

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

Annual Report 2003

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INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER

(CEO)

I am pleased to present the second Annual Report of the United Nations Joint Staff Pension Fund. This report complements detailed information provided in my regular annual letter sent in January to the Fund's participants and beneficiaries. The Report again 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.

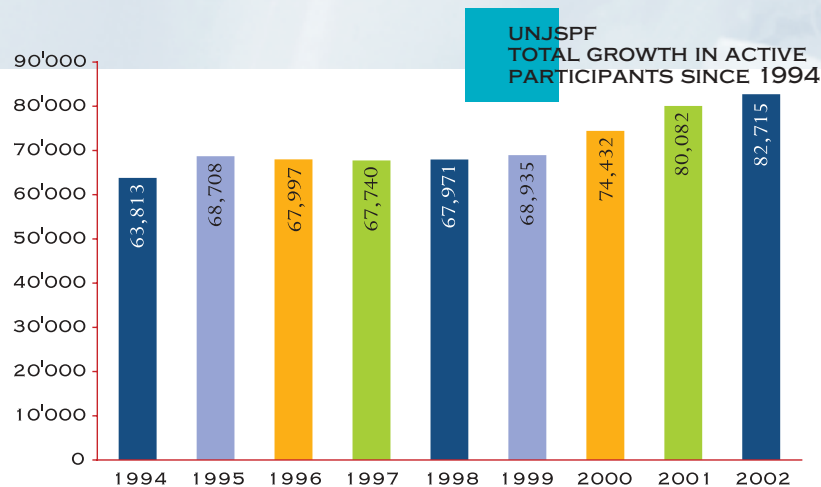
During the past 12 months, a number of key projects have been implemented within the framework of the Management Charter issued in 2001. The Charter identifies detailed objectives and action plans while providing the basis for a concrete and enhanced relationship between the management of the Fund and the Pension Board. I am pleased to report that the Fund is meeting its goals with respect to its timely delivery of services, payments of benefits and responses to correspondence. Key policy documents have also been issued on Quality Management, Communications, Security and Internal Control. Implementation of the Fund's eight major Information Technology re-engineering projects are also well under way; these projects are part of the Fund's global strategy to respond, in a cost-effective way, to its fast-growing activities and the efficient management of its investments. The Fund's commitment to improve communications with its participants and beneficiaries and to provide easy access to information has lead to the development of training sessions, more personal visits, the first publication of a series of booklets on specific and frequently asked questions and a new website www.unjspf.org where important information, including pensions estimates, is available.

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

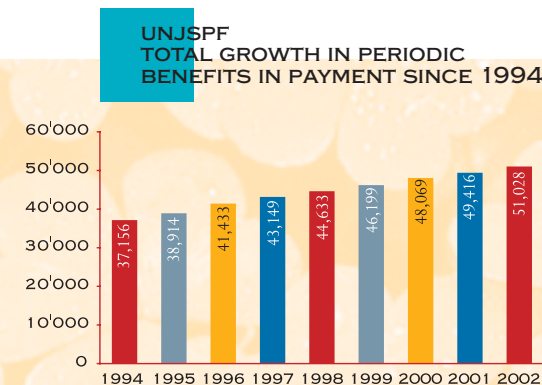
PARTICIPANTS

As of 31 December 2002, the Fund counted 82,715 active participants from its 19 member organizations. The distribution of participants, among the organizations, was as follows: United Nations - 56,287; World Health Organization - 8,181; Food and Agricultural Organization - 5,447; International Labour Organization - 2,863; United Nations Educational, Scientific and Cultural Organization - 2,437; International Atomic Energy Organization - 2,168; World Intellectual Property Organization - 1,189; International Telecommunication Union - 1,006; International Civil Aviation Organization - 883; United Nations Industrial Development Organization - 821; International Fund for Agricultural Development - 435; International Maritime Organization - 340; World Meteorological Organization - 310; International Centre for Genetic Engineering and Biotechnology - 150; World Tourism Organization - 83; International Center for the Study of the Preservation and Restoration of Cultural Property - 36; International Tribunal for the Law of the Sea - 33; International Seabed Authority - 34; European and Mediterranean Plant Protection Organization - 11. In addition, 1 participant separated from the General Agreement on Tariffs and Trade (GATT) but has not yet made a benefit election. 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:



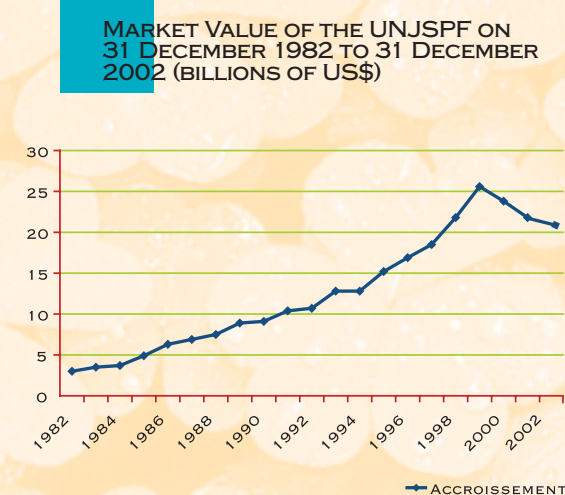
BENEFICIARIES

As at 31 December 2002, the Fund was paying 51,028 periodic benefits. The distribution of benefits in payment was as follows: full retirement benefits - 16,138; early retirement benefits - 11,291; deferred retirement benefits - 6,540; widow benefits - 7,537; widower benefits - 477; disability benefits - 885; child benefits - 8,116 and secondary benefits - 44. A bar graph reflecting the growth in the total number of periodic benefits in payment since 1994 is provided on the right:



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. The financial statements for the year ended 31 December 2002 are not audited. During 2002 the Fund experienced an increase in participation by 3.3 per cent: from 80,082 active participants on 1 January 2002 to 82,715 on 31 December 2002. The number of benefits in payment increased (3.3 per cent) from 49,416 to 51,028 during this same period. The annual payroll for benefits in payment for the period ending 31 December 2002 was \$1.14 billion representing a 7.1 per cent increase over the prior year. During the period, benefits were being paid in 15 different currencies. The total expenditure for benefits, administration and investment costs of \$1.17 billion exceeded contribution income by approximately \$164 million. Contribution income increased from \$928.6 million for the year ending 31 December 2001 to \$1,009.7 million for the year ending 31 December 2002, or an increase of approximately 8.7 per cent. The market value of the Fund's assets dropped from \$21.5 billion on 31 December 2001 to \$20.6 billion on 31 December 2002, representing a decline of about 4.4 per cent. A graph reflecting the evolution of the market value of the Fund's assets from 1982 to 2002 is provided on the right:



STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE,

for the years ending 31 December 2002 and 31 December 2001, are provided below:

STATEMENT OF ASSETS AND LIABILITIES

31 December 2002 and 2001

	2002	2001
ASSETS		
Cash and term deposits	452,053,449	321'328'502
Investments	17,603,780,456	17'123'895'044
Accounts receivable	246,850,596	211'531'080
Prepaid benefits	9,560,676	9'504'066
TOTAL ASSETS	18,312,245,177	17'666'258'692
LIABILITIES AND PRINCIPAL OF THE FUND		
Liabilities	38,923,091	30,351,085
Principal of the Fund	18'273,322,086	17,631,678,812
TOTAL LIABILITIES AND PRINCIPAL OF THE FUND	18'312,245,177	17,666,258,692

STATEMENT OF INCOME AND EXPENDITURE

31 December 2002 and 2001

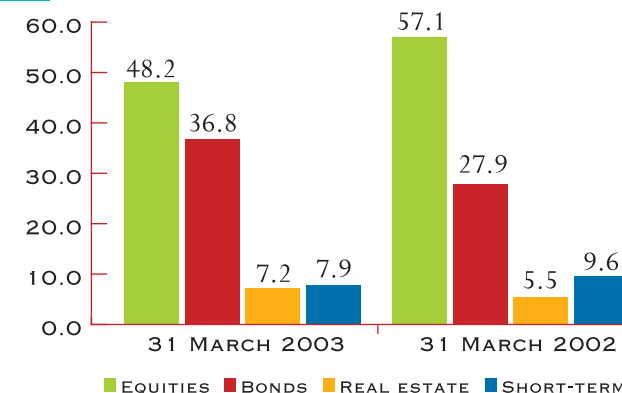
	2002	2001
INCOME		
Participants contributions	337,543,758	310,247,322
Member organizations contributions	672,078,031	617,885,285
Transfer agreement amount received	38,804	428,128
Excess actuarial value over regular contributions	22,363	73,343
Investment income	804,389,966	591,483,679
Miscellaneous income	24,198	1,121
TOTAL	1,814,097,120	1,520,118,878
EXPENDITURE		
Payment of benefits	1,140,697,639	1,064,800,996
Administrative costs	33,136,899	25,633,706
Emergency Fund	33,692	53,646
Prior period adjustments	(1,414,384)	408,747
Net excess of income over expenditure	641,643,274	429,221,783
TOTAL	1,814,097,120	1,520,118,878

INVESTMENTS

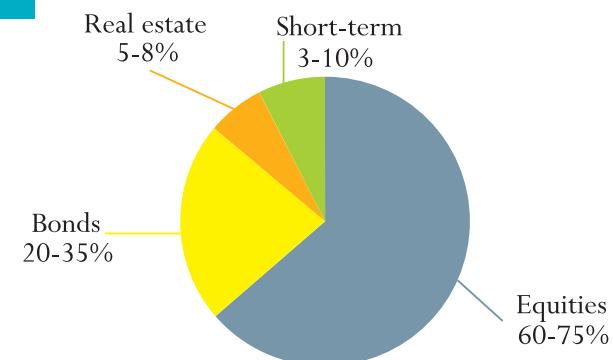
The market value of the Fund's assets was US\$20,741 million as of 31 March 2003. This represents a decline of US\$1,048 million or 5.1 per cent, from 31 March 2002 when the Fund's asset value stood at US\$21,789 million. The decrease in the value was attributed to decrease in the equity portion of the portfolio as a result of market decline. 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:

TYPES OF INVESTMENT BY ASSET CLASS



LONG-TERM GUIDELINES



Due to declines and the high volatility of global equity markets, the allocation to equities was kept below the long-term range throughout 2002 and early 2003.

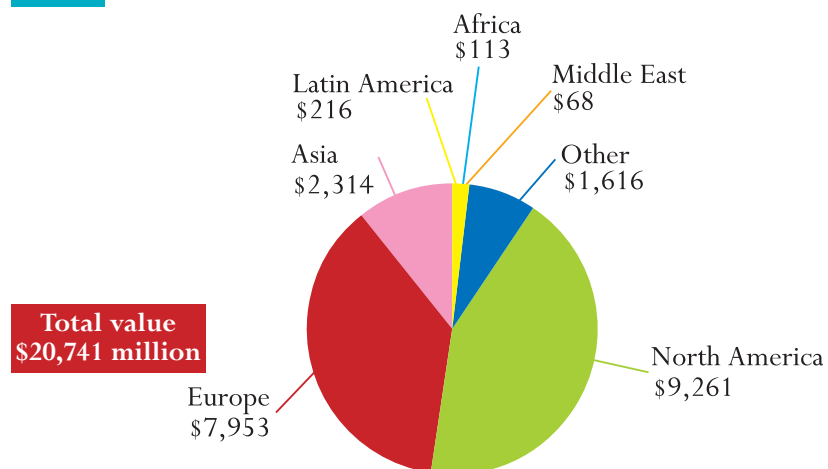
The total return of the Fund for the year ended 31 March 2003 was negative 3.8 per cent, compared to the benchmark which consists of (60 per cent Morgan Stanley Capital International World Index and 40 per cent Solomon Brothers World Government Bond Index), return of negative 6.6 per cent. The Fund also performed better than its benchmark in the three and five year periods. The table below summarizes Fund's performance against its benchmark.

	1 year	3 years	5 years
Fund	-3.8	-6.3	1.6
Benchmark	-6.6	-8.5	-0.5
Fund less Benchmark	2.8	2.2	2.1

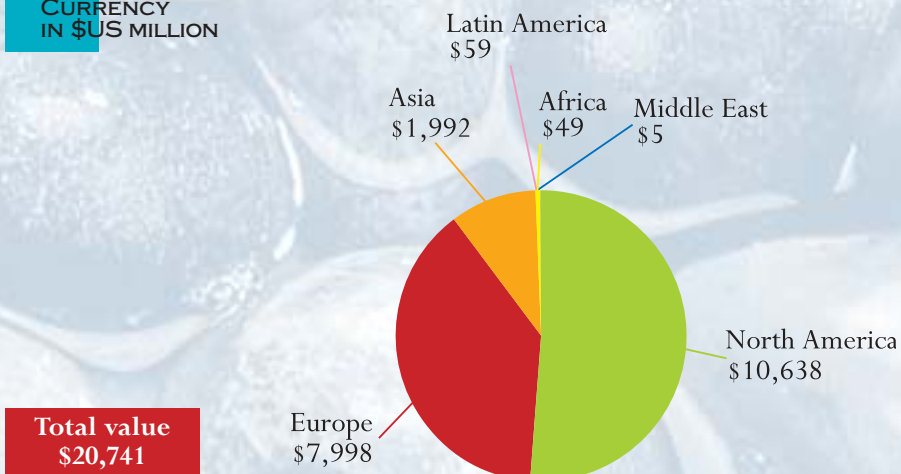
DIVERSIFICATION

As of 31 March, the Fund had investments in 48 countries and four international/ regional institutions and 24 currencies. The charts below indicate the value of investments by region and the number of countries and currencies:

DIVERSIFICATION BY COUNTRY IN \$US MILLION



DIVERSIFICATION BY CURRENCY IN \$US MILLION



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 over the last ten years, was as follows:

Period ended 31 March	Total nominal return	US CPI	Real return (adjusted for US CPI)	Excess return (real return minus 3.5 per cent)
94	9.6	2.5	6.9	3.4
95	8.7	2.9	5.7	2.2
96	14.7	2.8	11.6	8.1
97	8.8	2.8	5.8	2.3
98	20.5	1.4	18.8	15.3
99	11.4	1.7	9.6	6.1
00	18.0	3.8	13.7	10.2
01	-15.0	2.9	-17.4	-20.9
02	0.6	1.5	-0.9	-4.4
03	-3.8	3.0	-6.6	-10.1
Annualized	6.9	2.5	4.3	0.8

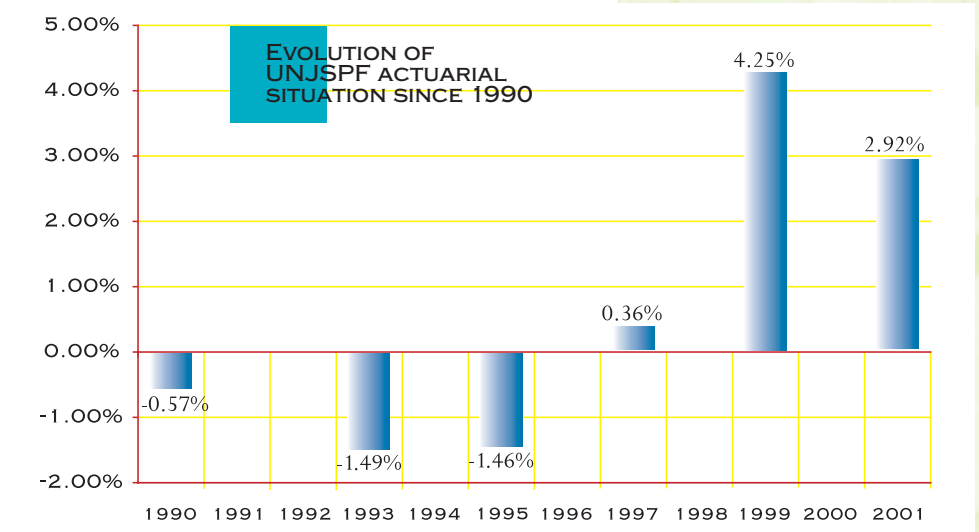
As shown above the Fund achieved its long-term objective in seven out of ten years. The annualized 10 year nominal return was 6.9 per cent, while the real rate of return was 4.3 per cent, and the excess return was 0.8 per cent.

Over the last 43 years during which the performance of the Fund has been calculated, the Fund has achieved total return of 8.2 per cent, or 3.6 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 from 7 to 11 July 2003, at the United Nations headquarters in New York. The Investments Committee will continue to meet on a quarterly basis. A sub-Committee of the Committee of Actuaries will meet in a joint session with the Investments Committee in May 2003. The Committee of Actuaries held its annual meeting 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)]

UNITED NATIONS STANDING COMMITTEE

Chairman:	Mr. A. Busca [representative of the Executive Head 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	(to be appointed) [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 FUND

Representative:	Ms. C. Bertini
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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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