UPDATE ON PENSION MATTERS
TO AFICS/NY Annual Assembly

23 June 2020

Good morning and welcome !

It gives me great pleasure to address you today and report that we have experienced significant and important changes in the Pension Fund since we met last year in New York. We have both a new and strengthened annual budget and a new Chief Executive of Pension Administration (CEPA), Ms. Rosemarie McClean, as well as a new Acting Representative of the Secretary-General (RSG) for the Investments of the Fund. We also have two new recruitments underway for the positions of Deputy CEPA (D-2) and a newly separate Secretary of the Board. Pending these recruitments, Mr. Pedro Guazo was appointed as the Acting RSG and Mr. Alan Blythe, as the Acting Secretary of the Board. As a result of these arrangements, we expect the Fund to have a new team at the top early next year. Most of these changes are to implement the review of the governance of the Pension

Board, as mandated by the new 2020 Annual Budget and the most recent General Assembly resolution on pension matters, 74/263, adopted 27 December 2019.

Stepping back a little, I will relate these changes to the actions of AFICS/NY and other AFICS associations at Geneva, Vienna, Nairobi, Rome, Paris and elsewhere globally to the functioning of the Pension Board and their impact on retirees. Under the Pension Board rules of procedure FAFICS attendance at the Board is authorized and limited to four Representatives and two Alternates. These six are present at Board sessions to represent the interests of retirees world-wide.

The various Pension Fund appointments referred to just now, with the sole exception of the RSG for Investments who is appointed by the Secretary-General are and have been the subject of intricate and painstaking processes overseen by

the Succession Planning Committee of the Pension Board. This Committee is a Pension Board subsidiary and has eight members composed of two from FAFICS and two each from the other constituent parts of the Pension Board (Governing Bodies, Executive Heads and Participants). This Succession Planning Committee has, during the last two years, successfully made recommendations regarding the filling of the posts of the Acting CEO/Secretary, Ms. Janice Dunn Lee, (January 2019 - January 2020) and the new, earlier–mentioned CEPA, Ms. Rosemarie McClean, appointed in January this year. The Succession Planning Committee expects to submit further recommendations weeks to the upcoming July Pension Board with respect to candidates for the posts of the Deputy CEPA and the new Secretary of the Board. The FAFICS participation in the Committee, consisting of the current President of FAFICS, Marco Breschi, and myself, demonstrates the commitment of retirees to the strengthening and restoration of a senior

management structure for the Fund and Board which is fit for purpose. Besides the need to strengthen senior management of the Fund there have been several related activities carried out pursuant to the OIOS audit report of 2018. I would recall for you that in 2018 the review undertaken by OIOS had made thirteen recommendations, of which seven were supported by the Pension Board and six were not. The six included two deemed critical by both OIOS and the General Assembly. These were: (a) the fair representation of UN member organizations on the Board and (b) the splitting of the functions of the Secretary of the Board and the Chief Executive Officer of the Fund into two separate posts. This latter item has since been implemented under General Assembly resolutions 73/274 and 74/263. The first of these resolutions also requested that the Governance Working Group of the Pension Board submit key findings on the issues of participation, rotation and equitable representation on the Board, as well as seven other issues including, inter alia, including those of retiree representation

and the Assets and Liability Monitoring Committee (ALMC). The General Assembly had not agreed with the consensus based recommendations of the Pension Board and accordingly, the Board's recommendations to the GA were "noted" rather than approved following consideration by the GA of the Rome Pension Board report in 2018; resolution 73/274 reflects this. The subsequent Pension Board meeting held at Nairobi in July 2019 considered the recommendations of the Governance Working Group which included 3 options regarding size and composition of the Pension Board and allocation of seats, as well as a number of other detailed recommendations. The Board was in favour of an option with which the Fifth Committee of the General Assembly did not agree and in place of the relevant recommendations of the Board, requested the CEPA to engage an "independent external entity" to conduct a comprehensive and objective analysis and make recommendations on five elements being:

(A) Size, composition and frequency of meetings;
(B) Allocation of seats;
(C) A rotation scheme to allow eligible member organizations to share seats;
(D) Terms of reference for the Chair and Pension Board members;
(E) Self evaluation methodology and related matters.

The report of the "independent entity" was meant to be produced for the July 2020 Pension Board. We understand a contractor has recently been selected. It may be noted that the Board has already adopted terms of reference for its chairman and defined "responsibilities" for members of the Pension Board. The overall fate of the recommendations of the "independent external entity" cannot be predicted at this stage.

Other detailed work under governance arrangements relates to the Assets Liability Monitoring Committee, the

representation of retirees and the code of conduct, ethics and conflicts of interest. This latter, ethics-related matter continues, but may not be concluded this year. The ALMC is retained with a change of title to include solvency, and the representation of retirees was concluded in Nairobi when the Board decided to leave such arrangements unchanged.

At the present time, the Governance Working Group has a mandate expiring with the upcoming July 2020 session of the Board. The General Assembly has requested the Board to provide it with comments on the report of the independent entity. The Governance Working Group may therefore assist the Board in this matter.

I would like to pay tribute to my colleagues in FAFICS who have generously given their time to represent retirees in the Governance Working Group, the Succession Planning Committee, the ALMC and the Budget Working Group and

the FAFICS delegation to the Pension Board. They were Gerhard Schramek, Mario Breschi, Marashetty Seenappa, Adrianna Gomez, Linda Saputelli and Mohammed Sebti.

At this point I think I have said enough. Plenty about governance and succession planning. Virtually nothing about investments, actuarial balances, audits, funding ratios and benefits processing. Basically this is because those matters, while far from perfect, are generally in good shape financially and actuarial-wise. Plus of course you have better placed presenters on these items.

Finally on Governance, care and patience will be needed to handle this delicate item. This includes working on the relationship between the Board and the Fifth Committee so as to achieve a better understanding of each another and more harmonious working arrangements.

With this I thank you for your time and understanding. I will be happy to answer any questions in due course.

Thank you.