8 May 2015

Subject: Pension Fund matters

Dear Colleagues,

I am writing to you in response to unsubstantiated reports and rumours about the Pension Fund that began circulating again this year, at the end of March 2015. In recent days the New York staff union has issued an open letter and petition addressed to the Secretary-General. By now you may have seen this petition which alleges that the CEO of the Pension Fund is proposing radical changes to the organizational structure of the Fund. These include, among other incorrect claims, a shift of the authority for the investments of the Fund to the CEO with the apparent implication that he would eventually place the Fund's assets in high risk investments such as hedge funds. If true, staff and retirees would be understandably concerned.

The background to the present situation is as follows. At its 2014 Council, the Federation discussed the disagreement that had arisen during the spring of 2014 between the New York staff union and the CEO of the Pension Fund over proposed changes to a limited number of human resources management procedures for Pension Fund staff. Even last year, through a petition initiated by staff representatives, these proposed changes were being wrongly linked to the investments of our pensions. Thus, this is not a new issue, and has to do with the updating of a Memorandum of Understanding (MoU), an instrument that has been in place for some two decades and by which the Secretary-General’s authority has been delegated to the CEO of the Pension Fund. The MoU is drafted by the Office of Human Resources Management (OHRM) which is in turn advised by the Office of Legal Affairs (OLA) to ensure strict compliance with UN and UNJSPF regulations and rules. The Pension Board reviewed and approved the Fund’s reasons for the changes in the updated draft MoU at its 2014 session. The Board then instructed that the revised MoU be signed by the CEO, Representative of the Secretary-General (RSG) for investments and OHRM no later than September 2014 and that its implementation be reported to the Board at its 2015 session. The General Assembly subsequently supported the decision of the Pension Board. However, the intended signatories have to date failed to sign the updated MoU due to a lack of consensus.

We would like to assure you that we have seen nothing in the proposed updated MoU that supports the unsubstantiated claims put forward in the new petition, such as “the CEO would be at full liberty to ignore the UN’s well-established rules” on important issues such as the code of ethics, receipt of gifts, procurement, to name only a few. More importantly, under UNJSPF regulations and rules, the two-part structure of the Fund would remain unaltered: the CEO would continue to be responsible for the liabilities (administration and payment of pensions) and report to the Pension Board, while the RSG for Investments would remain responsible for the investment of the Fund's assets and continue to report to the Secretary-General. The RSG has confirmed that the investments portfolio remains predominately internally managed and very conservatively balanced, with no danger of more assets being steered toward riskier alternative investments such as hedge funds. Further, the UN Pension Fund, because of its unique structure, remains closely watched with numerous built-in controls and multiple checks and balances at every level.

As of March 2015, both I and FAFICS Vice-President Warren Sach, who is also the Chair of the AFICS/NY Pension Committee, began to meet with relevant officials here in New York in an effort to ascertain the facts and ensure that there is no threat to the management of the Pension Fund or its investments. These officials include the Secretary-General’s Chef de Cabinet, the Assistant Secretary-General for OHRM, the Under-Secretary- and Assistant Secretary-Generals for the Office of Internal Oversight Investigation (OIOS), officials in the Legal Office, the Chairs of the Assets and Liabilities Monitoring Committee, Special Pension Committees (SPCs) and the Audit Committee. We have continued to maintain regular contact with them, and while we have found no reason to believe our pensions are under threat, we are increasingly concerned by the apparent disarray among certain senior officials over their inability to have concluded the draft MoU in a timely manner, in accordance with the decision of the Pension Board. The MoU is an internal administrative matter for the Pension Fund and it is now incumbent upon the CEO and RSG, together with OHRM, the Legal Office and the Fund’s own staff to resolve it promptly within the existing provisions of the UN and UNJSPF regulations and rules. Since these parties have so far been unable to agree, FAFICS looks to the leadership of the Secretary-General to act expeditiously on this already long overdue matter.

The Pension Board will meet before the Council this year, meaning that FAFICS will not have an opportunity to discuss the matter in plenary and arrive at a consensus position in advance of the Board’s session. Therefore, towards the end of June and before the Council meets in July, when the overall situation regarding the status of the MoU and the Pension Fund may be clearer, the Bureau will circulate a draft position to the Federation for adoption.

I wish to reiterate on behalf of FAFICS that our chief objective, like other parties including the staff bodies, is to ensure a safe and secure pension for all.

With best wishes,

(Signed) Linda Saputelli President FAFICS

cc. Vice Presidents Michael Atchia, Adriana Gomez, Ahmed Hussain, Samuel Mbele-Mbong, Warren Sach, Marashetty Seenappa, Adama Pierre Traore; Pension Standing Committee Chair Gerhard Schramek, ASHI Standing Committee Chair Georges Kutukdjian; Secretary Jay Sundaresan, Treasurer Wolfgang Milzow, Special Advisor Katia Chestopalov