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Agenda item 133
Proposed Programme Budget for the biennium 2012-2013

Managing after-service health insurance liabilities

FIFTH COMMITTEE

presented by

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Mr Chairman,
Disturbed delegates,

I have the honour to present the Secretary-General's report A/66/570 which responds to the General Assembly's request in its resolution 65/237 for a report on the analysis of after-service health insurance (ASHI) liabilities as well as an analysis of various related issues.

Post-retirement health care benefits have long been an important element of the employee compensation especially in the public sector. Employers, including national governments, are increasingly faced with the growing cost of providing such benefits driven by demographic and economic forces such as longer life spans, medical and technological advances and increasing medical costs. The United Nations is not exempt from this reality.

A number of organizations in the UN system have taken steps to recognize and/or fund their ASHI liabilities mainly driven by the adoption of the International Public Sector Accounting Standards (IPAS) that require that these liabilities be reflected on the statement of financial position instead of simply by

2) An additional accrual of 2 per cent against total staff costs be recommended to fund the already accrued liabilities without the need for any new additional funding. It is estimated that this rate will be applied for a period of 2 years until full funding is achieved and the pay as you go funding is gradually replaced by the resources in the reserve funds arrangements. This accrual rate and the pay as you go combination could shorten or lengthen the period that the accrual will remain in place.

The proposed accrual rates are based on the latest actuarial valuation conducted for 2010. A periodic review of these accrual rates will be required so that any necessary adjustments are made to ensure that the amounts necessary to achieve full funding of the liabilities are met and to reflect any variations in the assumptions used for the actuarial valuations.

One important development that could impact the valuations is the Patient Protection and Affordable Care Act (PPACA) that was adopted by the United States Government in 2010. Given that a significant portion of the AHI costs are related to the private based health insurance plans, changes in the health care market in the United States are expected as a result of the passage of the PPACA. However, the impact of the PPACA on health care costs is not yet clear, and may not be apparent in the immediate future.

The Secretary General's proposal that the above accruals be presented for the regular budget and the peacekeeping accounts be included in January 2011. If approved, the related costs will be reflected in the budget estimates for the biennium 2011-2012 onwards.

The proposed approach benefits from a transparent method of costing of staff services and differentiates the funding of the liabilities already accrued and those to be accrued in the future. It will also ensure transparency of the true cost of employing staff even once full funding of the past liabilities has been achieved.

The investment of the AHI reserve funds that will be generated from these accruals will initially be funded by the United Nations Treasury with existing resources. Given that currently already has a portfolio of more than \$1 billion for more than 100 pooled funds which includes the existing operational reserves of the secret

