



**ORGANIZATION OF
AFRICAN UNITY**

Secretariat
P. O. Box 3243

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**ORGANISATION DE L'UNITE
AFRICAIN**

Secretariat
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REPORT OF THE AD-HOC COMMITTEE ON THE PROBLEM OF THE
ALICO GROUP PENSION FUND AND INSURANCE SCHEME

CM/1358



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REPORT OF THE AD HOC COMMITTEE ON THE PROBLEM OF
THE ALICO GROUP PENSION FUND AND INSURANCE SCHEME

PRESENT:

COMMITTEE MEMBERS:

- | | | | |
|----|---------|----|----------|
| 1. | Libya | -- | Chairman |
| 2. | Uganda | -- | Member |
| 3. | Senegal | -- | Member |
| 4. | Malawi | -- | Member |
| 5. | Burundi | -- | Member |

SECRETARIAT:

- | | | | |
|-----|--------------------------------------|----|--------|
| 6. | Assistant Secretary-General (Admin.) | -- | Member |
| 7. | Acting Chief Legal Advisor | -- | Member |
| 8. | Head of Budget and Accounts Division | -- | Member |
| 9. | Head of Health Bureau Division | -- | Member |
| 10. | Head of Personnel Division | -- | Member |
| 11. | President of the Staff Association | -- | Member |

OPENING:

1. The Chairman opened the Meeting and informed the Members that the Committee members should hear the introduction of the report from the members of the delegation to ALICO before the report submitted to them could be discussed.

2. The report of the President of the Staff Association centred on the following:-

- (i) The legal observations that were made prior to the departure of the Mission which included the 1966 and 1967 decisions of the Council of Ministers which authorized the creation of the Pension and Life Insurance Schemes;
- (ii) The findings of the Missions regarding the Pension Scheme and the Life Insurance Scheme.

3. The purpose of the delegation to ALICO was to find out how much money has been remitted to ALICO since 1970, together with interest that had accumulated since that time. More importantly, the delegation wanted to know the amount of interest that had been credited to the individual accounts of staff members.

INTRODUCTORY NOTE:

The Ad-Hoc Committee on ALICO met on February 22, 1936 to adopt its report Ad-Hoc/Comtee/ALICO/Rpt.(II). Having adopted Paragraphs 1 through 12, the Committee had difficulty concerning the actual dates when the Pension Policy Scheme activates itself. After a brief discussion it was suggested that the General Secretariat provide this information and insert in Paragraph 13.

As the Committee continued to examine the report it also accepted that amendments be made under the sub-item dealing with the cheques lost by the Lagos Office, which is now Paragraph 27, and also in Paragraph 29.



ON PENSION CONTRIBUTION:

4. On the Pension Contribution Scheme, Document CM/121 Rev.2 Page 2 Section III states thus:

"Upon retirement at the age of 60, the staff member shall be entitled either to a lump sum payment or to a monthly income for life at a rate which will depend upon his salary and the contributions made on his behalf".

5. The Ad-Hoc Committee was informed that series of questions were put to the representatives of ALICO. The answers to which are contained in the Mission's Report. The Ad-Hoc Committee was given information on the legal documents that ALICO gave the delegation, which in effect outline the legal obligation governing the OAU policy plans.

6. One of the questions raised with the ALICO representatives concerned the statements sent to the General Secretariat by ALICO with figures that showed the principal plus interest that had accrued up to December 31, 1984. According to the President of Staff Association, the delegation carried with it to New York individual staff members' contribution cards whose figures did not tally with the figures reflected by the ALICO statements of December, 1984, i.e. these cards in which OAU showed higher figures than those submitted by ALICO.

7. The Committee was informed that the Mission had records from the Regional Offices with the exception of a few offices which never sent the required figures to the Headquarters, despite the various reminders that were sent to them.

8. Regarding the Kampala Office, the information supplied to the Ad-Hoc Committee was that the Kampala Office had insured with a certain company in the Caribbean, which was later liquidated. The figures kept by ALICO did not tally with those kept by the Kampala Office. It was not possible also to reconcile the figures of ALICO and those of the Kampala Office, because the first deposit received in respect of Kampala by ALICO was made in 1981 in the amount of US\$ 5,973.27 to cover the period June 1, 1980 through January, 1981. ALICO could, therefore, only account for contributions received since 1980 to 1985. And amounts paid prior to 1980 in respect of staff of the Kampala Office could not be accounted for by ALICO. The interest shown in Appendix 5 is based on figures maintained by ALICO. This needs a re-examination by the Finance Department.

INTEREST RATE:

9. Whereas the Insurance Company, i.e. ALICO had set the figure of 5% as the guaranteed rate of interest, there was evidence to show for example, that ALICO had in fact paid above the rate of 5%, especially after 1974. A table of interest rates for the fifteen years period was tabulated and is contained on Page 12 of the report.

10. It was reported to the Ad-Hoc Committee that when the delegation arrived in New York, it was informed that the representatives of ALICO based in Delaware were in the process of relocating their office premises and were, therefore, unable to meet the delegation as planned. According to them, also the OAU accounts had not yet been computerized. The reconciliation that was done only covered the period between 1979 and 1984. One of the reasons advanced was that ALICO had a very high turnover rate of staff.

LIFE INSURANCE:

11. Continuing his report to the Committee, the President of the Staff Association revealed that the Life Insurance Policies of the General Secretariat and the Regional Offices differed in terms of coverage. Also, that the different policies were signed by staff members and not by the legal office. For instance, Policy No. 5851 was signed by Mr. H.H.H. Razik. It was pointed out that there was confusion as to who was covered and for what amount. For example, the policy coverage of staff at Headquarters was a maximum of US\$ 24,000.00, i.e. for staff who had no proof of insurability. In other words, if a P4 or P5 Officer died and under the terms of the agreement, his beneficiaries would be entitled to get 2½ years times his basic salary and 5 times his basic annual salary if he dies an accidental death. Because of the coverage in existence, his family would only receive US\$ 24,000.00. In other offices such as the Maputo Office, the maximum amount of coverage was up to US\$ 100,000.00. These differing policies, it was pointed out was the result of lack of co-ordination.

INSURABILITY:

12. The Committee was given an explanation on this important issue. It was pointed out that while a few OAU staff members have had knowledge regarding "insurability", they had for selfish reasons decided not to share such knowledge with all the OAU staff members.

13. Regarding the Policy Anniversary Dates, it was pointed out that for Headquarters, the date is 1st January of every year Policy No. 1999 while the dates for some of the Regional Offices, the date is 1st May of every year Policy No. 30529. As a result, it was proposed that the Legal Division look into this matter with a view to making the appropriate recommendations. In concluding his introduction of the report, the President of the Staff Association emphasized that as far as the Pension Scheme was concerned, there was no need to have a company to manage it. On the Life Insurance Schemes, he proposed that the maximum ceiling be raised to US\$ 100,000.00. The President of the Staff Association apologized for his lengthy briefing which he said was the result of the complexity surrounding the issue.

14. The Chairman of the Committee thanked the President of the Staff Association for his report which he said was informative and concise. He indicated that he had himself read the report thoroughly and fully understood its contents. Following this, the Chairman went on to give his views on the report.

(1) CONTRACTS

15. After voicing concern about the way the contracts between ALICO and the OAU had been handled, and the possibility of loss of funds, the Chairman noted the difference in the interest that had been paid to the staff members as compared to those paid in the money market. He also observed that there were offices which seemed to enjoy a preferred pension plan as a result of information that may have been available to them, but which was not the case for some other offices. He emphasized that the Assistant Secretary-General (Administration) should look into this. He also expressed concern over the fact that ALICO had not computerized its records and that figures provided could be modified at any time.

(ii) LIFE INSURANCE

16. Regarding the policy on Life, Accidental Death and Dismemberment, the Chairman also observed that the Legal Division had not been involved in any of the contracts that had been entered between the OAU and ALICO, and that there was no uniformity in the agreements signed.

(iii) INSURABILITY

17. The Chairman expressed regret that there were officers who had information regarding insurability but did not reveal this to other staff members. The blame, he said, was to be put on the Personnel Division which should have given the information to the Legal Division at the time the contract was executed. Following this, he called for a discussion of the issues.

18. A Member of the Committee thanked the Chairman for his observations and raised the question as to how much money had been deposited with ALICO. The delegation also raised the question as to whether ALICO had business connections with South Africa and Israel. He further commented on the fact that since ALICO were maintaining hand-written records, it showed clearly that OAU had not been taken seriously by them and that OAU had no advantage in remaining with ALICO. This was followed by another question as to why certain Regional Offices failed to co-operate with the Secretariat's request for them to submit the required figures.

19. Another member of the Committee wanted to know why certain offices had maintained different accounts, why ALICO had such a high turnover rate of employees and why Regional Offices like Geneva and Brussels were not insured with ALICO. There was also the question as to whether any action had been taken on those staff members who had privileged information but chose to keep it to themselves.



20. It was requested during the meeting that the appendices should be translated. One member wanted to know what administrative measures had been taken against those offices which had not submitted figures to the Headquarters, and also what measures had been taken to ensure that Kampala Office employees recover the funds paid out to the company which had gone out of business. A related question was raised as to whether ALICO itself was insured.

21. Taking the floor again, the Chairman observed that ALICO had never really served the interest of Africa. He further stated that there was need to know what the legal and financial implications would be if the decision was taken to break off with ALICO.

22. The Secretariat, in answer to the many questions that were raised, pointed out that the Legal Division had not been associated with the contracts that had been signed between ALICO and the OAU. It was emphasized that an error had been committed in the past and that in future, all contracts should be handled by the Legal Division. In answer to the question regarding who was accountable for the ALICO file, the Head of Personnel Division pointed out that as a result of the split, i.e. separating the Administration Department from the Finance Department, there was confusion regarding the issue of who had responsibility of handling insurance matters.

23. As regards the other offices which were not insured with ALICO, i.e. in Tunis, Brussels and Geneva, the Committee was informed that they had opted to be insured with local companies whose interest rates were higher than those of ALICO. With regard to those offices which had not complied with instructions to submit figures to the Secretariat, the Committee was told that letters had been forwarded to them to respond but had not done so.

24. The Chairman, in his intervention re-emphasized that the Secretariat had failed in not seeking legal advice from the Legal Division. Another member of the Committee wanted to know what the advantages and disadvantages would be, if the General Secretariat was to decide to break off with ALICO. To this question, it was advised that there was need to consider all the questions related to ALICO, particularly the legal implications that would arise if the OAU should take a decision to end its relationship with ALICO.

25. In summing up, the Chairman took the view that there was general agreement to terminate the OAU's relationship with ALICO.

LOST CHEQUES FROM LAGOS OFFICE

26. On the question asked as to what happened to the cheques sent by the Lagos Office but which never reached ALICO, the representative of the Finance Department responded that the funds that were earmarked for ALICO, were among the money intercepted and cashed by individuals so far unknown. Addressing the issue of the lost cheque, a member of the Committee suggested that the issue should be a point for discussion. The Legal Advisor was called upon to comment, and he informed the Committee that the cheques were in fact lost, and that the Legal Division had already recommended

to the Secretariat that action be taken against the Bank which had effected payment on the drafts.

OTHER COMPANIES

27. The Committee for its part recommended that the officials responsible for the cheques that were lost should be held accountable.

28. It was emphasized that given the irregularities that have characterised the OAU and ALICO arrangements, the General Secretariat should endeavour to look at the list of the African companies that have expressed interest to provide insurance for the OAU Staff.

29. Commenting on the need to terminate the relationship with ALICO, the Chairman noted that the Committee had reached the decision that the OAU should break off with ALICO. He also pointed out that the Committee was convinced that the General Secretariat intentionally delayed its work by not putting at its disposal all the relevant and important documents. As a result, he concluded, it was not going to be possible to abrogate the Pension Policy which activates itself on the 1st of January, each year

CONCLUSION

30. The meeting ended with the Ad-Hoc Committee agreeing in principle that due to the lack of honesty and seriousness on the part of ALICO, the Secretariat should study the legal and financial implications that would arise when the OAU terminates its arrangement with ALICO. The Secretariat was also requested to submit a list of the financial standing and security of all companies wishing to provide insurance to the OAU, and to outline ways and means of selecting the next insurance company. Following this, the meeting adjourned agreeing to meet again when the Legal Division finishes its assignment.

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