

Consultative Committee

CC/96/2

**Ninety-Sixth Session
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FINANCING OF LONG-TERM EMPLOYEE BENEFITS

Document prepared by the Office of the Union

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1. The purpose of this document is to report on developments with regard to financing of long-term employee benefits.

BACKGROUND

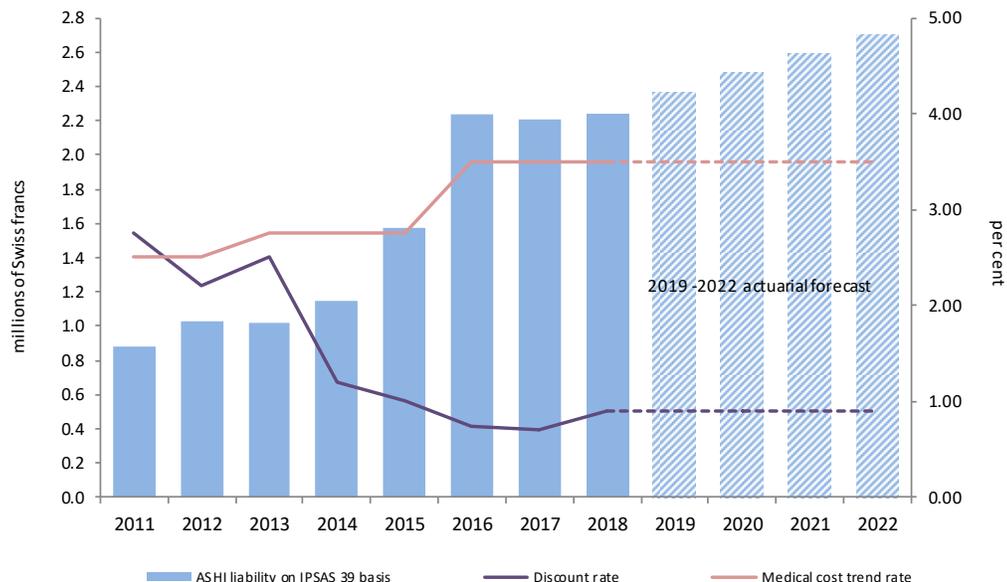
2. The detailed background with regard to financing of long-term employee benefits is provided in documents CC/87/8, CC/89/3, CC/91/3, CC/92/2, CC/94/4 and CC/95/3 entitled “Financing of long-term employee benefits”.

3. The Consultative Committee, at its ninety-fifth session, held in Geneva on November 1, 2018, noted the developments with regard to financing of long-term employee benefits reported in document CC/95/3 (see document CC/95/18 “Report”, paragraph 38).

DEVELOPMENTS

UPOV’s updated After-Service Health Insurance (ASHI) liability and funding

4. UPOV’s ASHI liability as at December 31, 2018 was 2,235,639 Swiss francs, a slight increase compared to 2,209,461 Swiss francs at the end of 2017. The following graph shows UPOV’s ASHI liability since 2011, and includes projections through to 2022 (assuming there is no change in actuarial assumptions). It also details movements in the key actuarial assumptions, the discount rate¹ and medical cost trend rate:



¹ The ASHI liability will be settled in future years after staff have rendered service to UPOV. The discount rate applied to this liability reflects the time value of money and thus discounts future cash flows back to their present value.

5. At its thirty-third extraordinary session on March 17, 2016, the Council of UPOV decided to hold in a separate account the funds allocated for the future financing of UPOV's ASHI liability. The funds are generated by the Program and Budget charge applied to the cost of posts, which for the 2018-2019 Biennium is 6.0 per cent.

6. As at December 31, 2018, the total balance of these funds was 783,128 Swiss francs (709,176 Swiss francs as at December 31, 2017). The funds are held in one of UPOV's principal bank accounts, but are managed separately from operating funds through a blocking instruction currently in place with the bank. The funds are separately disclosed in the UPOV financial statements where they are classified as strategic cash. UPOV's investment policy is the same as WIPO's Policy on Investments for operating cash, unless otherwise agreed by the Council.

Progress of the Working Group on ASHI

7. The Working Group on ASHI of the Finance and Budget Network (the "Working Group") previously submitted reports to the 70th and the 71st sessions of the General Assembly (GA) of the United Nations (UN). The Working Group submitted its third report, in the form of a report of the UN Secretary-General, to the 73rd session of the GA ([A/73/662](#)), held at the United Nations Headquarters, from September 24 to October 1, 2018.

8. This third report provided an update on some of the areas of work of the Working Group, and also contained seven recommendations. Of these recommendations, the first four (a) to (d) were considered relevant to many agencies of the UN system, whereas the final three recommendations (e) to (g) dealt specifically with the funding of the ASHI liability of the UN Secretariat. Recommendations (a) to (d) were as follows:

- (a) The Task Force on Accounting Standards undertake discussions to determine which assets should be considered eligible for use as after-service health insurance liability offsets;
- (b) The agencies of the UN system consider aligning their requirements for third-part administrators to best practice;
- (c) All avenues of health insurance cost containment continue to be explored in the context of inter-agency discussions under the auspices of the High-level Committee on Management;
- (d) The UN system organizations continue to give consideration to all insurance-related harmonization opportunities in support of inter-agency mobility.

9. In the context of recommendation (c), the report considered an entitlement accrual mechanism whereby the part of ASHI premiums paid by an agency on behalf of a retired staff member would increase along with the staff member's time in service within the UN system. The mechanism would be applied to newly recruited staff only, but over time would reduce agencies' obligations in respect of ASHI. Although no consensus was reached within the Working Group regarding the advisability of the entitlement accrual mechanism, some of the participating agencies indicated their interest in exploring it further.

10. Following consideration of the report by the Advisory Committee on Administrative and Budgetary Questions (ACABQ) of the UN ([A/73/792](#)) in March 2019, the GA endorsed recommendations (a), (b) and (d). Concerning recommendation (c), the GA requested the UN Secretary-General to further explore options for the improvement of efficiency and the containment of costs, and to report thereon at its 75th session.

11. The Working Group considered that, in its current form, it had run its course, and most of the members considered that the establishment of a specialized body to provide UN system entities with a forum for cooperation in addressing complex insurance-related issues may be discussed in the future. Other areas of work concerning ASHI, including those related to accounting and treasury, will continue to be addressed by existing UN system-wide working groups specializing in those fields.

6. The Consultative Committee is invited to note the developments with regard to financing of long-term employee benefits reported in this document.