

*** CHECK AGAINST DELIVERY ***



Agenda item 134

Introductory Remarks,
Report of the Secretary-General on managing
after-service health insurance liabilities

Programme budget for the biennium 2016-2017

FIFTH COMMITTEE

Statement by

Ms. Bettina Tucci Bartsiotas
Assistant Secretary-General, Controller

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Madam Chair,
Distinguished Delegates,

At its 70th Session, the General Assembly considered the Report of the Secretary-General on managing after-service health insurance liabilities. The report provided an overview and analysis of health insurance covering officials and former officials, and their family members, across the United Nations system. It included eight recommendations, several in relation to efficiency gains and cost containment, and was based on the work of an inter-agency Working Group established under the auspices of the Finance and Budget Network of the Chief Executives Board for Coordination and the High-level Committee on Management.

The General Assembly requested the Secretary-General to maintain the Working Group and put forward further proposals to the General Assembly at its 71st session.

Madame Chair, Distinguished Delegates,

The Secretary-General continues to be concerned about the financial pressure that the pay-as-you-go approach will place on future budgets. Disbursements for after-service health insurance for entities falling within the direct scope of the General Assembly are expected to increase from US\$218 million in the current biennium to US\$353 million in 2024-25 and twice that amount by 2040-41. For all UN organizations, those disbursements are expected to increase from US\$350 million in the current biennium to US\$ 1.4 billion in 2040-41.

While for a number of United Nations system agencies, the after-service health insurance liability exceeds net assets, full funding of the total liability is of course unrealistic. A more balanced approach is therefore proposed: it is suggested to fully fund new obligation in relation to staff recruited from 1 January 2020. The pay-as-you-go approach would be maintained for the obligations to staff recruited *before* 1 January 2020. This portion of the liability would remain unfunded and, after an initial period of continued growth, begin to decline through attrition.

The accumulation of the reserve would be achieved through a payroll charge starting in the 2020-2021 biennium. The payroll charge is currently assessed at 6.17 per cent of salary and would be adjusted to reflect the actual return on the investment of accumulated reserves over time. This gradual accumulation of reserves, along with return on investments, would neutralize the escalating impact on future budgets, bringing balance between the obligation and budgetary resources.

Madame Chair,

Distinguished delegates,

During the course of the year, the Working Group will continue its work, focusing its efforts on collective negotiations with third-party administrators; where appropriate and beneficial, requiring that insured persons be enrolled for primary coverage under their National Health Insurance scheme; revisiting plans and eligibility; and achieving critical scale. By the end of this year, the Task Force on Accounting Standards will complete its work on harmonizing the valuation methodology across the United Nations system. And the Group on Common Treasury Services will continue to explore opportunities for inter-agency cooperation in the investment of funds earmarked for the coverage of after-service health insurance liabilities. The Working Group will conclude its work by the 73rd session and a more permanent body will be created to address insurance matters on an ongoing basis, as after-service health insurance obligations and ongoing cost containment efforts cannot be disassociated.

Madam Chair,

Distinguished Delegates

The funding proposal before you is aimed at putting in place a mechanism that will ensure a prudent control of the escalating cost on future budget. Your decision will also inform other Governing Bodies, a number of which have already endorsed the establishment of reserve funds. While all opportunities to increase efficiency and contain costs will be explored, a prudent financial reserve at this time will reduce escalating pressures on future budgets.

Thank you very much for your attention.