

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

Annual Report 2002

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INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER

(CEO)

I am pleased to present the first Annual Report of the United Nations Joint Staff Pension Fund. This report complements detailed information provided in the Fund's regular annual letter. It also contains key information on the Fund's operations and aims to highlight a number of significant issues that are of particular interest to many of the Fund's various partners.

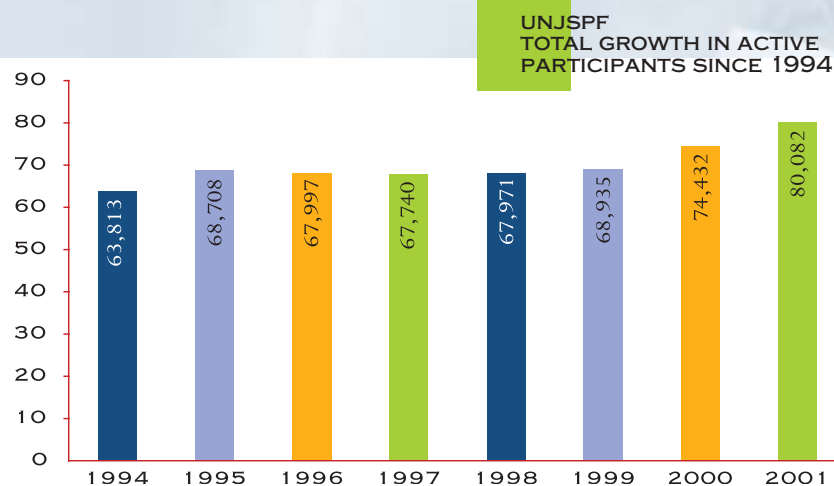
During the past 12 months, a number of key projects have been implemented with the objective of further streamlining the Fund's services. The Management Charter issued in 2001 aims to set the framework for future action and to provide the basis for a concrete and enhanced relationship between the management of the Fund and the Pension Board. It puts forward the Fund's overall competitive goals: timely delivery of services, cost-effective pension administration and an efficient investment management strategy, all of which will contribute to the Fund's durable competitiveness. The objectives expressed in the Management Charter were further defined in the Fund's new Communications and Quality Management policies, expressing respectively the objectives to respond to the constant communications challenge and to develop and encourage stronger client-orientation. These three documents, which were issued in June 2002, are now available together with other important information on the Fund's consolidated web site at: www.unjpsf.org.

I would like to take this opportunity to thank each and every one of you, partners of the Fund, for your support and involvement towards making these objectives achievable.

Bernard Cochemé
Chief Executive Officer
United Nations Joint Staff Pension Fund

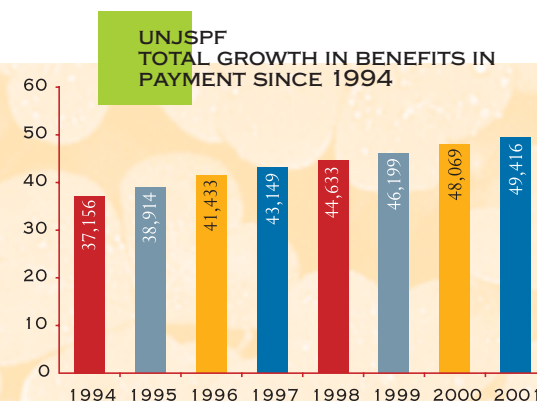
PARTICIPANTS

As of 31 December 2001, the Fund counted 80,082 active participants from its 19 member organizations. The distribution of participants, among the organizations, was as follows: United Nations - 54,953; World Health Organization - 7,375; Food and Agricultural Organization - 5,344; International Labour Organization - 2,747; United Nations Educational, Scientific and Cultural Organization - 2,414; International Atomic Energy Organization - 2,125; World Intellectual Property Organization - 1,106; International Telecommunication Union - 967; International Civil Aviation Organization - 873; United Nations Industrial Development Organization - 813; International Fund for Agricultural Development - 383; International Maritime Organization - 330; World Meteorological Organization - 322; International Centre for Genetic Engineering and Biotechnology - 145; World Tourism Organization - 79; International Center for the Study of the Preservation and Restoration of Cultural Property - 33; International Tribunal for the Law of the Sea - 30; International Seabed Authority - 28; European and Mediterranean Plant Protection Organization - 12. In addition, 3 participants separated from the General Agreement on Tariffs and Trade (GATT) but had not yet made their benefit elections. GATT withdrew its membership on 31 December 1998. A bar graph reflecting the evolution in the total number of active participants since 1994 is provided below:



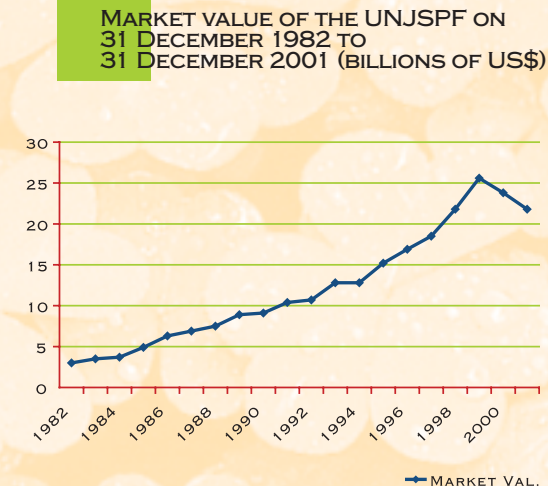
BENEFICIARIES

As at 31 December 2001, the Fund was paying 49,416 periodic benefits. The distribution of benefits in payment was as follows: full retirement benefits - 15,558; early retirement benefits - 10,726; deferred retirement benefits - 6,509; widow benefits - 7,241; widower benefits - 446; disability benefits - 845; child benefits - 8,049 and secondary benefits - 42. A bar graph reflecting the growth in the total number of benefits in payment is provided below:



FINANCIAL SITUATION

The financial statements of the Fund are signed by the CEO and audited, on a biennial basis, by an external Board of Auditors. During 2001 the Fund experienced a significant increase (7.6 per cent) in participation: from 74,432 active participants on 1 January 2001 to 80,082 on 31 December 2001. The number of benefits in payment increased (2.8 per cent) from 48,068 to 49,416 during this same period. The annual payroll for benefits in payment for the period ending 31 December 2001 was \$1.06 billion representing a 3.5 per cent increase over the prior year. During the period, benefits were being paid in 27 different currencies. The total expenditure for benefits, administration and investment costs of \$1.09 billion exceeded contribution income by approximately \$162 million. Contribution income increased from \$854.5 million for the year ending 31 December 2000 to \$928.6 million for the year ending 31 December 2001, or an increase of approximately 8.7 per cent. The market value of the Fund's assets dropped from \$23.8 billion on 31 December 2000 to \$21.5 billion on 31 December 2001, representing a decline of about 9.7 per cent. A graph reflecting the evolution of the market value of the Fund's assets from 1982 to 2001 is provided below:



STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE,

for the biennium periods ending 31 December 2001 and 31 December 1999, are provided below :

STATEMENT OF ASSETS AND LIABILITIES

31 December 2001 and 1999

	2000-2001	1998-1999
ASSETS		
Cash and term deposits	321,328,502	334,583,216
Investments	17,123,895,044	15,240,934,134
Accounts receivable	211,531,080	210,047,989
Prepaid benefits	9,504,066	10,174,576
TOTAL	17,666,258,692	15,795,739,915
LIABILITIES		
Account payable	34,579,880	30,351,085
Principal of the Fund	17,631,678,812	15,765,388,830
TOTAL	17,666,258,692	15,795,739,915

STATEMENT OF INCOME AND EXPENDITURE

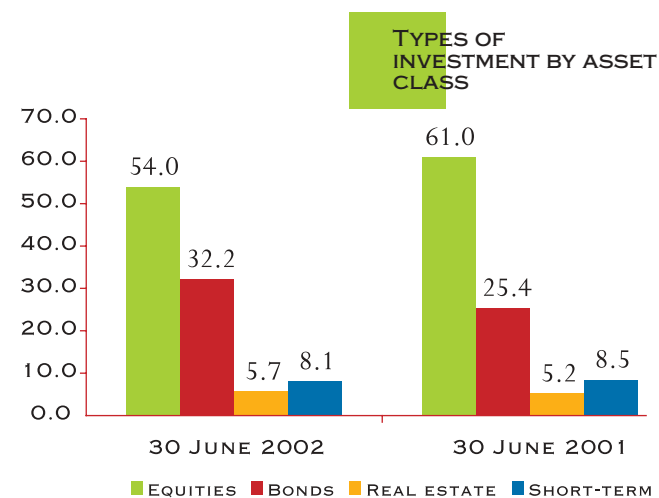
31 December 2001 and 1999

	2000-2001	1998-1999
INCOME		
Participants contributions	595,561,100	540,740,814
Member organizations contributions	1,186,467,232	1,076,416,890
Transfer agreement amount received	585,779	443,203
Excess actuarial value over regular contribution to make prior service contributory	566,826	848,404
Investment income	2,233,551,857	2,194,792,492
Miscellaneous income	6,087	6,138
TOTAL	4,016,738,881	3,813,247,941
EXPENDITURE		
Payment of benefits	2,093,917,354	1,997,564,590
Administrative costs	56,759,584	53,947,049
Emergency Fund	71,792	66,516
Net excess of income over expenditure	1,865,990,151	1,761,669,786
TOTAL	4,016,738,881	3,813,247,941

INVESTMENT UPDATE

The market value of the Fund's assets was US\$21,541 million as of 30 June 2002. This represents a decline of US\$448 million or 2.1 per cent, from 30 June 2001 when the Fund's asset value stood at US\$21,989 million. The decrease in the value was attributed to a decrease in the equity portion of the portfolio as a result of market decline and sales of equities, either to take profits or reduce potential losses. This decline in total Fund was partially offset by an increase in all other asset classes, bonds, real estate and short term.

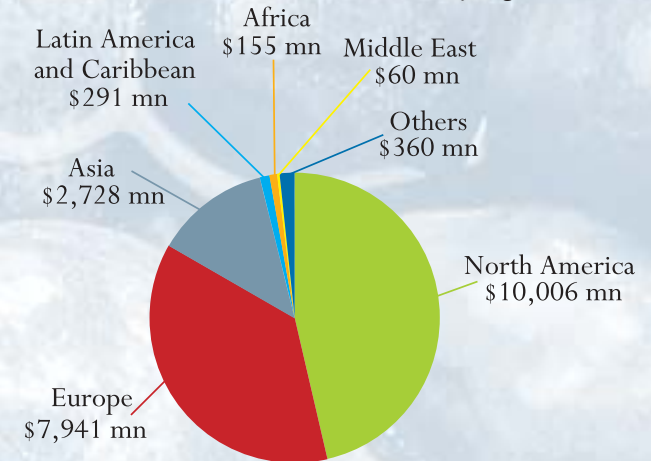
The asset allocation, in per cent, was as follows:



DIVERSIFICATION

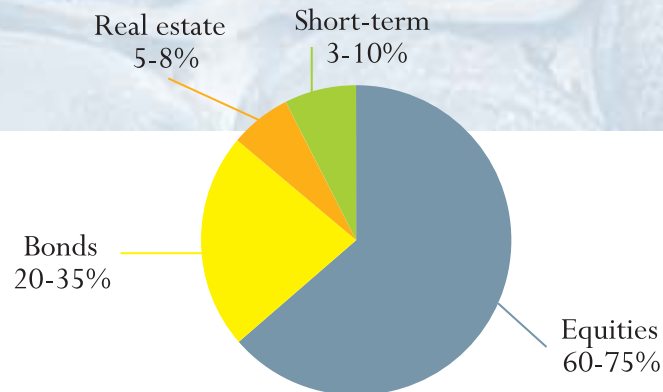
As of 30 June, the Fund had investments in 48 countries and four international/ regional institutions and 28 currencies. The chart below indicates the value of investments by region:

DIVERSIFICATION BY REGION TOTAL VALUE \$21,541 MN.



Due to declines and the high volatility of global equity markets, the allocation to equities was kept below the long-term range throughout late 2001 and 2002:

LONG-TERM GUIDELINES



The total return of the Fund for the year ended 30 June 2002 was negative 0.9 per cent, compared to the benchmark (which consists of 60 per cent Morgan Stanley Capital International World Index and 40 per cent Solomon Brothers World Government Bond Index) return of negative 4.0 per cent. The Fund also performed better than its benchmark in the three and five year periods. The table below summarizes Fund's performance against its benchmark:

Period ending 30 June	1 year	3 years	5 years
Fund	-0.9	-0.8	3.9
Benchmark	-4.0	-3.3	2.5
Fund less Benchmark	3.1	2.5	1.4

The Fund's long-term return objective is to achieve a real, inflation adjusted, rate of return of 3.5 per cent. The real rate of return is calculated by adjusting the nominal rate of return for the United States Consumer Price Index (CPI). The Fund's annual rate of return, in per cent, was as follows:

Period ended 30 June	Total nominal return	US CPI	Real return (adjusted for US CPI)	Excess return (real return minus 3.5 per cent)
93	9.3	3.0	6.1	2.6
94	8.5	2.5	5.9	2.4
95	13.4	3.0	10.1	6.6
96	11.7	2.8	8.6	5.1
97	17.5	2.3	14.9	11.4
98	10.9	1.7	9.1	5.6
99	12.3	2.0	10.1	6.6
00	13.7	3.7	9.6	6.1
01	-13.3	3.2	-16.0	-19.5
02	-0.9	1.2	-2.1	-5.6
Annualised	7.9	2.5	5.3	1.8

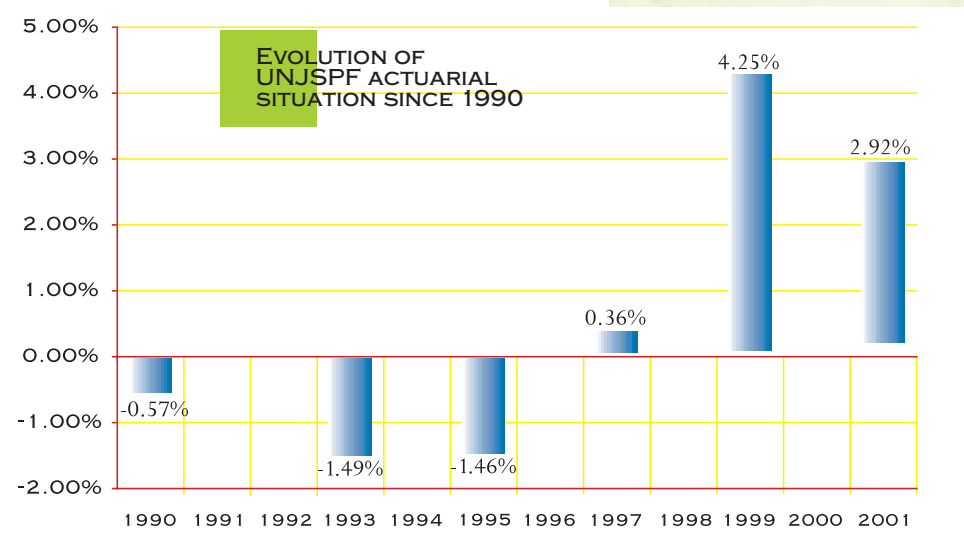
As shown above the Fund achieved its long-term objective in eight out of ten years. The annualized 10 year nominal return was 7.9 per cent, while the real rate of return was 5.3 per cent, and the excess return was 1.8 per cent.

Over the last 42 years during which the performance of the Fund has been calculated, the Fund has achieved total return of 8.5 per cent, or 3.9 real rate of return after adjustment by US CPI. This real rate of return is in excess of long-term objective of real rate of return of 3.5 per cent.

ACTUARIAL MATTERS

Actuarial services are provided by Buck Consultants. A Committee of Actuaries, consisting of five independent actuaries, is also appointed on the recommendation of the Board. The committee's function is to advise the Board on actuarial questions arising out of the operations of the Regulations. Its members are selected from the five different regions of the world.

Actuarial valuation: The Consulting Actuary performed the latest actuarial valuation as at 31 December 2001. This valuation revealed a third consecutive actuarial surplus, amounting to 2.92 per cent of pensionable remuneration. The valuations as of 31 December 1999 and 31 December 1997 had recorded surpluses of 4.25 and 0.36 per cent of pensionable remuneration, respectively. The current surplus of 2.92 per cent, expressed another way, means that the theoretical contribution rate required to achieve balance as of 31 December 2001 was 20.78 per cent of pensionable remuneration, as against the actual contribution rate of 23.70 per cent. Valuations are performed on a range of economic assumptions regarding future investment earnings and inflation and on different sets of participant growth assumptions. The regular valuation that was performed as at 31 December 2001, used the three following economic assumptions: (a) an assumed rate of increase in pensionable remuneration of 5.50 per cent per annum; (b) an assumed rate of nominal investment return of 8.50 per cent per annum; (c) an assumed rate of inflation of 5.00 per cent per annum and a "zero participant growth assumption." This type of analysis is therefore based on a projected basis. The following graph illustrates the results of the regular actuarial valuations, based on projections, over the last six valuation periods:



Another analysis that is carried out in conjunction with the valuation is the determination of funding ratios. This analysis is carried out to assist the Board in its assessment of the position of the Fund on a current rather than projected basis. The funding ratios are comparisons of the current assets of the Fund with the value of the accrued benefits (liabilities) on the given valuation date and are calculated on a "plan termination basis." With respect to its liabilities on 31 December 2001, the Fund was found to be in a strongly funded position, as it had been for the past six valuations. The current funded ratio is 160.6 per cent, which was obtained by dividing the actuarial value of assets (i.e. \$23,630.0 million) by the actuarial value of the accrued benefits (i.e. \$14,709.4 million). The ratio therefore indicates there is a 60.6 per cent security margin. The funded ratio is decreased considerably if account is taken of the current system of pension adjustments, whereby benefits are adjusted for inflation. The following table illustrates the funded ratios from 1990 to 2001, both without, as well as with pension adjustments:

FUNDED RATIOS FOR VALUATIONS AS OF 31 DECEMBER 1990 - 2001

	1990	1993	1995	1997	1999	2001
Without pension adjustments	131	136	132	141	180	161
With pension adjustments	77	81	81	88	113	106

Based on the results of the latest actuarial valuation, the Committee of Actuaries and the Consulting Actuary were of the opinion that the present contribution rate of 23.70 per cent is sufficient to meet the benefit requirements under the Plan. The Board approved of their statement on the actuarial position of the Fund.



MAJOR EVENTS

The Pension Board held its biennial session, from 10 to 19 July 2002, at the Food and Agricultural Organization (FAO) in Rome. A Standing Committee of the Board, which meets when the Board is not in session, will meet in 2003, at the United Nations headquarters in New York. The Investments Committee will continue to meet on a quarterly basis. The Committee of Actuaries will meet in June 2003, in order to review the economic and demographic assumptions to be used in the actuarial valuation that is to be carried out as of 31 December 2003.

MEMBERS OF LEGISLATIVE ORGANS AND COMMITTEES:

UNITED NATIONS JOINT STAFF PENSION BOARD (UNJSPB)

Chairman:	Dr. J. Larivière [representative of the Governing Body of the World Health Organization (WHO)]
1st Vice-Chairman	Mr. J.-P. Halbwachs [representative of the Secretary-General of the United Nations (UN)]
2nd Vice-Chairman	Mr. C. Cherubini [representative of the Participants of the Food and Agriculture Organization of the United Nations (FAO)]
Rapporteur	Mr. J.-M. Jakobowicz [representative of the Participants of the United Nations (UN)]

UNJSPB STANDING COMMITTEE

Chairman:	Mr. A. Busca [representative of the Executive Heads of the International Labour Organization (ILO)]
1st Vice-Chairman	Mr. J.-M. Jakobowicz [representative of the Participants of the United Nations (UN)]
2nd Vice-Chairman	Mr. V. Vislykh [representative of the General Assembly of the United Nations (UN)]

INVESTMENTS COMMITTEE (9 MEMBERS)

Chairman:	Mr. E.N. Omaboe
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REPRESENTATIVE OF THE UNITED NATIONS SECRETARY-GENERAL FOR THE INVESTMENTS OF THE UNJSPF

Representative:	Mr. J.E. Connor
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UNITED NATIONS JOINT STAFF PENSION FUND SENIOR MANAGEMENT

Chief Executive Officer	Mr. B. Cochemé
Deputy Chief Executive Officer	Mr. J. Dietz
Director of Investments	Mr. H. Ouma
Chief of Operations	Ms. D. Bull
Chief of Geneva Office	Mr. G. Ferrari

COMMITTEE OF ACTUARIES (5 MEMBERS)

Chairman:	Mr. A.O. Ogunshola
Vice-Chairman	Mr. H. Perez Montas
Rapporteur	Mr. L.J. Martin

CONSULTING ACTUARY

Buck Consultants, Inc.

C O N T A C T I N G T H E U N P E N S I O N F U N D

Obtain more information on the Pension Fund Web Site
www.unjspf.org



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