

Statement to AFICS/NY Annual Assembly  
By Warren Sach, Member of AFICS/NY Governing Board  
and Co-Chair of its Pension Committee

29 May 2019

Let me begin by thanking you all for this opportunity to brief you on Pension Fund developments over the last year as seen from the perspective of UN Pensioners in the United States. I will be speaking first of Governance matters, then leadership succession, followed by Investments and finally of relations of AFICS/NY with the Federation of Associations of International Civil Servants (FAFICS).

It has been an interesting twelve months in which the General Assembly, encouraged by the Office of Oversight Services (OIOS) has adopted a resolution which focuses firmly on Governance issues. It has done this against a back drop of a fundamentally strong Fund, fully funded, in actuarial balance and, with an unqualified external audit opinion.

Additionally, senior management leadership gaps, have been at a critical stage with benefit processing issues appearing to be improving. During the year, the AFICS/NY Pension Committee met and agreed on some policy responses to outstanding issues under the governance review.

It is recalled that in General Assembly Resolution 72/262A the Assembly had asked OIOS to audit the governance structure of the Board. The OIOS acting on this request, produced a preliminary report in time for the Board in July 2018 at its Rome session. A final report was issued by OIOS as A/73/341\*, 1 October 2018. The Board agreed with only about half of the OIOS recommendations and the General Assembly in December 2018, by resolution 73/274, decided to replace the existing post of Secretary/CEO by two distinct and independent posts. Further, the Assembly, noting the establishment of a working group to review some seven main items, asked for the submission of key findings to the Assembly at the main part of its seventy-fourth session (Fall, 2019). These key items relate, *inter alia*, to Size and Composition of the Pension Board, methods to be followed for electing retiree representatives to the Board, the usage of the Standing Committee and the need for the Asset and Liability Monitoring Committee. Further, the Assembly urged the use of proper succession planning for the posts of CEO and deputy CEO.

The arrangements, for a Governance Working Group and a Succession Planning Committee were put in place by the Fund in the first months of 2019 whereby two groups of eight members were composed of two members each from the Governing Bodies, the Executive Heads, the Participants and FAFICS. The groups were charged with reviewing the tasks outlined in Resolution 73/274 and making appropriate recommendations thereon to the Pension Board at its July 2019 session in Nairobi. The working group will interact,

as needed, with the Budget Working Group which will reflect the consequence of splitting the Secretary/CEO post into two. The interests of AFICS/NY are to be taken care of by FAFICS which has designated one AFICS/NY member together with one other member from another member organization of FAFICS.

The G.A. Resolution 73/274 was adopted by the Assembly 22 December 2018 after being introduced in November. The ACABQ declined to comment on the OIOS report and the Fifth Committee declined a request by the President of FAFICS to address the Committee on its concerns regarding the OIOS report.

Nevertheless, the views of FAFICS as presented in Rome in July 2018 were available to member states, particularly with regard to the Council issue of direct elections of retiree representatives which FAFICS cannot support. The President of FAFICS attended the Fifth Committee to underline the unacceptability of the recommendation of OIOS as regards retiree elections. The Chair of the ACABQ also agreed to receive the FAFICS Chairman to be briefed on the FAFICS perspective on the governance recommendations of OIOS.

As regards FAFICS policy positions on governance arrangements, these were discussed at the Rome 2018 session of the FAFICS Bureau and Council Meetings and then reflected in interventions at the Board Rome meeting. They are **also** reflected in the report of the UNJSPB to the Assembly in A/73/9. It may be noted that positions taken by FAFICS were also taken by all Governing Bodies, all Executive Heads and all Participants Representatives with the sole exception of three UN members of the Participants representatives delegation.

With the AFICS/NY Pension Committee, a consensus position within AFICS/NY was adopted and posted on its website under the title “Policy guidance on Pension Fund Governance Issues”. Its aim was to help provide a consensus basis for the Board recommendation to the 74<sup>th</sup> Session of the Assembly. In light of this, and speaking as both an AFICS/NY member and as a FAFICS representative, I do not share the view that serious concern exists about the work and recommendations that the Pension Board’s Working Group on Governance issues may be making at its July 2019 session.

Indeed, as a member of the Governance Working Group, I confirm that so far, the WG has not made any report or recommendations. Our aim and intention is to make recommendation to the UNJSPB which will be broadly acceptable in the Fifth Committee and therefore in the Assembly as a whole. Hopefully, FAFICS and the tripartite constituent elements of the Board being Governing Bodies, Executive Heads and Participants will work well enough together so that the Fifth Committee will be able to adopt their recommendations on governance without the need to substitute the judgment of the Assembly over that of the UNJSP Board.

Now I would like to move on to leadership issues. The Fund has been going through difficult times on this due to the absence of a CEO for more than one year, the retirement of the Deputy CEO in the same time frame and rotation of four Representatives of the

Secretary General on the Investments in a five-year period. Combined with the conversion of the RSG post to full time status and the splitting of the Secretary/CEO post into two separate posts we have had more than enough change. Hopefully, the appointment of the next CEO and having several positions will stabilize matters. In the meantime, we welcome the appointment in January 2019 of Janice Dunn Lee (United States) as Acting CEO/Secretary as a very necessary stop gap measure as recommended by the Succession Planning Committee. The Committee of 8 members has 2 each from the tripartite constituent parts of the Board plus two members from FAFICS. So far, it has made progress with the Acting CEO appointment, but the bulk of its current efforts are focused on the search for the next CEO or Pension Benefits Administrator as the Assembly would rename this function. Initial intentions for a short list are scheduled with the intention to be ready for forwarding a recommendation to the July Session of the Board in Nairobi. Assuming this goes well and on schedule, the process should complete by year end with an appointment to be effective early 2020. Action is also underway to prepare for having a new Secretary of the Board, It is anticipated that an appointment could be made once the Acting CEO has been replaced by the Pension Benefits Administrator, i.e. in 2020.

Finally, the Succession Planning Committee will be reporting to the UNJSPB in July on long term arrangements to assure that future managerial successions are fully planned and smoother than the present difficult transition.

On investment matters I will have little or nothing to say on the current state of the markets and our \$60 billion portfolio. I will however indicate that while AFICS/NY is satisfied that at present the Fund is earning the required 3.5% real return over the long term, it is unfortunate that the availability of performance information on the investments has been reduced. Our concerns on this have been shared with the RSG on more than one occasion. Although the RSG has insisted that additional information is not helpful and could be misleading, we are not convinced that reducing information on returns is in the interest of beneficiaries. I will not belabor the point but just emphasize that AFICS/NY will continue to pursue this basic accountability issue whenever investment matters are discussed.

I look forward to continuing to serve both AFICS/NY and FAFICS in the future in whatever capacity best suits the needs of beneficiaries.

Before closing I must thank all members of the Pension Committee including our co-chair, Federico Riesco, for all their dedicated and committed hard work.

Let me thank all present for your patience in hearing me out on the governance, leadership succession, investments and FAFICS matters. Much is happening and should lead to a better 2020 if we can continue to work carefully and harmoniously with our partners.

Thank you.