

UNITED NATIONS JOINT STAFF PENSION FUND



UNITED NATIONS

Annual Report 2012



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INTRODUCTION BY THE CHIEF EXECUTIVE OFFICER (CEO)

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

This report complements detailed information provided in my Annual Letter, which is sent to participants and beneficiaries each year and is posted, usually in mid-February, on the Pension Fund's website at www.unjspf.org.

2011 has been quite a busy year in all UNJSPF activities.

The Pension Fund's operations have continued to grow but at a slower pace than in prior years due to the closing of a few UN peacekeeping missions. The total number of participants and beneficiaries is approaching 185,500.

A number of our 23 member organizations saw significant turnover creating a heavy workload for the Fund in processing separations. In fact the number of separations experienced by the Fund in 2011 set a record high. Yet, the Pension Fund staff has been able to maintain or improve the average response time for benefit processing and communicating with or responding to active participants and beneficiaries.

As planned, the Fund focused in 2011 on the design of its new Integrated Pension Administration System, (IPAS), and started hiring temporary staff to assist in this system implementation. A significant amount of work has also been devoted to the preparation of the financial reporting change to IPSAS in order to fully implement these new accounting standards starting in 2012.

As regards investments, the market value of the assets of the Fund stood at \$39.7 billion as at 31 December 2011, representing a negative return of 3.9%. As a consequence of turbulent financial market conditions, the investment portfolio experienced wide fluctuations from \$41.4 billion at the end of 2010 to \$42.8 billion at the end of March 2011, then further increasing to an all-time high at \$44.4 billion at the end of April and ending the year \$1.7 billion below the preceding year.

Contributions received from active participants and member organizations continued to closely match the benefit payments being made, thus allowing the principal of the Fund to remain intact and investment income to be fully re-invested.

Some of the important projects that are on our agenda for 2012 are:

Development phase for the Integrated Pension Administration System after selection of a system solution through competitive bidding
Implementation of IPSAS as the Fund's new accounting standards starting 1 January 2012
Biennial actuarial valuation with results expected in June 2012

Also, during its July 2012 session, the Pension Board will select my successor as I will be retiring at the end of 2012.

Other information on the activities of the Pension Fund can be found on our website (www.unjspf.org), which contains useful features such as the two-track benefit estimate system and Certificate of Entitlement Tracking System.

I would like to take this opportunity to thank each and every one of you, as partners of the Pension Fund, for your continued support and active involvement in efforts to achieve our goals.

It has been a pleasure serving the UN Pension Fund for the past 12 years.

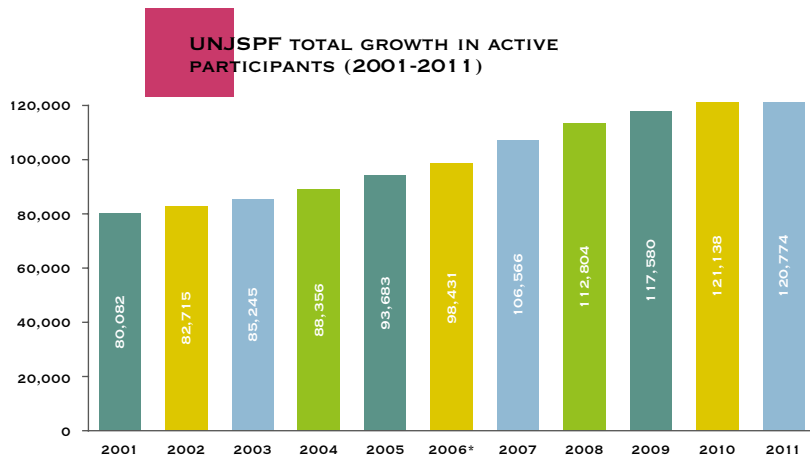
Bernard Cochemé

Chief Executive Officer - United Nations Joint Staff Pension Fund

PARTICIPANTS

As of 31 December 2011, the UNJSPF recorded 120,774 active participants compared to 121,138 at the end of 2010. This represents a decrease of 0.3 per cent in the Fund's active participant population over the previous year. Compared to 2010, 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 – 85,289; **World Health Organization** – 10,774 ; **Food and Agriculture Organization of the United Nations** – 6,243; **International Labour Organization** – 3,697; **United Nations Educational, Scientific and Cultural Organization** – 2,651; **International Atomic Energy Agency** – 2,363; **International Organization for Migration** – 3,263; **World Intellectual Property Organization** – 1,161; **International Telecommunication Union** – 822, **International Civil Aviation Organization** – 777, **United Nations Industrial Development Organization** – 775; **International Criminal Court** – 974; **International Fund for Agricultural Development** – 549; **International Maritime Organization** – 312; **World Meteorological Organization** – 307; **International Centre for Genetic Engineering and Biotechnology** – 189; **World Tourism Organization** – 98; **International Center for the Study of the Preservation and Restoration of Cultural Property** – 32; **Inter-Parliamentary Union** – 45; **International Tribunal for the Law of the Sea** – 37; **International Seabed Authority** – 31; **European and Mediterranean Plant Protection Organization** – 14; **Special Tribunal for Lebanon** – 371



* 2006 FIGURE WAS REVISED DOWN: FROM 98 433 TO 98 431

BENEFICIARIES

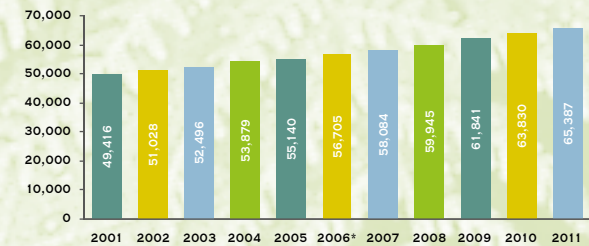
As of 31 December 2011, the UNJSPF was paying 65,387 periodic benefits compared to 63,830 at the end of 2010. This represents an increase of 2.4 per cent in the number of benefits in payment over the previous year. The distribution of benefits in payment was as follows:

full retirement benefits – 23,147; **early retirement benefits** – 14,405, **deferred retirement benefits** – 7,161; **widow benefits** – 10,212; **widower benefits** – 784; **disability benefits** – 1,238 , **child benefits** – 8,401; **secondary benefits** – 39

FINANCIAL SITUATION

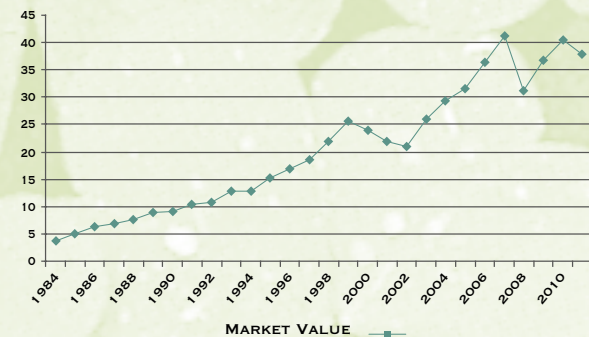
The financial statements of the Fund are signed by the Chief Executive Officer, the Representative of the Secretary-General, and the Chief Financial Officer, and audited, on a biennial basis, by an external Board of Auditors. The financial statements for the year ended 31 December 2011 are not audited. During the year 2011, the Fund experienced a decrease in participation by 0.3 per cent: from 121,138 active participants on 1 January 2011 to 120,774 on 31 December 2011. The number of benefits in payment increased (2.4 per cent) from 63,830 to 65,387 during this same year. The payroll for benefits in payment for the year ending 31 December 2011 was \$2.0 billion representing a 7.7 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 \$2.2 billion exceeded contribution income by approximately \$66 million. Contribution income increased from \$2.0 billion for the year ending 31 December 2010 to \$2.1 billion for the year ending 31 December 2011, or an increase of approximately 5.5 per cent. The market value of the Fund's assets decreased from \$40.3 billion on 31 December 2010 to \$37.8 billion on 31 December 2011, representing a decrease of about 6.2 per cent. A graph reflecting the evolution of the market value of the Fund's assets from 1984 to 2011 is provided herewith:

**UNJSPF
TOTAL GROWTH IN PERIODIC
BENEFITS (2001-2011)**



* 2006 FIGURE WAS REVISED DOWN: FROM 56,718 TO 56,705

**MARKET VALUE OF THE UNJSPF
FROM 31 DECEMBER 1984
TO 31 DECEMBER 2011
(BILLION OF US\$)**



STATEMENTS OF ASSETS AND LIABILITIES AND OF INCOME AND EXPENDITURE

for the bienniums ending 31 December 2011 and 31 December 2010, are provided below:

STATEMENT OF ASSETS AND LIABILITIES

As at 31 December 2011 and 2010

ASSETS	2011	2010
Cash and term deposits	1,937,300,007	1,065,184,042
Investments	33,131,185,868	33,109,082,742
Accounts receivable	221,010,500	271,348,214
Prepaid benefits	14,728,844	15,347,653
TOTAL ASSETS	35,304,225,219	34,460,962,651
LIABILITIES AND PRINCIPAL OF THE FUND		
Accounts Payable	49,041,106	42,484,347
After-service health insurance and end-of-service liabilities	48,314,000	34,431,000
Principal of the Fund	35,206,870,113	34,384,047,304
TOTAL LIABILITIES AND PRINCIPAL OF THE FUND	35,304,225,219	34,460,962,651

STATEMENT OF INCOME AND EXPENDITURE

For the years ending 31 December 2011 and 2010

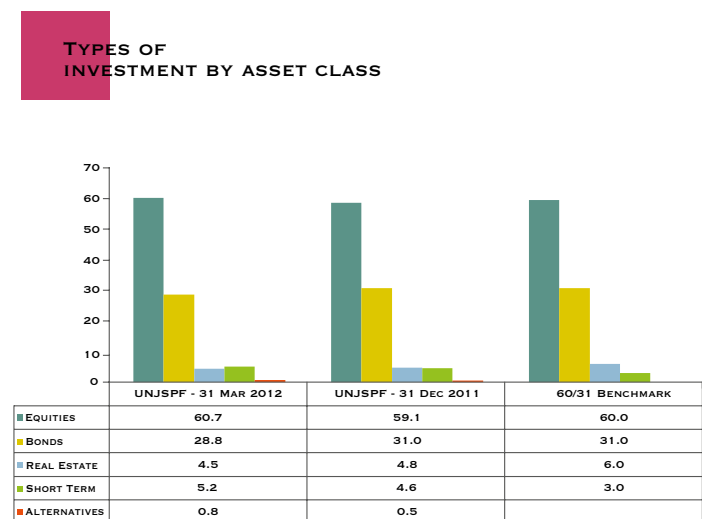
INCOME	2011	2010
Participants contributions	716,003,498	680,539,909
Member organizations contributions	1,420,313,492	1,346,556,998
Transfer agreement amount received	3,897,863	2,441,015
Excess actuarial value over regular contributions	184,569	156,244
Investment income	1,484,046,021	1,244,376,742
Other income	11,734,834	10,971,628
TOTAL INCOME	3,636,180,277	3,285,042,536
EXPENDITURE		
Payment of benefits	2,130,219,524	1,971,526,823
Administrative costs	76,589,023	59,974,323
Emergency Fund	56,100	35,536
Change in after-service health insurance and end-of-service liabilities	13,883,000	-
TOTAL EXPENDITURE	2,220,747,647	2,031,536,682
Prior Period Adjustments	(592,609,821)	15,948,782
NET EXCESS OF INCOME OVER EXPENDITURE	822,822,809	1,269,454,636

INVESTMENTS

As of 31 March 2012, the preliminary market value of the Fund's assets was US\$ 43,081 million. This represents an increase of US\$ 3,335 million or approximately 8.4 per cent, from 31 December 2011 when the Fund's asset value stood at US\$ 39,746 million.

Equity Markets posted first quarter gains as the supportive measures of European Central Bank had a positive impact on investor confidence but the global economic outlook still remains uncertain. 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 five, seven and ten year periods. The management of the Fund's investments continues to focus on balancing the risk and reward expectations with broad diversification.

The asset allocation, in per cent was as follows:



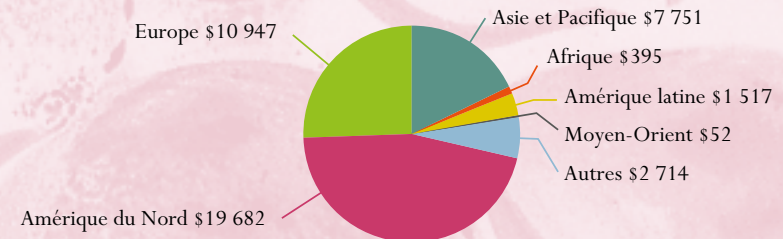
DIVERSIFICATION

As of 31 March 2012 the Fund has made seven private equity investments totaling US\$ 125.3 million and three commodities funds investment amounting to US\$ 201.1 million.

This has further broadened the diversification of the Fund's investments, as well as further increasing the allocation to emerging markets.

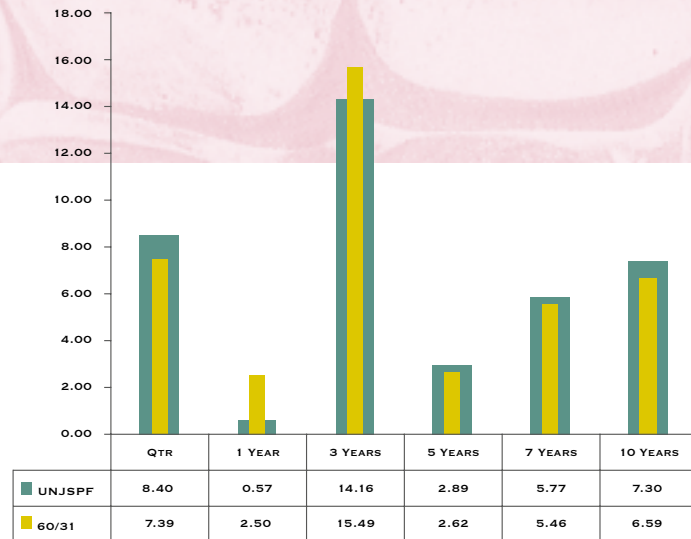
As of 31 March 2012, the Fund had investments in 41 countries, 7 international/regional institutions and 23 currencies. The chart below indicates the US dollar value of investments by region (in millions). Please note that the Fund value is preliminary as of 31 March 2012.

**DIVERSIFICATION BY REGION
IN US\$ MILLION AS OF 31 MARCH 2012**



**Total value
\$43.081**

TOTAL FUND \$43.081 B



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:

Real Return excess as of 3.5 % Long -term Investment Objective through 31 March 2012

	1 year	2 years	3 years	4 years	5 years	6 an	7 years	8 years	9 years	10 years	15 years	20 years	25 years	50 years
UNJSPF Total														
Nominal Return	0.6	0.6	14.2	1.6	2.9	4.6	5.8	6.3	8.6	7.3	6.9	7.9	7.8	8.2
US CPI	2.7	2.7	2.5	1.8	2.2	2.3	2.5	2.6	2.5	2.5	2.4	2.5	2.9	4.2
Real Return*	(2.0)	3.3	11.3	(0.2)	0.6	2.2	3.2	3.7	6.0	4.7	4.4	5.2	4.8	3.8
Excess Return **	(5.5)	(0.2)	7.8	(3.7)	(2.9)	(1.3)	(0.3)	0.2	2.5	1.2	0.9	1.7	1.3	0.3

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

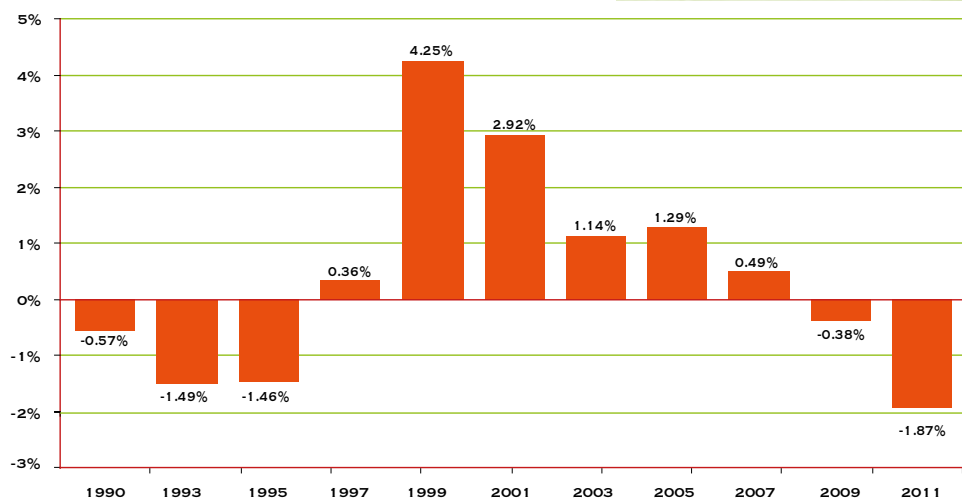
ACTUARIAL MATTERS

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 performed the actuarial valuation as of 31 December 2011. This valuation revealed a deficit, amounting to -1.87 per cent of pensionable remuneration. The -1.87 per cent, expressed another way, means that the theoretical contribution rate required to achieve balance as of 31 December 2011 was 25.57 per cent of pensionable remuneration, compared to the actual contribution rate of 23.70 per cent.

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:

EVOLUTION OF UNJSPF ACTUARIAL SITUATION SINCE 1990



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 2011 used the following three 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; and (c) an assumed rate of inflation of 4.00 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 2011, 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 130 per cent, which was obtained by dividing the actuarial value of assets (i.e. \$40,815 million) by the actuarial value of the accrued benefits (i.e. \$31,394 million). The ratio therefore indicates that there is a 30 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 1990 to 2011, both with and without pension adjustments:

FUNDED RATIOS FOR VALUATIONS AS OF 31 DECEMBER 1990 - 2011

	1990	1993	1995	1997	1999	2001	2003	2005	2007	2009	2011
Without pension adjustments	131	136	132	141	180	161	145	140	147	140	130
With pension adjustments	77	81	81	88	113	106	95	92	95	91	86

MAJOR MEETINGS IN 2012

The Pension Board will hold its next session, from 3 to 11 July, at the United Nations Educational, Scientific and Cultural Organization in Paris, France. The Investments Committee will meet four times in 2012. The Committee of Actuaries will hold its regular annual meeting in June 2012, in order to consider the 31st actuarial valuation as at 31 December 2011. The Audit Committee, established by the Pension Board in 2006, will meet three times in 2012.

POLICY DOCUMENTATION

The following policy document will be published in 2012: Accountability Statement.

GOVERNANCE

During 2011, the Fund's Accountability statement was updated and the Board reviewed the results of its own self-evaluation and considered its size and composition, as well as considered reports on Risk Management and investment matters. The UNJSPB Audit Committee continues to meet three times a year. As an advisory committee of the Pension Board 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, during 2011, the Committee has made several recommendations to the Board, related to the reporting on investments and the Fund's new accounting standards.

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:

Chairman

1st Vice-Chairman

2nd Vice-Chairman

Rapporteur

Chairman

1st Vice-Chairman

2nd Vice-Chairman

Chairman

Vice-Chairman

Chairman

Representative

Chief Executive Officer

Deputy Chief Executive Officer

Director of Investments

Chief of Operations

Chief of Geneva Office

Chief Information Officer

Deputy Director & Chief Risk Officer

Deputy Director for Investments

Chairman

Vice-Chairman

Rapporteur

UNITED NATIONS JOINT STAFF PENSION BOARD (JULY 2011)

Ms. C. Nana Yaa Nikoi

[Representative of the Executive Head of the Food and Agriculture Organization and of the World Food Program of the United Nations]

Mr. A. O. Adeniyi

[Representative of the Participants of the United Nations]

Mr. J. Yamada

[Representative of the General Assembly of the United Nations]

Ms. M. Wilson

[Representative of the Executive Head of the International telecommunication Union]

UNITED NATIONS STANDING COMMITTEE (JULY 2011)

H.E. Mr. P.R. Owade

[Representative of the General Assembly of the United Nations]

Ms. C. Nana Yaa Nikoi

[Representative of the Executive Head of the Food and Agriculture Organization of the United Nations]

Mr. C. Santos Tejada

[Representative of the Participants of the United Nations]

AUDIT COMMITTEE (2011)

Ms. Kumiko Matsuura-Mueller

[Representative of the Executive Head of the United Nations]

Ms. Sharon Frahler

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

INVESTMENTS COMMITTEE (2011)

Mr. W. McDonough

REPRESENTATIVE OF THE UNITED NATIONS SECRETARY-GENERAL FOR THE INVESTMENTS OF THE FUND

Mr. W. Sach

UNITED NATIONS JOINT STAFF PENSION FUND SENIOR MANAGEMENT (2011)

Mr. B. Cochemé

Mr. S. Arvizu

Ms. S. Bishopric

Mr. F. De Turrís

Mr. A. Blythe

Mr. P. Dooley

Mr. A. Singh

Mr. T. Shindo

COMMITTEE OF ACTUARIES (2011)

Mr. J. Král

Mr. D. Latulippe

Mr. H. Pérez Montás

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
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United Nations
P.O. Box 5036
New York, NY 10017
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*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.

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CH-1211 Geneva 10
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*In person visits daily (except Thursdays) 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.