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Statement by Linda Saputelli, President of FAFICS, on the Report of the Secretary-General, Managing after-service health insurance liabilities

New York, 4 March 2016

Mr. Chairman, Members of the Fifth Committee,

It is my honour as President of FAFICS to address you today on the report concerning the management of after-service health insurance.

First, let me thank you, Mr. Chairman, for agreeing on behalf of the Committee to let me address you today. This is a first in that FAFICS has not previously addressed this Committee. Given this situation, I am pleased to be able to inform you that FAFICS represents the interests of tens of thousands of retirees from the UN common system of organizations worldwide. The Federation, established in 1975, acts on behalf of 58 component associations of former international civil servants. Our members have a direct interest in the smooth working of health insurance matters and it is for this reason that we have exceptionally sought the opportunity to address you today as you consider the report of the Secretary-General on ASHI matters. The report before you in document A/70/590 is the product of a collaborative process by the Working Group on ASHI convened under the auspices of the Finance & Budget Network of the High Level Committee on Management (HLCM) of the Chief Executive Board for Coordination (CEB). As may be noted from the report, FAFICS was a member of the Working Group and was pleased to participate in the activities and deliberations of the Group.

The proposals in the report of the Secretary-General were drafted and adopted on a consensus basis by the Working Group, including FAFICS. Our membership has a strong interest in the sound financing and management of ASHI schemes in the various organisations of the common system. It goes, almost without saying, that health insurance is of critical importance to retirees, second only to pensions.

Detailed health insurance arrangements differ across the common system organisations as you will see from Pillar I of the report. Nevertheless, all are based on the common principle that retired staff should have continuing access to health insurance if they have been enrolled in staff health insurance schemes for a significant period. Such access is of crucial importance for expatriate staff. Costs of such after-service health insurance are shared

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between the former employer and the retiree. In this regard, we reiterate that significant acquired rights exist with regard to the obligation of organisations to provide after-service health insurance to its former staff. The inter-generational equity issue is reflected in paragraphs 29 to 31 of the report and FAFICS anticipates that it will be fully respected when reviewing schemes in the future.

The Working Group report puts forward nine specific recommendations. Three of these relate to negotiations with third party administrations, health care providers and insurers and are targeted towards cost containment and ensuring value for money. We support the intent, particularly as participants have to contribute their share of premiums and stand to benefit from cost efficiencies. However, we enter the caveat that any cost containment measures should not be at the expense of the quality of health care offered.

The Working Report recommendation to continue exploring the future use of national health insurance schemes in combination with UN system schemes has the limited concurrence of FAFICS on the clear understanding that organisations would carefully evaluate plans on a case-by-case basis to ensure that the current quality of health care would be fully maintained. This evaluation will have to subject relevant national legislation to the most careful scrutiny and analysis. As regards the consideration of broadening the mandate of the Pension Fund to cover health insurance matters, FAFICS is convinced that there would be no benefit from such an arrangement, although some of the best practices could be shared.

The absence of a common methodology for valuing health insurance liabilities is a concern shared by FAFICS and hence we support proposals to harmonise methodology under the auspices of the Task Force on Accounting Standards. Recommendation 7 regarding adequate funding of ASHI liabilities is one of the most important issues in the report. FAFICS believes that organisations still on a pay-as-you-go basis should move to a pay-as-you-accrue basis. This would be fully consistent with IPSAS principles and would enhance the ability of organisations to fully meet their obligations to ensure health benefits to serving and former staff. Existing unfunded liabilities should be financed and there should be no growth of unfunded liabilities in the future.

Lastly, recommendation 8 to explore the use of external assets managers to invest health insurance balances is supported by FAFICS as long as care is taken to maximize returns without exposing the funds to undue risk. Well managed investment arrangements should ultimately result in lower insurance premiums for retirees and organisations.

Thank you for the opportunity to present these views on behalf of FAFICS. FAFICS stands ready to participate in future Working Group activity on ASHI should the Assembly approve proposals for such work.