

**Chef de Cabinet's global town hall meeting with staff on the Pension Fund  
Thursday 16 April 2015**

**TRANSCRIPT**

**Ms. Malcorra:** Good morning colleagues and good afternoon to colleagues from the other side of the ocean. I can see that there are some duty stations that still have to come online but I think it's good for us to start this engagement today. First of all, let me say that it is always a pleasure to have the opportunity to talk to our staff and to engage with our staff. On this particular occasion I want to welcome the retirees...I think it's very important to have them with us. I know there is a number of them sitting with us here in New York and I'm pretty sure there will be some others sitting in other duty stations so this is a very special occasion to have with us our former colleagues who have worked hard for many years and I'm sure are concerned about the issues we are going to discuss.

Let me start by saying that the Secretary-General asked me specifically not to delay this town hall because he felt that there was too much at stake and it was absolutely needed for us to have a good conversation, a good clarification and also to allow for questions to be raised and hopefully answers to satisfy those questions.

We do have Bonn, I understand they're only here with audio. Can we confirm that Bonn is there?

**Bonn:** Yes, Bonn is here.

**Ms. Malcorra:** Okay, I see you now. It's good to have you there.

Let's then start with the subject matter. There are not many things as valuable and precious to all of us as the Pension Fund. It is the collective fruit of our efforts to put the money aside so that we are able to support the colleagues that have retired, are retiring and will retire. And of course among the ones that will retire is ourselves. So I would like to make that first statement...the notion that there is any divide from any corner of the UN System, not only the UN Secretariat, on the matter of this Fund will be absolutely misleading. We all care about it, we all want this to be well-guarded, we all want this to have a return on investment that is reasonable without a risk that will expose all of us but also taking into account the guidelines that indicate what is the percentage that we should be getting in return of that investment. So I think this the foundational agreement that we should all have...that the Pension Fund is our treasure and, as such, we need to protect it, we need to manage it, and we need to talk about it. And I want to say this to begin with, because my sense is that some of the issues we're going to be discussing today have gone out of proportion, have probably been taken out of context, but do have an impact on this Fund, do have a reputational risk and I think this is something again that we need to be very serious about and need to take into account when we discuss the issues at hand.

Today I will probably take a little bit longer than I usually do when I engage in town hall meetings because I think there is a need for all of us to understand what is the Pension Fund, how is it managed, what is the structure of governance and from there on then address some of the questions that have been raised and the ones that you will be raising this morning. This exchange that we will have today will be available for colleagues that are not able to be

connected today...you know, we need to reach out not only to the Secretariat but to the 23 entities that take part of the Pension Fund. We need to give assurances to all our staff and to all our retirees from all these entities so we will make sure that there is a very very strong outreach as we move forward.

So let me start by talking about the Pension Fund and I think that there will be a slide (*see organigram*).

This is a very simplified structure but I think it's very important for all of us to look into it and to understand that the checks and balances in the way we manage this Fund are very strong, and the governance structure is also very strong. The Fund has two distinct structures to manage and support it. On the left side, and that is in green, we have what is called the liabilities management, which is the management of the pensions themselves. We have a pot of money, and that pot of money needs to be properly managed to disburse on a monthly basis what is required for our retirees to receive. That is the structure that emanates from the General Assembly. It has the Pension Board but Pension Board is integrated by 23 entity representatives so it's a collective Pension Board, and it has then an administration that is led by a CEO and a Deputy CEO that are appointed after a selection process.

The Pension Board has an Audit Committee, an Assets and Liabilities Monitoring Committee, and a Committee of Actuaries. As you very well know, the health of our pension is pretty much related to the projections we have about life expectancy, about how long we will have to cover the disbursements for pensions, so the Actuaries Committee is absolutely essential to see how we match the money we have in our pot with the projected monthly disbursements that the pensions require. And under the CEO and Deputy CEO we have a Secretariat that administers every single day those pensions that have been approved when our people retire.

On the other side, we have what is called the assets management, and this is a totally separated line...and I want to make this clear to all of you because some of the arguments that have been raised that confuse between the left and the right side have misled many people, and I think this has to be very clearly stated from the very beginning. There is a totally separated line between the left and the right side. The management of the assets, the management of the investment, is on the Secretary-General's shoulders, so it is the Secretary-General, the one who is fiduciary responsible, fiduciary accountable for the investments made and how the investments perform. The Secretary-General appoints a Special Representative from him that will be the technical person who will do the actual work. This person has only become a full-time person after the decision taken by the General Assembly last year...I should say by the end of 2013 and executed last year...and it was at that time that for the first time in the history of the Pension Fund we appointed a full-time, dedicated expert in managing funds. And to my left I have Carolyn who is responsible for that... I should have said at the beginning that of course to my right I have Sergio who is responsible for the assets management...and they are here with me because we may get some very specific questions that can go beyond my capacity to answer.

Let me go back to the chart we were discussing...I want to elaborate a little bit longer. And then of course under the RSG there is a division, an Investment Management Division (IMD), that manages that portfolio and has specialists on the different parts of the portfolio, and this is a 54 plus billion dollar fund which is the reason why the General Assembly, upon proposal by the Secretary-General, decided to assign a full-time person in charge of it. It's complex

enough, it's large enough, it's one of the largest funds in the world, and for such a challenge the General Assembly deemed appropriate to have a dedicated person. There is an Investments Committee that is appointed by the Secretary-General that advises the RSG to decide on management allocation criteria, investment portfolio, long-term investment, there are reviews taking place...in fact one taking place as we speak...to think about how things will be managed in the next four to five years, so the Investments Committee is integrated by people who know this world, know this business, and agree to support the Secretary-General in these endeavours.

All of this is at the same time audited, fully audited, by OIOS, and on top of that of course when it gets to the General Assembly as part of reports it's also audited by the Board of Auditors. So there is a clear division of labour that does not cross boundaries between the ones who run the investment and the ones who run the administration of the liabilities, and there are supervisory bodies, oversight bodies, of different nature and of different specialisation, on both sides. This is established procedure, this is an established and well-known structure that has worked for the time being very well.

Having said that, there have been in the recent past discussions about the special needs that some of these organisations may have. And those discussions have led to the idea of signing a new MOU, giving certain flexibility or certain authority to manage to the CEO and to the RSG, in order to take into account the special nature of this fund and the requirements of this fund. This MOU is in the works, it's not finalised...it hasn't come to the Secretary-General not even by chance...so it's in the process of being worked by all stakeholders. I know that a preliminary draft was shared with the staff, but of course since it was not a final draft, the staff took a position... and I think it was a right position...to say we will look into it once there is a final position from management, so that is work in progress and we'll of course do the consultations that are required. Some of the questions that are in that MOU after full consultation will hopefully appropriately address some of the issues that the Pension Board of the Fund itself has raised, so this is nothing that comes from within, it comes from the highest level of oversight, taking into account some of the unique requirements of the fund. Nothing will be issued without proper consultation, as no change in the rules, should that be required, will be adopted without proper consultation. I know this has created a lot of concern, a lot of agitation...I think we are moving through this in a manner that is following the according procedures so we should not be worried about it.

Additionally to this, there have been allegations about the management of the office that handles the liability side. I will not belabour into this one because I think any allegations should be handled as, again, our procedures indicate, and that's exactly how things are being managed. Unfortunately, some of these allegations have been somehow leaked to the press...some quotes from our people indicated that there is massive fraud, that there is fraud...and this is really something that makes the Secretary-General feel very uncomfortable with. Two reasons for that: one, the most basic, is that whenever there is an allegation, we have to prove those allegations and there is a process to do that, there is an investigation...an investigation is taking place. So we believe... the Secretary-General believes...as I am sure all of you share, that giving the benefit of the doubt until things are proven one way or the other is very important, and we should not pre-decide on what is the outcome. But the second aspect that is even more worrisome is the fact that these references to fraud are immediately associated to financial fraud. And when you talk about financial fraud in some way or form associated to such a large fund, immediately that is taking a life of itself. I do not believe that anybody was intending to hurt the reputation of this Fund, it would defeat the purpose, but we

need to be aware that, with intent or without intent, we have raised the stakes to a level that does hurt the Fund. And the first plea I will make to all of you, as we speak, discuss and address all the issues that you have in your mind, is that we commit to preserve the value of this Fund. Because, as I said at the beginning, it is a treasure that we all share and it is a treasure that will give us the comfort that in the future when we retire we will be well-covered.

So there is an investigation. OIOS is taking that investigation because it's in OIOS's remit. The USG of OIOS has said that nothing that she has seen out of the allegations yield to the conclusion of fraud, so not only is it not financial fraud, in her view there is no fraud so far in the allegations. Another question is management or mismanagement, and those issues, as I said, are being handled through the proper channels and I will not further discuss those issues, because if we do it we preclude the people involved from having the right to be exposed to the process as established.

We can go at length into the health of the pension and I would like to just give a few pieces of information because I think it's good to be factual here.

We have at this point in time the Fund at 54.335 billion dollars...this is as of April 14<sup>th</sup>. It is a huge, huge Fund. We have an objective for that Fund that has been established of a real return of 3.5% per year. So far, in the first quarter, up till April 14<sup>th</sup>, we have had a nominal return of 2.7...as you know the inflation is very low, so when we did that the inflation from the nominal is pretty close to the same. So we are on the right path to obtain again this year what has been established as an objective. The Fund in the last 25 years...10 years...everything looked in every single time arc that you want to take, has really shown very, very good returns. Even in the times of very difficult challenges during the last financial crisis, the Fund performed much better than the market, in times again where the Fund was very exposed due to external factors. And this shows that the Fund investment portfolio is such that it really has a very low risk exposure.

Approximately 90% of the assets are managed internally... are not managed externally...and they are all representing the liquid publically traded assets, stocks and bonds, so that's a very, very important element to take into account. Some years ago, there was an effort to ship some assets to external management. This was discussed, and it was not agreed upon. The RSG, who was appointed, as I said, last year, absolutely agrees with this approach to use internal management, not external management, so any suggestions that we are gearing to outsourcing massively the Fund is just not based on facts. We allocated the assets based on categories, we have different categories, and they have each one of them a team responsible for each one of the categories.

The 10% of assets that are managed externally are comprised mostly of illiquid assets as an alternative of investments and real estate. This is always done in all funds to give a little bit of a different exposure to a certain percentage... in the case of our Fund the decision is to keep it very small. I know there has been a reference to hedge funds... there is only one hedge fund that is being used... it has been used for some time already, it's nothing new... so I don't understand why all of a sudden all of this is confused and mixed together. This hedge fund is a very conservative hedge fund and some even argue that probably it doesn't really represent what a hedge fund is, but I think in the interests of transparency we consider it a hedge fund.

So all of this to tell you that there is nothing in the works, including in the work of the review of how investments should take place going forward...review that is traditional and takes place every four years...that should give any concern to any of us, to the staff or to the retirees. The confusion that has been created about the different elements that have been brought to the public I think have given all of us a sense of discomfort and a sense of doubt.

I will on behalf of the Secretary-General want to assure you all that the Pension Fund retains the principles of prudent management and retains the principles that have been there for the past many years. And the 90-10 principle is there, and there is no intention to outsource in any shape or form the management of the Fund. As per the specifics of the proposed changes, both MOU and eventually Rules and Regulations... Rules in particular... nothing will be done without the proper consultation, and when we get to the point of consultation being ready and finalised, it will come to the Secretary-General to take a final decision. Nothing has been on my desk... that means that the Secretary-General hasn't seen anything yet... so I will assume that everybody will have a say and will have a voice, and as such we will be able to address the concerns.

I think with this introduction, that I hope has been useful to you all, I would like now to open the floor and I would like to start by giving the floor to Bonn as a first speaker.

**Bonn (Ian Richards, VP, SMC):** Thank you, Susana, and thank you for your intervention today. I think this town hall today is timely and I'm glad that you've been able to update us on the current situation of the Fund. I think staff are very reassured, both on the position of the Fund and the investment performance of the Fund and your explanation on the structure of the Fund, including, as you explained, the fact that the Fund has two structures - an assets side and a liabilities side. And for that, it confirms - for us at least - that the current system and structure and the way the Fund is working is the optimal way as it has stood the test of time. After all, the Fund has been there almost as long as this Organization. And that is the basis for how we want to speak. (And I'm going to speak close because I'm told the connection is weak.) So, therefore the approach that we have made is our concern to do with changes that are being proposed. Now you may be aware that the MOU which was presented to staff unions representing the staff of the Pension Fund...that was presented at the end of last month...gives the current CEO...just to say the staff, I'm not sure if you said it in your presentation, but the current staff of the fund are currently administered under the UN Staff Regulations and Rules and they're currently administered by the UN Secretariat. And we believe that that is a very strong administrative control and framework in which to administer them, especially given the sensitivity of something like the Pension Fund. Now, we have seen the MOU that has been proposed and we have a number of concerns with that, and I think it's important that we are able...and thank you for giving us the chance to express our concerns with those.

The concerns we have is that the MOU gives extensive discretion to the Chief Executive Officer over the staff of the Fund. And we feel that in a small organisation there are risks, and we have concerns. We have analysed the MOU...unfortunately it is a confidential document so we are unable to share it...but we have analysed it and where we have concerns is in a number of areas.

One, is that under the MOU the head of the Fund can remove...can have exemptions from the Administrative Instructions of the UN. Now, Administrative Instructions don't sound like

very important things, but when you look at what the Administrative Instructions are, this is where you can get worried. For example, it includes the Code of Ethics of the UN so the CEO of the Pension Fund could say “I don’t like the Code of Ethics of the UN, we’re going to do our own one for the Pension Fund”. It includes rules on the receipt of gifts, so any time changes can be made there; it includes rules on the length of contracts; it includes rules on the use of temporary staff for ongoing functions; it includes rules on financial responsibility for gross negligence; and it includes rules for approval of outside activities. The UN has very well-established rules on this. Under this Memorandum of Understanding the Pension Fund would be able to develop its own that could be different from the UN’s ones. And given the sensitivity of these financial issues, that’s where we have concerns, especially on the issues of gifts and ethics and outside activities.

It also gives the head of the Fund ... again, and this is not personal to the current head, it could be any CEO in the future...gives the CEO of the Fund unfettered discretion over which staff to be able to retain beyond retirement... it may not be all staff, it could be certain staff so there are discretion issues there... and we’ve seen that when this happens in the specialised agencies and we remember what used to happen before in the UN, when a head of agency can choose “I’ll let you stay on 3 months or 6 months” it creates a lack of clarity on succession planning, on work planning but also ... and we’ve seen it in specialised agencies ... it can create situations where staff feel they have to return favours to the head of the organisation in order to be extended beyond retirement. And you’ll remember, Ms. Malcorra, that when this current Secretary-General came into office he said for staff within the UN retirement means retirement, whether at 60 or 62 or 65, it will mean retirement that cannot be this system of giving of ... of discretionary authority over who can stay, and that’s important.

The MOU also allows the CEO to promote staff outside the established procedures, and again that’s where we have concern because again it gives space for poor governance, discretion and untransparency. And so again we feel that that is something that should not be in the MOU. And it allows the Fund to classify its own posts... they only require approval by OHRM, but with OHRM so busy these days with Umoja and mobility we know that they possibly don’t have time to look through these things. So, again we feel that this again adds another risk factor and takes the Fund outside the well-established framework that we have in the Secretariat. And again, we can talk about the need for flexibility and discretion...we understand that as the justification for the MOU...but we have concerns in a small organisation like that having too much discretion and flexibility - at a time when the UN is trying to centralise and harmonise its functions - it is unhelpful to go in the other direction.

We also have concerns about the new financial rules which are being proposed, in that from what the drafts we have seen would allow procurement to be done on an urgent basis outside the current HQ rules and would also mean that OIOS would not...if I understand correctly... would not act as the internal auditor for the Fund. And again, that creates huge risk. Currently OIOS is the internal auditor for the Fund. Under the draft financial rules we have seen, OIOS would no longer be the internal auditor of the Fund, and again that would create exceptions because in the rest of the UN it is OIOS, and there we have concerns as well. We believe the UN has the best administrative environment considering...I mean we all have issues with it...but we believe it is quite a good one. It has stood the test of time. The UN has strong internal administrative controls. It also has a very strict operating framework which some may say is conservative, but by being conservative it has stood the test of time. The Fund has survived a number of financial crises over the years, and we believe that’s a good thing, and therefore we think that its current framework with its current rules monitored by the Division

of Management and by the Secretary-General and by the Fifth Committee of the General Assembly is a very strong one.

And there we have concerns as well, because we're seeing a gradual shift in administrative oversight of the Fund from by the UN to more and more parts of the administrative framework being under the Fund itself.

And if we look at the oversight of the Fund - you showed the table earlier - the top body of the Fund is a Pension Fund Board, and I'll just give the composition. Normally we think of a board, we think of a small compact board that meets once a month or something like that. The Pension Fund Board has 33 members, so there's 11 diplomats, 11 management reps, and 11 elected staff reps, and they meet once a year. Now, between one meeting and the next, a lot can happen and a lot is happening now, and that's where we have concerns as well. A normal pension fund ... we have looked and according to industry standard ... would normally be meeting about once or twice a month and would have three to five financial experts on it. That's why again we feel that the Board of the Pension Fund can have an advisory role but it is not an effective oversight mechanism in the same way that the administrative controls of the UN has.

Now, what I've talked about so far is about the liabilities side which is the side that gives out the money to the pensioners. But when we look at the MOU we see it's more than that because under the MOU the CEO who oversees the liabilities side can enact administrative rules and get exceptions from the UN's administrative rules, not just for the liabilities side but also for the investment side. And the investment side which currently comes directly under the RSG (Representative of the Secretary-General) and the Secretary-General, under the MOU the CEO would be able to make changes to the administrative rules, only consulting the head of investments, the RSG, but not with the agreement of the RSG. And this creates problems as well because the RSG... we know that consultation can mean a range of things, of course... but the RSG, who is supposed to be in charge of the investment side and administration of the investment side under the Secretary-General, would no longer have the full control because the CEO can say "right, I want to change the rule on Code of Ethics or receipt of gifts, and I'm consulting with you but I don't have to listen to you and therefore you are affected by what I decide". And it may seem rather technical and dry but this could have potential changes, and we feel it is the start of what used to be a very clear separation...it will start to undermine that separation, and we feel that the Fund has worked very well up to now because there is that very strict separation between the assets side and the liabilities side.

So, taken together, we have concerns about these changes because the MOU...and you say it's a work in progress but we were told to give our final comments by 8<sup>th</sup> April...we didn't do it because we didn't believe that the MOU represented the full position of management, which we now understand it didn't...but we were told that things had to be completed, originally by last September, then by 8<sup>th</sup> April. Therefore, to say...I'm glad that you're now confirming that we're still at very early stages...but from our understanding and how it was told to us, that wasn't the case. And were the MOU to go into place, it doesn't have immediate risks to the financial health of the Fund, and we've never said it does have immediate risks to the financial health of the Fund...we don't believe that either...but we do feel it will contribute to deteriorating the work environment of the Fund because of the excessive discretion ... management discretion...in such a small organisation which is comparable to what we have seen in certain specialised agencies, and over the medium- to

long-term by eroding the separation between the assets and the liabilities side at the administrative level, which could be the start of something bigger, it could have risks to the structural integrity of the Fund in the medium- to long-term, and that's why we believe that it is important these changes are stopped now.

Now, there have been attempts to change the structure of the Fund and the separation of the Fund in the past. In 2006, I understand, attempts were made to make things more flexible, and last year we discovered that the CEO of the Fund had...his team had drafted a whole new set of staff rules for the Fund, and we understand that no-one had seen that, we saw that and we were rather surprised. We're glad that the CEO decided to discard those changes...discard those proposed rules, and we thought that was over, but then the MOU came back and the MOU has a number of changes which are not too different to some aspects of those changes of the rules, so again we are concerned that the MOU is just the start of something bigger, and it's a way of starting to set that principle that the fund has...that the fund should start to run as its own independent entity and that the assets and liabilities side should...that the separation of the assets and liabilities side would be undermined. And we believe that the investment side should remain within the UN and that should be kept strictly under the Secretary-General from an administrative and operational standpoint, and we believe the current MOU as it is being presented would undermine that, and for that reason we have very strong concerns about that.

So, I'd like to thank you anyway for holding this town hall...it's been very useful and very reassuring that the current finances of the Fund are not in question, but as I said, we believe these changes will have implications in the longer run. And let me also congratulate our staff and colleagues at the Pension Fund who we know...it's been a difficult time for them...but who've been working very effectively, it's very stressful circumstances, I know this is very worrying for them, but we are very happy for the work they're doing.

Thank you.

**[APPLAUSE]**

**Ms. Malcorra:** Thank you, Ian. I will now open the floor in New York, and I would like to have a retiree speaking. Please go ahead.

**NEW YORK (floor):** Thank you very much, madam. I am [*Federico ... unclear*], I'm a retiree and I am a member of the governing board of AFICS New York.

Many of the retirees have been very concerned about the allegations, the suspicions, the rumours that have been coming at us these past weeks and about the damage that this unsettled situation is doing to the reputation of the Fund and of the Organization. So we're very grateful for this meeting and for your efforts to clarify the issues. I have two questions and I'll put them together to save time: the primary concern of retirees, as you have mentioned, is for the safety of the assets of the Pension Fund. It's our money. A lot of it came from us and we depend on it. I'd like to ask if the revised administrative arrangements planned for the Fund's secretariat will involve any real changes to the authority and responsibility in the investments area of the Fund. My second question has to do with another expectation of the retirees: we want our pension fund to operate not only with efficiency, which it does, but also with serenity. For a full year now, we've had turmoil because of the revised MOU with OHRM and because of the unresolved staff concerns about this MOU,



which, as retirees, we can appreciate, having been staff members once. I'd like to ask, why has it taken so long for the responsible parties to come up with an agreed text and proceed to the consultations needed to resolve those concerns? And when can we expect this to happen? Thank you, madam.

**[APPLAUSE]**

**Ms. Malcorra:** Thank you very much. I will now give the floor to our colleagues in Vienna, UNOV and UNODC. Over to you.

**Vienna:** I would like to follow up to the statement of my colleague, Ian in Bonn, and I think if I had the treasure I would make sure that I am the one who selects the guards who are looking after the treasure. So I think I would like to make and select them one by one to make sure that they are capable, they're able to guard the treasure and they are not fooling me. And I would not sub-contract the selection and the recruitment of the guards to someone else, so I think this is my way of summarising probably much of what was well articulated by Ian. So I think this is an important thing for everyone and particularly for those who are going to benefit from the Fund. I think this should be in the mind of the Secretary-General and the administration when they look at any arrangement about the Fund. I have another question that has also come up because of the inconvenient situation regarding the Fund. What happens if there is a deficiency? I know that there is an article in the rules that basically states, if the fund is deficient the members' organisations are supposed to replenish it in accordance with the percentages of their participation. And I was wondering what does this mean, does it mean that staff and also organisations, Member States, will have to replenish, or who will be basically making up for this deficiency?

**Ms. Malcorra:** Thank you all. I will answer this first round of questions and then I will open up the floor again.

Ian, you have articulated at length your concerns regarding the MOU. I welcome that. Just one reference to the confidentiality of the MOU – normally when we have internal consultations we keep those documents confidential. It has no other explanation, there is no reason to hide anything. I said at the beginning that we are still working on the MOU, the MOU is going to be consulted properly, and we are going to get to the point where we have an agreement, or if we disagree, the Secretary-General will have a clear set of positions exposed to him when he takes a decision. Hopefully that will not be the case, but should that be the case, the SG will know exactly what are the trade-offs in the decision process. I think that going into the details of the MOU discussion now defeats the purpose of having a good engagement and exchange in review of the MOU, and time will be given to do that. Clearly, I hear our good friend retiree saying it has taken too long, and that in itself has created turmoil. You are totally right, but at this point in time I think it is better to get it right than to get it fast.

So I will argue here with you that sometimes... and Ian made a reference to this... the administration in the Secretariat has so many conflicting requirements and priorities that it's not always the case that we give enough attention in a timely manner to certain issues and I think that will be the reason why it took longer. Ian referred to the implementation of Umoja and mobility...there are many things that particularly our colleagues in HR are very involved in...and that is one of the reasons why all of this has taken time.

But rest assured that the principle of independence between the liabilities and assets side will be retained. This is the principle that has gotten this Pension Fund to where it is. So there is no intention from the Secretary-General to relinquish any of his authority and rights in relation to the Pension Fund. There is no intention, let me make that absolutely clear. There is no intention to weaken that separation of responsibilities, and whatever has been written in a draft will for sure get us to the right place with the appropriate checks and balances.

The question of OIOS...this has been discussed and as far as I can tell there has been no intention at this point in time to make any changes related to the fact that OIOS will be the oversight body for both sides of the Pension Fund. It was never discussed...it will not be the case for the investment side.

So what I will suggest is that we give ourselves the time. Instead of going out to the public and discussing in the public domain these questions, we do it internally. I have to say that it was not only the question of the MOU that was taken to the public, there were more damaging questions were taken to the public, and I will plead to everyone to refrain from doing any of that. As I said, OIOS is looking into those matters and deciding on what next steps will be taken. And I see Carman to my right, nodding to what I am saying, so that is going through due process. Let's go back to the principle of talking. You know, sometimes I have the sense that this day and age of immediacy and social media and public media takes us out of the most basic principle of talking to each other. And I think you all know that the Secretary-General is a person that is very open to conversations, to dialogue, and I think you all know in his representation I'm always available. So let's take the time to go through all the issues you raised, Ian, and I'm sure others will raise. Let's not take anything as a foregone conclusion but let's do it through the means that we have established in any consultation within the system.

I think regarding the question of the revised MOU and whether this will have an impact on the management of the assets and the investment, again, I assure you that's not going to be case, and I take very much your advice about managing with serenity. I think that's exactly what we need. I'm sure people got agitated for good reasons...I think we need to go back to that serenity that you raised and work together to get ourselves to the right place. So please let's listen to the wise people who are sitting with us today.

I want to refer to the reference on who selects the guards to the treasure. I have a sense that there was a little bit of irony in that comment. I will agree with you that we need to be very mindful of this, and, as I said, nothing will be changed or done until we all agree to what is required and where there are certain exceptions that are required how will we manage those exceptions. You know, there are some considerations about G to P changes, this is something that our staff had been asking for for a long time...it's very interesting that now that we see some movement in this regard on the pension side, there is a reaction against. So, I mean, let's put everything together, let's work together and let's get to the right place.

Let me go to the second round. And now our colleagues in Mogadishu will be connected, and I want to again here, before I pass the floor to Mogadishu, pay tribute to those colleagues that are there, exposing their lives day in and day out and making something that will be a difference for the people in Somalia. So paying tribute to you, and making sure that we take good care of your future is our responsibility. Over to you.

***[APPLAUSE]***

I seem not to have Mogadishu at this point in time, so let me move then to Geneva. And Geneva, if I understand correctly, the question will be taken from Bonn.

**Bonn (Ian Richards):** I already did the question.

**Ms. Malcorra:** So you don't need the time now. Next is ESCWA, which again is going to be speaking from Bonn. Is there a question there?

**BONN (ESCWA rep):** Yes, ESCWA is here. Actually a few staff reps have coordinated to limit the number of our questions to save time and to allow pensioners and participants to ask as many of their questions as possible.

At this stage, Egor, a colleague from New York, will be delivering our consolidated statement. Thank you.

**BONN (Egor):** Thank you Madame Chef de Cabinet. Good morning and thank you George for giving me the opportunity. I am Egor [*name unclear*], representative of the United Nations Staff Union in New York, here in the Staff Management Committee session here in Bonn, and I would like to welcome the spirit of transparency and accountability in which you, Madame Chef de Cabinet, conducted this meeting.

And I would like to convey to you our common understanding and common conviction among staff representatives that staff rules and regulations, UN rules and regulations concerning oversight, concerning reporting of fraud and unethical behaviour, misconduct, all this is for us the pillar of good work and quality delivered in our Organization and in the Pension Fund. And we believe that the respect of those rules is something which explains good results of our Pension Fund.

So that's why, in this spirit of transparency and accountability, I would like to ask the following question, because I was one of those staff representatives who conducted the meeting of 31<sup>st</sup> March, which was broadcast from New York and where we made part to our colleagues of some serious allegations concerning mismanagement of the Pension Fund. You say that the OIOS is conducting an investigation concerning all of this, and this is exactly our goal, to make all serious allegations of misconduct investigated. So my understanding is that when OIOS investigates something there is a case opened with a case number. Could you confirm that such a case has been opened and, if it's true, what is the number which was assigned to this case?

**[APPLAUSE]**

**Ms. Malcorra:** Thank you. I understand that the staff of the Pension Fund in New York would like to take the floor. Is that the case? Please go ahead.

**NEW YORK (from the floor):** Hello, I'm a member of the Pension Fund Secretariat, and as you can see we're heavily involved in the fallout of public statements made to both participants and retirees from our staff association. Yesterday, staff began a petition to indicate that...so far 60 have signed the petition and I encourage all the rest of the staff from the Pension Fund to sign it...that effectively said in the spirit of consultation no-one in the staff was consulted before a letter was sent to 200,000 people with allegations. It does not

necessarily represent the views of the staff; most staff expected that the proper procedure is to follow proper procedure and send the issues to the chain of command, to OIOS and to different organisations that are responsible for oversight in the Fund.

We don't quite understand why we're having a public discussion about something that should not be public, that should have been reported to the chain of command, and had there been allegations that had been substantiated, it would have come out in a public statement in the future, anyways. So we think this is distracting the staff, it's putting tremendous stress on the staff of the Fund, from doing their duties, and we also believe that there's significant oversight and control in place already, so we don't understand why the staff association is making a public issue of this.

**[APPLAUSE]**

**Ms. Malcorra:** Colleagues, it is clear that we have a situation where due process is one of the biggest questions we have. I would like to address the question that Egor raised, through our USG/OIOS. I want to be very precise on this, because investigations take place all the time in this Organization and I don't see people asking for details of the investigations, on the contrary, until things get to the point of fruition. I think Carman will for sure correct me that they are doing a preliminary analysis assessment, they are not yet at the investigation point, but before putting words into your mouth, Carman, why don't you take the floor please?

**Ms. Lapointe:** Thank you, you're absolutely right Susana. Our processes don't allow us to divulge details of what we're considering or what investigations have been opened. We are looking at all of the allegations, we still have a lot of material to gather that has not yet been provided to us, and we will examine all of those things and, following our required procedures, we'll look into every one of them.

**Ms. Malcorra:** Thank you, Carman. So again, some of you may have heard me say often that I'm all for transparency, I'm very doubtful of nudity. And I think we are crossing the line between transparency and nudity here, so again I will ask everybody to allow for the processes to work within established principles and in a systemic manner to allow for the bodies that need to look into this to do it properly and to get to the conclusions when the time is right. In the meantime, let's not pre-judge, let's not assume, and let's work to get this steered in a very professional and responsible manner.

Let me go now to another round of questions, and I have colleagues from ECA Addis, but I also understand that the person is in Bonn. Am I correct?

**BONN (ECA representative):** Yes, good evening. Good morning from Bonn, Madame Chef de Cabinet. My name is *[unclear]*, President of the staff union of ECA. Madame Chef de Cabinet, there is a saying: when something is working, don't fix it as it might break. Why do we need to change the Fund's operations, when our retirees have been benefiting from it for decades without problems? We believe that the rules and regulations which are governing the Secretariat staff are good enough, according to Member States, and if the Fund chooses to have its own rules, does it mean that the UN rules and regulations are not good? It is true that we have been fighting for possibility to have G staff apply to P posts, but as you know this is not allowed by the rules, so the example you are giving...we cannot support it. Here in Bonn a few hours ago we had a meeting of the Working Group on Career Development for G staff and asked the UN Secretariat, we do not want selected actions into the Fund which are left at

the discretion of the CEO. This may be against the UN rules and regulations. Madame Chef de Cabinet, God willing, all staff members will retire one day, that is what we are praying for. We would like to have a secure retirement and benefit properly without stress from our Pension Funds. Thank you.

**[APPLAUSE]**

**Ms. Malcorra:** Thank you. I can tell you that I also hope to retire one day *[laughter]* so I share your same objective, as the rest of us do.

I would like to now give the floor to Nairobi, to UNSOA – over to you. Do we have UNSOA in Nairobi? Okay, so why don't I give the floor to the Pension Board member that is here in New York and ask for the floor a little bit earlier.

**NEW YORK (floor):** Thank you, Madame Chef de Cabinet. My name is *(unclear)* and I'm a member of the Board. I got elected to the Board about 11 years ago. I am one person who has been in the UN...not in and out of the UN...but in the UN for 21 years, and I've been both a staff representative and a participant to the Board in the last 11 years. I have seen these types of storm in a kettle a couple of times, in what I have described as my time on the Board, and what I can tell colleagues in the house is that I care so much about my retirement as much as everyone who is in this room. And I would do everything in my power to ensure that, as your representative on the Board, I put my head to the ground and I put my feet on the table whenever it is necessary in order to protect what we have.

What we have now is one of the strongest pensions in the world and in the history of the United Nations. We have a Fund that is 54 billion US dollars. When I joined that amount was 22 billion US dollars, and I have watched it grow to twice the size, and today it is 54 billion US dollars. What you need to know is that in the 54 years or thereabouts of the Fund, not a single penny has been taken from the investments to pay retirees. Retirees are still being paid until this moment from the contributions of those of you that are working. We have close to 60,000 beneficiaries and retirees and we have about 140,000 active participants. The contribution every month that is deducted from your salary and my salary continues to pay all beneficiaries as we speak. So the 54 billion assets that we have, which we're talking about, is money that is kept for the future of the Fund and which is supposed to last us for not less than 50 years to come.

Now let's look at the figures. How is this Fund managed? The issue of management of that asset...which the Secretary-General has the fiduciary responsibility...is based on the four principles of profitability, sustainability, liquidity and convertability, and that's why the 3.5 annual nominal return is sacrosanct. We do not want to do anything that will affect that rate of return. And that's why we're not aggressive, that's why issues of hedge fund or irresponsible investments is something that we at the Board continue to fight against, and we will continue to fight against it. If some of you remember, in 2007, for the first time in the history of the Board, which normally work uncontentious, we had to go into a vote in order to stop the then management of the Fund from outsourcing and from being what is called indexation. And we did succeed at that point; the General Assembly supported our position and that's why we have more than 90% of the investments being managed in-house as of today. We are not about to change our position as staff representatives on the Board.

What we want as staff representatives or staff union representatives is to have better consultations with the elected representatives on the Board [*applause*] so that in the future when issues like this come up they consult with us, they hear our opinions from within the Board and we will be able to guide them appropriately on the actions that are necessary to be taken, because after all we are staff members. Just like the guy from Bonn said, 11 elected staff representatives are on the Board of the 33 man Board...we have a vote, we have a voice. If we don't support anything on the Board, it cannot pass at the General Assembly, and therefore we expect that consultations and due diligence be followed before public statements are made.

Because don't forget that every investment that we make is in the public domain. When the confidence that people have in the Fund is no longer there in the public domain, then it affects the rate of returns that we get in the long-run [*applause*], so the same fight that we have here is the fight that is against our future not for our future, and that is where the staff union needs to divide the line between sensitisation and sensibility when it comes to issues of monetary and the future of participants and ongoing beneficiaries. Thank you Madame Chair.

**[APPLAUSE]**

**Ms. Malcorra:** Thank you. I would like to say that Carolyn just gave me...that today we have a record again on the Pension Fund, it is 54.349 billion, so it is more than what we had said at the beginning.

I would like now to move on to Brindisi, is there a question from UNLB?

**[UNSOM: We are moving to the bunkers.]**

**Ms. Malcorra:** That's Somalia. Okay, go ahead, take care of yourselves. Now we go to Brindisi.

**UNLB:** We did have a question but you actually covered it in your opening statement. Thank you very much.

**Ms. Malcorra:** Thank you very much, Nick. Let me go to MONUSCO, Goma, colleagues there. I look forward to visiting you one of these days. Over to you.

**MONUSCO:** Good morning everybody, good morning Madame Chef de Cabinet. [*Interpreter speaks*] My name is [*name unclear*] and I am the Chair of the FCU? (*inaudible*) MONUSCO. The field staff at the United Nations are concerned about the risks of a possible privatisation of the Pension Fund. Is there a mechanism in place or a safeguard to guarantee the security of the Pension Fund assets? As far as the field staff are concerned, the most important thing is the overall health of the Pension Fund and the assurance that the investments made don't put us in a position of risk. We have full trust in the management by the Secretariat. Now turning to another issue, I'd like to ask, what safeguard or guarantee will be put in place to ensure that the Pension Fund continues to be healthy and to ensure that the investments continue to be secure in the future. Thank you very much. [*Interpretation ends.*]

**Ms. Malcorra:** Is there any question here from New York. [*Laughter*]. Just one. I will go back to a retiree. The floor is yours, sir.

**NEW YORK (floor):** Thank you Madam Chairman. I think all of us retirees, my name is Lowell Flanders by the way, I'm happily retired and hope to remain that way *[laughter]*. I hope you can understand our concern about the management issues now being discussed, coming as they do in the context of the published reports on CNBC that the UN will be investing more Pension Fund monies in hedge funds, and I hope we can get to that issue since it hasn't been discussed too much yet, although you've mentioned it. Our concern about the managerial steps being discussed have been very well expressed I think by Ian in his presentation, and at least in my view...I'm not speaking for anybody else...anything that reduces the oversight or diminishes the levels of collective decision-making will only lead to problems in the Fund.

And I think we can't be sanguine about what has happened to public service pension funds around the world, in the United States and Europe. The attacks on public service pensions is almost criminal in some cases. Rolling Stone magazine reported at one point that all across America Wall St is grabbing money meant for public workers. Just this week, Scott Stringer, the NYC Comptroller, reported that over the last ten years hedge fund managers fell 2.6 billion dollars short of their targeted benchmarks after fees were accounted for. He said those managers gobbled up 95% of the value added, that is, over 2 billion dollars, leaving almost no extra return for the funds. In Maryland, there is a 20 billion dollar unfunded liability in the state's employee pension system because their fund, as the Baltimore Sun said, has too much money in alternative investments such as hedge funds. The state spent more than 329 million dollars just on management expenses. In New Jersey, Governor Christie shifted pension cash to Wall St that cost New Jersey taxpayers 3.8 billion dollars.

**Ms. Malcorra:** May I ask you, I think you have given examples.

**NEW YORK (floor):** I have a question, definitely. I'll get to it. Simon Lack, a former JP Morgan executive, has a book out called "The hedge fund mirage – allusions of big money and why it's too good to be true". He asked the essential question, why do wealthy, supposedly savvy individuals keep wasting their money on hedge funds? And worse still, why do institutional investors like public pension funds, abetted by irresponsible consultants, continue squandering the middle-class retirement assets that they oversee to make hedge fund managers phenomenally rich? I think you've mentioned that we are already invested to some extent in hedge funds. How much exposure does our fund already have? And what has been the return on those assets, taking into account management fees? And how much more exposure are you planning to make? And do you categorically deny the CNBC report that the UN is planning to make larger investments in hedge funds? Thank you.

*[APPLAUSE]*

**Ms. Malcorra:** Thank you, and last but not least, our colleagues from ESCAP, who are not participating due to the time difference, have somebody in Bonn who wanted to raise a question. Over to you in Bonn.

**BONN (ESCAP representative):** Thank you Susana, I am *(name unclear)* from ESCAP staff council, I'm the chairperson of ESCAP staff council. Thank you very much for holding the town hall meeting for the staff and the retirees this morning in New York. We have

received a number of concerns from our own staff regarding this issue. We would like to emphasise that it's the future of our staff, and...if you remember the case in the financial world...one man can break a bank, even the oldest investment bank in England. If you look further before that, even the fund managed by Professor in Nobel prize of financial, which developed the portfolio of management... they couldn't even last, so don't believe in those hedge funds too much. These are the concerns from our staff. And the questions have been asked by our staff and our colleagues in our staff union, so I would like Ian to summarise it for us to conclude it. Thank you.

**BONN (Ian Richards, VP, SMC):** Thank you...I'd like to thank you, Susana, for calling this meeting today. I think it's been very important. I think all staff here...we care a lot about the fund, it's our retirement, it's your retirement, and it's also those of the retirees who are following us around the world today. As you said, there's been lots of emails flying, we've seen circulars, letters to Board members, all kinds of thing...we really thank you for holding this discussion today because it's allowed us to have an open and consensual discussion to bring issues out into the open and to hear the points of view, the many different points of view which all seem to be going towards one consensus from many sides.

We heard from Stefano in Vienna, and perhaps you may have overlooked his question...he asked who was responsible if the fund fails, who would pay up for that.

But we've also heard from a number of retirees, and we heard Mr. Flanders who talked about the risks that he saw with the changes that could happen, that we shouldn't follow the route of other public sector funds...and he talked about the fate of those funds and how the public sector workers are suffering as a result.

We heard from a member of the Board, who has been there a long time, who reminded us that under the current set-up the fund has done very well, it is growing, it is healthy, it doesn't even pay from its assets, it pays from its income, and we're glad that he's going to insist that things are done properly and that he's looking to ensure that the current set-up is an effective set-up. So we thank him for supporting us on that.

We also thank you for informing us from Ms. Boykin that the Fund is 54.349 billion dollars so the biggest ever, and again we thank you for showing that the current system is one that works.

And we'd also like to acknowledge our colleagues who are joining us all the way from Goma, who said that they fully believe and have full trust, and the management of the Fund should be done by the Secretariat.

And I think that sums up our position that it's the Secretariat, the UN Secretariat who should be overseeing the management of the Fund, there should be strict separation, and that the Fund should remain as it is under the current structures under the UN. And I think that very nicely summarises the position we have, and we thank you once again for having this open discussion, and I hope you now understand our concerns. Thank you.

**[APPLAUSE]**

**Ms. Malcorra:** Let me try to do the last round and sum up...we are running out of time. Sorry Egor, for having bypassed your question, you know that is not my style to bypass



questions. You sometimes may not like my answers but I never fail to answer. I think it is clear to all of us that should the Fund fail at a certain point we're all going to be in trouble. It's very unlikely that the Member States will chip in and put money for this. So it's our collective interest to make this work and work properly. I don't think we see in any shape or form different on the substance of this issue.

I hear the comment on don't fix what is working. Let me address that. I don't think that is necessarily the best thing to do. Sometimes you need to work better. I'm not saying this is the case, I'm not proposing that but, as a principle which I very, very much care about, I think the notion of continuous review of what we do and how we do it should be part of our principle of work. I'm not suggesting that the conclusion is going to be "let's change things", but to assume that something that is working should not be fixed, I think, is an oversimplification of how the complex world we live in really demands from us to adapt, adjust and change. And again, this is not to mislead to the conclusion that automatically we need to change.

I take on board the comments coming from the member of the Pension Board.

*[Interpreter speaks:]* For our colleague in Goma, I listened carefully to what you had to say, I heard the message that you are conveying to me, and we will work together to ensure that the Pension staff do the best they can for our future. *[End of interpretation]*

The question coming from our colleague regarding reports of the hedge funds...I made a reference to that, I think I wasn't clear enough, and again, the fact that you talk about reports coming in a magazine is what bothers me because that is the type of thing that is damaging to the value and the stature of the Pension Fund. Let me give you a very, very specific answer to your question...we have around 3% of this 54 plus billion dollars in assets invested in alternative investments. This is comprised of approximately 2% in several private equity funds and around 1% in one hedge fund. And this is not new...this has been there...so it's 1% of the overall fund. We have around five hundred million invested in Bridgwater's all-weather fund, which is a very conservative fund, as I said earlier, that is not universally identified as a hedge fund, it's a very risk-balanced and long only asset allocation strategy. So, in the small diversity we have within the 10% that I have referred to, we have in total 1% of the total fund that goes to this specific hedge fund...has been there for some years now...and the rest of the specific information that you require will be given to you...I don't have it right now.

I couldn't agree more with you all that our future is in that Fund, so we'll need to do it in the best possible way.

Ian, thanks to you, thanks to all staff, thanks to retirees. I think this is a good example of how we as a UN family...and the UN family goes beyond the UN Secretariat...and I want to emphasise again we have 23 entities of the UN System as part of the Pension Fund... need to work collectively, work together, talk and discuss, agree, fight over disagreements, sit at a table and in the end come to a common view, or, as I said, if there is still diverging views the Secretary-General will be fully informed of those different views and he will in the end take a decision that will be in the best interests of the Fund because he is the last responsible for this Fund to be well and to be safe and to be secure.

I know there are hands up in New York, I'm afraid we've run out of time, and I really thank again all colleagues from all duty stations. There is work to be done for all of us, and I really

count on all of you to do so. Best greetings from the Secretary-General who is not in New York, and let's move on to work.

Thank you.

***[APPLAUSE]***