Statement by the Representative of the Secretary-General to introduce the report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/73/3)

Madam Chair and distinguished Delegates:

1. This is my first appearance before the Fifth Committee. I am very glad to be here. It is an honour to be appointed by the Secretary-General as his Representative to manage the assets of the UN Joint Staff Pension Fund. Before I came on board on 1 January 2018, I had spent almost 30 years working with the World Bank, based in Washington, DC but working in all parts of the world. During my time at the World Bank, in addition to making investments globally -- in developed and emerging markets, and across a range of public and private markets asset classes --

bolts of building a global investments capability, and the governance challenges that are widespread in public sector pension organizations.

2. I appreciate your time today to review the investments of the United Nations Joint Staff Pension Fund. The purpose of my presentation is to introduce the Report of the Secretary-General on the investments of the United Nations Joint Staff Pension Fund and measures undertaken to increase the diversification of the Fund (A/C.5/73/3).

3. This document addresses the following topics: performance of the Fund’s investments during the biennium from 1 January 2016 to 31 December 2017; currency exposures and the Asset Liability Management Study; diversification of the Fund’s investments; and our approach to Sustainable Investing. I will focus on the highlights from this document, and I will also provide an update on the Fund’s performance so far in 2018.

Investment Performance

4. The investment performance of the Fund exceeded the Long-Term Objective of 3.5% real (net of inflation) in USD during the biennium 2016-2017, primarily

due to high real investment returns of 16.2% during 2017. It is important to note that our goal is to make sure that we discharge all our obligations to current and future beneficiaries. For this purpose, we do not need to, nor can we realistically expect to, meet our long-term return objective every quarter, or even every year. For example, investment returns for 2018, as of 8 November, are close to zero, as financial markets have experienced significant volatility in the process of adjusting to fundamental changes resulting from the best interests of beneficiaries that pension fund investments maintain a long-term focus in the face of short-term market volatility.

5. We also compare the nominal returns of the Fund to the policy benchmark, which is a weighted average of the individual benchmarks for the various asset classes.

Asset Liability Management (ALM) Study

7. In 2018, we are embarking on our next Asset Liability Management (ALM) Study, which is done once every four years. This ALM Study is used to periodically reconfirm the continued feasibility of achieving the Fund's Long-Term Objective of 3.5% real return (net of inflation) in USD terms, and to make adjustments as appropriate in the supporting Strategic Asset Allocation (SAA), taking into account updates to our liability profile. The ALM Study is expected to be completed by the middle of 2019, by a third-party service provider which has been selected. After consultations with and input from various stakeholder and specialist Committees such as the Committee of Actuaries and the Investments Committee, the policy benchmark will be updated to reflect the Fund's new SAA weightings for each asset class resulting from this ALM Study. Our Investment Policy Statement (IPS) will thereafter also be updated and modernized to reflect the various changes resulting from this ALM Study. The SAA typically drives over 90 per cent of a

pension fund’s risk and returns; we therefore attach great importance and expend significant resources in conducting the ALM Study.

8. The ALM Study, as well as a currency management study completed in 2017, will also enable the Fund to reduce uncompensated currency exposures relative to liabilities wherever operationally feasible. We have already taken steps in this regard, in consultation with the Board of Auditors and our various

Conclusion

12. The assets of the Fund, approximately US$64 billion at this moment, are the single most important assurance to the 205,000 people who depend on the UNJSPF to fully discharge its obligations to them. In this context, I have been particularly struck by the wisdom and foresight displayed by the General Assembly as long ago as 1948 in deciding, and reiterating periodically ever since, that the Secretary-General has the fiduciary responsibility for

14. Financial markets are likely to be volatile over the near-term as they adjust to a reversal of quantitative easing which has been going on for the past ten years, with no precedents to help us gauge how that adjustment may come about. At the same time, our fully funded status gives us a certain amount of financial cushion to withstand a period of low investment returns. I am confident that the Office of Investment Management will be able to deal with whatever challenges the markets may present, with your support and encouragement.