



FEDERATION OF ASSOCIATIONS OF FORMER INTERNATIONAL CIVIL SERVANTS  
FÉDÉRATION DES ASSOCIATIONS DES ANCIENS FONCTIONNAIRES INTERNATIONAUX  
FEDERACION DE ASOCIACIONES DE EX-FUNCIONARIOS INTERNACIONALES

5 August 2015

### **Highlights from the 2015 Pension Board Meeting**

At the Pension Board meeting held in July 2015, FAFICS took positions and made interventions on behalf of retirees on critical matters of interest.

A paramount concern of FAFICS was the management of investments. FAFICS pointed out that the one-year terms proposed by the RSG for the members of the Investments Committee were at variance with the three-year terms specified in the Fund's Regulations. The absence of a Chair since the resignation of the former Chair this past spring was also troubling.

Another area of concern was the drafting of new Fund-specific Financial Rules for the Pension Fund, scheduled for 2016. FAFICS stressed the significance of having all parties agree to the draft Financial Rules and to any issues arising from them before they are submitted to the Pension Board. It also recalled the bifurcation of the financial activities of the Fund and expected that Rules that would provide for a single framework in the financial administration of the Fund, fully consistent with the Fund's Regulations. While there were joint administrative activities and reporting, the decision with regard to the investment of the assets of the Fund, as well as for the maintenance of detailed accounts of all investments and other transactions related to the Fund, pursuant to article 19 of the Fund's Regulations, remained the sole responsibility of the UN Secretary-General and his Representative.

The Pension Board was assured that the process was, and will continue to be, a joint initiative between the Investment Management Division (IMD) and the Fund secretariat and that every effort was made, through a collaborative and consultative approach, to ensure that all issues and concerns were solved prior to the submission of the draft Financial Rules to the Pension Board. The Board took note and looked forward to receiving the proposed Financial Rules for the Fund at its 63rd session in 2016.

The FAFICS President wrote a letter, dated 4 August 2015, to the Secretary-General to express the views of FAFICS over the two matters outlined above, that is, governance arrangements for the Investments Committee and the draft Financial Rules.

FAFICS noted that the Investment Policy had not been updated and asked the RSG when it would be. As a “living” document, it is essential that updates be made on a regular basis. Assurances were provided by the RSG that it would be updated by the end of 2015 to reflect changes discussed with the Investments Committee on 20 July 2015. It would subsequently be reviewed by the Investments Committee at its November 2015 meeting; further enhancements would then be considered on a quarterly basis in consultation with the Investments Committee. Another update to the Investment Policy would be reported to the Pension Board in 2016. FAFICS would be following this matter closely.

This was a budget year for the Pension Board and FAFICS had two members on the Budget Working Group. FAFICS asked for a rationalization of temporary positions in future budget proposals, noting that general temporary assistance should not be used to fund what are in essence, long term functions. FAFICS also called for a closer alignment of post resources with the purpose for which they were approved. In the discussions that followed presentation of the document prepared by the Budget Working Group, the Board concurred with the recommendation to eliminate funding for two advisory positions to the RSG, one on hedge funds and another as a general investments adviser, resulting in savings of some U.S. \$4 million. The FAFICS representatives also supported other budget changes, but insisted within the working group that resources for Client Services should be protected and expanded.

FAFICS welcomed the document on the Strategic Framework – Update on Indicators, but expressed concern that the Fund was not on track to meeting the benchmarks for the percentage of withdrawal settlements, retirement benefits and other benefits processed within 15 business days, and the percentage of incoming correspondence responded to within 15 business days. FAFICS hoped that the Fund would focus on continuing to further improve client servicing and that the resources and efforts that were necessary for IPAS implementation would be channeled back to client servicing after deployment.

Because retirees continued to be concerned by the MoU, the following statement made by FAFICS to the Pension Board is reproduced in full:

“FAFICS recognized that updating the MOU is a management issue to be conducted and resolved by the principal parties involved, that is, by the CEO and RSG of the Fund with OHRM, and should not concern retirees or others. Both staff and retirees have been assured and reassured by UN officials at the highest levels, including the Secretary-General’s Chef de Cabinet, the USG for Management and the ASG for OHRM that the updated MOU containing four specific flexibilities, approved by the Board at its 2104 session and later endorsed by the General Assembly, does not provide for a change in the structure of the Fund which in any case is protected by a far-reaching system of checks and balances. Despite these repeated statements, many continue to believe differently. FAFICS considered that as long as the MOU remained pending, the mistrust and polemics will continue. FAFICS regretted the damage this agitation had caused to the image of the United Nations and the Pension Fund, as well as the heavy toll it has taken on retirees who fear for the safety of their pensions as they grow older. Even more worrisome was that the Fund’s ability to invest and operate could be hampered by the distraction caused by this matter. FAFICS was of the opinion that because the successive and different versions of the MOU had not been shared, speculation and controversy over the content runs rampant. FAFICS believed that for the sake of transparency and to “calm the waters” the UN Administration should release the latest draft text of the unsigned MoU as soon as possible so as to reassure concerned parties as to its actual content.”

There was support for the release of the draft MoU both by the Governing Bodies and the representative of FICSA. The Fund noted that it had no objection to sharing the agreed version, but since “ownership” of the document rested with the UN, it would be up to the UN Administration to make this decision.

With respect to the Audit Committee, FAFICS commented on its ongoing, important role in bringing together the two sides of the Fund in order to achieve common approaches in areas that fall under the individual mandates of the two Principals (CEO and RSG). FAFICS suggested that the Audit Committee consider the proposal for a comprehensive study on IMD ICT architecture and further emphasized the importance of ICT for investment management, noting that the lack of a well-integrated IT system could lead to opportunity costs in terms of not being able to execute trades in a timely manner.

The Board expressed its appreciation for the high quality of the Committee's report and endorsed the Audit Committee's recommendations that:

- (1) OIOS start the testing of internal controls for the Statements of Internal Control as soon as possible but no later than 2016.
- (2) Management of the Fund ensure that the draft Financial Rules are ready for review by the Committee and for submission to the Pension Board at its 63rd session in 2016.
- (3) Management take appropriate action to fill the vacant key posts, including the CFO and IMD Director, as a matter of priority.
- (4) The RSG treat as a matter of highest priority the serious risks posed by the lack of a coherent and comprehensive ICT strategy and the current fragmented ICT systems that support business processes in IMD.