

Agenda Item 137

**Managing after-service health insurance
(A/76/373)**

Fifth Committee

Statement by

Mr. Chandramouli Ramanathan
Assistant Secretary-General, Controller

4 March 2022

Mr. Chairman,

Distinguished Members of the Committee,

1. I have the honor to introduce the report of the Secretary-General on managing after-service health insurance (A/76/373). This report responds to the request of the General Assembly in resolution 73/279 B to further explore options for the improvement of efficiency and the containment of costs and liabilities associated with the Organization's health insurance obligations, and to present to the General Assembly comprehensive proposals on the funding of the accrued liability for after service health insurance benefits.
2. Health insurance has been an essential part of the compensation package provided to United Nations staff members since the establishment of the Organization in 1945. In December 1966 the General Assembly approved the establishment of the ASHI programme thereby extending coverage under United Nations health insurance plans to eligible retiring staff. ASHI continues to be an important element of social security for staff members, as many retiring staff cannot benefit from national social security coverage of Member States based on their service with the United Nations.
3. From its inception, enrollment in the ASHI programme has grown substantially with significant increases in costs. Costs are projected to continue to increase fueled by expanding

number of retired participants, changing demographics, medical advances, and increased cost of medical services.

4. In contrast to pension entitlements ASHI is funded on a pay-as-you-go basis as medical benefits are accessed by retirees. This approach has resulted in increasingly large unfunded liabilities projected to total \$23.4 billion by 2051. It has also resulted in increasing annual ASHI budgets projected to reach \$499.7 million by 2051.
5. Pay-as-you-go is a viable funding option when the proportion of ASHI participants is modest. However, the UN's continually expanding ASHI population and cost increases will inevitably place an increasingly heavy burden on future budgets, and exacerbate the level of unfunded liabilities, rendering the approach unsustainable.
6. The Secretary General is concerned about the level of unfunded ASHI liabilities and the financial pressure the pay-as-you-go funding method places on current and future budgets. The Board of Auditors has also cautioned that the employee benefit liability is likely to consume an increasing portion of the regular budget over time, should it remain unfunded. In addition, in its most recent report (A/76/270) the Independent Audit Advisory Committee reiterated its previous observation that maintaining the pay-as-you-go approach poses a significant risk which should be properly managed, and recommended that "the General Assembly consider alternative A funding strategies to mitigate this risk".

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7. Adoption by the United Nations of a systematic method for funding accrued ASHI liabilities to ultimately replace pay-as-you-go funding is needed for more prudent financial management of the ASHI programme. Several United Nations organizations have adopted their own funding strategy and have achieved various levels of funding. . It is now time for the United Nations to initiate funding of ASHI benefits as they accrue.

8. The Secretary-General's report proposes the gradual transitioning to pay-as-you-accrue funding of the Organization's share of ASHI costs beginning in 2023. The strategy entails maintaining pay-as-you-go funding for a closed group of existing staff and retirees and initiating a charge against salary costs to provide for the future ASHI benefits of new staff.
9. Given the high sensitivity to demographic and economic factors, gradual partial funding of up to 75% of the ASHI liability is proposed through a 6% charge against salary costs. Periodic reviews of reserve fund balances and cash flows will be required to ensure progressive and adequate funding.
10. While the proposed strategy will initially require additional assessment, it will considerably reduce budget requirements in the long-term, securing the financial viability of the ASHI programme.

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11. The health care benefits provided by the ASHI programme are a vital element of social security for eligible retiring staff as they enable the Organization to ensure retiree access to appropriate health care wherever they reside at a cost that takes into consideration their pension income. The Secretary-General attaches a high importance to this programme and its ongoing sustainability. Adoption of the proposed funding strategy will serve to ensure financial viability over the long-term while also providing more evenly distributed and ultimately lower budgetary requirements.
12. I look forward to your support for this proposal. My staff and I remain available to answer your questions and facilitate your decisions.

Thank you, Mr. Chairman.