Meeting on GOVERNANCE of UN Joint Staff Pension Fund,
UN Staff Union (New York) & UN Staff Council (Geneva)
UN Headquarters, New York, 31 March 2015
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From discussions in the Pension Board, it appears the CEO believes the inter-agency nature of the Pension Fund ensures the Fund has the freedom to run itself because the "money is always there". Somehow, the contributions made by staff and governments are seen to belong more to the Pension Fund's managers than to the beneficiaries (former staff members).

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Barbara Torva-Jainchill, President of the UN Staff Union (New York) presided, accompanied by Ian Richards, Chairman of the Geneva Coordinating Council (Staff Union) and various officials from the UN Staff Council (New York), including the representative of the staff of the Pension Fund to the Staff Council.

Ms. Torva-Jainchill began by noting that some staff were under the impression that administrative matters had no impact on the health of the Pension Fund and therefore were not worth focusing on. In fact, administrative issues have a direct impact on the way the Fund is run and sooner or later will affect the health of the Fund. How the UN Joint Staff Pension Fund (UNJSPF) is administrated affects our pensions. It's important that we pay attention to them.

Examples of the CEO of the Pension Fund (CEO) operating as a law unto himself, she said, included instances where he is alleged to have violated UN rules and regulations on the hiring of staff, rewriting of vacancy announcements tailored for a specific individual, and retaining certain individuals beyond retirement age. (Details below.) These matters were reported to the UN Office of Human Resources Management (OHRM). Initially OHRM upheld the right of the CEO to work outside UN rules, saying that conditions of work were different in the Pension Fund (PF) from the rest of the UN. Ultimately, she said, the issue was resolved (she did not say what the result was).

After a PF staffer was found guilty of impropriety by the UN Office of Internal Investigation and Oversight (OIOS), she said the CEO's response was, "Oh, I don't think he should be punished. He should keep his job".

Egor Ovcharenko (representing the Coordinating Committee for International Staff Unions and Associations-CCISUA) said that last year at its annual meeting the UN Pension Board discussed whether the PF should continue to be administered by the UN Secretariat (as it has been) or should become a separate entity (as the current CEO is pushing for). At that time, the CEO withdrew his proposals for personnel and financial administrative reforms which would largely separate the PF from the Secretariat. But the same proposals are contained in a new version of the Memorandum of Understanding (MOU) that is to be signed by the PF and OHRM and the CEO is again lobbying hard for it.

After withdrawing the earlier draft, the CEO invited a member of the Pension Board (PB) to travel from Europe and spend time in New York helping to draft a new version of the MOU, a clear conflict of interest since the same member of the PB will vote on whether to accept or reject the new draft of the MOU.

Igor said that from discussions in the PB, it appeared that the CEO believed that the inter-agency nature of PF ensures that the Fund has the freedom to run itself because the "money is always there". Contributions made by staff and governments are seen to belong more to the PF's managers than to the beneficiaries (former staff members), he said.

Ibrahima Faye (Staff Representative of the Pension Fund to the Staff Council) said the PB requested a new MOU to be finalised by 30 September 2014. The CEO is pushing to have it signed off before this year's meeting of the PB. Although the PB has instructed that there be full consultation on the provisions of the draft by interested parties, this has not happened.

The problem, he said, is that in the new draft MOU the CEO is again attempting to separate the Fund from UN Staff Rules and Regulations, and seeking full control over the hiring, firing and the conditions of work over all the staff of the Fund.

Up until now, what has ensured the safety of the PF's assets has been a split system of governance whereby the Chief Investments Officer (formerly, the Representative of the Secretary-General on investments) is responsible for investments and for the staff of the Division on investments. The CIO reports to the SG. The CEO (formerly Secretary of the PB) is responsible for making sure that beneficiaries received their pensions in a timely manner, and for the staff working on issues related to benefits. The CEO reports to the PB.

Mr Faye said that last June the CEO also issued guidance in which he proposed to manage fraud "within the house" rather than through OIOS, the UN's system of accountability. This is in contradiction to the GA's resolution calling for separation, impartiality and non-involvement of those investigating fraud. The risk in the CEO's new procedure is that PF staff are not trained or equipped to carry out investigations. Also, all claims of fraud will have to go through the CEO. He will decide whether to investigate or not investigate the claims. The Director of UN Ethics Office states that this is not acceptable. A new draft of this guidance has been issued in which the CEO continues to propose that the PF regulate fraud within the Fund itself without external oversight.

The Pension Fund's staff representatives forwarded the allegations they have received of fraud within the PF to OIOS, Mr Faye said. They'd had difficulty getting a response from

OIOS's Audit Team until yesterday (30 March) when they with OIOS in the afternoon. He did not say what had eventuated.

According to the allegations, the types of fraud that are taking place at the Fund involve human resource irregularities (recruitment, promotion), procurement, and conflict of interest. All the claims made so far have been substantiated. Why then would the CEO want to handle fraud claims internally, he asked, especially since many of the acts were perpetrated by senior management of the Fund?

<u>Personnel irregularities</u>
It's alleged the CEO personally tampered with documents involving a D1 vacancy in order to favour a specific candidate. In filling the P5 Chief of the Client Services Section, the CEO "suddenly decided" that mobility was not required for a specific candidate to move from P4- to P5. In seeking an exemption, the CEO cited an earlier MOU. However, no part of that document provides for any exceptions. It is alleged that the written test for the post of Chief Financial Officer was marked by two senior officials, neither of whom had any accounting credentials. A candidate who failed the written test was selected for the position. After the CEO was questioned about this, he cancelled the vacancy and re-advertised the post.

The CEO has now decided to create a "parallel" Executive Officer at D1 level for 11 months to implement "exceptions" to UN rules and regulations even though his proposed MOU has not been accepted or signed. There is no funding for the position which he proposes to place outside the regular Executive Office.

The meeting was then informed that one of the CEO's references when he was appointed had recently been awarded a short-term appointment at the Fund. That person is "almost 100 years old". The CEO has been asked to explain on what basis the appointment was made. He has not replied.

<u>Procurement irregularities</u>
As an example of the CEO's unwillingness to work within the system set up by the UN to prevent fraud, the meeting was informed of a contract for consultancy services, worth $520,000, that was spilt into two in order to avoid scrutiny by the Committee on Contracts which reviews procurement requests above $500,000.

Conflict of interest: At the time the CEO appointed JP Morgan Chase as the main bank for the PF's soon-to-be operational pension payment system, he failed to disclose that he used to be a senior official at JP Morgan Chase.

In support of allegations that the CEO's mismanagement raises questions about the proper use of funds, the meeting was told that 16 posts were approved to set up the PF's new integrated pension system. Despite having filled only 6 of the 16 posts, the CEO instructed each of the PF's sections to provide temporary assistance to the project. No replacement funds were made available to replace staff seconded to the project, and many staff are being asked to assume double responsibilities. Despite funding for the 10 unfilled posts, it appears there is "almost no money" available to ensure it is up to the performance standards of the system it is replacing. Staff are warning that the new system can not be up and running by June 1st, the date the CEO insists it must "go live". We were told there is no plan to run both systems together until the bugs in the new system are worked out. There is "a real chance that pensions won't be paid." The CEO is planning to ask for extra funds for enhancement and improvement of the system once it has been launched.

In December, staff of Fund received an email from the CEO saying he had retained a Pension Board member with experience in HR to review the proposed new MOU and stated that the services of the Board member were *pro bono*. But, Mr. Faye said, it is of course, a conflict of interest to ask a member of the Pension Board (who will be voting on the MOU at the Board meeting) to help draft the MOU. It does appear that the Board Member was paid: $22,000 for travel and per diem.

Finally, Mr Faye reminded staff of the Fund's experience under former USG for Management, Chris Burnham, who was about to transfer some $9m of the UN Pension Fund to Wall Street managers. It was staff and beneficiaries who stopped that. "You, as owners of the Fund, need to stop this new effort to remove the oversight mechanism."

Ian Richards, Chairman of the Geneva Coordinating Council, said that both the CEO PF and the Chief Investments Officer are at Assistant SG level but the CEO PF is trying to take over responsibility and authority of the CIO.

The MOU is not innocent and neutral. If the CEO has the power to extend beyond retirement age, he will have the discretion to extend some people (not all people) and can use this to "trade in terms of favours". Some, but not all, staff can avoid the G to P exam in getting to the Professional level. Unlike in the rest of the Secretariat, some people can be temporarily on a post and then can apply for the post when it is advertised (with attendant advantage of being the incumbent).

He told the meeting that the CEO PF is also seeking to exempt himself from provisions of Administrative Guidelines issued by the SG that he might not like. Guidelines relate to ePas rebuttals, recruitment, financial responsibility, reporting outside activities, declaring gifts, and matters relating to rules of travel. (Under UN rules and regulations, people working for the Fund found guilty of fraud must repay the stolen money; staff travel is regulated, etc.)

Mr. Richards then questioned the ability of the UN Pension Board to provide effective oversight of the PF, and the CEO. It has 33 members, an unwieldy number compared to most Funds which have perhaps 4 or 5 Board members. The Pension Board is "part time", he said. It meets just once a year. Between meetings, he pointed out, many things can happen.

The CEO is lobbying members of the Board to remove responsibility for the investments from the SG and to put it under the control of the CEO, as head of an inter-agency entity, he reported. This will change the way the Fund is run. It is not the agencies or the UN who owns the Fund. Beneficiaries and contributors do.

Michelle Rockcliffe (Alternative staff representative of the Pension Fund to the Staff Council) began, "Who knew that after all these years the staff would still be fighting to keep the Fund from being privatised". For years, she said, the former Secretary of the PB and now CEO PF, have been trying to accrue more power to that one position. A review of the new proposals shows that poor internal controls are being written in to new agreements. Allowing so much power to reside in a single post, and reduce oversight goes against all best practices in human resources management. These are serious concerns but management refuses to communicate with staff, she said. (ends) (Note prepared by Julie Thompson.)