

July 2005

E



منظمة الأغذية
والزراعة
للأمم المتحدة

联合国
粮食及
农业组织

Food
and
Agriculture
Organization
of
the
United
Nations

Organisation
des
Nations
Unies
pour
l'alimentation
et
l'agriculture

Organización
de las
Naciones
Unidas
para la
Agricultura
y la
Alimentación

FINANCE COMMITTEE

Hundred and tenth Session

Rome, 19 – 23 September 2005

**2004 Financial Statements of the United Nations Joint Staff Pension
Fund**

Attached for the information of the Finance Committee are the unaudited financial statements of the United Nations Joint Staff Pension Fund for 2004.

For reasons of economy, this document is produced in a limited number of copies. Delegates and observers are kindly requested to bring it to the meetings and to refrain from asking for additional copies, unless strictly indispensable.
Most FAO meeting documents are available on Internet at www.fao.org

W0000

188th meeting
Agenda item 6

Distr.
Restricted

JSPB/SC/188/R.8
31 May 2005

ORIGINAL: ENGLISH

UNITED NATIONS JOINT STAFF PENSION BOARD

STANDING COMMITTEE

Financial statements for the year ended 31 December 2004

Note by the Secretary/CEO

Attached are the unaudited financial statements, related schedules and statistical tables of the United Nations Joint Staff Pension Fund, for the year ended 31 December 2004.

UNITED NATIONS JOINT STAFF PENSION FUND

FINANCIAL STATEMENTS

for the year ended 31 December 2004

[FOR INTERNAL USE ONLY – NON BIENNIUM STATEMENTS ARE UNSIGNED]

CONTENTS

Statement I Statement of income and expenditure and change in principal of the Fund

Statement II Statement of assets, liabilities and principal of the Fund

Statement III Statement of cash flow

Schedule 1 Status of appropriations in relation to administrative expenses

Schedule 2 Summary statement of investments

Schedule 3 Summary statement of cost and market value of investments

Schedule 4 Summary statement of accounts receivable from investments

Schedule 5 Summary statement of accrued income from investments

Schedule 6 Summary of foreign tax accounts receivable

Annex Statistics on the operation of the Fund

Table 1 Number of participants

Table 2 Benefits awarded to participants or their beneficiaries

Table 3 Analysis of periodic benefits

Notes to the Financial Statements

UNITED NATIONS JOINT STAFF PENSION FUND

STATEMENT I

**Statement of income and expenditure and change in principal of the Fund
for the years ended 31 December 2004 and 2003**

(United States dollars)

Income	<u>2004</u>		<u>2003</u>	
Contributions:				
Participants:				
Regular contributions	410,743,977		377,014,403	
Contributions for validation	1,332,114		957,756	
Contributions for restoration	1,538,947		1,559,958	
Member organizations:				
Regular contributions	821,487,954		754,028,805	
Contributions for validation	2,656,040		1,923,830	
Contributions for participants transferred in under agreements	443,514		546,285	
Receipts of excess actuarial value over regular contributions	<u>627,750</u>	1,238,830,296	<u>401,501</u>	1,136,432,538
Investment income:				
Interest earned	416,852,666		484,519,277	
Dividends	338,940,876		242,511,163	
Real estate and related securities	140,626,960		109,056,601	
Net profit (loss) on sales of investments	<u>1,096,500,117</u>	1,992,920,619	<u>397,303,916</u>	1,233,390,957
Other income		<u>-</u>		<u>10,043,906</u>
Total income		<u>3,231,750,915</u>		<u>2,379,867,401</u>

The accompanying schedules and notes are an integral part of the financial statements.

UNITED NATIONS JOINT STAFF PENSION FUND

STATEMENT I (continued)

(United States dollars)

Expenditure	2004		2003	
	<hr/>		<hr/>	
Payment of benefits:				
Withdrawal settlements and full commutation of benefits	59,574,801		64,486,991	
Retirement benefits	612,445,645		556,382,685	
Early and deferred retirement benefits	451,602,592		424,088,843	
Disability benefits	31,909,694		29,594,300	
Death benefits	127,664,906		118,830,661	
Children's benefits	17,194,634		16,605,762	
Currency exchange adjustments	5,816,328		5,207,953	
Payments for participants transferred out under agreements	704,350	1,306,912,950	8,118	1,215,205,313
	<hr/>		<hr/>	
Administrative expenses:				
Administrative costs	23,484,970		25,498,288	
Investment costs chargeable to gross income from investments	20,216,802		20,818,849	
Audit costs	505,167	44,206,939	349,959	46,667,096
	<hr/>		<hr/>	
Emergency Fund		35,874		40,005
		<hr/>		<hr/>
Total Expenditure		1,351,155,763		1,261,912,414
		<hr/>		<hr/>
Excess of income over expenditure		1,880,595,152		1,117,954,987
Prior year adjustments (Note 5)		(11,487,760)		671,830
		<hr/>		<hr/>
Net Excess of income over expenditure		1,869,107,392		1,118,626,817
		<hr/>		<hr/>
Principal of the Fund, beginning of year		19,391,948,903		18,273,322,086
Principal of the Fund, end of year		21,261,056,295		19,391,948,903
		<hr/>		<hr/>
Change in principal of the Fund		1,869,107,392		1,118,626,817
		<hr/>		<hr/>

The accompanying schedules and notes are an integral part of the financial statements.

UNITED NATIONS JOINT STAFF PENSION FUND

STATEMENT II

Statement of assets, liabilities and principal of the Fund
as at 31 December 2004 and 2003

(United States dollars)

Assets	2004		2003	
Cash and term deposits		308,090,195		382,624,767
Investments (schedules 2 and 3)				
Temporary investments - at cost (market value: \$1,654,066,715)	1,626,832,646		1,184,102,652	
Bonds - at cost (market value: \$7,555,300,969)	6,088,097,003		6,395,163,522	
Stocks and convertible bonds - at cost (market value: \$18,405,252,709)	11,709,341,012		9,776,570,496	
Real estate and related securities - at cost (market value: \$1,631,052,029)	1,252,779,553	20,677,050,214	1,416,799,110	18,772,635,780
Accounts receivable				
Contributions receivable from member organizations	97,893,398		62,276,137	
Receivable from investments (Schedule 4)	229,487		-	
Accrued income from investments (Schedule 5)	167,934,887		183,139,572	
Foreign tax accounts receivable (Schedule 6)	19,361,450		22,899,501	
Other	13,141,343	298,560,565	12,546,461	280,861,671
Prepaid benefits		18,776,988		9,889,279
Total Assets		21,302,477,962		19,446,011,497
Liabilities				
Accounts Payable				
Benefits payable		21,510,761		41,886,016
Payable for securities purchased		7,482,862		-
Other		12,428,044		12,176,578
Total 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

accompanying schedules and notes are an integral part of the financial statements.

The

UNITED NATIONS JOINT STAFF PENSION FUND

STATEMENT III

Statement of cash flow
for the years ended 31 December 2004 and 2003

(United States dollars)

	<u>2004</u>	<u>2003</u>
Cash flows from operating activities:		
Net excess of income over expenditure	1,869,107,392	1,118,626,817
(Increase) in contributions receivable	(35,617,261)	(15,916,063)
(Increase) in other accounts receivable	(594,882)	(10,492,945)
(Increase) in prepaid benefits	(8,887,709)	(328,603)
Increase (decrease) in benefits payable	(20,375,255)	4,352,565
Increase in other accounts payable	<u>251,466</u>	<u>12,075,414</u>
Net cash from operating activities	<u>1,803,883,751</u>	<u>1,108,317,185</u>
 Cash flows from investing activities		
(Increase) in cost of investments	(1,904,414,434)	(1,168,855,324)
(Increase) decrease in investments receivable	18,513,249	(7,602,067)
Increase (decrease) in payable for securities purchased	<u>7,482,862</u>	<u>(1,288,476)</u>
Net cash from investing activities	<u>(1,878,418,323)</u>	<u>(1,177,745,867)</u>
Net cash from activities	<u>(74,534,572)</u>	<u>(69,428,682)</u>
 Cash and term deposits, beginning of year	382,624,767	452,053,449
Cash and term deposits, end of year	<u>308,090,195</u>	<u>382,624,767</u>
Net (decrease) in cash and term deposits	<u>(74,534,572)</u>	<u>(69,428,682)</u>

The accompanying schedules and notes are an integral part of the financial statements.

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 1

**Status of appropriations for the year ended 31 December 2004
in relation to administrative expenses for the year ended 31 December 2003**

(Thousands of United States dollars)

	Revised appropriations (biennium 2004-2005)	2004 Expenditure	2003 Expenditure
A. ADMINISTRATIVE COSTS			
Established posts	15,063.4	7,546.6	6,629.6
Other staff costs	1,772.8	823.9	415.0
Consultants	52.2	-	24.7
Travel of staff	259.5	153.3	47.2
Committee of actuaries	118.3	42.1	26.5
Travel	377.8	195.4	73.7
Training	62.6	32.9	93.9
ICC Services	2,042.4	1,140.9	996.5
Contractual services	4,805.9	1,934.4	3,619.6
Contractual services	6,848.3	3,075.3	4,616.1
Hospitality	13.3	1.2	1.0
Rental and maintenance of premises	8,226.9	4,248.7	846.0
Rental and maintenance of equipment	1,742.8	253.4	760.2
Communications services	10.0	12.9	5.9
Operating expenses	1,731.6	48.6	254.7
Bank charges	-	1,728.6	1,816.3
Income from banks	-	(534.9)	(1.6)
General operating expenses	11,711.3	5,757.3	3,681.5
Supplies and materials	1,277.5	86.3	164.7
Furniture and equipment	3,734.6	382.8	1,568.9
Equipment	5,012.1	469.1	1,733.6
Total Administrative Costs	40,913.8	17,901.7	17,269.1

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 1 (continued)

(Thousands of United States dollars)

	Revised appropriations <u>(biennium 2004-2005)</u>	2004 <u>Expenditure</u>	2003 <u>Expenditure</u>
B. INVESTMENT COSTS			
Established posts	6,506.8	3,549.2	2,896.5
Other staff costs	114.8	9.5	8.3
Consultants	-	672.7	-
Travel of staff	365.5	39.5	71.1
Investments committee	697.4	267.0	182.2
Travel	1,062.9	306.5	253.3
Training	204.2	13.1	17.8
Investment and legal consultants	349.1	40.7	112.3
Investment reference services	1,122.4	762.0	276.1
Advisory and custodial fees	30,620.2	13,580.0	15,323.8
Contractual services	32,091.7	14,382.7	15,712.2
Hospitality	16.8	5.5	14.2
Rental and maintenance of premises	1,975.4	1,138.0	(51.2)
Operating expenses	20.0	8.5	-
Communication services	183.0	80.6	26.7
General operating expenses	2,178.4	1,227.1	(24.5)
Supplies and materials	58.2	29.4	55.7
Furniture and equipment	780.3	21.0	70.7
Equipment	838.5	50.4	126.4
Total Investment Costs	43,014.1	20,216.7	19,004.2

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 1 (continued)

(Thousands of United States dollars)

	Revised appropriations (biennium 2004-2005)	2004 Expenditure	2003 Expenditure
C. AUDIT COSTS			
External audit	407.8	154.6	64.8
Internal audit	1,035.4	266.4	285.1
Total Audit Costs	1,443.2	421.0	349.9
TOTAL ADMINISTRATIVE EXPENSES	85,371.1	38,539.4	36,623.2

The information included under Schedule I relates to the Pension Fund share of administrative costs. The total disclosed differs from that shown as expenditure on Statement I where the full amount, including the share borne by the United Nations, is recorded.

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 2

**Summary statement of investments as at 31 December 2004
with comparative figures as at 31 December 2003**

(Thousands of United States dollars)

Investments	Balance - at cost *		2004 Income		
	31 December 2004	31 December 2003	Profit or (loss) on sales	Dividends, interest or other income	Total
Bonds (United States dollars)	1,717,122	2,015,786	38,143	109,205	147,348
Stocks and convertible bonds (United States dollars)	5,018,372	4,077,932	124,692	132,992	257,684
Bonds (other currencies)	4,370,975	4,379,378	77,480	271,972	349,452
Stocks and convertible bonds (other currencies)	6,690,969	5,698,638	775,487	205,949	981,436
Real estate and related securities (United States dollars and other currencies)	1,252,779	1,416,799	24,330	140,627	164,957
Temporary investments (United States dollars)	1,373,201	637,790	(111)	20,613	20,502
Temporary investments (other currencies)	253,632	546,313	56,479	15,063	71,542
Total Portfolio	20,677,050	18,772,636	1,096,500	896,421	1,992,921

* Cost value adjusted to reflect year-end adjustments.

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 3

**Summary statement of cost and market value of investments as at December 2004
with comparative figures as at 31 December 2003**

(Thousands of United States dollars except percentages)

Investments	31 December 2004			31 December 2003		
	Cost *	Percentage of total cost value	Market value *	Cost *	Percentage of total cost value	Market value *
Bonds (United States dollars)	1,717,122	8.3	1,846,930	2,015,786	10.7	2,187,272
Stocks and convertible bonds (United States dollars)	5,018,372	24.3	8,564,400	4,077,932	21.8	7,213,162
Bonds (other currencies)	4,370,975	21.1	5,708,371	4,379,378	23.3	5,382,345
Stocks and convertible bonds (other currencies)	6,690,969	32.4	9,840,853	5,698,638	30.4	8,077,681
Real estate and related securities (United States dollars and other currencies)	1,252,779	6.1	1,631,052	1,416,799	7.5	1,660,680
Temporary investments (United States dollars)	1,373,201	6.6	1,373,309	637,790	3.4	638,075
Temporary investments (other currencies)	253,632	1.2	280,758	546,313	2.9	590,045
Total Portfolio	20,677,050	100.0	29,245,673	18,772,636	100.0	25,749,260

* Cost value adjusted to reflect year-end adjustments.

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 4

**Summary statement of accounts receivable from investments as at 31 December 2004
with comparative figures as at 31 December 2003**

(United States dollars)

Accounts Receivable	31 December 2004	31 December 2003
Bonds (United States dollars)	-	-
Stocks and convertible bonds (United States dollars)	-	-
Bonds (other currencies)	-	-
Stocks and convertible bonds (other currencies)	-	-
Real estate and related securities (United States dollars and other currencies)	229,487	-
Temporary investments (United states dollars)	-	-
Temporary investments (other currencies)	-	-
 TOTAL	 <u>229,487</u>	 <u>-</u>

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 5

**Summary statement of accrued income from investments as at 31 December 2004
with comparative figures as at 31 December 2003**

(United States dollars)

Accrued Income	31 December 2004	31 December 2003
Bonds (United States dollars)	32,775,306	38,592,363
Stocks and convertible bonds (United States dollars)	7,677,070	7,935,475
Bonds (other currencies)	115,010,763	126,702,966
Stocks and convertible bonds (other currencies)	8,946,385	7,671,831
Real estate and related securities (United States dollars and other currencies)	3,096,252	1,874,499
Temporary investments (United states dollars)	152,537	104,509
Temporary investments (other currencies)	276,574	257,929
TOTAL	167,934,887	183,139,572

UNITED NATIONS JOINT STAFF PENSION FUND

SCHEDULE 6

Summary of Foreign Tax Accounts Receivable as at 31 December 2004

	Prior to 2001	Local Currency				Exchange rate in effect 31 December 2004	Equivalent in United States dollars
		2001	2002	2003	2004		
Australia	346,729	-	-	-	-	1.275670	271,801
Belgium	85,673	-	-	-	-	0.735700	116,451
Brazil	553,895	-	146,091	66,830	666,211	2.656000	539,543
France	201,330	129,000	240,000	240,000	357,750	0.735700	1,587,712
Germany	-	-	-	20,985	20,985	1.000000	20,985
Hungary	-	-	-	34,182	34,182	0.735700	46,462
Ireland	153,065	3,356,898	6,002,588	-	9,359,486	180.724650	51,789
Italy	5,610,770	-	-	-	153,065	0.735700	208,053
Jordan	32,207	4,000	-	-	5,610,770	0.735700	7,626,437
Kenya	483,998	132,000	88,000	131,999	40,207	0.709000	56,709
Malaysia	3,879,013	-	-	825,062	835,997	78.650000	10,629
Mexico	748,129	-	-	-	6,247,671	3.800000	1,644,124
Philippines	101,131	240,268	-	-	748,129	1.632400	458,300
Singapore	955,148	-	-	-	341,399	11.147000	30,627
Spain	2,022,241	-	-	-	955,148	56.125000	17,018
United Kingdom of Great Britain and Northern Ireland	52,920	-	-	-	2,477,500	1.632400	1,517,704
United States	2,506,005	-	-	225,572	52,920	3.800000	13,926
	619,229	-	-	-	2,733,930	0.735700	3,716,094
	238,227	-	-	-	619,229	0.520860	1,188,859
		-	-	-	238,227	1.000000	238,227
Total amount outstanding							19,361,450

UNITED NATIONS JOINT STAFF PENSION FUND

ANNEX

Statistics on the operations of the Fund for the year ended 31 December 2004

Table 1. Number of participants

Member Organization	Participants as at 31 December 2003	New Entrants	Transfer		Separations	Participants as at 31 December 2004	Percent increase/ (decrease)
			In	Out			
United Nations	57,541	8,289	132	277	6,143	59,542	3.5
ILO	3,044	454	30	29	278	3,221	5.8
FAO	5,648	565	69	37	423	5,822	3.1
UNESCO	2,517	207	18	7	207	2,528	0.4
WHO	8,966	1,337	77	61	821	9,498	5.9
ICAO	863	52	1	4	49	863	-
WMO	303	15	6	3	34	287	(5.3)
IAEA	2,207	161	4	11	144	2,217	0.5
IMO	344	16	7	-	16	351	2.0
ITU	971	23	2	10	111	875	(9.9)
WIPO	1,240	20	2	8	48	1,206	(2.7)
IFAD	462	59	7	12	28	488	5.6
ICCROM	34	6	1	-	2	39	14.7
EPPO	11	-	-	-	-	11	-
ICGEB	152	12	-	-	2	162	6.6
WTO/Tourism	88	7	-	-	-	95	8.0
ITLOS	34	4	-	1	3	34	-
ISA	34	1	-	4	3	28	(17.6)
UNIDO	786	55	7	3	54	791	0.6
ICC	-	201	108	4	7	298	N/A
TOTAL	85,245	11,484	471	471	8,373	88,356	3.6

UNITED NATIONS JOINT STAFF PENSION FUND

Table 2. Benefits awarded to participants or their beneficiaries during the year ended 31 December 2004

Member Organization	Retirement benefit	Early retirement benefit	Deferred retirement benefit	Withdrawal settlement		Child's benefit	Widow's and widower's benefit	Other death benefit	Disability benefit	Secondary dependant's benefit	Transfer under agreements	Total
				under 5 years	over 5 years							
United Nations	580	331	74	4,190	722	666	81	15	48	3	7	6,717
ILO	59	30	13	147	17	29	5	-	2	-	-	302
FAO	108	43	14	212	37	61	1	1	3	-	1	481
UNESCO	71	33	6	71	14	37	4	-	7	-	-	243
WHO	104	49	19	551	67	113	15	1	4	-	1	924
ICAO	18	3	-	17	7	8	2	1	1	-	-	57
WMO	8	13	-	11	1	5	-	-	1	-	-	39
IAEA	60	21	8	42	8	18	1	1	4	-	-	163
IMO	3	4	-	8	-	4	-	-	-	-	-	19
ITU	21	21	-	67	2	10	1	-	-	-	-	122
WIPO	9	2	1	27	3	4	2	3	2	-	-	53
IFAD	6	1	2	18	1	2	1	-	-	-	-	31
ICCROM	1	-	-	1	-	-	-	-	-	-	-	2
EPPO	-	-	-	-	-	-	-	-	-	-	-	-
ICGEB	-	-	-	-	2	-	-	-	-	-	-	2
WTO/Tourism	-	-	-	-	-	-	-	-	-	-	-	-
ITLOS	-	-	-	3	-	-	-	-	-	-	-	3
ISA	1	-	-	1	1	-	-	-	-	-	-	3
UNIDO	11	10	1	28	2	10	2	-	1	-	-	65
ICC	-	-	-	6	1	-	-	-	-	-	-	7
TOTAL	1,060	561	138	5,400	885	967	115	22	73	3	9	9,233

UNITED NATIONS JOINT STAFF PENSION FUND

Table 3. Analysis of periodic benefits for the ended 31 December 2004

Type of benefit	Total as at 31 December 2003	New	Reins- tatement	Benefits discontinued, resulting in award of survivor's benefit	Benefit type Changes	All other benefits discontinued	Total as at 31 December 2004
Retirement	16,713	1,060	-	(274)	-	(161)	17,338
Early retirement	11,730	561	-	(141)	-	(58)	12,092
Deferred retirement	6,575	138	-	(38)	-	(62)	6,613
Widow	7,796	99	5	434	-	(184)	8,150
Widower	498	16	-	34	-	(22)	526
Disability	921	73	-	(16)	-	(18)	960
Child	8,221	967	4	-	-	(1,036)	8,156
Secondary dependant	42	3	-	1	-	(2)	44
Total	52,496	2,917	9	-	-	(1,543)	53,879

UNITED NATIONS JOINT STAFF PENSION FUND

Notes to the Financial Statements as at and for the year ended 31 December 2004

Note 1. Description of the Fund

The following brief description of the United Nations Joint Staff Pension Fund (the “Fund”) is provided for general information purposes only. Participants and beneficiaries should refer to the Regulations, Rules and Pension Adjustment System of the Fund for more complete information.

(a) *General:* The Fund was established by the General Assembly of the United Nations to provide retirement, death, disability and related benefits for the staff of the United Nations, and other organizations admitted to membership in the Fund.

(b) *Administration of the Fund:* The Fund is administered by the United Nations Joint Staff Pension Board (the “Board”), a staff pension committee for each member organization, and a secretariat to the Board and to each such committee.

(c) *Participation in the Fund:* Every full-time member of the staff of each member organization becomes a participant in the Fund upon commencing employment under an appointment for six months or longer or completing six months service without an interruption of more than thirty days. The Fund currently has over 88,000 active contributors (participants) belonging to 20 UN System organizations/agencies (which include the main UN Secretariat, UNICEF, UNDP, UNHCR as well as the various specialized agencies such as WHO in Geneva, IAEA in Vienna, ICAO in Montreal, UNESCO in Paris, etc.). There are currently about 53,900 retirees (beneficiaries) spread in some 190 countries. The total annual pension payments are about US\$1.3 billion which are paid in 15 different currencies.

(d) *Operation of the Fund:* Participants and beneficiaries are handled by the Operations area of the Fund. The Operations area of the Fund is focused in New York with a subsidiary office in Geneva dealing mainly with the United Nations agencies headquartered in Geneva. Many of the benefit payment functions undertaken in New York are replicated in Geneva for European/African based beneficiaries. All the accounting for operations is handled in New York with a centralized Financial Services Section. The Operations area of the Fund also manages the banking and investment of monthly contributions from member organizations and funding the monthly pension payroll. There is a separate Investment Management Service (IMS), which manages the Fund’s investment portfolio totaling US\$29.2 billion at 31 December 2004.

(e) *Actuarial Valuation of the Fund:* The Board has an actuarial valuation made of the Fund at least once every three years by the consulting actuary.

Note 2. Accounting for operational and investment activities

The financial statements are drawn up by the administration of the Fund. For operational activity (contributions and payment of benefits), the Fund relies on its own records and systems. For investment activity, the Fund relies on source data provided by a Master Record Keeper.

UNITED NATIONS JOINT STAFF PENSION FUND

Notes to the Financial Statements (continued)

Note 3. Accounting for administrative expenses

For its administrative expenses, the Fund relies on its own records and on data drawn from UN systems (IMIS). In addition, some of the administrative expenses of the Fund are in fact borne by the United Nations. The Fund discloses the part borne by the United Nations as part of the Fund's income.

The presentation of Schedule I of the financial statements for the year ended 31 December 2004 is exclusive of the administrative expenses of the Fund borne by the United Nations. In accordance with article 15(b) of the Regulations and Rules of the Fund, the administrative expenses of the Fund are estimated and approved on a biennial basis.

Note 4. Summary of significant accounting policies

The following are some of the significant accounting policies of the Fund, which take into account the common accounting standards for the United Nations System (except as noted below), and are in accordance with the Regulations, Rules and Pension Adjustment System of the Fund as adopted by the General Assembly:

(a) *Unit of Account:* The accounts are presented in United States dollars with balances held in currencies other than United States dollars being converted to United States dollars at the December United Nations operational rate of exchange.

(b) *Basis of Accounting:* The accompanying financial statements are prepared on the accrual basis of accounting.

(c) *Investments:* Investments are recorded at cost, and investments in other than United States dollars are converted using commercial historical exchange rates instead of United Nations operational rates of exchange. Interest income and dividends are recorded on an accrual basis and foreign taxes withheld are recorded as receivables. Cash other than United States dollars is revalued at year-end and a gain or loss on exchange is recognized. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. No provision is made for amortization of bond premiums or discounts which are taken into account as part of the gain or loss when investments are sold.

(d) *Contributions:* Participants and their employing member organizations are required to contribute, respectively, 7.9% and 15.8% of their pensionable remuneration to the Fund. Contributions received from participants, member organizations and other funds are recorded as they are received during the course of year and are accrued at year-end.

(e) *Benefits:* Payments of benefits, including withdrawal settlements, are recorded on an accrual basis. The right to a benefit is generally forfeited if, for two years (withdrawal settlement or residual settlement) or five years (retirement, early retirement, deferred retirement or disability benefit) after payment has been due, the beneficiary has failed to submit payment instructions or has failed or refused to accept payment.

UNITED NATIONS JOINT STAFF PENSION FUND

Notes to the Financial Statements (continued)

(f) *Principal of the Fund:* The principal of the Fund represents the net assets at book value (cost) accumulated by the Fund to meet its liabilities in terms of future entitlements.

(g) *Emergency Fund:* The appropriation is recorded when the authorization is approved by the General Assembly; payments are charged directly against the appropriation account; any unexpended balance reverts to the Fund at the end of the year.

(h) *Other Income:* Other Income includes the part of the Fund's administrative income expenses to be borne by the United Nations.

Note 5. Prior year adjustments

In 2000, the Fund started investing in certain U.S. Treasury Inflation-Protected Securities (TIPS). These are special types of Treasury notes or bonds which offer the investor protection from inflation. The semi-annual coupon payments are based on a percentage of the inflation-adjusted principal on their respective payment dates. In the event of deflation, the security cannot be redeemed for less than the original face value but the coupon payments are based on the deflated principal. For the biennium 2002-2003, inflation adjustments were erroneously recorded which overstated the investment-bond account and interest income in the amount of \$12,829,572.05. As it is the Fund's policy to record investment accounts at cost and recognize realized gains/losses at the time of sale or maturity, this adjustment now restores these securities to the proper historical costs and prior years' income.

Note 6. Non-expendable property

In line with the United Nations practice, non-expendable property is not included in the fixed assets of the Fund but is charged against the appropriations for the year of purchase.

The following table shows the inventory value of the non-expendable property, at cost, expressed in millions of United States dollars, according to the cumulative inventory records of the Fund as at 31 December 2004.

	<u>US\$ Million</u>
Pension Fund Secretariat	8.42
Investment Management Service	<u>1.01</u>
Total	<u>9.43</u>

In view of the relocation of the Fund to new premises, a 100 percent inventory of equipment will be conducted in June 2005, at which stage obsolete equipment will be disposed of. Changes to the inventory will be reflected in the financial statements as at 31 December 2005.

UNITED NATIONS JOINT STAFF PENSION FUND

Notes to the Financial Statements (continued)

Note 7. Status of Appropriations (Schedule 1)

In accordance with General Assembly resolution 58/272, the budget appropriations for the biennium 2004-2005 are as follows (in United States dollars):

Initial appropriation (resolution 58/272)	80,128,400 <i>Note (1)</i>
Additional appropriation (resolution 59/606)	<u>5,242,700</u>
Revised appropriation	<u>85,371,100</u>

Note (1): The amount excludes \$642,400 extra-budgetary resources for after-service health insurance system that will be reimbursed by a number of member organizations.