

Consultative Committee**CC/98/15 Add.****Ninety-Eighth Session
Geneva, October 28, 2021****Original:** English
Date: October 11, 2021**ADDENDUM TO OUTCOME OF THE CONSIDERATION OF DOCUMENTS BY CORRESPONDENCE***Document prepared by the Office of the Union**Disclaimer: this document does not represent UPOV policies or guidance***EXECUTIVE SUMMARY**

1. The purpose of this addendum is to provide information from the Controller concerning agenda item 9 “Report of the External Auditor (document C/55/6)”, announced in document CC/98/15 “Outcome of the consideration of documents by correspondence”, paragraph 43.
2. Recommendation 2 of the External Auditor in document C/55/6 “Report of the External Auditor”, Annex, paragraph 24, provides as follows:

“R2: We recommend that UPOV regularly consult with its Members on the costs and benefits of continued alignment with the full provisions of the Staff Regulations and Staff Rules of WIPO and the associated UN common system entitlements to ensure that it provides best value for the Union.”
3. The following information has been provided by the Controller in relation to Recommendation 2 of the External Auditor.
4. The ASHI liability for UPOV has risen from just over CHF 2 million at the end of 2019 to just over CHF 3 million at the end of 2020. This liability is calculated by an independent external expert. WIPO Finance, together with Human Resources colleagues, provide data but the calculation is not prepared in-house. The work of the actuary is reviewed by management and subject to extensive audit by the External Auditor (EA). In 2020 this included the EA engaging their own in-house actuarial expert.
5. Two years ago, WIPO changed actuary and the new WIPO actuary has prepared the studies used in both 2019 and 2020 for UPOV. This new actuary has modified certain assumptions, bringing UPOV more into line with other organizations, including WIPO. The main modification which has had the most significant impact on the calculation concerns the inclusion of actual medical costs as opposed to the premium payments made by the individual staff members, retirees and the organization. This impact can be seen in the bottom table on page 20 of the English version of the Annex to document C/55/5, described as ‘medical claims age-grading’. This assumption has added CHF 735,080 to the liability in 2020. The assumption regarding actual medical claims will continue to be applied in the future and could lead to further increases in the liability. However, it is important to note that this liability does not represent a cost which must be met now on a monthly basis. Rather this liability is composed of costs which may have to be met at some point in the future.
6. Until the end of 2018, the calculation took account of the premium payments only. On average, older staff members and retirees are less healthy than younger staff and the excess of their medical claims is effectively subsidized by younger members of staff whose medical claims tend to be lower than the cost of the premium payments made in their respect. This is a situation which is standard with regard to medical insurance. However, in order to conform with IPSAS, UPOV has to regard its staff population as a ‘closed’ group. This means that the actuarial calculations cannot bring in any new members of staff which means that the population covered by the study becomes older and less healthy and any subsidy effect fades away. This is obviously not realistic – we know that UPOV keeps recruiting new members of staff – but it is not allowed to consider this in the ASHI calculation.

7. It is important to note that, to manage the cost and risk of its collective medical insurance plan, UPOV has, through the policy plan negotiated by WIPO, secured an insurance contract that allows a level per person premium to be paid for existing retirees and active staff, thus reducing the cash paid on behalf of older retirees relative to their incurred medical cost.

8. In 2022, WIPO will commission an Asset and Liability Management Study (ALM study). The results of this will be used to determine the funding needs and any update to the strategic asset allocation required to adequately fund the ASHI liability of WIPO. One of the main advantages of such a study is that the staff population is treated as an 'open' group and thus takes account of new recruits and the subsidy effect which exists with regard to the provision of medical insurance to WIPO staff and retirees. The results of the ALM study will therefore be more realistic and could possibly indicate that there is no need to fund the entire ASHI liability. UPOV has a relatively small number of staff and it is probably not appropriate to conduct a separate ALM study for UPOV. Indeed, the actuary already applies several of the assumptions used for WIPO when calculating the UPOV liability. This is to minimize the sensitivity of the calculation to the fact of being based upon a small population where a change in the circumstances of just one staff member can have a significant impact on the size of the liability. Therefore, the results of the WIPO ALM study could be applied to the UPOV ASHI liability in order to determine what is a more 'realistic' view of the liability. The expectation is that this would be a lower amount than that of the liability in the financial statements. This information could help to inform a document on ASHI to be prepared for consideration within UPOV.

9. The secretariats of both UPOV and WIPO are very aware of the need to make efforts to contain the growth in the liability. It was for this reason that WIPO actively participated in the ASHI Working Group (WG) which existed for several years and involved the vast majority of UN organizations. The WG no longer exists but ASHI-related discussions have continued within the Finance and Budget Network, largely as a result of WIPO's efforts to retain this subject on the agenda. The FBN has agreed to discuss financial risks on an ongoing basis and WIPO as co-chair will take the opportunity, as it has done before, to underscore the need to discuss risks related to growing employee benefit liabilities. On a regular basis, WIPO monitors developments across the UN system with regard to measures to mitigate the growth in the liability, particularly with regard to those measures proposed by the WG in its final report to the UNGA. We are currently following up on the main recommendation made by the WG with the most recent update suggesting that it is still being analyzed.

10. The Consultative Committee is invited to consider the information provided by the Controller in relation to agenda item 9 "Report of the External Auditor (document C/55/6)".

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