

UNITED NATIONS JOINT STAFF PENSION FUND



# Annual Report 2014

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## INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER (CEO)

I am pleased to present the 2014 Annual Report of the United Nations Joint Staff Pension Fund. This report complements the detailed information provided in the Fund's Annual Letter, which is made available on the Pension Fund's website at [www.unjspf.org](http://www.unjspf.org).

During 2013, the Pension Fund's total number of participants, retirees and other beneficiaries continued to grow but at a slower pace than in prior years. The total number of participants and periodic benefits in payment increased from 188,775 to 190,274. While the number of new retirees and other beneficiaries continues to grow, the number of active participants declined slightly in 2013 (by less than 1 per cent). This indicates that the Fund continues to mature. However, transactional volumes continue to grow and I am pleased to note that the Pension Fund staff continued to maintain its excellent average response time in processing separations and benefits and responding to active participants, retirees and other beneficiaries surpassing the 15-day operational benchmarks.

Another sign of maturation is the fact that during 2013 contributions received from active participants and member organizations were slightly less (by \$131 million or 5.6 per cent) than the benefit payments made of \$2.3 billion. However, the principal of the Fund continued to grow and the market value of the assets of the Fund reached its highest level as of 31 December 2013 at \$51.4 billion. Further, income (contributions plus investment income) considerably exceeded benefit payments. During 2013, the Fund earned an approximate 15.5 percent return.

The Fund continues to be in a strong financial position. Compared to the 3.5% real return objective, long-term investment performance is in line with expectation. Assuming the expected annual 3.5% real rate of return is earned, the principal of the Fund will not be utilized to cover the contributions/benefits gap until 2047. The Fund is proactively considering and implementing initiatives to better monitor solvency. To that effect, the Pension Board in July 2013 established an Assets and Liabilities Monitoring (ALM) Committee. Furthermore, as recommended by the Pension Board, in April this year the General Assembly decided to establish the post of a full-time representative of the Secretary-General for the investment of the assets of the Fund.

The Fund continues to strengthen its internal control framework. Last year, it updated its Internal Control Policy in line with the COSO Internal Control – Integrated Framework. The implementation of the International Public Sector Accounting Standards (IPSAS) has fostered the development of the Statement of Internal Control which is the means by which the Fund's management states "ownership" over the internal control framework, transactions and data.

As reported for the past three years, the Fund is in the process of implementing its new Integrated Pension Administration System (IPAS). I am pleased to report that as of 31 December 2013, the Fund continued to advance steadily in the implementation of this major initiative which is expected to be implemented by the end of 2014.

In addition, some of the important projects that are on our agenda for 2014 are:

- Results of the actuarial valuation as at 31 December 2013;
- The first report of the ALM Committee; and
- Statement of Work for the next ALM study to be completed in 2015.

Further information on the activities of the Pension Fund can be found on our website <http://www.unjspf.org> and IMD's website <http://imd.unjspf.org/>.

I would like to take this opportunity to thank you for your continued support and active involvement in efforts to achieve our goals.

**Sergio B. Arvizú**

Chief Executive Officer United Nations Joint Staff Pension Fund

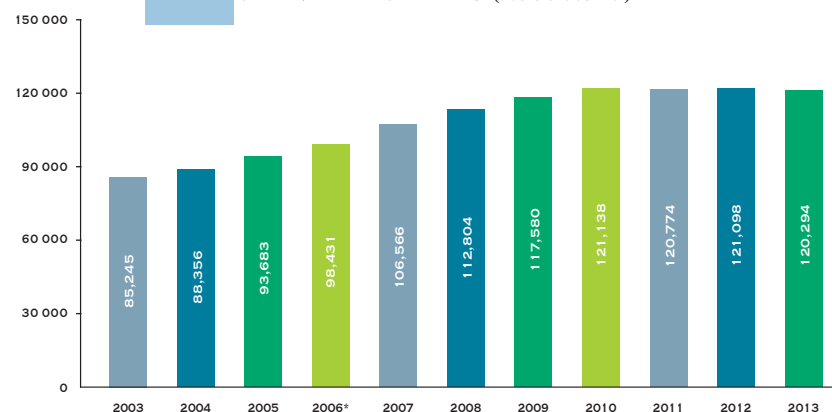
## PARTICIPANTS

As of 31 December 2013, the UNJSPF recorded 120,294 active participants compared to 121,098 at the end of 2012. This represents a decrease of 0.7 per cent in the Fund's active participant population over the previous year. Compared to 2012, the number of member organizations remained unchanged at 23 member organizations.

The distribution of participants, among the 23 member organizations, was as follows:

United Nations	85,721
World Health Organization	10,153
Food and Agriculture Organization of the United Nations	6,032
International Labour Organization	3,599
United Nations Educational, Scientific and Cultural Organization	2,442
International Atomic Energy Agency	2,464
International Organization for Migration	3,428
World Intellectual Property Organization	1,242
International Telecommunication Union	814
International Civil Aviation Organization	745
United Nations Industrial Development Organization	735
International Criminal Court	914
International Fund for Agricultural Development	540
International Maritime Organization	291
World Meteorological Organization	315
International Centre for Genetic Engineering and Biotechnology	184
World Tourism Organization	97
International Center for the Study of the Preservation and Restoration of Cultural Property	33
Inter-Parliamentary Union	47
International Tribunal for the Law of the Sea	38
International Seabed Authority	35
European and Mediterranean Plant Protection Organization	13
Special Tribunal for Lebanon	412

UNJSPF TOTAL GROWTH  
IN ACTIVE PARTICIPANTS (2003-2013)



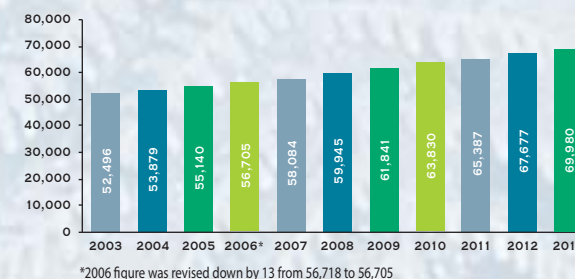
\* 2006 FIGURE WAS REVISED DOWN BY 2 FROM 98,433 TO 98,431.

## BENEFICIARIES

As of 31 December 2013, the UNJSPF recorded 69,980 periodic benefits compared to 67,677 at the end of 2012. This represents an increase of 3.4 per cent in the number of periodic benefits over the previous year. The distribution of benefits was as follows:

Full retirement benefits	25,169
Early retirement benefits	15,253
Deferred retirement benefits	7,490
Widow benefits	10,863
Widower benefits	877
Disability benefits	1,361
Child benefits	8,926
Secondary dependent benefits	41

UNJSPF TOTAL GROWTH  
IN PERIODIC BENEFITS (2003-2013)



\*2006 figure was revised down by 13 from 56,718 to 56,705

## FINANCIAL SITUATION

The financial statements of the Fund are signed by the Chief Executive Officer, the Representative of the Secretary-General, and the Chief Financial Officer, and audited, on an annual basis, by an external Board of Auditors. The financial statements for the years ending 31 December 2013 and 31 December 2012 are presented under the International Public Sector Financial Reporting Standards (IPSAS). The payroll for benefits in payment for the year ending 31 December 2013 was US\$2.2 billion. During the year, benefits were being paid in 15 different currencies. During the year 2013 the net assets available for benefits increased by US\$6.7 billion. The expenditure for benefits, of US\$2.3 billion exceeded contributions by approximately US\$131 million. The value of the Fund's assets increased from US\$45.0 billion on 31 December 2012 to US\$51.6 billion on 31 December 2013, representing an increase of about 14.9 per cent. A graph reflecting the evolution of the total assets of the Fund from 1985 to 2013 is provided herewith:

MARKET VALUE OF THE UNJSPF'S  
INVESTMENTS FROM 31 DECEMBER 1985  
TO 31 DECEMBER 2013 (BILLIONS OF US\$)





## STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS

### ASSETS

	31 DECEMBER 2012 IN US\$ THOUSANDS	1 JANUARY 2012 IN US\$ THOUSANDS
Cash and cash equivalents	2,005,890	1,227,333
Investments		
Short-term investments	47,478	49,079
Equities	33,492,217	28,267,504
Fixed Income	12,219,906	12,352,135
Real Assets	2,400,046	2,073,880
Alternatives and other investments	1,184,413	701,302
Contributions receivable	34,309	25,417
Accrued income from investments	163,466	176,749
Receivable from investments traded	18,413	33,113
Withholding tax receivable	9,355	13,980
Other Assets	52,983	31,925
<b>TOTAL ASSETS</b>	<b>51,628,476</b>	<b>44,952,417</b>

### LIABILITIES

Benefits payable	60,493	54,800
Payable from investments traded	14,513	51,188
ASHI and other employee benefit payable	56,319	58,195
Other accruals and liabilities	24,397	29,165
<b>TOTAL LIABILITIES</b>	<b>155,722</b>	<b>193,348</b>

<b>NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>51,472,754</b>	<b>44,759,069</b>
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## INVESTMENTS

The market value of the Fund's assets were USD 51,366 million on 31 December 2013 as compared to USD 44,675 million on 31 December 2012; an increase of USD 6,691 million. After adjustment by the United States consumer price index (CPI), this return represents a real rate of return of 13.8 percent.

Through active management, with effective stock selection and periodic re-balancing of assets to maintain the Fund's long-term investment objectives, the Fund outperformed the policy benchmark in the one, two, seven, ten and fifteen year periods. The management of the Fund's investments continues to focus on balancing the risk and reward expectations with broad global diversification.

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

## STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS

### INVESTMENT INCOME

	YEAR 2013 IN US\$ THOUSANDS	YEAR 2012 IN US\$ THOUSANDS
Net appreciation (depreciation) in fair value of investments	6,386,946	3,898,576
Interest income	398,072	442,007
Dividend income	761,728	686,913
Income from real assets	36,587	32,220
Income from alternative and other assets	-	-
Foreign currency gains and (losses)	(558,924)	120,447
Less: Transaction costs and management fees	(101,548)	(86,801)
	<b>6,922,861</b>	<b>5,093,362</b>

### CONTRIBUTIONS

From participants	737,197	724,514
From member organization	1,464,879	1,435,039
Other contributions	4,596	3,805
	<b>2,206,672</b>	<b>2,163,358</b>

### OTHER INCOME

**1,083**      **5,116**

### BENEFIT PAYMENTS

From withdrawal settlements and full commutation benefits	142,669	122,235
From Retirements benefits	2,193,340	2,104,557
Other benefits	1,779	1,091
	<b>2,337,788</b>	<b>2,227,883</b>

### ADMINISTRATIVE EXPENSES

Administrative expenses	60,850	67,815
Small capitalization fund management fees	8,653	6,795
	<b>69,503</b>	<b>74,610</b>

### OTHER EXPENSES

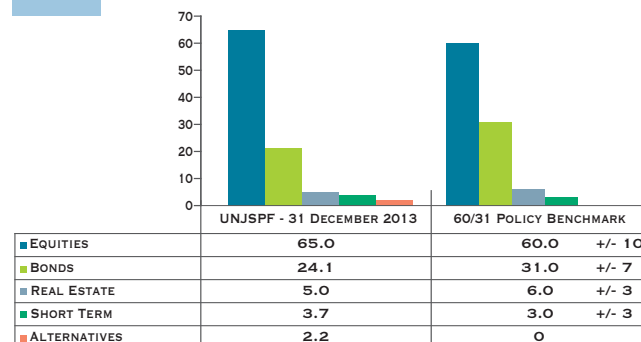
**6,430**      **3,970**

### WITHHOLDING TAX EXPENSES

**3,210**      **5,490**

<b>CHANGE IN NET ASSETS AVAILABLE FOR BENEFITS</b>	<b>6,713,685</b>	<b>4,949,883</b>
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### TYPES OF INVESTMENT BY ASSET CLASS

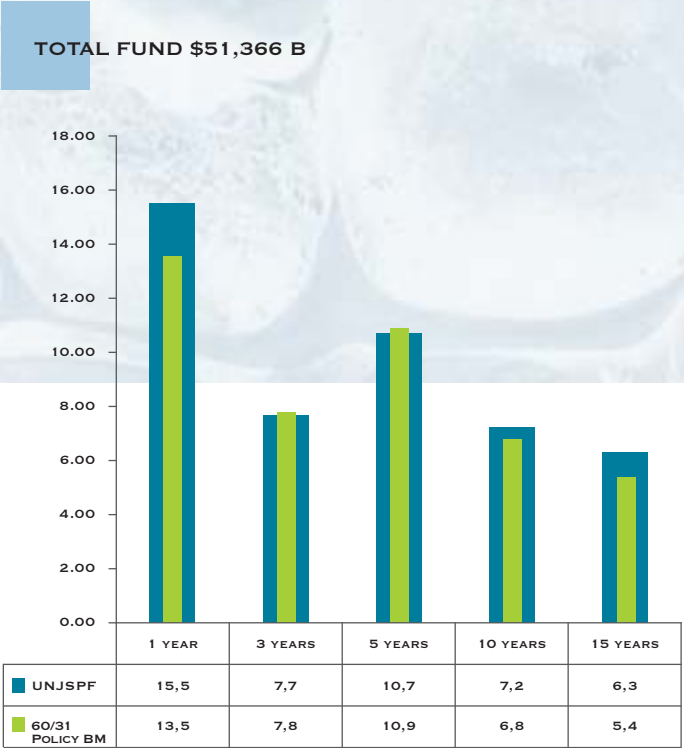


DATA SOURCE: NORTHERN TRUST. THE NUMBERS MAY NOT ADD UP DUE TO ROUNDING  
 NOTE: EQUITIES INCLUDE 'CORE EQUITIES' AND 'MINIMUM VOLATILITY' STRATEGIES. ALTERNATIVES INCLUDE PRIVATE EQUITY, COMMODITIES AND 'RISK PARITY' STRATEGIES.

\* PLEASE NOTE THAT THERE IS A DIFFERENCE BETWEEN THE PRICING METHODOLOGIES USED BY THE MASTER RECORD KEEPER FOR PERFORMANCE CALCULATION AND REPORTING VIS-À-VIS THE FINANCIAL STATEMENTS PARTICULARLY ON THE INVESTMENTS OF THE FUND. PERFORMANCE CALCULATION AND REPORTING ARE BASED ON MASTER RECORD KEEPER'S "STANDARD PRICING" WHICH IS CONSISTENT WITH THE PRICING OF THE UNDERLYING CONSTITUENTS OF THE VARIOUS BENCHMARKS. FINANCIAL STATEMENTS ARE BASED ON THE LOWER "CURRENT BID/ASK PRICE" AS REQUIRED BY IPSAS. THE DIFFERENCE IS NOT CONSIDERED MATERIAL.

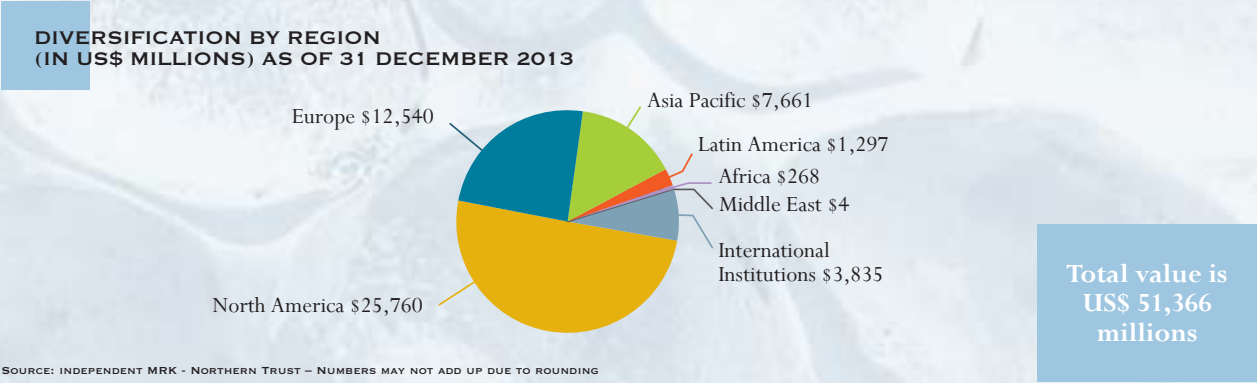
# PERFORMANCE

The return of the Fund for the year ending 31 December 2013 was 15.5 per cent outperforming the 60/31 policy benchmark preliminary return by 198 basis points.



# DIVERSIFICATION

As of 31 December 2013, the Fund had investments in 38 countries, 7 international/regional institutions and 23 currencies. The chart below indicates the US dollar value of investments by region (in millions).



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 50 years was as follows

	1 year	2 years	3 years	4 years	5 years	10 years	15 years	20 years	25 years	50 years
UNJSPF Total Nominal Return	15.5	14.1	7.7	8.4	10.7	7.2	6.3	7.7	8.3	8.4
US CPI	1.5	1.6	2.1	1.9	2.1	2.4	2.4	2.4	2.7	4.2
UNJSPF Real Return (Inf. Adj.)	13.8	12.3	5.6	6.3	8.4	4.7	3.9	5.2	5.5	4.0
Excess Return (3.5%)	10.3	8.8	2.1	2.8	4.9	1.2	0.4	1.7	2.0	0.5

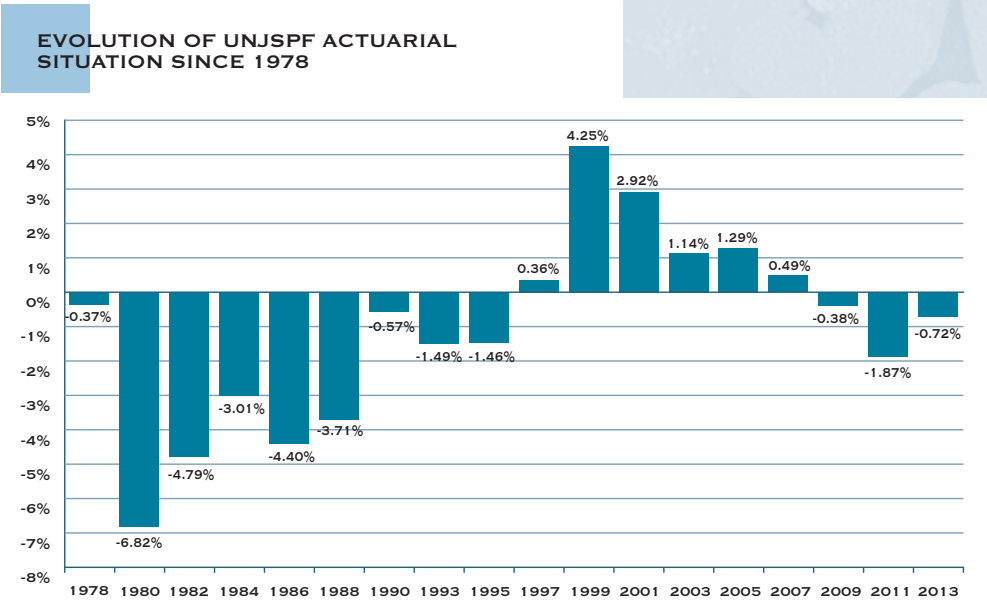
\* Adjusted for US CPI (Geometric)    \*\* Real Return minus 3.5% (Arithmetic)

# ACTUARIAL MATTERS

Actuarial services are provided by Buck Consultants. A Committee of Actuaries, consisting of seven 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. It also reviews the work of the Consulting Actuary and evaluates its services to the Fund. Its members are selected from the five different regions of the world.

Actuarial valuation: The Consulting Actuary performs an actuarial valuation of the Fund every two years, the most recent valuation being completed as of 31 December 2013. This valuation revealed a deficit, amounting to -0.72 per cent of pensionable remuneration. The -0.72 per cent, expressed another way, means that the theoretical contribution rate required to achieve balance as of 31 December 2013 was 24.42 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent. These results show a reverse of the downward trend experienced by the Fund since 2001 which is a significant positive long-term development considering the size and maturity of the Fund.

The historical results of prior bi-annual valuations are summarized in the following graph, which shows the amount by which the current contribution rate differed from the contribution rate required to achieve balance each year:



Valuations are performed using a number of economic assumptions regarding future investment returns and inflation and using multiple demographic assumptions regarding participant growth, mortality, termination and disability. The results of the actuarial valuation of the Fund are determined using the open group aggregate funding method. The regular valuation that was performed as of 31 December 2013 used the following three economic assumptions: (a) an assumed rate of increase in pensionable remuneration of 3.50 per cent per annum; (b) an assumed rate of nominal investment return of 6.50 per cent per annum; and (c) an assumed rate of inflation of 3.00 per cent per annum. It was also assumed that the growth in participant population for each of the next ten years would be 0.5 per cent per annum, with a "zero participant growth assumption" thereafter. The other demographic assumptions used in the valuation were determined based on analysis of the Fund's participant population regarding rates of mortality, disability, and termination.

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 2013, the Fund was found to be in a strongly funded position, as it had been for the past ten valuations. The current funded ratio is 128 per cent, which was obtained by dividing the actuarial value of assets (i.e. \$46,205 million) by the actuarial value of the accrued benefits (i.e. \$36,244 million). The ratio therefore indicates that there is a 28 per cent margin of assets over accrued liabilities. The funded ratio is lower when the current system of pension adjustments is taken into account, whereby benefits are adjusted for inflation.

The following table illustrates the funded ratios from 1993 to 2013, both with and without pension adjustments:

	1993	1995	1997	1999	2001	2003	2005	2007	2009	2011	2013
Without pension adjustments	136	132	141	180	161	145	140	147	140	130	128
With pension adjustments	81	81	88	113	106	95	92	95	91	86	91



## MEMBERS OF LEGISLATIVE ORGANS AND COMMITTEES:

### MAJOR MEETINGS IN 2014

The Pension Board will hold its next session, from 10 to 18 July, at the FAO in Rome.

The Investments Committee will meet four times in 2014. The Committee of Actuaries will hold its regular annual meeting in June 2014, in order to consider the 32nd actuarial valuation as at 31 December 2013. The Audit Committee, established by the Pension Board in 2006, will meet three times in 2014. The ALM Committee, established by the Board in 2013, will meet three times in 2014 including a joint meeting with the Investments Committee.

### POLICY DOCUMENTATION

The following policy documents will be published in 2014:

Regulations, Rules and Pension Adjustment System of the UNJSPF (revised version)

Booklet on Legal Guardianship

### GOVERNANCE

During 2013, the Fund's Internal Control Policy was updated and the Fund developed its Statement of Internal Control. The UNJSPB Audit Committee continues to meet three times a year. The Audit Committee provides assistance in fulfilling the Board's oversight responsibility dealing with such areas as internal and external audit, financial management and financial statements, risk management and internal control framework. As in previous years, in 2013, the Committee made several recommendations to the Board, related to the timing of the financial statement preparation and the preparation of the Statement of Internal Control. In 2013 the Board decided to establish an ALM Committee to monitor the solvency of the Fund and to provide it with advice and recommendations to the Board with regards to risk management, funding policy, asset-liability management and investment 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.

Chairman

1st Vice-Chairman

2nd Vice-Chairman

Rapporteur

Chairman

1st Vice-Chairman

2nd Vice-Chairman

Chairman

Vice-Chairman

Chairman

Representative

Chief Executive Officer

Director of Investments

Chief Financial Officer

Deputy Director & Chief Risk Officer

Chairman

Vice-Chairman

Rapporteur

### UNITED NATIONS JOINT STAFF PENSION BOARD (JULY 2013)

H.E. Mr. P.R.O. Owade

[Representative of the General Assembly of the United Nations]

Mr. J. Pozenel

[Representative of the Executive Head of the United Nations]

Mr. A. Lakhanpal

[Representative of the Participants of the United Nations]

Ms. N. Nagayoshi

[Representative of the Participants of the United Nations]

### UNITED NATIONS STANDING COMMITTEE (JULY 2013)

Mr. L. Mazemo

[Representative of the General Assembly of the United Nations]

Ms. C. Henne-tier-Rossier

[Representative of the Executive Head of the World Health Organization]

Mr. E. Voli Bi

[Representative of the Participants of the United Nations Educational, Scientific and Cultural Organization]

### AUDIT COMMITTEE (2013)

Ms. S. Frahler

[Representative of the Executive Head of the World Health Organization]

Mr. I. Robertson

[Expert Member]

### INVESTMENTS COMMITTEE (2013)

Mr. W. McDonough

### REPRESENTATIVE OF THE UNITED NATIONS SECRETARY-GENERAL FOR THE INVESTMENTS OF THE FUND (2013)

Ms. G. Casar

### UNITED NATIONS JOINT STAFF PENSION FUND SENIOR MANAGEMENT (2013)

Mr. S. Arvizú

Deputy Chief Executive Officer

Mr. P. Dooley

Ms. S. Bishopric

Chief of Operations

Mr. F. De Turris

Mr. K. Soll

Chief of Geneva Office

Mr. A. Blythe

Mr. A. Singh

Deputy Director for Investments

Mr. T. Shindo

### COMMITTEE OF ACTUARIES (2013)

Mr. H. Pérez Montás

Mr. B. KYS Yen

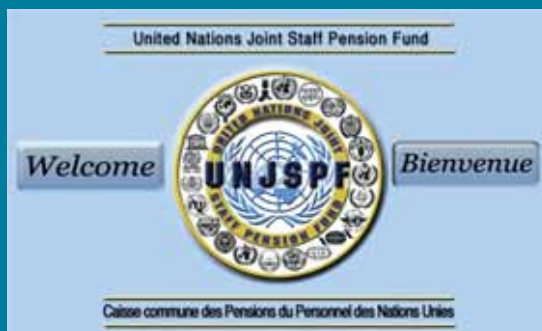
Mr. D. Latulippe

### CONSULTING ACTUARY

Buck Consultants, LLC

# 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)



## New York

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By fax: **+1 (212) 963 31 46**

By e-mail: **UNJSPF@UN.ORG**

In person\*: **37th floor  
 1 Dag Hammarskjöld Plaza (DHP)  
 Corner of 48th Street  
 and 2nd Avenue**

By mail: **UNJSPF  
 United Nations  
 P.O. Box 5036  
 New York, NY 10017  
 USA**

\*For in person visits, please note the Fund's New York office hours for walk-in clients:  
 9 a.m. to 5 p.m., Monday through Friday  
 No appointment is needed.

## Geneva

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By e-mail: **UNJSPF.GVA@UNJSPF.ORG**

In person\*: **Du Pont de Nemours Building  
 Chemin du Pavillon 2  
 1218 Grand Saconnex  
 Switzerland**

By mail: **UNJSPF  
 c/o Palais des Nations  
 CH-1211 Geneva 10  
 Switzerland**

\*In person visits daily from 08.30 hrs till 17.00 hrs. You may wish to call +41 22 928 88 00 or send an email to schedule an appointment.