5%
Timberland and Farmland	NCREIF Timberland Index/ NCREIF Farmland Index	0.0%	0.0%	2.0%	0.0%	0.0%
Private Debt	Cliffwater Direct Lending Index (CDLI)	0.0%	0.0%	2.0%	0.0%	0.0%
Fixed Income + Cash		32.0%	40.0%	48.0%	40.0%	38.8%
Core Fixed Income	Fixed Income	31.0%	39.0%	47.0%	39.0%	37.1%
US Securitized	Bloomberg US Core Bond ESG Custom	27.0%	35.0%	43.0%	35.0%	33.3%
US Treasuries	Bloomberg US Securitized ESG Custom	7.0%	10.0%	13.0%	10.0%	
US Corporates	Bloomberg US Treasuries ESG Custom	11.0%	14.0%	17.0%	14.0%	
US Government-Related	Bloomberg US Corporates ESG Custom	7.0%	10.0%	13.0%	10.0%	
	Bloomberg US Government-Related ESG Custom	0.0%	1.0%	3.0%	1.0%	
Non-Core Bonds	Bloomberg Non-Core Bonds ESG Custom: 50% BBG High Yield ESG custom + 50% BBG EM Local Currency ESG custom	1.0%	4.0%	7.0%	4.0%	3.8%
US High Yield	Bloomberg US Corporate High Yield 2% Issuer Cap ESG Custom Index	0.0%	2.0%	4.0%	2.0%	
EMD Local Currency	Bloomberg EM Local Currency Government (10% Country Capped) ESG Custom	0.0%	2.0%	4.0%	2.0%	
Cash	Total Cash	0.5%	1.0%	3.0%	1.0%	1.7%
	Bloomberg 1-3 Month US Treasuries	0.5%	1.0%	3.0%	1.0%	1.7%

Source: Independent Master Record Keeper, Northern Trust. Table compiled by UNJSPF staff

Note: Numbers may not add up due to rounding.

Environmental, Social and Governance (ESG)

ESG considerations were given prominence in the report of the RSG. OIM reached its carbon reduction target across equities, corporate bonds, and real estate. OIM set a new target for the year 2030, in accordance with recommendations of the NetZero asset alliance: to maintain a 60% reduction of the carbon footprint for the industries and activities underlying the assets of the Fund.

OIM published its first international financial reporting standards IFRS climate report in 2024 after publishing two Task Force on Climate Related financial disclosures reports in 2022 and 2023. In 2025 the Funds reporting will be broadened to include IFRS S1, which deals with general sustainability questions. In 2024, OIM started exploring nature-related risks arising from climate change and opportunities arising from green energy activities, and OIM plans to initiate reporting on these matters in its 2025 IFRS reports.

In 2024 in collaboration with external partners OIM exercised its right to vote in all shareholder and other investor meetings where it was eligible to vote and engaged with more than 655 companies on ESG issues. This reflects OIM's commitment to be an active owner and to influence how companies manage ESG-related issues.

Impact Investing

In its resolution 76/246 of 24 December 2021, the General Assembly requested the Secretary-General to explore impact investing for the Fund and in 2022, further “recall[ed] the four main criteria for investment utilized by the Fund, and requests the Secretary-General to continue to explore, in consultation with the Investments Committee and taking into account the observations and suggestions by the Pension Board, impact investing for part of the portfolio, including in developing and emerging markets, such as a Africa and Asia and other regions, bearing in mind, the real rate of return target, and to report thereon to the General Assembly in his next report.”

OIM continued to advance its impact investing mandate, building on the policy, developed in 2023, which defined impact investing as seeking measurable, social and environmental outcomes alongside competitive financial returns. Investments have been aligned with the UN Sustainable Development Goals (SDGs) and are anchored in the principles of intentionality, impact management, and impact risk. In 2024, OIM allocated approximately USD\$280 million to impact investments across multiple asset classes, including fixed income, private equity, infrastructure and private credit. Exposure to labeled bonds also continued to grow, reaching over USD\$1 billion at the end of December 2024, with impact bonds issued by Multilateral Development Banks.

Global Investments Performance Standards GIPS®

The Global Investments Performance Standards (GIPS®) are ethical standards for calculating and presenting investment performance. UNJSPF has claimed compliance with GIPS standards for the last five years. GIPS® verification provides assurance regarding the calculation, presentation, and distribution of performance that have been designed in compliance with GIPS® standards.

Observations and Suggestions for Consideration by the FAFICS Council

- a)** Given the recent history of underperformance, should more attention be placed on risk and return?
- b)** What has been the reaction of Member States on the increase in staff dedicated to ESG, NetZero, and BioDiversity causes not specifically endorsed or mandated by the UN General Assembly? Will flagging such politically driven causes draw undesirable attention to the Fund?
- c)** What has been the impact of diversifying the Fixed Income portfolio into High Yield credit instruments?