



NOTE ON THE SITUATION OF THE UNITED NATIONS JOINT STAFF PENSION FUND

We have been very concerned by recent allegations concerning management wrongdoing at the UN Joint Staff Pension Fund. We understand these allegations are being reviewed by the UN Office of International Oversight Services and hope that they will be clarified promptly. As your representatives and given that our fund, which belongs to staff, is worth over \$50 billion dollars, we take this situation seriously.

In view of the severity of the allegations, we are therefore further concerned by moves being made by the CEO of the pension fund, Mr. Sergio Arvizú, to conclude a memorandum of understanding (MOU) with Secretary-General Ban Ki-moon that would give him extensive discretion over how he manages the staff of the fund. Currently the staff of the fund have UN contracts and are subject to its administrative instructions. Were the memorandum of understanding to be approved, the CEO would have full liberty to ignore the UN's well-established rules on a number of issues and set his own. This would include in the following areas:

- code of ethics;
- receipt of gifts;
- length of contracts;
- use of temporary appointees for ongoing functions;
- financial responsibility of staff for gross negligence; and
- approval of outside activities.

These changes would go well beyond the mandate given to him by the Board of the fund.

He would also have unfettered discretion in deciding which staff to extend beyond retirement and which staff to promote outside the established rules.

At the same time, the CEO has proposed new financial rules that would allow the fund to bypass the UN's procurement checks, and new fraud reporting guidelines that require fund staff to report any suspected fraud at the fund to the CEO instead of the UN's Office of Internal Oversight Services, meaning that the fund would be investigating itself.

In our opinion, the UN's internal administrative controls and procedures, to which the pension fund is currently subject, provide a stricter operating environment and a stronger framework of checks and balances, than that which is being proposed for what would become a small independent structure headed

by an autonomous CEO, able to establish his own administrative rules, and accountable to a pension fund board of 33 members (composed of diplomats, elected staff and members of UN administrations) meeting only once a year. (For information, the norm for pension fund boards is five financial expert members meeting once a month.)

Furthermore, the MOU would enable the CEO, who currently only supervises staff who administer pensioner entitlements, to gain administrative authority, on the terms mentioned above, over staff in charge of investing our \$50 billion. These investment staff currently report directly to the Secretary-General, not to the CEO, as part of a system of safeguards to separate the assets and the liabilities of the fund. Given the fund's structure, this separation is required in order to conform to industry good practice. The MOU would remove that separation.

Therefore and taken together, we believe these changes could do much:

- *in the short term* to damage the environment in which our colleagues at the fund are able to work; and
- *in the medium to long term* to undermine the integrity of our fund, including its investments.

We are therefore sufficiently concerned as to question attempts being made by the CEO to extract the administration of the fund from the UN. We believe that it is because of the UN's conservative operating environment that the fund has managed to steer clear of many financial problems during its lifetime, enabling it to avoid the fate of numerous other public retirement plans.

We are aware that this not the first attempt to delink aspects of the fund from the UN on the grounds of flexibility. Yet back in 2006, staff and retirees acted with sufficient unity and force to prevent such changes. We hope that this time we can achieve the same.

We look forward to your support as we take this campaign forward.