

UNITED NATIONS JOINT STAFF

PENSION FUND



UNITED NATIONS

# Annual Report 2000

# 7

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## INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER (CEO)

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

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

The 2007 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.

The Fund as a whole did exceptionally well during 2006.

The Fund's strongly funded status was confirmed by the most recent biennial actuarial valuation, carried out in 2006. The Board, with the approval of the General Assembly, decided to use part of the actuarial surplus to mitigate two of the economy measures taken in the early eighties: one decision improved restoration rights and the other involved lowering further the initial reduction in the first adjustment of pensions in payment.

The Fund's operations have continued to grow significantly, with steady growth in the number of participants and beneficiaries covered. The quality and accessibility of the services are improving significantly. As reported last year, a large backlog of cases to convert benefit payments to the double track system of pension adjustment had suddenly accumulated due mainly to the weakening of the dollar, notably vis-a-vis the Euro, causing long delays in the calculation and payment of adjusted pensions; additional resources approved by the Board and increased efforts by the staff have led to a significant reduction of the backlog.

On the investments side, the year 2006 also ended on a very positive note. After having dropped to as low as 19 billion dollars only four years ago, the market value of the Fund's assets is currently about US \$ 37 billion.

Important initiatives were taken in 2006 which will have a long-term impact on the Fund.

Among these initiatives are the Fund's first-ever asset-liability management study, the launching of a project aimed at implementing an enterprise resource planning system, the enhancement of our knowledge management system and the Fund's data warehouse. In addition, our business continuity policy is now operational and has been successfully tested; as a result, the Fund's New York and Geneva offices can operate as facility back ups for each other, thus insuring operational continuity, should it be necessary.

Also, the Fund's governance mechanism has been enhanced with the Board's decision to establish an Audit Committee, effective January 2007. The Board will further review global governance at its next session in July 2007.

Other useful information related to our activities can be found on our website ([www.unjspf.org](http://www.unjspf.org)). It includes new features, so as to provide easily available and enhanced services to our constituents.

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.

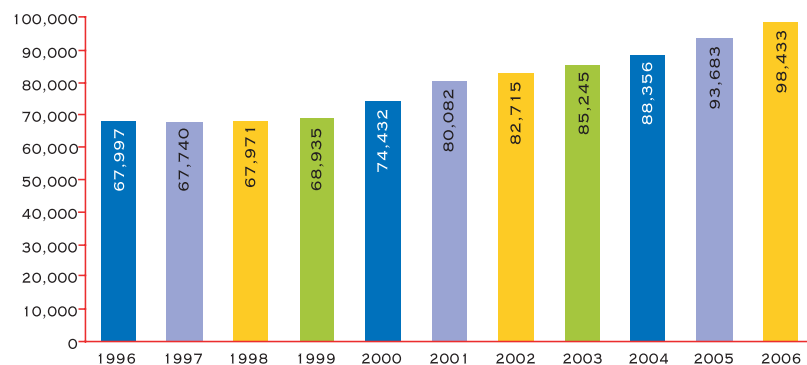
Bernard Cochemé  
Chief Executive Officer  
United Nations Joint Staff Pension Fund



## PARTICIPANTS

As of 31 December 2006, the Fund counted 98,433 active participants from its 21 member organizations. The distribution of participants, among the organizations, was as follows: United Nations – 68,855; World Health Organization – 10,072; Food and Agriculture Organization of the United Nations – 5,774; International Labour Organization – 3,261; United Nations Educational, Scientific and Cultural Organization – 2,469; International Atomic Energy Agency – 2,278; World Intellectual Property Organization – 1,130; International Telecommunication Union – 854; International Civil Aviation Organization – 806; United Nations Industrial Development Organization – 753; International Criminal Court – 578; International Fund for Agricultural Development – 502; International Maritime Organization – 338; World Meteorological Organization – 334; International Centre for Genetic Engineering and Biotechnology – 173; World Tourism Organization – 99; International Center for the Study of the Preservation and Restoration of Cultural Property – 40; Inter-Parliamentary Union – 40; International Tribunal for the Law of the Sea – 36; International Seabed Authority – 29; European and Mediterranean Plant Protection Organization – 12.

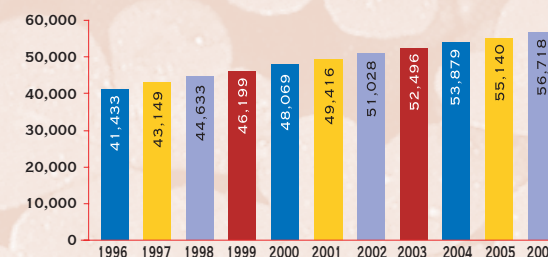
UNJSPF  
TOTAL GROWTH IN ACTIVE  
PARTICIPANTS (1996-2006)



## BENEFICIARIES

As at 31 December 2006, the Fund was paying 56,718 periodic benefits. The distribution of benefits in payment was as follows: full retirement benefits – 18,732; early retirement benefits – 12,772; deferred retirement benefits – 6,687; widow benefits – 8,678; widower benefits – 587; disability benefits – 1057; child benefits – 8,158 and secondary benefits – 47.

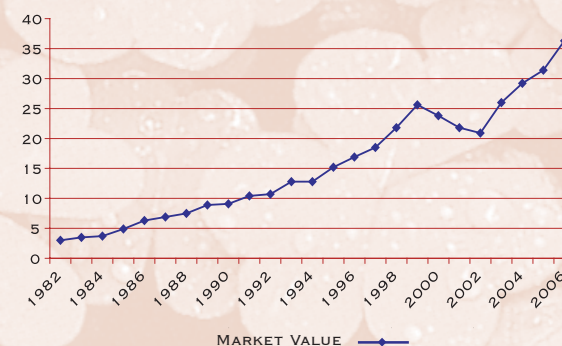
UNJSPF  
TOTAL GROWTH IN PERIODIC  
BENEFITS IN PAYMENT (1996-2006)



## 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. The financial statements for the year ended 31 December 2006 are not audited. During the year 2006, the Fund experienced an increase in participation by 5.1 per cent: from 93,683 active participants on 1 January 2006 to 98,433 on 31 December 2006. The number of benefits in payment increased (2.9 per cent) from 55,140 to 56,718 during this same year. The payroll for benefits in payment for the year ending 31 December 2006 was \$1.3 billion representing a 9.0 per cent increase over the prior year. During the year, benefits were being paid in 15 different currencies. The total expenditure for benefits, administration and investment costs of \$1.6 billion exceeded contribution income by approximately \$117 million. Contribution income increased from \$1.4 billion for the year ending 31 December 2005 to \$1.5 billion for the year ending 31 December 2006, or an increase of approximately 6.6 per cent. The market value of the Fund's assets increased from \$31.4 billion on 31 December 2005 to \$36.3 billion on 31 December 2006, representing an increase of about 15.5 per cent. A graph reflecting the evolution of the market value of the Fund's assets from 1982 to 2006 is provided herewith:

MARKET VALUE OF THE UNJSPF  
FROM 31 DECEMBER 1982 TO  
31 DECEMBER 2006 (BILLIONS OF US\$)



## STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE

for the years ending 31 December 2006 and 31 December 2005, are provided below:

### STATEMENT OF ASSETS AND LIABILITIES

31 December 2006 and 2005

	2006	2005
<b>ASSETS</b>		
Cash and term deposits	226,212,548	286,794,023
Investments	26,076,590,283	23,020,984,721
Accounts receivable	320,473,113	299,400,577
Prepaid benefits	18,123,863	17,949,758
<b>TOTAL ASSETS</b>	<b>26,641,399,807</b>	<b>23,625,129,079</b>
<b>LIABILITIES AND PRINCIPAL OF THE FUND</b>		
Liabilities	32,753,428	60,857,794
Principal of the Fund	26,608,646,379	23,564,271,285
<b>TOTAL LIABILITIES AND PRINCIPAL OF THE FUND</b>	<b>26,641,399,807</b>	<b>23,625,129,079</b>

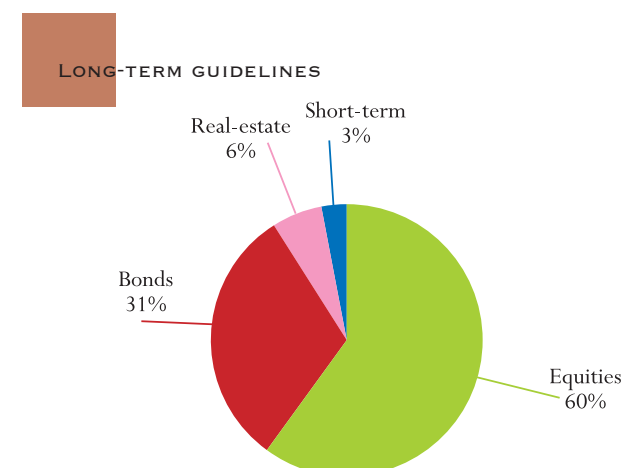
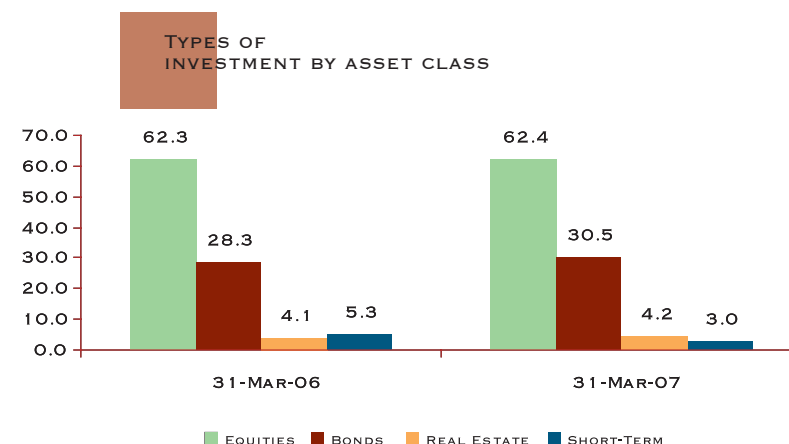
### STATEMENT OF INCOME AND EXPENDITURE

for the years ending 31 December 2006 and 2005

	2006	2005
<b>INCOME</b>		
Participants contributions	488,360,459	459,155,775
Member organizations contributions	973,481,620	912,176,151
Transfer agreement amount received	1,283,854	1,389,049
Excess actuarial value over regular contributions	426,029	50,138
Investment income	3,172,381,220	2,416,710,780
Other income	11,575,666	16,705,295
<b>TOTAL INCOME</b>	<b>4,647,508,848</b>	<b>3,806,187,188</b>
<b>EXPENDITURE</b>		
Payment of benefits	1,532,825,643	1,399,913,301
Administrative costs	47,385,441	56,887,704
Emergency Fund	68,727	23,310
Total Expenditure	1,580,279,811	1,456,824,315
<b>PRIOR PERIOD ADJUSTMENTS</b>	<b>(22,853,943)</b>	<b>(46,147,883)</b>
<b>NET EXCESS OF INCOME OVER EXPENDITURE</b>	<b>3,044,375,094</b>	<b>2,303,214,990</b>

## INVESTMENTS

As of 31 March 2007, the market value of the Fund's assets was US\$ 37,610 million. This represents an increase of US\$ 4,492 million or 13.6 per cent, from 31 March 2006 when the Fund's asset value stood at US\$ 33,118 million. The asset allocation, in percent was as follows:





The total return of the Fund for the year ended 31 March 2007 was a positive 13.4 per cent, slightly underperforming the new benchmark return of 13.6 per cent. The Fund outperformed the new benchmark in the three and five year periods. It 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 World 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.

#### Performance as of 31 March 2007 in percentage

	1 year	3 years	5 years
Total Fund	13.4	12.3	11.9
Benchmark	13.6	11.7	10.7
Fund less Benchmark	-0.2	0.6	1.2

\* New Benchmark: 60% Equities (MSCI AC World) 31% Bonds (31% LAB AGG) 6% RE (NCREIF Property Index) 3% Cash (91-Day T-Bill)

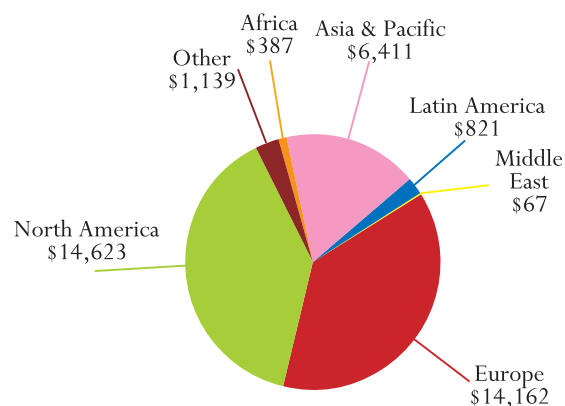
#### Reference

	1 year	3 years	5 years
60% Equities 40% Bonds	12.7	10.1	10.5

## DIVERSIFICATION

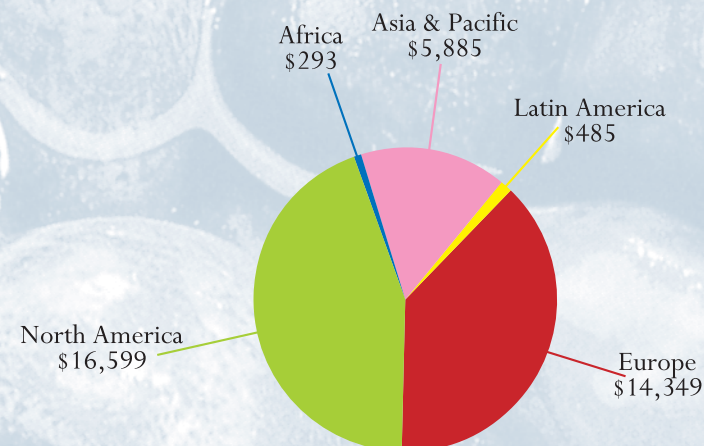
As of 31 March 2007, the Fund had investments in 46 countries and 7 international/regional institutions and 27 currencies. The charts below indicate the value of investments by region and currencies.

#### DIVERSIFICATION BY REGION IN \$US MILLION



Total value  
\$37,610

#### DIVERSIFICATION BY CURRENCY IN \$US MILLION



Total value  
\$37,610 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, 2007 (%)							
	1Y	3Y	5Y	7Y	10Y	15Y	20Y	Since 1960
Total Nominal Return	13.4	12.3	11.9	6.0	9.0	9.6	9.1	8.8
US CPI	2.8	3.1	2.8	2.6	2.5	2.6	3.1	4.2
Real Return (Adjusted for US CPI)	10.3	9.0	8.8	3.3	6.3	6.8	5.8	4.4
Excess Return (Real Return minus 3.5 per cent)	6.8	5.5	5.3	-0.2	2.8	3.3	2.3	0.9

As shown above, the Fund achieved its long-term objective for all periods, except the seven year period. The annualized 10 year nominal return was 9.0 per cent, while the real rate of return was 6.3 per cent, and the excess return was 2.8 per cent.

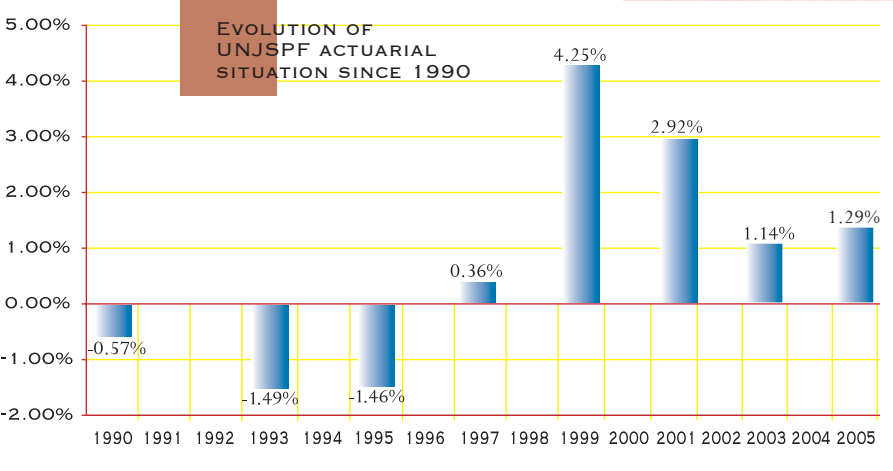
Over the last 47 years during which the performance of the Fund has been calculated, the Fund has achieved a total return of 8.8 per cent, or 4.4 per cent real rate of return after adjustment by US CPI. This real rate of return is in excess of the long-term objective of a real rate of return of 3.5 per 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. As from 1 January 2007, there will be two additional members serving on this Committee.

**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 returns and inflation and on different sets of participant growth assumptions. The results of the actuarial valuation of the Fund are based on the open group aggregate funding method. 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 lower 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. The Board approved of their statement on the actuarial position of the Fund.



## MAJOR EVENTS

The Pension Board will hold its next session, from 9 to 13 July 2007, at the United Nations headquarters in New York. The Investments Committee will meet three times in 2007. A joint session between the Investments Committee and the Committee of Actuaries was held in May 2007. The Committee of Actuaries will hold its regular annual meeting in June 2007, in order to consider the economic and demographic assumptions to be used in the valuation that is to be carried out as at 31 December 2007. In 2006, the Pension Board decided to establish an Audit Committee. Following the concurrence of the General Assembly, the Audit Committee held its first meeting in February 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; Sustainable Development and Enterprise-wide Risk Management Policy.

## 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 2006)

### UNITED NATIONS JOINT STAFF PENSION BOARD

Chairman:	Mr. V. Yossifov [Representative of the Participants of the World Intellectual Property Organization (WIPO)]
1st Vice-Chairman	Mr. P. Owade [Representative of the General Assembly of the United Nations (UN)]
2nd Vice-Chairman	Ms. M. Dam [Representative of the Executive Head of the World Health Organization (WHO)]
Rapporteur	Mr. J. Larivière [Representative of the Governing Body of the World Health Organization (WHO)]

### UNITED NATIONS STANDING COMMITTEE (JULY 2006)

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

### 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. W. Sach
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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	Ms. R. De Leers
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

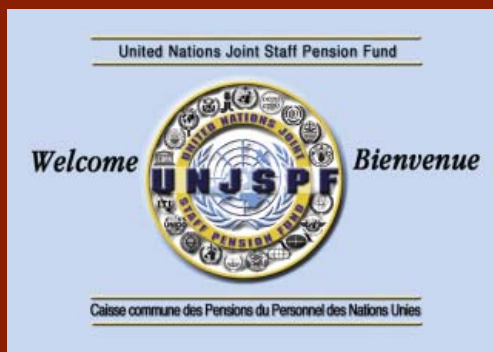
### CONSULTING ACTUARY

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](http://www.unjspf.org)



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