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

8 January 2018

Dear Colleagues,

I have been awaiting the outcome on decisions taken on matters of interest and concern regarding the Pension Fund and am pleased to be able finally to update you in a comprehensive way.

RESOLUTION 72/262

The General Assembly adopted on December 24, 2017 Resolution 72/262, a draft advance copy of which you should have received by now, but is also attached to this letter for easy reference. Although last year was a so-called budget year, the resolution did not restrict itself, as had been customary, to budget matters and the Board of Auditors report. Instead, it extended its focus to include other matters such as investments and in particular, a call for a comprehensive review of the governance structure.

The section on the Board of Auditors reflects that Board's very significant issuance of an *unqualified audit opinion* on the financial statements, although it did call for some improvements in internal controls, timely processing rates, creation of a client grievance mechanism and faster implementation of recommendations. The unqualified opinion from the external auditors is a clear and important response to critics who continue to impugn the Fund's probity.

It is regrettable that misinformation with respect to OIOS reports, which are issued by internal auditors, was later disseminated by some UNSPC participant representatives, requiring the Chair of the Pension Board's Audit Committee to recall that the Audit Committee had the delegated responsibility for dealing with internal and external audit issues, stressing that the audit process did not end with the issuance of the reports, as the Committee monitors implementation of the recommendations and mediates in cases where the auditors and managers disagree on findings and recommendations.

FAFICS appreciates the work of both the external and internal auditors, along with the work of the Pension Board's Audit Committee, and encourages the CEO and the Secretary-General to act expeditiously on appropriate audit recommendations.

The core element in the resolution was the proposed budget for the biennium 2018-2019 as recommended by the UNJSPB. The Fund budget approved by the GA for 2018-2019 amounts to $195,259,800 (after recosting). This is equivalent to an increase of $10.2 million being 5.6 per cent in real terms. The General Assembly chose this year to make its own determinations on future budget levels and merely noted the ACABQ recommendations, while approving a lower level of resources than had been sought by the UNJSPF. It was also lower than the ACABQ recommendations. The cut in the proposed 2018-2019 budget is estimated at some $3.6 million being 1.9 per cent of requested resources. Apart from the acrossthe-board 5 per cent non-post cut mandated by the resolution, adjustments to the requested staffing table were also made. Just 4 of 9 recommended new posts were approved; 5 were denied including 4 for Client Services and Outreach (1 D-1, 1 P:-5 and 2 P-3s). One P-3 Benefits Officer post for Operations was also denied.

Even though the revised budget represents a real increase of 5.6 per cent at the same time that the regular budget of the United Nations is being downsized, FAFICS regrets the cuts because they will hurt the client service and communications proposals made by the Board. The cuts in client servicing proposals are especially disappointing to FAFICS, particularly now when the Fund has been experiencing an increased caseload of retirees, increased longevity (with the related problems of infirmity, dementia, widowhood, etc.) and when client services should clearly be augmented. The paradigm has shifted with the increased numbers of retirees and the days of minimal client servicing costs are long gone. That is why FAFICS has strongly and consistently advocated for the strengthening of Client Services over the years and regrets the outcome in this regard.

Regarding the call for a comprehensive review of the governance structure referred to earlier, we would advise that the wording calls for careful attention as the resolution refers to the governance structure of the *Board*, not the *Fund* as a whole. It may reasonably be questioned as to whether the General Assembly, without prior discussion in and substantive debate by the Pension Board, is indeed able to undertake a governance review of the structure of the Pension Board. FAFICS will be vigilant in this regard and resist attempts, as already articulated by some, to side-line FAFICS, restrict the influence of the specialized agencies and centralize control under the UN Secretary-General.

Under Fund operations, IPAS is cited along with the need to improve processing times to avoid continuing process delays, but 2.5 years after the implementation of IPAS, these delays are largely a thing of the past. With respect to the paragraphs on expenditures, vacancies and service centers for Africa and Asia, FAFICS welcomes and endorses the thrust of the resolution in these matters.

Insofar as investments are concerned, it is the Secretary-General alone who has responsibility for them, which is why mention of his key fiduciary role, lest we forget, is included in the resolution. The relevant paragraphs in the resolution endorse other established positions regarding rates of return, trading activities, exchange rates, external fund managers, advisers and composition of the Investments Committee. No reference was made to the Deloitte study as the results were not presented to the General Assembly in accordance with established practice to focus on budget matters in odd calendar years. Nevertheless, FAFICS will expect the RSG to report on progress achieved at the July 2018 session of the Board.

EXTENSION OF THE MANDATE OF THE CEO

As we already reported last fall, you are aware that at last summer's Pension Board session extension of the contract of the CEO for a second five-year mandate was on the agenda. The previous year there had been a positive preliminary evaluation of the CEO after four years. Although the five-year extension was unanimously supported by the representatives of the Governing Bodies, it came as a surprise that the representative of the United Nations Executive Heads together with the participant representatives on the United Nations SPC (of which the CCISUA President is a member and leading critic of the Pension Fund, the CEO and governance structure of the Pension Board), and a small minority of other Board members opposed any extension. The Board eventually came to a consensus for a three year extension. Subsequently, the participant representatives on the UNSPC, in violation of the consensus to which they were party, began to campaign against it on social media and elsewhere and to actively lobby the Secretary-General not to extend the CEO; reportedly led by the three Headquarters-based participant representatives, they wrote to him after the Board session on 28 August 2017 to urge him to ignore the recommendation of the Pension Board and continued to push an anti-Board, anti-CEO platform.

Although the Pension Board has sole authority for the appointment and renewal of the CEO, the Secretary-General has the administrative function to issue the contract, which he eventually did at the eleventh hour on 29 December 2017 for a three year term, as per the Board's consensus. Attached to this note is a letter sent to the Secretary-General by Participants Representatives Pension Board Members objecting to the tactics employed by this increasingly unpopular minority group.

The Secretary-General's action on extending the CEO was so badly received by some members of the UNSPC that they began a new campaign through a surrogate contending that the extension was "probationary" and falsely claiming that the Secretary-General told the Pension Board to "do its job". The Secretary-General did not say that, nor did he issue a probationary appointment**.** Had he done so, moreover, it would have been functionally inappropriate. While there is every reason to monitor the performance of senior officials, it would be counter-productive to limit their ability to function by labelling their appointments probationary, which is why there is no precedent for such a mechanism. Such a policy would reduce initiative and a preparedness to take reasonable risks at a time when innovation and commitment are needed. The UNJSPB will continue to fulfil its responsibilities of overseeing the work of the CEO consistent with the decision it took to recommend a three year extension. FAFICS would not like to see additional operating constraints placed upon the CEO who should be free to serve the Fund to the best of his ability.

MISINFORMATION AND DISTORTIONS

At this point, a word is in order about communications which some of you may have recently received. As you know, for the past several years, FAFICS has for the most part deliberately ignored the malicious and ill-founded assertions about the Pension Fund and its CEO that have been circulating on social media. Indeed, both the Fund and the CEO have been subject to a trial by social media that is unprecedented in its vitriol and ad hominem attacks. When asked, although by now most of you are wise enough not to trust the messenger, we have been advising you to ignore these spurious communications. Now, because FAFICS members have been contacted, we would simply advise you to continue to ignore them. They are written and sent by a disgruntled and unprincipled individual who has no standing in FAFICS, the Pension Fund, or any other part of the United Nations system, and represents no one. The chief function of this self-appointed individual is to act as a surrogate for some members of the UNSPC, its leader in particular, and is adept at manipulating facts in such a way that they bear little relation to reality. Their joint campaign has been entirely negative with no thought to the harm being caused not only personally, but, more importantly, institutionally.

Because FAFICS has continued to lend its support to the CEO, FAFICS and I personally continue to be viciously attacked as if we were purposely and perversely supporting an official we knew to be incompetent. Surely, our knowledge and experience of what is truly transpiring in the Fund and how the CEO has been operating would not permit us to follow such a course, so we would simply remind these critics that no one is perfect and what matters in the end is deliverables. It is our considered opinion that IPAS has so far been largely successful with the exception of some unfortunate delays during the first year of its rollout, delays which have now been largely corrected. We would also recall that the priority of IPAS for the first month of its rollout was the seamless continuation of the payment of pensions to existing retirees; this was a success and there was not a single report of missed payment for this group. Finally, we would caution you to take with a big grain of salt the continuing false reports of thousands of unpaid widows and orphans, a number being put forward by these same critics and one which is patently absurd. We would only say in this respect that in the five years pre-IPAS, the annual rate of widow/widower awards was somewhere between 120 and 160, and given those numbers, it would be clearly impossible to have accumulated “thousands” of unpaid widows since then.

In a related matter, some of you may have heard that the Deputy CEO has decided not to seek a second mandate and agreed to retire after the next Board meeting in July instead of in June as he had originally wanted. FAFICS appreciates that he put the Fund ahead of his own personal plans and preferences by agreeing to stay on and see the Board through its next session. The Chair of the Board has already started to put a selection committee together which will include FAFICS, as was the case in the past for the selection of both the DCEO and the CEO. You will not be surprised to hear that the same UNSPC member is already campaigning in the Board against the inclusion of FAFICS on the selection committee and the reasons are obvious---FAFICS cannot and will not agree to the ongoing and undeserved vilification of the Pension Fund and the CEO which have been so personally and institutionally damaging.

Lastly, some of you have said that FAFICS should provide copies on its website of various reports such as those of ACABQ, the Board of Auditors and OIOS. We would point out that all of these reports are publicly available on the UN.org website where they originate. FAFICS has limited administrative resources, so we would urge you to look for the reports you need on the UN website and if you don’t find them, contact the FAFICS Secretary for copies. In closing, we would suggest that you draw your membership’s attention to the December 2017 Newsletter of the Pension Fund which contains a wealth of accurate information.

In closing I would like to wish you, your members and families renewed good wishes for the coming year which FAFICS faces with optimism and continuing confidence in our shared mission to maintain and protect retiree entitlements.

Sincerely,

Linda Saputelli

Linda Saputelli
President
FAFICS