

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

Annual Report

2006

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INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER (CEO)

I am pleased to present the fifth Annual Report of the United Nations Joint Staff Pension Fund.

This report complements detailed information provided in my regular Annual Letter sent in February to the Fund's participants and beneficiaries and made available on the Fund's web site.

The 2006 Annual 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 stakeholders.

2005 has been a year of profound reforms. Many projects have been successfully implemented during the year. Among the most important, I am pleased to mention the new banking arrangements, which was a monumental undertaking involving significant efforts by many of our staff, thus enhancing the financial control environment, and the relocation of the Fund to new offices providing more suitable and modern accommodations to carry out our growing activities. In addition, our business continuity policy is now operational, as is our policy for the implementation in our day-to-day operations of the objectives of Sustainable Development and the principles of the Global Compact as promoted by the United Nations. Both policies represent significant progress in terms of added security to our pension operations and social and environmental responsibility both as an organization and as institutional investor.

The Fund's operations continue to grow at a rapid pace, requiring continuing reengineering of our processes and additional human and financial resources. Priorities presented in the second Management Charter for the 2006-2007 biennium were all reflected in our budget requests which have been reviewed and approved both by the Standing Committee of the Pension Board and by the General Assembly in the fall 2005. This will allow us to achieve the Fund's objectives to better serve its clients by improving its overall operational efficacy and efficiency. We will also continue to offer additional services made easily available through an enhanced website (www.unjspf.org) and to reduce the remaining backlog on the conversion of benefit payments under the double track system of pension adjustment.

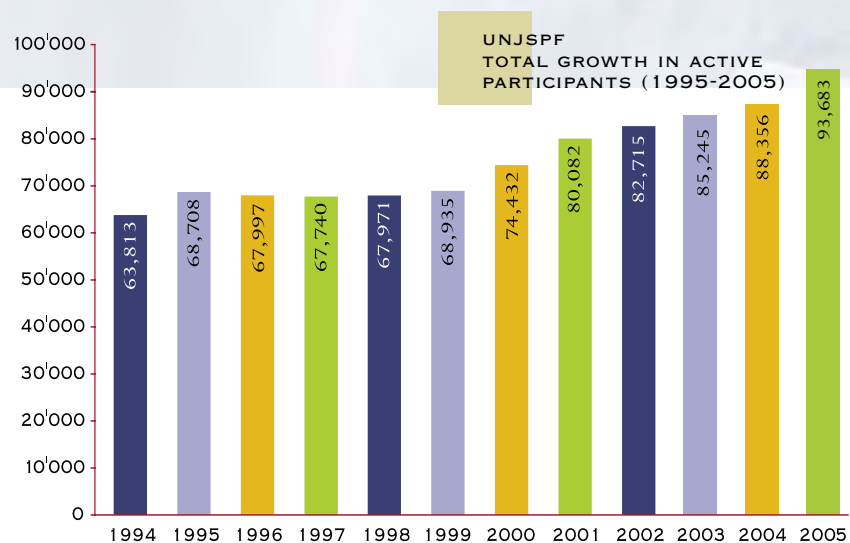
On the investments side, the market value of the Fund's assets, managed by the Fund's Investments Management Service, has increased to US \$31.5 billion on 31 December 2005. This was nearly 6 billion dollars higher than two years ago.

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

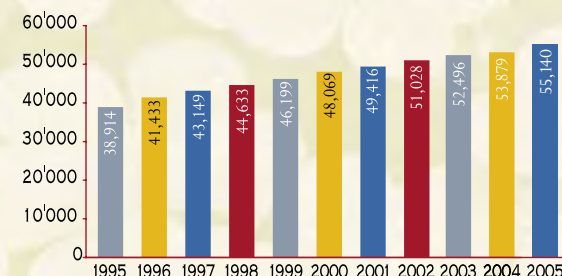
As of 31 December 2005, the Fund counted 93,683 active participants from its 21 member organizations. The distribution of participants, among the organizations, was as follows: United Nations – 64,092; World Health Organization – 9,932; Food and Agriculture Organization of the United Nations – 5,918; International Labour Organization – 3,330; United Nations Educational, Scientific and Cultural Organization – 2,508; International Atomic Energy Agency – 2,261; World Intellectual Property Organization – 1,166; International Telecommunication Union – 871; International Civil Aviation Organization – 826; United Nations Industrial Development Organization – 783; International Fund for Agricultural Development – 506; International Maritime Organization – 343; World Meteorological Organization – 302; International Centre for Genetic Engineering and Biotechnology – 171; World Tourism Organization – 90; International Center for the Study of the Preservation and Restoration of Cultural Property – 39; International Tribunal for the Law of the Sea – 36; International Seabed Authority – 30; European and Mediterranean Plant Protection Organization – 11; International Criminal Court – 431; Inter-Parliamentary Union – 37.



BENEFICIARIES

As at 31 December 2005, the Fund was paying 55,140 periodic benefits. The distribution of benefits in payment was as follows: full retirement benefits – 17,992; early retirement benefits – 12,392; deferred retirement benefits – 6,656; widow benefits – 8,363; widower benefits – 560; disability benefits – 1015; child benefits – 8,120 and secondary benefits – 42.

**UNJSPF
TOTAL GROWTH IN PERIODIC
BENEFITS IN PAYMENT (1995-2005)**



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 2004-2005, the Fund experienced an increase in participation by 9.9 per cent: from 85,245 active participants on 1 January 2004 to 93,683 on 31 December 2005. The number of benefits in payment increased (5.0 per cent) from 52,496 to 55,140 during this same period. The payroll for benefits in payment for the biennium ending 31 December 2005 was \$2.311 billion representing a 15.8 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 \$2.808 billion exceeded contribution income by approximately \$197 million. Contribution income increased from \$2.146 billion for the biennium ending 31 December 2003 to \$2.612 billion for the biennium ending 31 December 2005, or an increase of approximately 21.7 per cent. The market value of the Fund's assets increased from \$25.749 billion on 31 December 2003 to \$31.428 billion on 31 December 2005, representing an increase of about 22.1 per cent. A graph reflecting the evolution of the market value of the Fund's assets from 1982 to 2005 is provided herewith:

**MARKET VALUE OF THE UNJSPF
FROM 31 DECEMBER 1982 TO
31 DECEMBER 2005 (BILLIONS OF US\$)**



STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE

for the bienniums ending 31 December 2005 and 31 December 2003, are provided below:

STATEMENT OF ASSETS AND LIABILITIES

31 December 2005 and 2003

	2004-2005	2002-2003
ASSETS		
Cash and term deposits	286,794,023	382,624,767
Investments	23,020,984,721	18,772,635,780
Accounts receivable	299,400,577	280,861,671
Prepaid benefits	17,949,758	9,889,279
TOTAL ASSETS	23,625,129,079	19,446,011,497
LIABILITIES AND PRINCIPAL OF THE FUND		
Liabilities	60,857,794	54,062,594
Principal of the Fund	23,564,271,285	19,391,948,903
TOTAL LIABILITIES AND PRINCIPAL OF THE FUND	23,625,129,079	19,446,011,497

STATEMENT OF INCOME AND EXPENDITURE

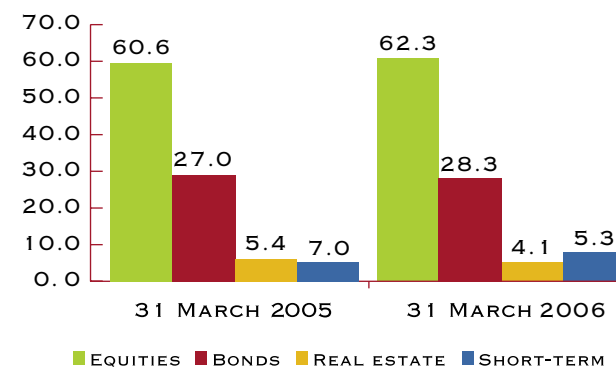
for the bienniums ending 31 December 2005 and 2003

	2004-2005	2002-2003
INCOME		
Participants contributions	872,770,813	717,075,875
Member organizations contributions	1,736,320,145	1 428,030,666
Transfer agreement amount received	1,832,563	585,089
Excess actuarial value over regular contributions	677,888	423,864
Investment income	4,409,631,399	2 037,780,923
Miscellaneous income	17,240,187	10,079,875
TOTAL	7,038,472,995	4,193,976,292
EXPENDITURE		
Payment of benefits	2,706,826,251	2,355,902,952
Administrative costs	101,629,535	79,815,766
Emergency Fund	59,184	73,697
Prior period adjustments	57,635,643	(2,086,214)
Net Excess of Income over Expenditure	4,172,322,382	1,760,270,091
TOTAL	7,038,472,995	4,193,976,292

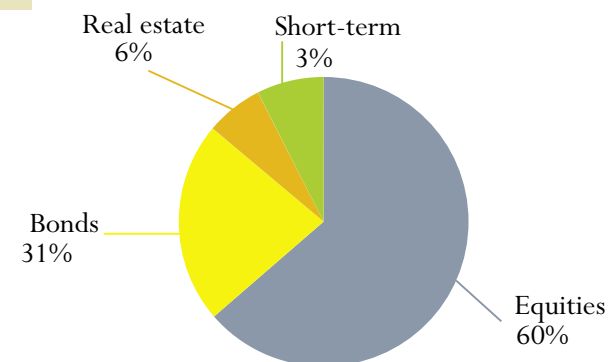
INVESTMENTS

As of 31 March 2006, the market value of the Fund's assets was US\$ 33,118 million. This represents an increase of US\$3,865 million or 13.2 per cent, from 31 March 2005 when the Fund's asset value stood at US\$ 29,253 million. The asset allocation, in percent was as follows:

TYPES OF INVESTMENT BY ASSET CLASS



LONG-TERM GUIDELINES



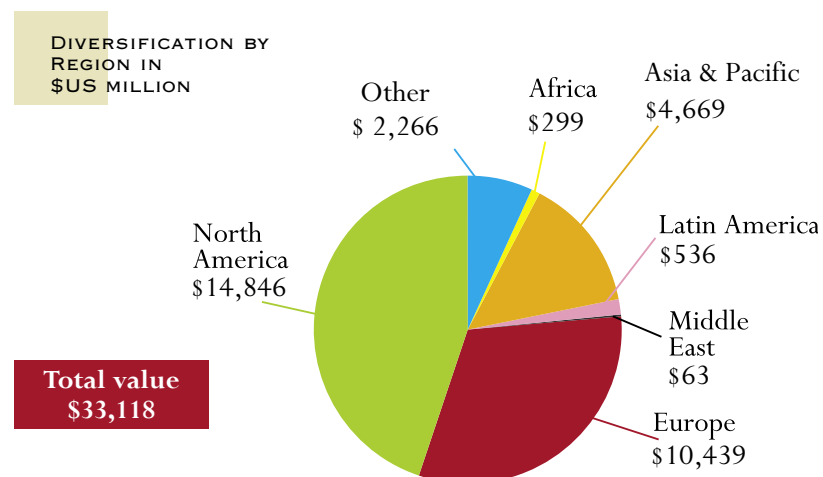
The total return of the Fund for the year ended 31 March 2006 was 13.3 per cent, outperforming the new benchmark return of 12.3 per cent. The Fund outperformed the new benchmark in the one and five year periods and was in-line in the three year period. The Fund outperformed the old benchmark in the one, three and five year periods. The table below summarizes the Fund's performance against its new benchmark consisting of 60 per cent Morgan Stanley Capital International All Country Index, 31 per cent Lehman Global Aggregate Bond Index, 6 per cent National Council of Real Estate Investment Fiduciaries Property Index and 3 per cent 91-Day United States Treasury Bill and provides a reference comparison to the old benchmark, which consisted of 60 per cent Morgan Stanley Capital International World Index and 40 per cent Citigroup World Government Bond Index.

Annualized Performance as of 31 March 2006 in percentage

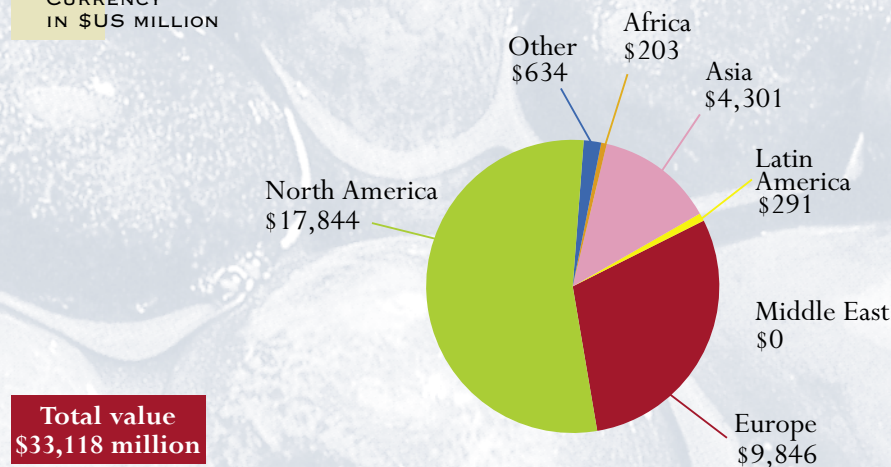
	1 year	3 years	5 years
Fund	13.3	17.2	9.3
Benchmark	12.3	17.2	7.9
Fund less Benchmark	1.0	0.0	1.4

DIVERSIFICATION

As of 31 March 2006, the Fund had investments in 45 countries and 7 international/regional institutions and 26 currencies. The charts below indicate the value of investments by region and currencies.



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 since 1960 was as follows:

	Annualized Returns as of March 31, 2006 (%)							
	1Y	3Y	5Y	7Y	10Y	15Y	20Y	Since 1960
Total Nominal Return	13.3	17.2	9.3	6.6	8.6	9.2	9.6	10.7
US CPI	3.4	2.7	2.6	2.8	2.5	2.7	3.1	4.2
Real Return (Adjusted for US CPI)	9.6	14.1	6.5	3.7	6.0	6.3	6.3	7.2
Excess Return (Real Return minus 3.5 per cent)	6.1	10.6	3.0	0.2	2.5	2.8	2.8	3.7

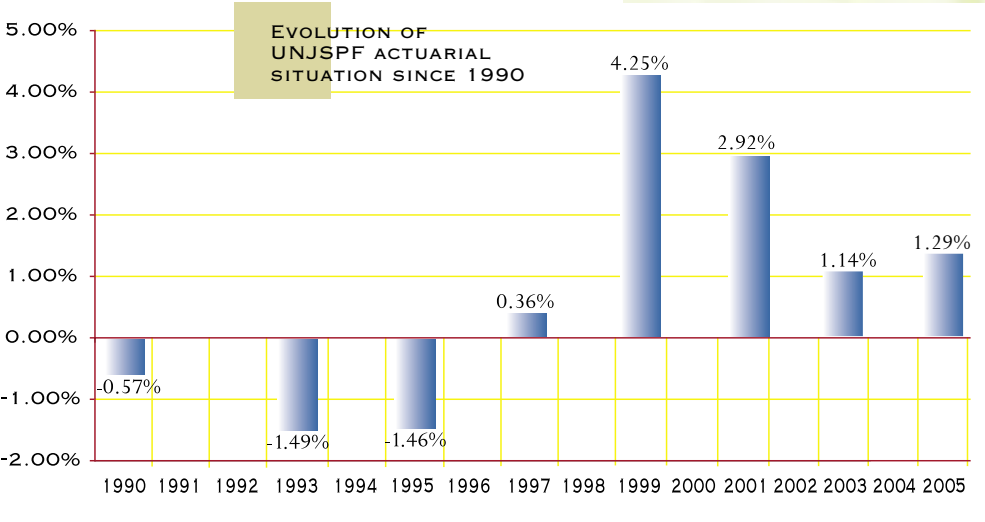
As shown above, the Fund achieved its long-term objective for all periods. The annualized 10 year nominal return was 8.6 per cent, while the real rate of return was 6 per cent, and the excess return was 2.5 per cent.

Over the last 46 years during which the performance of the Fund has been calculated, the Fund has achieved a total return of 8.7 per cent, or 4.3 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 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 2005. This valuation revealed a fifth consecutive actuarial surplus, amounting to 1.29 per cent of pensionable remuneration. The valuations as of 31 December 2003, 31 December 2001, 31 December 1999 and 31 December 1997 had recorded surpluses of 1.14, 2.92, 4.25 and 0.36 per cent of pensionable remuneration, respectively. The current surplus of 1.29 per cent, expressed another way, means that the theoretical contribution rate required to achieve balance as of 31 December 2005 was 22.41 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 2005, 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 0.5 per cent growth in the participant population for each of the next 10 years with a “zero participant growth assumption” thereafter. 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 eight 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 2005, the Fund was found to be in a strongly funded position, as it had been for the past eight valuations. The current funded ratio is 139.9 per cent, which was obtained by dividing the actuarial value of assets (i.e. \$27,878.3 million) by the actuarial value of the accrued benefits (i.e. \$19,922.3 million). The ratio therefore indicates there is a 39.9 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 2005, both without, as well as with pension adjustments:

FUNDED RATIOS FOR VALUATIONS AS OF 31 DECEMBER 1990 - 2005								
	1990	1993	1995	1997	1999	2001	2003	2005
Without pension adjustments	131	136	132	141	180	161	145	140
With pension adjustments	77	81	81	88	113	106	95	92

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. It is expected that the Board will approve of this statement on the actuarial position of the Fund at its session in 2006.



MAJOR EVENTS

The Pension Board will hold its biennial session, from 13 to 21 July 2006, at the United Nations Office in Nairobi (UNON), Kenya. A Standing Committee of the Board, which meets when the Board is not in session, met 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 2006, in order to review the results of the latest actuarial valuation that was carried out as at 31 December 2005. The Committee will meet again in June 2007 to consider the economic and demographic assumptions to be used in the valuation that is to be carried out as at 31 December 2007.

POLICY DOCUMENTATION

In accordance with the Fund's Management Charter, which was first introduced in 2001, the following policy documents have been published: Quality Management; Communications; Information Security; Internal Control; Internal Audit Charter; Investment Policy and Procedures; and Sustainable Development.

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 STANDING COMMITTEE (JULY 2005)

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 (2006)

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
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UNITED NATIONS JOINT STAFF PENSION FUND SENIOR MANAGEMENT

Chief Executive Officer	Mr. B. Cochemé
Deputy Chief Executive Officer	Mr. S. Arvizu
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 (2006)

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

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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