

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

Annual Report 2004

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INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER

I am pleased to present the third Annual Report of the United Nations Joint Staff Pension Fund. This report complements detailed information provided in my regular Annual Letter sent each year 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.

2003 has been a very busy year, and I am pleased to report that the Pension Fund has made significant progress towards its objectives to better serve its clients by improving its overall operational efficiency, by the timely establishment and payment of benefits, in its response time to correspondence, and by making, through the internet and publication of booklets, relevant information easier to access by active participants and beneficiaries residing all over the world. Also, the basic infrastructure of the Fund has been significantly strengthened with the completion of major Information Technology re-engineering projects.

All these actions are part of the Fund's Management Charter and the strategic workplan under which the Fund has been operating since 2001 when the Standing Committee approved management's plans for modernization. I reported on the Fund's achievements to the Pension Board at its next meeting in July 2004.

On the investments side, the market value of the Fund's assets, managed by the Investments Management Service, has increased to about US\$26 billion on 31 December 2003 from US\$21 billion at the end of 2002.

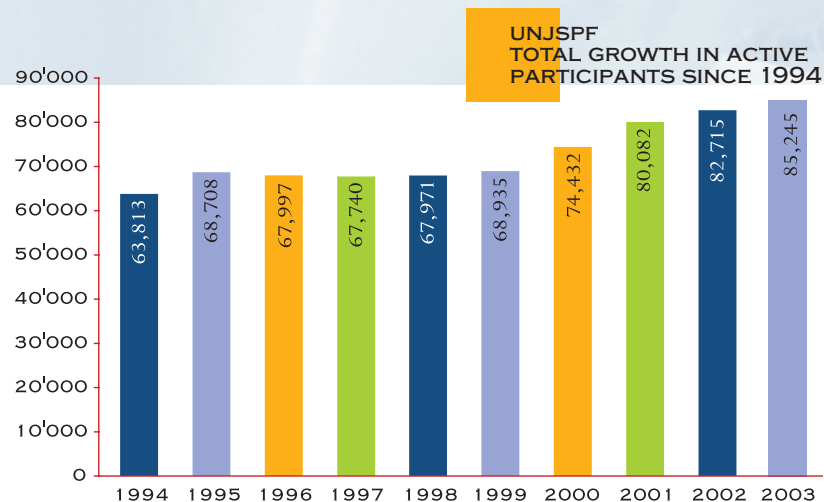
2004 will see a continuation in our efforts to respond, in a cost-effective way, to the Fund's fast-growing activities, to move to new offices better suited to accommodate our needs and to implement in our day-to-day operations the objectives of Sustainable Development and the principles of the Global Compact as promoted by the United Nations.

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

Bernard Cochemé
Chief Executive Officer
United Nations Joint Staff Pension Fund

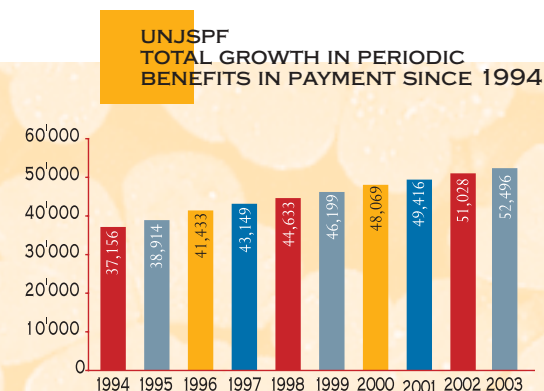
PARTICIPANTS

As of 31 December 2003, the Fund counted 85,245 active participants from its 19 member organizations. The distribution of participants, among the organizations, was as follows: United Nations - 57,541; World Health Organization - 8,966; Food and Agriculture Organization of the United Nations - 5,648; International Labour Organization - 3,044; United Nations Educational, Scientific and Cultural Organization - 2,517; International Atomic Energy Agency - 2,207; World Intellectual Property Organization - 1,240; International Telecommunication Union - 971; International Civil Aviation Organization - 863; United Nations Industrial Development Organization - 786; International Fund for Agricultural Development - 462; International Maritime Organization - 344; World Meteorological Organization - 303; International Centre for Genetic Engineering and Biotechnology - 152; World Tourism Organization - 88; International Center for the Study of the Preservation and Restoration of Cultural Property - 34; International Tribunal for the Law of the Sea - 34; International Seabed Authority - 34; European and Mediterranean Plant Protection Organization - 11. A bar graph reflecting the evolution in the total number of active participants since 1994 is provided below:



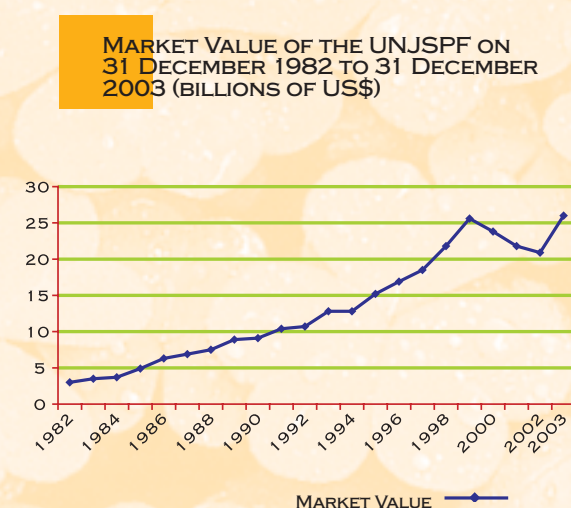
BENEFICIARIES

As at 31 December 2003, the Fund was paying 52,496 periodic benefits. The distribution of benefits in payment was as follows: full retirement benefits - 16,713; early retirement benefits - 11,730; deferred retirement benefits - 6,575; widow benefits - 7,796; widower benefits - 498; disability benefits - 921; child benefits - 8,221 and secondary benefits - 42. A bar graph reflecting the growth in the total number of benefits in payment since 1994 is provided on the right:



FINANCIAL SITUATION

The financial statements of the Fund are signed by the Chief Executive Officer and audited, on a biennial basis, by an external Board of Auditors. During the biennium 2002-2003, the Fund experienced an increase in participation by 6.4 per cent: from 80,082 active participants on 1 January 2002 to 85,245 on 31 December 2003. The number of benefits in payment increased (6.2 per cent) from 49,416 to 52,496 during this same period. The payroll for benefits in payment for the biennium ending 31 December 2003 was \$2.0 billion representing an 11.0 per cent increase over the prior biennium. During the period, benefits were being paid in 15 different currencies. The total expenditure for benefits, administration and investment costs of \$2.44 billion exceeded contribution income by approximately \$290 million. Contribution income increased from \$1,783 million for the biennium ending 31 December 2001 to \$2,146 million for the biennium ending 31 December 2003, or an increase of approximately 20.4 per cent. The market value of the Fund's assets increased from \$21.5 billion on 31 December 2001 to \$25.7 billion on 31 December 2003, representing an increase of about 19.6 per cent. A graph reflecting the evolution of the market value of the Fund's assets from 1982 to 2003 is provided on the right:



STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE,

for the bienniums ending 31 December 2003 and 31 December 2001, are provided below:

STATEMENT OF ASSETS AND LIABILITIES

31 December 2003 and 2001

	2002 - 2003	2000 - 2001
ASSETS		
Cash and term deposits	382,624,767	321,328,502
Investments	18,772,635,780	17,123,895,044
Accounts receivable	280,861,671	211,531,080
Prepaid benefits	9,889,279	9,504,066
TOTAL ASSETS	19,446,011,497	17,666,258,692
LIABILITIES AND PRINCIPAL OF THE FUND		
Liabilities	54,062,594	34,579,880
Principal of the Fund	19,391,948,903	17,631,678,812
TOTAL LIABILITIES AND PRINCIPAL OF THE FUND	19,446,011,497	17,666,258,692

STATEMENT OF INCOME AND EXPENDITURE

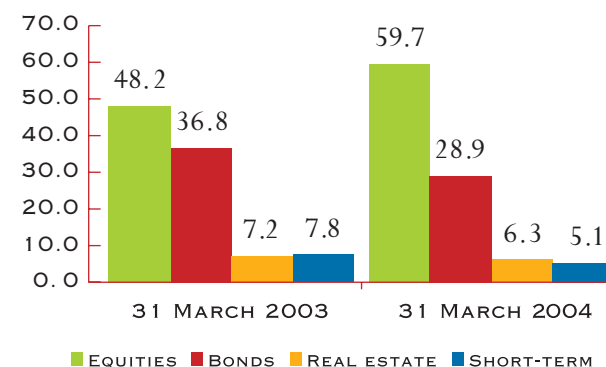
	2002 - 2003	2000 - 2001
INCOME		
Participants contributions	717,075,875	595,561,100
Member organizations contributions	1,428,030,666	1,186,467,232
Transfer agreement amount received	585,089	585,779
Excess actuarial value over regular contributions	423,864	566,826
Investment income	2,037,780,923	2,233,551,857
Miscellaneous income	10,068,104	6,087
TOTAL	4,193,964,521	4,016,738,881
EXPENDITURE		
Payment of benefits	2,355,902,952	2,093,917,354
Administrative costs	79,803,995	56,759,584
Emergency Fund	73,697	71,792
Prior period adjustments	(2,086,214)	(299,831)
Net Excess of Income over Expenditure	1,760,270,091	1,866,289,982
TOTAL	4,193,964,521	4,016,738,881

INVESTMENTS

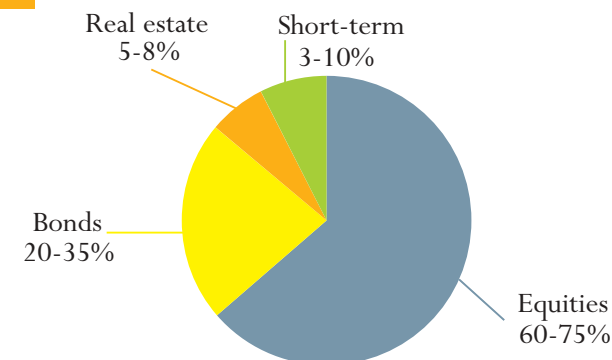
The market value of the Fund's assets was US\$26,589 million as of 31 March 2004. This represents an increase of US\$5,848 million or 28.2 per cent, from 31 March 2003 when the Fund's asset value stood at US\$20,741 million. All asset classes including equity, bonds, real estate and cash contributed positively to the increase of the value of the Fund.

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

TYPES OF INVESTMENT BY ASSET CLASS



LONG-TERM GUIDELINES

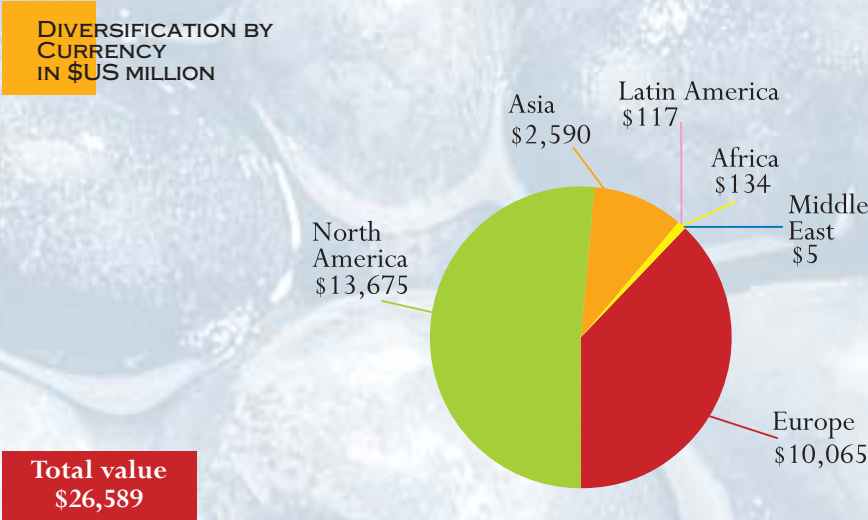
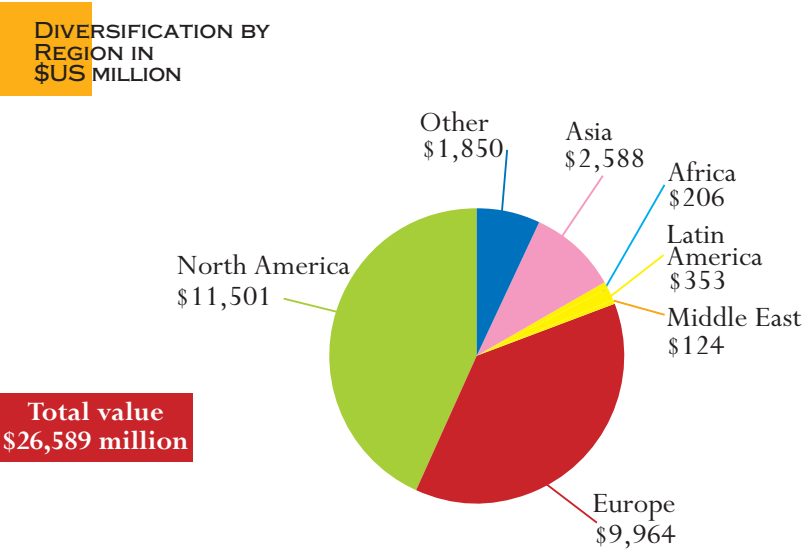


The total return of the Fund for the year ended 31 March 2004 was positive 28.7 per cent, compared to the benchmark (which consists of 60 per cent Morgan Stanley Capital International World Index and 40 per cent Citigroup World Government Bond Index) return of positive 31.5 per cent. Despite the Fund underperformance against the benchmark amid a sharp recovery in the markets, it performed better than its benchmark in the three and five year periods. The table below summarizes the Fund's performance against its benchmark.

	1 year	3 years	5 years
Fund	28.7	7.6	4.6
Benchmark	31.5	6.4	2.6
Fund less Benchmark	-2.8	1.2	2.0

DIVERSIFICATION

As of 31 March, the Fund had investments in 52 countries and four international/regional institutions and 26 currencies. The charts below indicate the value of investments by region and currencies:



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:

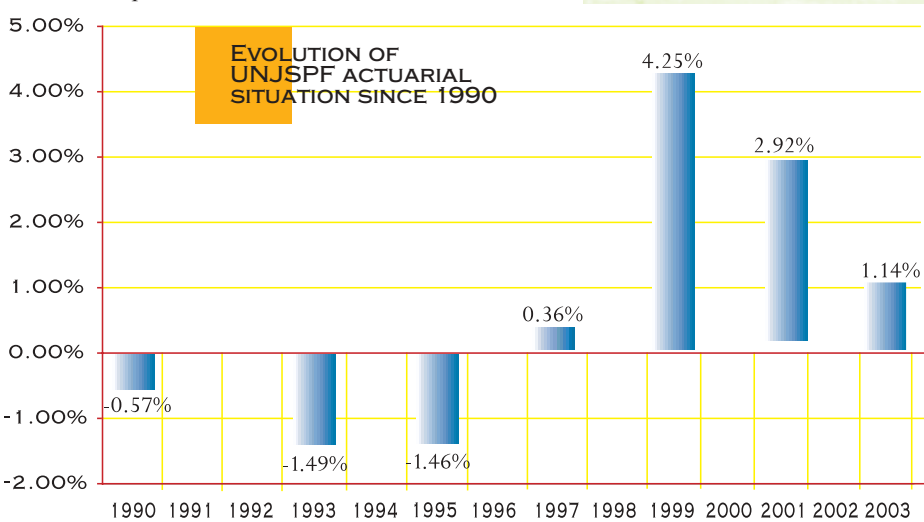
Period ended 31 March	Total nominal return	US CPI	Real return (adjusted for US CPI)	Excess return (real return minus 3.5 per cent)
95	8.7	2.9	5.7	2.2
96	14.7	2.8	11.6	8.1
97	8.8	2.8	5.8	2.3
98	20.5	1.4	18.8	15.3
99	11.4	1.7	9.6	6.1
00	18.0	3.8	13.7	10.2
01	-15.0	2.9	-17.4	-20.9
02	0.6	1.5	-0.9	-4.4
03	-3.8	3.0	-6.6	-10.1
04	28.7	1.7	26.5	23.0
Annualized	8.6	2.4	6.1	2.6

As shown above the Fund achieved its long-term objective in seven out of ten years. The annualized 10 year nominal return was 8.6 per cent, while the real rate of return was 6.1 per cent, and the excess return was 2.6 per cent. Over the last 44 years during which the performance of the Fund has been calculated, the Fund has achieved a total return of 8.6 per cent, or 4.1 per cent real rate of return after adjustment by US CPI. This real rate of return is in excess of the long-term objective of a real rate of return of 3.5 per cent.

ACTUARIAL MATTERS

Actuarial services are provided by the Mellon Financial Corporation. 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 2003. This valuation revealed a fourth consecutive actuarial surplus, amounting to 1.14 per cent of pensionable remuneration. The valuations as of 31 December 2001, 31 December 1999 and 31 December 1997 had recorded surpluses of 2.92, 4.25 and 0.36 per cent of pensionable remuneration, respectively. The current surplus of 1.14 per cent, expressed another way, means that the theoretical contribution rate required to achieve balance as of 31 December 2003 was 22.56 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 2003, used the three following economic assumptions: (a) an assumed rate of increase in pensionable remuneration of 4.50 per cent per annum; (b) an assumed rate of nominal investment return of 7.50 per cent per annum; (c) an assumed rate of inflation of 4.00 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 seven 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 2003, the Fund was found to be in a strongly funded position, as it had been for the past seven valuations. The current funded ratio is 144.5 per cent, which was obtained by dividing the actuarial value of assets (i.e. \$25,237.4 million) by the actuarial value of the accrued benefits (i.e. \$17,470.4 million). The ratio therefore indicates there is a 44.5 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 2003, both without, as well as with pension adjustments:

FUNDED RATIOS FOR VALUATIONS AS OF 31 DECEMBER 1990 - 2003

	1990	1993	1995	1997	1999	2001	2003
Without pension adjustments	131	136	132	141	180	161	145
With pension adjustments	77	81	81	88	113	106	95

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 13 to 23 July 2004, at the International Civil Aviation Organization (ICAO) in Montreal, Canada. A Standing Committee of the Board, which meets when the Board is not in session, will meet in July 2005, at the United Nations headquarters in New York. The Investments Committee will continue to meet on a quarterly basis. The Committee of Actuaries held its annual meeting in June 2004, in order to review the results of the latest actuarial valuation that was carried out as of 31 December 2003. The Committee of Actuaries will meet again, in June 2005, to consider the economic and demographic assumptions to be used in the valuation that is to be carried out as of 31 December 2005.

POLICY DOCUMENTATION

In accordance with the Fund's Management Charter, which was first introduced in 2001, policy documents have been published on: Quality Management; Communications; Information Security and Internal Control

MEMBERS OF LEGISLATIVE ORGANS AND COMMITTEES:(JULY 2004)

UNITED NATIONS JOINT STAFF PENSION BOARD

Chairman:	Mr. A. Busca [Representative of the Executive Head of the International Labour Organization (ILO)]
1st Vice-Chairman	Mr. R. G. Menzel [Representative of the Participants of the International Civil Aviation Organization (ICAO)]
2nd Vice-Chairman	Mr. P. Owade [Representative of the General Assembly of the United Nations (UN)]
Rapporteur	Ms. T. Panuccio [Representative of the Executive Head of the International Fund for Agricultural Development (IFAD)]

UNITED NATIONS JOINT STAFF PENSION BOARD STANDING COMMITTEE

Chairman:	Miss. C. Pichon [Representative of the Participants of the World Health Organization (WHO)]
1st Vice-Chairman	Ms. V. M. González Posse [Representative of the General Assembly of the United Nations (UN)]
2nd Vice-Chairman	Mr. S. Giwa [Representative of the Executive Head of the Food and Agriculture Organization (FAO)]

INVESTMENTS COMMITTEE

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

UNITED NATIONS JOINT STAFF PENSION FUND SENIOR MANAGEMENT

Chief Executive Officer	Mr. B. Cochemé
Deputy Chief Executive Officer	Mr. J. Dietz
Director of Investments	Ms. C. Okuda
Chief of Operations	Ms. D. Bull
Chief of Geneva Office	Mr. G. Ferrari
Chief Information Officer	Mr. P. Dooley

COMMITTEE OF ACTUARIES

Chairman:	Mr. A.O. Ogunshola
Vice-Chairman	Mr. H. Pérez Montás
Rapporteur	Mr. L.J. Martin

CONSULTING ACTUARY

Mellon Financial Corporation

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



In New York

UNJSPF - Room S-635 - United Nations
New York, NY 10017
United States
Fax: (212)963 3146
Tel.: (212) 963 6931
E-mail: unjspf@un.org

In Geneva

UNJSPF - Room PN D.108
8-14 Ave de la Paix
1211 Geneva 10
Switzerland
Fax : +41(22) 917 00 04
Tel.: +41(22) 917 18 24
E-mail: jspfgva@unog.ch