

March 20, 2009 at 4:50 PM

Dear Mr. Cassell,

I refer to your e-mail of 15 March 2009 with regard to the impact on the Pension Fund of the recent sharp declines in financial markets world-wide. As you point out correctly, the Pension Fund's investments were also subject to these negative market forces, at least in the short term. However, all economic and demographic developments that affect the Pension Fund's assets and/or liabilities (whether positively or negatively) must be viewed from a long-term perspective. For that reason, full actuarial valuations of the UN Joint Staff Pension Fund (UNJSPF) are undertaken every two years - the most recent valuation, as at 31 December 2007, was carried out in 2008, and was then reported in detail to the Pension Board and the UN General Assembly. My February 2009 Annual Letter, from which you quote, provided information to the Fund's participants and beneficiaries on the latest actuarial valuation.

The long-term actuarial assumptions, both economic and demographic, to be used in the Fund's next actuarial valuation as at 31 December 2009 will be established this year. Based on preparatory work by the Fund's Consulting Actuary, the economic assumptions will be considered first in early May at a joint meeting of the Fund's Investments Committee and Committee of Actuaries and the Committee of Actuaries will then recommend full sets of actuarial assumptions (both economic and demographic) to the Pension Board - the assumptions will cover a range of long-term scenarios, both optimistic and pessimistic when compared with the assumptions going into the so-called "Regular Valuation"; they will include the calculation of funding ratios. The Pension Board during its meeting in July will then decide on the sets of actuarial assumptions that will be used; in recent years the Board has in addition requested sensitivity analyses in the event of more drastic long-term changes in specific economic factors (e.g., investment returns and inflation) and demographic factors (e.g. the number of active UNJSPF participants).

The latest actuarial valuation as at 31 December 2007, taking a long-term view of the Fund's projected assets and liabilities, showed that the Fund at that time enjoyed a small actuarial surplus. As only long-term assumptions and developments are meaningful for a well-established, mature defined-benefit pension plan such as the UNJSPF, it would not be meaningful (and also very expensive) to have actuarial valuations more frequently than every two years. The assumptions utilized have traditionally been on the cautious side - for example, instead of the market value of investment assets on the valuation date, the Fund uses a moving five-year average so that the fluctuations are moderated. At the same time, I want to assure you that the Fund's management and investment service, together with its advisory expert bodies and the pension Board itself, have followed closely the recent adverse market developments, to ensure that the Fund will be able to pay pensions for many years to come. It may be added that the Fund

has no cash flow problems, as its contributions income covers almost entirely what is paid out as pension benefits to UNJSPF retirees and their beneficiaries.

It is hoped that I have been able to dispel, or at least alleviate, the concerns that you have expressed in your communication of 15 March 2009.

With best regards,

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