

SOME ASPECTS OF THE FUND'S ACTIVITIES IN 2006

The Governing Board (at 31 December 2006)

<u>Members</u>	<u>Appointed by</u>
E. Chiaveri (Alternate: T. Lagrange)	Director-General of CERN
D. Duret (Alternate: G. Deroma)	CERN Staff Association
F. Ferrini (Alternate: D.-O. Riska)	CERN Council
R. Fischer (Alternate: K. Banse)	Director-General of ESO
C. Hauviller (Alternate: G. de la Fuente)	elected by the members of the Fund
J. Lahaye (Alternate: P. Martel)	elected by the members of the Fund
P. Levaux (Alternate: F. Bello)	CERN Council
J.-P. Matheys (Alternate: F. Ranjard)	elected by the members of the Fund
S. Myers (Alternate: F. Sonnemann)	elected by the members of the Fund
A.J. Naudi (Alternate: P. Geeraert)	Director-General of CERN
<u>Observer for beneficiaries</u>	
J.-F. Barthélemy (Alternate: F. Wittgenstein)	Governing Board in agreement with the Staff Association

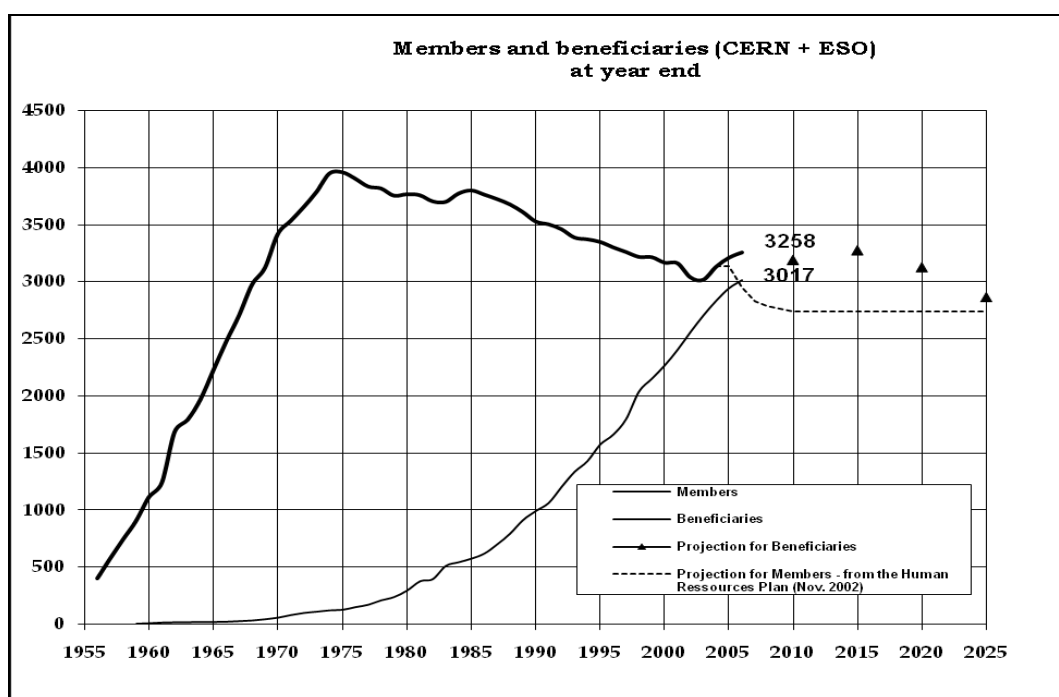
Chairman's Group

F. Ferrini, Chairman	appointed by the CERN Council
J.-P. Matheys, Vice-chairman	" " "
A.J. Naudi, Vice-chairman	" " "

Administrator: C. Cuénoud
 appointed by the CERN Council on the proposal of the Governing Board with the approval of the Director-General

Members

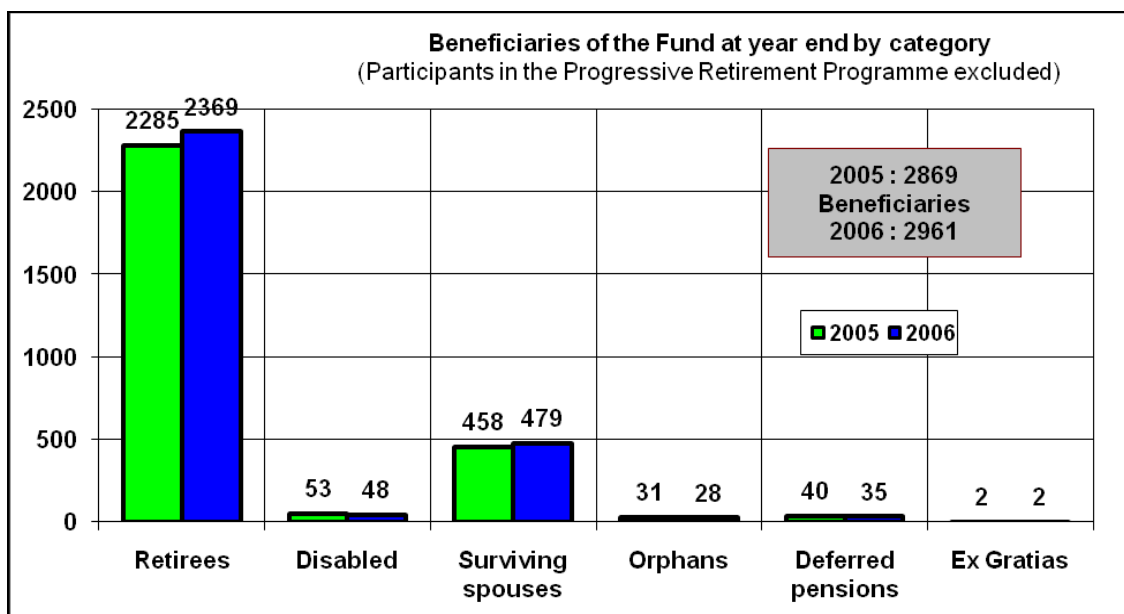
The graph below shows membership as at 31 December 2006.



At the end of 2006, the total number of members was 3258, representing an increase of 46 since the end of 2005 (270 departures/ 316 entries), mainly due to a slight increase in the staff complement of both CERN and ESO. The average age of male and female members of the Fund at the end of 2006 was 43 years, 7 months and 41 years, 3 months respectively.

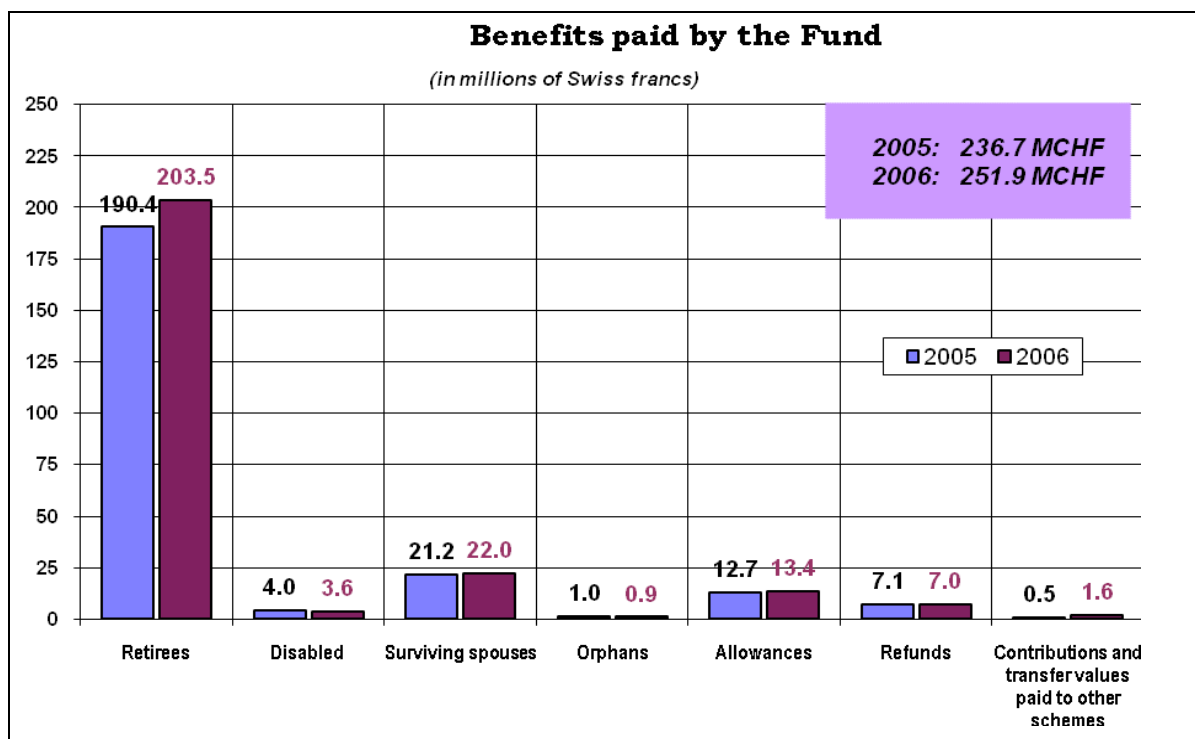
Beneficiaries

In 2006 the total number of beneficiaries increased from 2947 to 3017. Their breakdown by category, excluding participants in the Progressive Retirement Programme (PRP), is shown in the graph below.



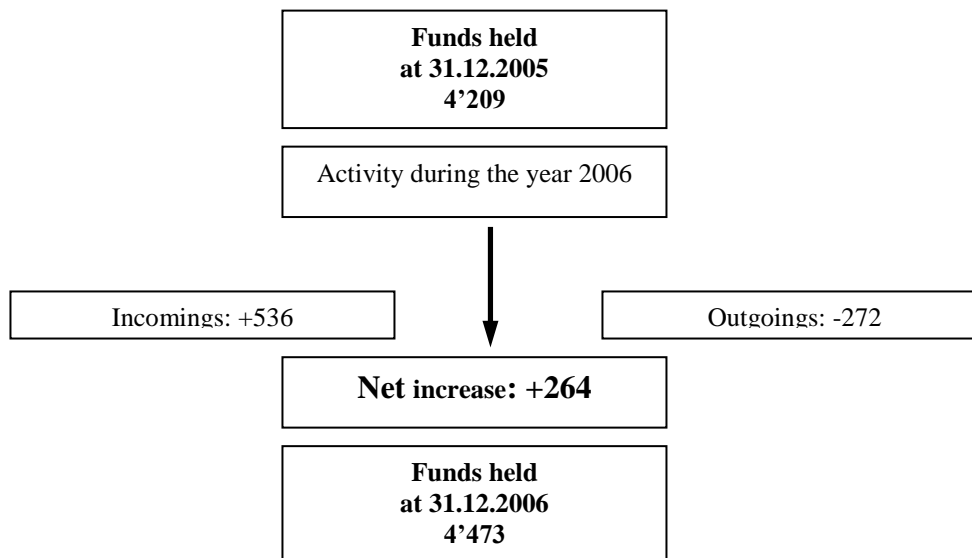
Trends in benefits paid

The graph below shows the amounts of the various types of benefits paid by the Fund during the year under consideration and, for the purposes of comparison, the benefits paid in 2005. In absolute terms, the overall increase was 15.2 MCHF, or 6.4%, compared with the previous year. The total amount of benefits paid was 251.9 MCHF, generating a negative cash flow of 109.7 MCHF between contributions paid in and benefits paid out, which was absorbed by income from investments.



Financial situation

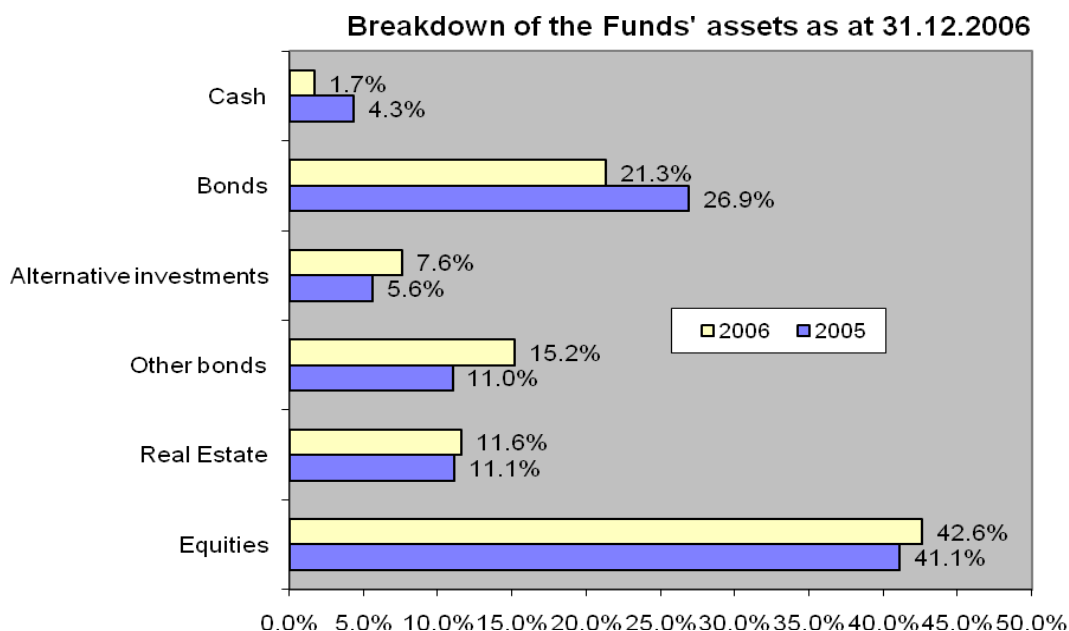
The overall trend in the Fund's financial position in 2006 is presented below in a very condensed form. It should be noted that the Fund's overall cash flow position, namely the sum of investment results at end-of-year market prices, taking account of value adjustments, and the balance between contributions and benefits, is 264 MCHF. This substantial increase is attributable to the very positive increases in value across all the asset categories managed by the Fund, which resulted in a very good overall performance.



In thousands of Swiss francs (rounded off)

Breakdown of the Fund's Assets

The breakdown of assets into different investment categories plays a very important role in the management of the Fund. The percentage breakdown of assets for 2006 is shown in the graph below and includes the figures as at the end of 2005 for comparison purposes. It should be remembered that each asset category has its own particular risk/ return ratio and that studies made have shown that if the Fund wishes to achieve its long-term return target, which under the new actuarial assumptions stands at 5% (CERN/ 2637 CERN/ FC/ 4993), it should invest an average of 40% of its assets in equity. The increased proportion of equities in the portfolio in 2006 is attributable first and foremost to the mechanical effect of the rising market, but it was accompanied and amplified by targeted investments essentially on the Asian markets. It should be noted that the real-estate sector experienced the highest rise in value during 2006, with an overall performance of 14.6%. However, all asset classes achieved satisfactory results overall. In addition, the overall performance was enhanced by the strength of the euro, whose value rose by 3.2% against the Swiss franc.



Results of the Pension Fund in 2006

With an overall performance of +9%, the Fund has achieved an excellent result which has significantly increased its funding ratio. For the purposes of comparison, it should be noted that the average performance of Swiss pension funds was 6.7%.

The equity portfolio achieved a performance of +12.7% in 2006, compared to +25.7% in 2005. As an indication, the Morgan Stanley Capital International (MSCI World) Index increased by 11.2% during the year. On the bonds investments side, the overall result was 2.4%, compared to -1.2% for the JP Morgan benchmark. It should be noted that the currency overlay programme recorded a deficit of 3.8 MCHF, essentially due to the weakness of the US dollar. In 2006, the real-estate portfolio achieved a performance of 14.6% in terms of the average value of the properties. In this sector, the depreciation in value caused by the situation in Germany and the Netherlands was offset by a positive balance sheet in France, Germany and Great Britain. Performances on all the major markets were positive in 2006, particularly in the case of the European (+23.6%) and Asia ex-Japan (+19.4%) markets.

Actuarial position in closed fund terms

As the actuary underlined in his report attached to the Fund's 2006 Annual Report, the Fund "achieved good stock-market performances in 2006. This factor has already contributed to an improvement in the Fund's position at the end of 2006/ beginning of 2007, since the funding ratio rose to 104.7% as at 1st January 2007". As a reminder, the funding ratio was 101% as at 1st January 2006.

With a funding ratio of 104.7%, the Fund's capacity to bear risk (i.e. primarily the scope for seeking equity performance) has improved but remains insufficient. In the current circumstances only a funding ratio of 120% would offer the safety margin needed to absorb market fluctuations in optimum conditions, particularly in the light of the chosen technical interest rate (4.5%). Over the 50 years of the Fund's existence, the positive results of the last four years following three particularly difficult years have had no significant impact on the long-term performance. It should be noted that the rate of return set at 5.0% in the technical assumptions adopted by the Council at the end of 2005 has been exceeded (5.7%).

Conclusions

The Fund entered a maturity phase several years ago, which means that it can no longer take as much risk as a young fund with a rapidly growing number of insured members and rising contributions, any increase in the latter no longer having the same impact as before. It is now more difficult to maintain a good degree of stability as the Fund has become more sensitive to any upsets on the financial markets. Under these conditions the Fund must be particularly careful to seize the best investment opportunities (emerging markets, commodities, private equity, infrastructure) while at the same time keeping the risk associated with the portfolio under control as far as possible and focussing more on absolute performance, i.e. seeking to take advantage of upward trends in the markets and reducing the negative impact of bear markets.

These graphs and statistics are taken from the 2006 Annual Report of the Pension Fund (CERN/ 2723-CERN/ FC/ 5142), which members and beneficiaries may obtain from Departmental Secretariats or the Administration of the Fund (Tel. 767 91 94/ 87 98). The Annual Report contains detailed information on all aspects of the Fund's activities, including movable assets and real-estate investments, trends in the situation concerning members and beneficiaries, and the main matters dealt with and the work done by the Fund's bodies. If you are interested in the affairs of your Pension Fund, we strongly encourage you to read the Annual Report or to consult the Fund's Web site (<http://cern.ch/Pensions>) and to attend the Annual General Meeting, whose agenda you will find above.