

United Nations Joint Staff Pension Fund
Comments by the CEO of the UNJSPF to AFICS NY General Assembly
(19 May 2016)

Good afternoon.

First I would like to thank Ms. Linda Saputelli, President of AFICS NY as well as the other officers AFICS NY, for their kind invitation to participate in this year's AFICS NY General Assembly.

As is customary, I would provide an overview of the Fund's key statistics and initiatives. However, this time, I would make it very short to allow time for questions and answers.

The Fund continues to grow. The number of beneficiaries receiving a periodic benefit is close to 72,000. This represents an increase of 50% since 2000.

The number of participants is close to 122,000 representing an increase of 65% since 2000. It is atypical for a maturing pension fund to continue grow at this significant rate, especially considering that the Fund is already 67 years old.

The Fund has also seen growth in documents received, reviewed, scanned and indexed. It is now scanning 1.3 million pages annually. This represents an increase of more than 100% since 2000.

Operational complexity has also steadily increased. The Fund now has 302 separation provisions, compared to only 65 in 1971. This is a fivefold increase.

There has also been a six fold increase in the number of provisions in the pension adjustment system (which regulates the two-track and the cost of living adjustment).

In terms of our beneficiaries, the number of beneficiaries who are 90 years old or older has grown six times since 2000.

We also observe increasing geographical dispersion of where beneficiaries reside.

Naturally, all of these increases translate into more transactional volume and more operational complexity

In terms of the Fund's finances, I am happy to report that the Fund continues to be in a great financial situation.

The amount required to make the Fund's benefit payments is large, in the order of 2.4 billion dollars. The Fund's contributions are 2.3 billion dollars. The relatively small gap is covered by investment income. Even though the gap is small it is important to note that the Fund is maturing and that it began utilizing investment income to cover this gap since 1994.

The Fund's assets are over 52 billion dollars, and according to the last actuarial results, the principal of the Fund will not be required, in the next 50 years, to fund the gap of contributions and payments assuming that the investment return objective (3.5% real) is achieved.

The last ALM study also confirms the financial strength of the Fund since it concludes that the funding ratio is likely to improve. Again, this will be achieved considering that a set of assumptions is met. The most important assumption is achieving the 3.5% real investment return objective.

Regarding the Fund's budget, I am happy to report that the Board and General Assembly approved 14 new posts for the Fund secretariat. However, it is important to note that the Fund had requested 24 posts. It is important to note that in the last three biennia the Fund had requested 46 new posts and only received approval from the GA to only 8. Therefore, understaffing is a concern.

Regarding main initiatives, as you know, the Fund implemented last year in the month of August its new Integrated Pension Administration System (IPAS).

This represents the culmination of a long effort that that started in 2008 with an assessment of the Fund's operational and IT environment.

That assessment pointed out that the Fund's processes were fragmented. There were hundreds of separate tasks. Naturally, this operational environment represented a high degree of risk.

The systems were not fully documented and were based on an old technology. Also the system designers and programmers of the legacy system were already retiring and key institutional knowledge was lost. Additionally, there were numerous systems connecting with each other in a web of more than 40 internal interfaces. All of this translates into key vulnerabilities and risks.

Finally, the infrastructure was expensive to maintain and becoming obsolete. Again, this added to the inflexibility, cost and risk of the overall IT and operational environment.

A detailed plan was developed by the Fund to eliminate the risks and vulnerabilities. The plan was presented and approved by the Board.

The implementation of the new target operating model and new system faced considerable challenges as the Fund's plan design is arguably one of the most, if not the most, complex plan in the world with 665 embedded calculations.

During the implementation of the new operational and IT environment, the number one priority was, of course, the pension benefit payroll. The Board in 2014 reiterated that all necessary measures be taken to ensure a smooth implementation of the pension payroll.

After very hard work and thorough testing, including a few months of parallel testing, the system went live in August 2015. The pension payroll was implemented with 100% efficacy. Since the implementation of the new system 657,000 payroll payments (in 15 currencies) have been paid accurately and on time to 73,000 retirees and beneficiaries residing in 190 countries.

Regarding new benefits, as expected in a new system implementation of this scale and complexity, the process started slow. The objective was to reach stability at the same processing rate as under the legacy system in around 12 months (normally it takes 18-24 months). However, due to hard work and dedication of the Fund's staff, the system quickly achieved and surpassed the processing rates observed in 2014 under the legacy system.

The system is currently operating at significantly higher operating rates than longer term averages under the legacy system.

There has been some concern for the delays in the payment of new benefits. The Fund deeply regrets the inconvenience and hardship that the delays have caused to the beneficiaries of the Fund

This is the reason why the Fund has been devoting all of its resources to speeding up the processing of new pensions and addressing the so called “backlog”.

The Fund met with its member organizations to look at the number of cases that had all separation documents and were ready for review and processing. As you might have read, we met with the UN Department of Management and agreed to process in the next 3 months the Fund’s *entire caseload* consisting of all actionable cases received by the Fund as of 1 March, while at the same time continuing to address incoming new cases. At the end of April two thirds of this caseload was processed. It is estimated that the remaining third will be completed at the end of this month.

Similar excellent progress is also observed in the processing of the cases from the specialized agencies.

However, it is important to recognize that there is a now “surge” of new cases due to the downsizing of peace keeping missions and also due to the member organizations’ efforts to clear their own pending cases residing in HR and payroll areas. They are sending separation documentation to the Fund faster since there was concern that in some cases it took 3 to 6 months to send the documentation to the Fund.

This effort and the added number of separations represent an extraordinary high volume of separations. The system is working well at higher processing rates than before. However, additional actions are required to adequately deal with this surge in volume (60% higher from UN entities).

Therefore, the Fund is coordinating with UN and member organizations additional actions. These include the creation of a Task Force which assigns UNJSPF staff from back office functions to core case management activities. This will be reinforced with additional temporary resources.

Additionally, the Fund has introduced a case tracking database that serves as a communication, monitoring and tracking tool (used by the Fund and participating organizations).

The Fund met with the representatives of the HR Network in March. At the meeting, the organizations agreed to take the following actions:

- Each participating organization to nominate a pension focal point.
- Re-introduction of pre-retirement briefings.
- Better training for HR officers, allowing a significant share of basic questions to be answered by HR functions rather than by the Fund itself. HR offices would also ensure that the documentation and information sent to the Fund is complete and accurate (to avoid delays when the Fund has to stop processing a case to ask for clarifications or corrections).

- Monthly (virtual and in situ) meetings between the UNJSPF (both New York and Geneva offices) and nominated focal points.

More importantly, the Fund together with the member organizations will review jointly, the end-to-end process (from separation to payment) to understand bottlenecks and/or inefficiencies and introduce harmonized measures to sustainably accelerate and better coordinate the shared end-to-end process.

In summary, the new system has repaired key vulnerabilities of the old operational environment, and has eliminated or minimized the risks posed by the old system. It was seamlessly introduced to the 73,000 beneficiaries receiving a periodic benefit. It has achieved additional efficiencies in processing new benefits (clearing by end of May the entire actionable caseload as 1 March) and is flexible enough to allow for fast capacity increases (by redeploying resources) to cope with unexpected surges in volume. However, additional staff resources are required to reinforce operations, finance and client services.

The Fund is also in a very good financial situation, since its long term projections show considerable strength.

Thank you.