

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

Annual Report

2005

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INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER (CEO)

I am pleased to present the fourth 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 and made available on the Fund's web site.

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.

2004 has been a very challenging year. Among the many projects implemented during the year, I am pleased to mention the introduction of new banking arrangements which was a monumental undertaking involving significant efforts by many of our staff. In addition, the implementation of our business continuity policy represented a major contribution towards more secure pension operations. On the benefits side, in light of the Fund's favorable actuarial situation, the Pension Board agreed at its meeting in July 2004 to recommend the partial elimination of one of the economy measures decided in the early 1980's which had effectively reduced the first adjustments of pensions after awards by 1.5 percentage point. The Board also approved a new provision in the Pension Adjustment System which sets a floor at 80% of the dollar track amount for payments under the two-track system. Both decisions were adopted by the UN General Assembly with effect as from 1 April 2005.

The Pension Fund has continued to make significant progress towards achieving its objectives to better serve its clients by improving its overall operational efficiency. Through enhanced usage of the internet and publication of specialized booklets, relevant information has become easier to access by participants and beneficiaries working and residing all over the world. Unfortunately, I must also acknowledge the significant delays experienced in the processing time for the two-track applications, whose dramatic increase in the second half of 2004 was triggered by the continued weakening of the US dollar.

On the investments side, the market value of the Fund's assets, managed by our Investments Management Service, has increased to US\$29,2 billion on 31 December 2004. This was nearly 10 billion dollars higher than two years ago.

2005 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 growing 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 will also present to the Standing Committee in July 2005 the second Management Charter, whose objectives and detailed action plans will frame our activities for the period 2005-2007.

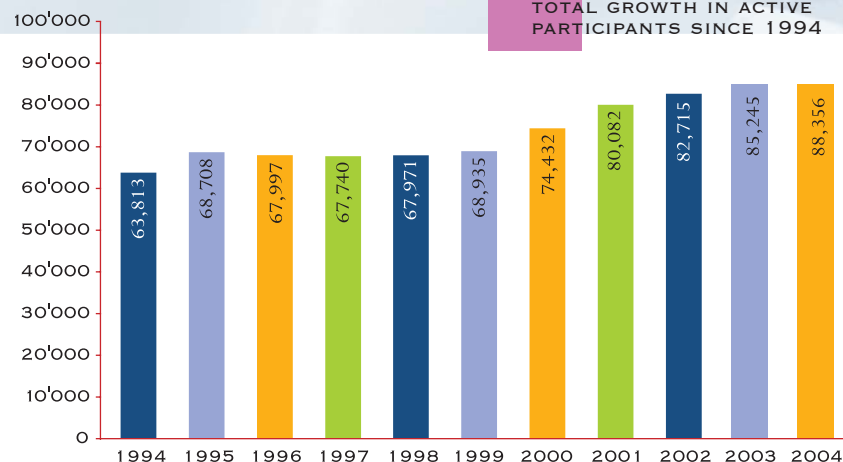
I would like to take this opportunity to thank each and every one of you, as partners of the Fund, for your continued support and involvement towards making these objectives achievable.

Bernard Cochemé
Chief Executive Officer
United Nations Joint Staff Pension Fund

PARTICIPANTS

As of 31 December 2004, the Fund counted 88,356 active participants from its 20 member organizations. The distribution of participants, among the organizations, was as follows: United Nations - 59,542; World Health Organization - 9,498; Food and Agriculture Organization of the United Nations - 5,822; International Labour Organization - 3,221; United Nations Educational, Scientific and Cultural Organization - 2,528; International Atomic Energy Agency - 2,217; World Intellectual Property Organization - 1,206; International Telecommunication Union - 875; International Civil Aviation Organization - 863; United Nations Industrial Development Organization - 791; International Fund for Agricultural Development - 488; International Maritime Organization - 351; World Meteorological Organization - 287; International Centre for Genetic Engineering and Biotechnology - 162; World Tourism Organization - 95; International Center for the Study of the Preservation and Restoration of Cultural Property - 39; International Tribunal for the Law of the Sea - 34; International Seabed Authority - 28; European and Mediterranean Plant Protection Organization - 11; International Criminal Court - 298. On 1 January 2005 the Inter-Parliamentary Union became the 21st member organization of the Fund.

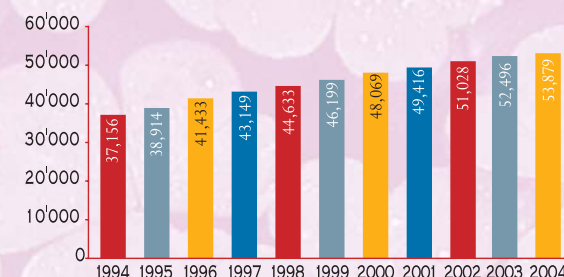
UNJSPF
TOTAL GROWTH IN ACTIVE
PARTICIPANTS SINCE 1994



BENEFICIARIES

As at 31 December 2004, the Fund was paying 53,879 periodic benefits. The distribution of benefits in payment was as follows: full retirement benefits - 17,338; early retirement benefits - 12,092; deferred retirement benefits - 6,613; widow benefits - 8,150; widower benefits - 526; disability benefits - 960; child benefits - 8,156 and secondary benefits - 44.

UNJSPF
TOTAL GROWTH IN PERIODIC
BENEFITS IN PAYMENT SINCE 1994



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 2004 are not audited. During 2004 the Fund experienced an increase in participation by 3.6 per cent: from 85,245 active participants on 1 January 2004 to 88,356 on 31 December 2004. The number of benefits in payment increased (2.6 per cent) from 52,496 to 53,879 during this same period. The payroll for benefits in payment for the year ending 31 December 2004 was \$1.11 billion representing an 8.4 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 \$1.35 billion exceeded contribution income by approximately \$112 million. Contribution income increased from \$1.14 billion for the year ending 31 December 2003 to \$1.24 billion for the year ending 31 December 2004, or an increase of approximately 9.0 per cent. The market value of the Fund's assets increased from \$25.7 billion on 31 December 2003 to \$29.2 billion on 31 December 2004, representing an increase of about 13.6 per cent.

MARKET VALUE OF THE UNJSPF
FROM 31 DECEMBER 1982 TO
31 DECEMBER 2004 (BILLIONS OF US\$)



STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE,

for the years ending 31 December 2004 and 31 December 2003, are provided below:

STATEMENT OF ASSETS AND LIABILITIES

31 December 2004 and 2003

	2004	2003
ASSETS		
Cash and term deposits	308,090,195	382,624,767
Investments	20,677,050,214	18,772,635,780
Accounts receivable	298,560,565	280,861,671
Prepaid benefits	18,776,988	9,889,279
TOTAL ASSETS	21,302,477,962	19,446,011,497
LIABILITIES AND PRINCIPAL OF THE FUND		
Liabilities	41,421,667	54,062,594
Principal of the Fund	21,261,056,295	19,391,948,903
TOTAL LIABILITIES AND PRINCIPAL OF THE FUND	21,302,477,962	19,446,011,497

STATEMENT OF INCOME AND EXPENDITURE

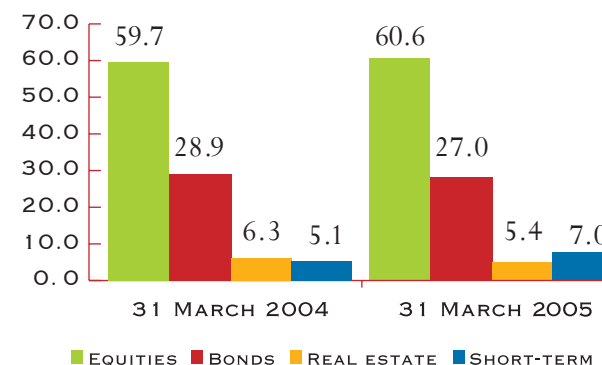
for the years ending 31 December 2004 and 2003

	2004	2003
INCOME		
Participants contributions	413,615,038	379,532,117
Member organizations contributions	824,143,994	755,952,635
Transfer agreement amount received	443,514	546,285
Excess actuarial value over regular contributions	627,750	401,501
Investment income	1,992,920,619	1,233,390,957
Miscellaneous income	-	10,043,906
TOTAL	3,231,750,915	2,379,867,401
EXPENDITURE		
Payment of benefits	1,306,912,950	1,215,205,313
Administrative costs	44,206,939	46,667,096
Emergency Fund	35,874	40,005
Prior period adjustments	11,487,760	(671,830)
Net Excess of Income over Expenditure	1,869,107,392	1,118,626,817
TOTAL	3,231,750,915	2,379,867,401

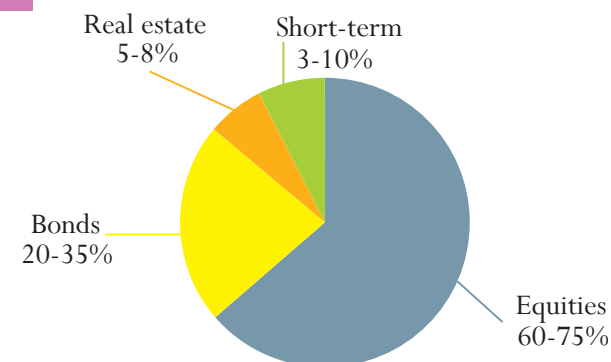
INVESTMENTS

As of 31 March 2005, the market value of the Fund's assets was US\$ 29,253 million. This represents an increase of US\$ 2,664 million or 10 per cent, from 31 March 2004 when the Fund's asset value stood at US\$ 26,589 million. The asset allocation, in percent was as follows:

TYPES OF INVESTMENT BY ASSET CLASS



LONG-TERM GUIDELINES



The total return of the Fund for the year ended 31 March 2005 was 10.4 per cent, outperforming 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 8.9 per cent. The Fund outperformed the benchmark in the one, three and five year periods. The table below summarizes the Fund's performance against its benchmark.

Annualized Performance as of 31 March 2005 in percentage

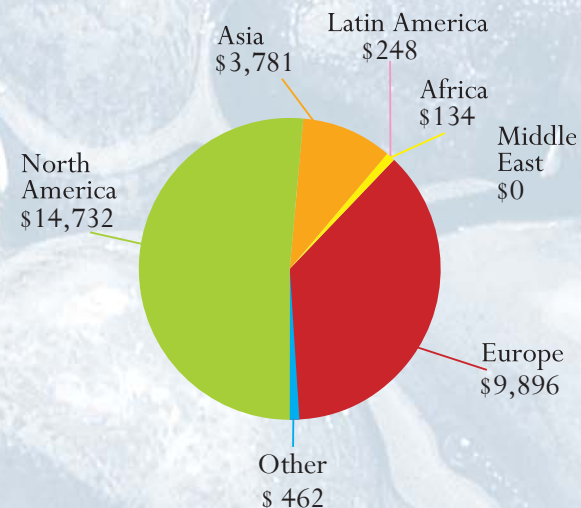
	1 year	3 years	5 years
Fund	10.4	10.9	3.2
Benchmark	8.9	10.2	1.9
Fund less Benchmark	1.5	0.7	1.3

DIVERSIFICATION

As of 31 March 2005, the Fund had investments in 43 countries and six international/regional institutions and 23 currencies. The charts below indicate the value of investments by region and currencies.

DIVERSIFICATION BY CURRENCY IN \$US MILLION

Total value
\$29,253



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 over the past years, in per cent was as follows:

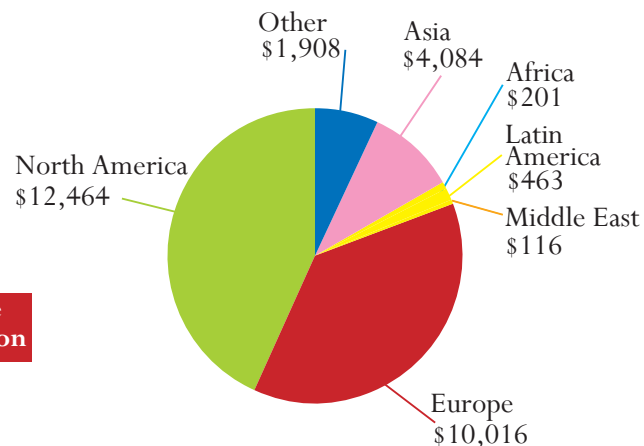
	Annualized Returns as of March 31, 2005							
	1Y	3Y	5Y	10Y	15Y	20Y	25Y	45Y
Total Nominal Return	10.4	10.9	3.2	8.7	8.9	10.8	11.2	8.6
US CPI	3.1	2.6	2.5	2.5	2.7	3.0	3.6	4.3
Real Return (Adjusted for US CPI)	7.1	8.1	0.7	6.0	6.0	7.6	7.3	4.1
Excess Return (Real Return minus 3.5 per cent)	3.6	4.6	-2.8	2.5	2.5	4.1	3.8	0.6

As shown above, the Fund achieved its long-term objective for all but the five-year period. The annualized 10 year nominal return was 8.7 per cent, while the real rate of return was 6 per cent, and the excess return was 2.5 per cent.

Over the last 45 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.

DIVERSIFICATION BY REGION IN \$US MILLION

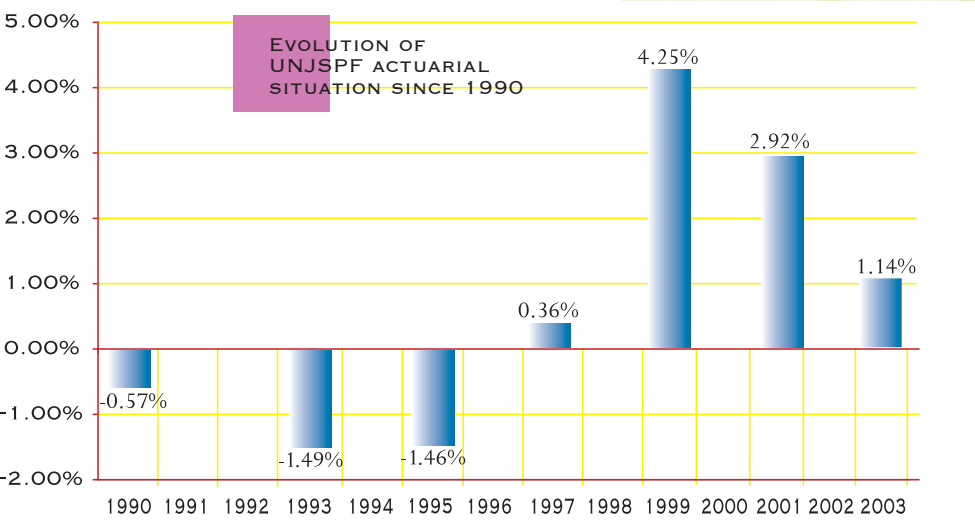
Total value
\$29,253 million



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 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 2005, in order to review the economic and demographic assumptions to be used in the actuarial valuation that is to be carried out as at 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; Internal Control and Internal Audit Charter.

EMERGENCY FUND

The UNJSPF has an Emergency Fund, financed by the assets of the Fund and any voluntary contributions up to an amount not exceeding \$200,000 for each biennium. It is utilized to provide financial assistance to beneficiaries who are currently receiving a periodic benefit from the Fund and is intended to provide relief in cases of proven hardship owing to illness, infirmity or similar cases, including funeral arrangements. Applications are examined without a rigid set of rules, and attention is paid to a number of factors such as age, number of years of contributory service, amount of the UNJSPF benefit, the country in which the beneficiary resides, availability of insurance, other possible sources of income and/or assistance and the circumstances surrounding the expenditures.

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. W. McDonough
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REPRESENTATIVE OF THE UNITED NATIONS SECRETARY-GENERAL FOR THE INVESTMENTS OF THE FUND

Representative:	Mr. C. Burnham (since June 2005)
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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	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

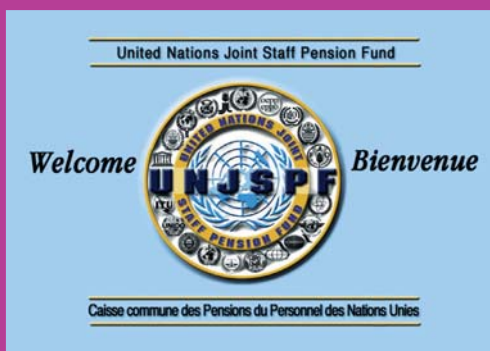
Chairman:	Mr. A.O. Ogunshola
Vice-Chairman	Mr. H. Pérez Montás
Rapporteur	Mr. L.J. Martin

CONSULTING ACTUARY

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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