

FICSA CIRCULAR



FICSA/CIRC/1253
Ref: Pensions/all/UNJSPB

Geneva, 22 December 2016

To: Chairs, Member Associations/Unions
Members of the Executive Committee
Chairs, Members with Associate Status
Chairs, Associations with Consultative Status
Presidents, Federations with Observer Status
Chairs and Vice-Chairs of Standing Committees

From: Diab El-Tabari, President

**REPORT ON THE FEDERATION'S PARTICIPATION IN
THE 63RD SESSION OF THE UN JOINT STAFF PENSION BOARD (UNJSPB)
AND SUMMARY OF THE ISSUES PRESENTED TO THE MEMBER STATES**

(IAEA, Vienna, 14 to 22 July 2016)

Due to this year's exceptional situation in regard to the delays in pension payments, the unmet benchmark established for the returns on the Pension Fund's investments and the lack of transparency in running the Fund's secretariat, it was felt that a reflection on these issues was highly necessary. Therefore, this year's report from FICSA on the annual meeting of the UN Joint Staff Pension Board (UNJSPB) will be significantly longer than past reports.

The 63rd session of the UNJSPB was conducted in a tense atmosphere which meant that neither the Board nor the Fund's secretariat were willing to accept constructive criticism or positive suggestions to improve the situation.

A few uncompromised members of the participants' representatives on the Board were vocal on the issues mentioned above. However, there was insufficient willingness on the part of the Board as a whole to properly address the situation.

In addition, the representatives of both FICSA and CCISUA, who attended the Board session as observers, were denied the floor to present their customary statement. A copy of the joint constructive statement is attached hereto as an annex. It's main intent was to try to improve the rapidly deteriorating situation.

In this respect, the FICSA President made various attempts to have the statement annexed to the Report of the Pension Board which is then addressed to the UN General Assembly (UNGA). Regrettably, the Chairman of the Pension Board refused to do so and even refused to make reference to the statement via a web link.

In light of the above and following further talks with both the Pension Fund secretariat and CCISUA, FICSA addressed the concerns, as contained in the staff federations' joint statement, to the 71st session of the Fifth Committee of the UNGA. In addition, it was also annexed to the Federation's statement to the UNGA (ref. FICSA/CIRC/1246).

Furthermore, during the informal meetings in New York with more than 40 Member States, the members of the FICSA Executive Committee raised the concerns addressed in the statement and proposed ways forward.

Below is a summary of the issues presented to the Member States, some of which are contained in the Report of the Board of Auditors for 2015, and others which are reflected in the Report of the Pension Board (A/71/9).

I. Payment of benefits

The implementation of the Fund's new benefit payment system, IPAS, has been causing serious delays in the payment of new claims since last year. This backlog affected thousands of former colleagues. Pressure from the staff and UN administration has been exerted and, although there seems to have been some improvement, the problem has still not been fully resolved.

Pension Fund management had misrepresented some of the facts in an apparent effort to shift responsibility to the organizations while, at the same time, pretended that the number of claims increased unexpectedly. This is not acceptable: the dates of separation for retirement purposes are normally decided well in advance. Should the Pension Fund management wish to demonstrate care in servicing future beneficiaries, it would take steps to prepare, in advance, for the new retirement claims. In addition, funds for temporary assistance in 2015 were not fully utilized despite the obvious fact that everything needed to be done to sort out the mess.

It would appear that most of the backlog was constituted by United Nations' cases, despite the fact that the United Nations pays a high amount to the Fund to serve as its Pension Committee's secretariat in the Organization. Clearly, this money is not being put to good use. A striking example is the fact that apparently no proper customer service (by phone or email) is being provided by the Fund to the UN Organization. This needs to change, and even the management of the Fund has recognized this.

The staff federations believe that the processing of claims has to be radically changed so that the first pension payment (in definitive or provisional form) be paid within 30 days of the last salary payment. All verifications should be done in advance so that staff are not held hostage to an administrative process over which they have no control. Today, in the 21st century, it is a must; excuses are no longer acceptable.

It has become evident that the Pension Fund secretariat has not yet properly understood what it means to be a service provider and the responsibilities enshrined therein. Through the Fund secretariat's poor administration of records and the total absence of a client service attitude, the Fund's management has created significant risks for the Fund. The Pension Board had an opportunity to exercise its oversight responsibility but regrettably failed to do so.

Actions requested by the staff federations:

- 1) Carry out an urgent independent review on the processing of new claims in consultation with the organizations, including the United Nations and the staff federations in order to assess what went wrong and attribute responsibility and accountability.
- 2) Implement a deadline of 30 calendar days, after the last salary payment, for payment of the first pension payment and set up a modern process based on sound records management leveraged by information technology, in particular, the existing ERP systems in participating organizations, eliminating an unnecessary duplication of effort.
- 3) The Pension Board had decided on provisional payments in the case of delays of three months in effecting the first pension payment following receipt of all required documentation. This needs to be adjusted so that the provisional payment is made when the first pension payment has not been made, at no fault of the retiree, within one month from the date of separation/retirement.

II. Asset management

The Fund is maturing (which means that in order to honour its commitments it will have to begin relying more on investment income as opposed to the contributions) but the real rate of return on the Fund's investments is not meeting the established benchmark.

Moreover, a new set of Financial Rules was adopted by the Pension Board at its last session, despite the fact that a few Board members had expressed serious concern with some of the proposed text.

Regarding the lower than expected rate of return on investments, it would seem that the unusually high rate of vacant posts in the Investment Management Division of the Fund is the cause. It is clear that some financial investment professionals need to be urgently recruited to fill the gaps. We are not referring to greedy Wall Street investment speculators but instead to United Nations staff with a solid background in financial investments and who understand that the investment policy of the Fund calls for a moderate but sure real rate of return with minimal risk. In essence, such staff need to ensure that the investment benchmarks are met. It would seem that the process of filling the vacancies has begun with the recruitment of the D-2 post for the Director of the Investment Division and we hope that it will continue without further delay.

The internal management of its assets is the key factor that explains the long-term success of the Pension Fund. Therefore, staff federations are categorically opposed to outsourcing of asset investment management and were very much disturbed to learn that it is already happening for some asset classes and that about 15 per cent of the total amount of assets (or US\$ 7 billion) are externally managed. We do not believe that this is strategically justified and suggest that the Fund returns to full internal management of the investments of its assets as soon as possible and without losses. In the meantime, we request that the United Nations procurement rules be followed in the selection of outside providers of asset investment management.

In general, the adoption of the proposed Financial Rules of the Fund was rushed through and merit being rescinded as they were clearly not prepared thoroughly. Instead of being presented to the Board within the regulatory time frame (6 weeks before the meeting), they were being modified by the Secretariat right up until the Board session began. Contrary to what has been

stated by some Board members, the United Nations Financial Rules have provisions governing investments (Article IV.C). If needed, these rules can be further elaborated.

Once again, the most striking feature of the Fund's newly adopted Financial Rules is the absence of strict procurement procedures for the selection of external asset investment managers. In counting their fees as an investment and not as budgetary expenses, it is not clear how the oversight can be properly implemented.

One important detail on the composition of the assets is that a very small percentage of it is invested via securities, in arms and tobacco. This is clearly not acceptable.

It is of serious concern that the Pension Fund failed to achieve the established benchmark of an annual 3.5 per cent real rate of return on investments and that some of the investment management has been outsourced without proper reasoning or a sound regulatory framework. This creates concern about the long-term sustainability of the Fund.

Actions requested by the staff federations:

- 1) Ensure that vacancies for internal investment management of the Fund's assets are properly filled without further delay, external investment management is reduced and benchmarks for return rates are achieved by establishing a clear accountability framework.
- 2) Stop, at once, all types of investments which are linked to arms and tobacco.
- 3) Abolish the hastily adopted Fund's Financial Rules and ensure that the Fund is functioning in compliance with the established financial regulatory framework, i.e. Financial Rules and Regulations of the United Nations, which can be revised to address any possible lacunae.

III. Staff-management relations

The Pension Fund staff are appointed by the UN Secretary-General (Article 7(b) of the Regulations and Rules of the Fund). They are therefore entitled to all protections offered by the Staff Regulations and Rules of the United Nations, including continuous contact and dialogue between management and staff.

The Pension Fund management, however, has not been consulting with staff representatives of the Fund. The "whole office review", presented at the last session of the Pension Board, was prepared by an outside consultant without any consultation with the staff representatives. Under pretext of the "interagency nature" of the Fund, it's management tries to justify its own failure to provide an acceptable level of services to the clients by putting the blame on the UN's Office of Human Resources and its policies and, in so doing, obtain more exceptions to the UN's Staff Regulations and Rules. We believe that it is not the rigidity of the rules which is preventing the Fund's management from doing their job but poor leadership and lack of proper managerial skills. Checks and balances which should be inherent to staff-management relations have proven themselves useful over time, so it is best to strictly adhere to them in the future.

FICSA is alarmed by a recent development whereby one of the current staff representatives in New York, the holder of a permanent contract, is in danger of losing her job. In spite of her qualifications as an expert in entitlements, the Fund is not offering her any further employment in

the entitlement area for which she applied, while many others are recruited. We fear that this is a case of retaliation.

Actions requested by the staff federations:

- 1) Staff Regulations and Rules of the United Nations must be fully applied to the Pension Fund staff, including provisions on staff-management relations. Staff are the most valuable asset of the Fund and are to be consulted on a continuous basis.
- 2) All retaliatory actions against staff representatives must cease at once.

IV. Functioning of the Pension Board and evaluation of the Fund's Chief Executive Officer (CEO)

It has become evident that in recent years the Pension Board has developed a tendency to act as a rubber-stamping machine for the Pension Fund secretariat. As session documents are not submitted on time, it is not easy for the Board members to properly and fully exercise their oversight responsibilities, thus failing to hold the Secretariat of the Fund and its Chief Executive Officer (CEO) to account. This was clearly demonstrated at the Board's last session when a few Board members, who had earlier in the year decided to be part of a tiny performance evaluation team, gave a positive evaluation of the CEO's performance despite the scandal related to the huge backlog of long overdue pension payments to new retirees and the misrepresentation of the facts related thereto. Moreover, the few members of the performance evaluation team had not even informed their respective constituency groups that they were going to represent them on the evaluation team. All of this hidden information only came to light during the Board's session when suddenly the performance evaluation report was released to Board members. This gave rise to heated discussions in the Board session and objections in regard to the opacity under which the exercise had been conducted, the selection of the evaluation team members and strong reservations and disagreements with the evaluation itself at a time when the CEO had failed to uphold his primary responsibility to ensure the timely payment of benefits.

Board members have seemingly developed an alarming intolerance to criticism, including that coming from staff federations when bringing forward staff concerns and complaints. When the staff federations jointly requested an urgent meeting of the Board to address the backlog issue in February of this year, the Chair of the Board refused, claiming that all backlog cases would be resolved by May of the same year. Unfortunately, the reality proved him wrong.

Increasing secrecy of the proceedings of the Board raises doubts and questions. While personal cases and sensitive investment decisions should remain undisclosed, it is difficult to justify that draft Financial Rules should remain confidential and that Board members and observers be threatened if they were to make public any documents or information presented to the Board. It is important to recall that the Pension Fund is our Fund. It belongs to the staff and its assets are composed of the contributions made by the staff and the employing organizations. Is it compatible with the values of the United Nations when the Fund's secretariat obliges Board members to sign a confidentiality clause which attempts to keep secret the Fund's investment policy, the status of benefit payments and the Financial Rules to be adhered to by the Fund? How can the Fund's secretariat dare to impose silence on the Board members when the Fund belongs, in fact, to the staff?

A worrying attempt to “shoot the messenger” was made at the last Board session, at which staff federations were not allowed to speak and were subjected to union-busting by a public relations officer who had just been hired, at a P-5 level, mostly for that purpose it seems. These retaliatory practices cast doubt on the objectivity of the Pension Board and harm its credibility and reputation.

Actions requested by the staff federations:

- 1) The Board needs to re-establish its oversight responsibilities and hold the Fund secretariat more accountable while ensuring that the Secretariat entirely fulfills its responsibilities. In particular, transparency in policy issues must be ensured to prevent errors and avoid conflicts of interest.
 - 2) The staff federations strongly object to the positive performance evaluation on the work of the Fund’s CEO, which completely ignored the lengthy and unacceptable delays in the payment of pensions and benefits to thousands of new retirees and beneficiaries. Furthermore, the performance evaluation procedure was flawed. A call for candidacies for the position of the Fund’s CEO should be launched and a selection committee formed without further delay as the current mandate of the CEO will soon be expiring.
 - 3) Finally, all retaliatory actions against those staff, including staff representatives, who have pointed out the impaired functioning of the Fund’s secretariat and the Pension Board must end at once. The Board and the Fund’s secretariat are requested to fully respect the values of the United Nations and those it serves. The refusal, on the part of the Pension Board Chair, to attach the staff federations’ statement to the Board’s report only serves to further confirm the Board’s unwillingness to be transparent and accountable to the staff for whom the Fund was created. Censorship and opacity are not acceptable when it comes to the management the staff’s Pension Fund.
-

Annex

**JOINT WRITTEN STATEMENT BY
THE FEDERATION OF INTERNATIONAL CIVIL SERVANTS' ASSOCIATIONS (FICSA) AND THE
COORDINATING COMMITTEE OF INTERNATIONAL STAFF UNIONS AND ASSOCIATIONS (CCISUA)
TO THE 63RD SESSION OF THE UNITED NATIONS JOINT STAFF PENSION BOARD (UNJSPB)**

Madame Chair, Distinguished members of the Board, Observers, Pension Fund staff, Ladies and Gentlemen,

Thank you for this opportunity to convey to you through this joint statement some of the views and concerns of the constituents of our two respective staff federations, the staff members of the United Nations common system. We appreciate this possibility of exchange as it provides the Board with an opportunity to hear the views of the staff, views which will hopefully be taken into consideration prior to final decisions being taken on important matters under consideration at this session.

Let us begin by firstly expressing our deepest appreciation and gratitude to those staff of the Pension Fund who have been working exceptionally hard over these past months under exhausting circumstances. Their efforts and dedication during these trying times must be commended.

This being said, we would now like to turn to some of the agenda items under discussion at this session of the Board. First and foremost, we would like to align ourselves with those Board members who consider that the most urgent and crucial issue to be addressed is the late payment of benefits and withdrawal settlements to new retirees. It is clear that this backlog constitutes mismanagement in the Fund's operations. When it is stated that the required information is sometimes not received from staff members or the organizations, we believe there is an important nuance which requires clarification. In the past, when the Pension Fund Secretariat received an incomplete claim, it was immediately returned to the sender for completion. We understand that today a claim can be pending with the Fund for months before the initial review even begins to determine whether or not there is a discrepancy.

The staff federations firmly believe that should this session of the Board take decisions which can be implemented in order to promptly correct this unacceptable hardship on new retirees, the Board will have taken an important step towards restoring the Fund's credibility. Furthermore, should the Board ensure the prompt processing of the backlog of requests for benefits from new retirees, the Board will have accomplished much more than any communication strategy by demonstrating that it cares about its participants and beneficiaries, and that normal operations in the Fund's Secretariat have been restored. Furthermore, the Board will have also complied with the instruction of the General Assembly in Resolution 70/248 to "take appropriate steps to ensure the fund addresses the causes of such delays".

In this respect, we assisted the Participants Group in drafting a conference room paper containing both short- and long-term measures which could be taken to eliminate the backlog. These measures include payment of provisional benefits when there is no doubt of the beneficiary's identity and right to the entitlement. We were pleased to observe yesterday that the Board is giving its fullest consideration of these proposals. We hope that participants and beneficiaries will be quickly informed of the Board's decisions thereon.

Further down the road, we would ideally like to see the Fund be even more proactive by introducing the concept of provisional payments, as seen in many governments and some international organizations, whereby the first pension payment is paid as a provisional one shortly before a staff member retires so to assist the new retiree face the significant costs of the first month of retirement.

Our second concern is regarding the investments of the Fund. At last year's meeting of the Board we had expressed concern that the investment policy document had not yet been updated, and therefore expected it to be available for the Board's review at this session. Just before the beginning of this Board meeting, we were pleased to hear that apparently the updated version of the policy has been completed and signed. It would have been ideal to get these documents sooner rather than later in order for meeting participants to have sufficient time to critically review these important documents.

Meanwhile, staff would like to be assured that there will be no outsourcing of investment management. It is common knowledge that many pension funds have lost their capitals when outsourced. The success of the investments of our Fund is related to the fact that they have always, for the most part, been managed internally. We are, as we hope you are, deeply concerned about the preservation of the capital of our Fund, as well as achieving the targeted real rate of return on investments. It is on this basis that we have expressed concern over paragraph D.13 of the draft Financial Rules, which formalizes outsourcing of investments. Furthermore, we are disturbed by the Fund's investments in exchange tracker funds which include positions in arms and tobacco. At a time when our staff are engaged in peacekeeping and coming under weapon fire, and when the WHO is fighting tobacco use, we believe that the Fund should move away from investments of this nature.

The outsourcing of investment management carries multiple risks which are out of the Fund's control and therefore kindly request that they not be outsourced.

We have noted, with some disappointment, the reported real rate of return on investments. We concur with the view that a maturing fund of this nature will continually become more dependent on the targeted return rate of 3.5 per cent. Anything less will, in time, have important consequences.

In light of these multiple challenges we have not felt it wise for the Fund to be granted further autonomy through new financial rules.

The third concern that we would like to flag to the Board is the performance evaluation of the Fund's senior manager, and we would respectfully request the Board to take into account the absence of staff-management consultations as well as the breakdown in operations which has created enormous delays in the processing of benefit claims and withdrawal settlements for new retirees, delays which have been noted by the UN General Assembly itself.

The fourth and final point that the staff federations want to flag is related to the performance of the Fund's senior manager is the deteriorating staff-management relations in the Fund's Secretariat. We believe it is important to recall that, at last year's session of the Board, the staff federations had informed you that there were serious concerns in regard to staff-management relations in the Fund's Secretariat, and that there was a need for enhanced transparency, improved communication and consultation, not only with the Fund's staff, but also with the Staff Pension Committees and participants at large.

On numerous occasions, the Fund's staff representatives have expressed disagreement with the Fund's disrespect of the United Nations Staff Regulations and Rules. As stated at Article 7 of the Fund's Regulations and Rules, the Fund's staff are appointed by the UN Secretary-General. Therefore, they hold UN Secretariat contracts governed by the Staff Regulations and Rules of the United Nations. By virtue of these, staff must be consulted, through staff representatives, on conditions of service and policies related thereto. However, in May of this year a serious change was introduced without any such consultation. We are concerned by the fact that this change may allow for bypassing the existing checks and balances, such as hiring without selection panels and reduced career progression for existing staff. For example, a retiree can be hired for a year without the post being advertised, denying opportunities to capable internal staff members. Excessive flexibility to retain staff beyond the age of retirement is not needed, given that the mandatory age of separation will be increased to 65 for current staff. Furthermore, excessive use of retirees would discourage succession planning and opportunities for current staff.

It is problematic that staff have not been consulted concerning the proposals for the reorganization of the office. The staff federations are concerned that this constant refusal to conduct staff consultations has contributed to extremely low staff morale.

We were pleased that the Board, at its session of last year, when discussing the MoU and staff-management relations, had instructed the management of the Fund's Secretariat to begin consulting with the staff. However, we regret to have to inform you that the Board's decision relative to staff consultation has not been implemented, and we would like to respectfully request the Board to ensure that the management in the Fund's Secretariat will, without further delay, consult with the staff representatives of the Fund on all proposals concerning their welfare and conditions of service. It would also be highly conducive to improving staff relations if management were to consult with the staff representatives prior to submitting to the Board proposals which concern staff's conditions of service.

Taking into account all of the concerns expressed previously and the ongoing difficulties, we would like to express our hope that the Board will fulfill its oversight function accordingly. We understand that the Board will soon be establishing a Search Committee, and we would like to kindly request that the above-described preoccupations and concerns be taken into consideration by that Committee.

Madame Chair, Distinguished members of the Board and Observers,

Today our Pension Fund is going through a difficult period, but let us not forget that our United Nations system has successfully addressed many challenges in the past. Therefore, we have full trust in the United Nations system, in the collective wisdom of the Board, as well as in the wisdom of the UN General Assembly and its subsidiary bodies. We firmly believe that this wisdom will allow us to overcome the current crisis, and ultimately restore the sound operation of the Fund, as well as its credibility and reputation.

Both current and future beneficiaries will be awaiting, with hope, the outcome of this Board meeting. On their behalf, the staff federations also hope that your actions will address their urgent concerns.

Thank you for your attention.
