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Programme budget for the biennium 2012-2013

Financing of the International Criminal Tribunal for the Prosecution of Persons Responsible for Genocide and Other Serious Violations of International Humanitarian Law Committed in the Territory of Rwanda and Rwandan Citizens Responsible for Genocide and Other Such Violations Committed in the Territory of Neighbouring States between 1 January and 31 December 1994

Financing of the International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Managing after-service health insurance liabilities

Report of the Secretary-General

Summary

In his report on liabilities and proposed funding for after-service health insurance benefits (A/64/366), the Secretary-General recommended approval of a number of proposals to fund the accrued liability for after-service health insurance benefits of the United Nations, and to fund the annual incremental accrual for employees in the active service. The report contained a proposal for the application of charges on salary costs, in addition to a request for one-time funding by transferring a total of $425 million from existing funds as part of an initial infusion of funds into an independent segregated after-service health insurance reserve fund to begin to meet the long-term funding goals.

* A/68/150.

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The General Assembly, in its resolution 64/241, took note of the report and requested the Secretary-General to submit to it at its sixty-seventh session a report on managing after-service health insurance liabilities, bearing in mind that the pay-as-you-go principle was one of the viable options, and to include in that report information on and an analysis of the following options: (a) scope and coverage of existing after-service health insurance plans; (b) administration costs related to alternative financial options; (c) arrangements for ensuring accurate funding from the different sources of funding; (d) options for contribution levels to after-service health insurance plans by its participants and by the United Nations; (e) comprehensive long-term strategies for financing after-service health insurance liabilities; (f) further measures to reduce the United Nations costs related to health-care plans; (g) after-service health insurance plans for retired public sector employees offered by their respective Governments; and (h) the financial and legal implications of changing, for current retirees and active staff members: (i) the scope and coverage of the after-service health insurance plans and (ii) the contribution levels.

In the same resolution, the General Assembly requested the Secretary-General to continue to validate the accrued liabilities with the figures audited by the Board of Auditors and to include that information and the outcome of the validation in the report requested.

In addition, the General Assembly, in section IV of its resolution 65/259, noted the significant variation in the levels of balances maintained for the United Nations medical and dental reserve funds mentioned in the report of the Secretary-General (A/65/342), and requested the Secretary-General to establish guidelines to ensure greater consistency in that regard.

In the same resolution, the General Assembly requested the Secretary-General to include in his report to be submitted to it at its sixty-seventh session an analysis of options for the judicious use of reserves in excess of reasonable industry and United Nations standards, in the context of the analysis of pay-as-you-go and long-term funding strategies for after-service health insurance liabilities.

The submission of the report to the General Assembly was postponed to its sixty-eighth session. The present report provides the additional information requested by the General Assembly in resolutions 64/241 and 65/259.

Actuarial studies estimate the present value of the accrued liabilities as at 31 December 2011 and 31 December 2012 for the United Nations to amount to $3.7 billion and $3.9 billion, respectively. Annex II provides a summary of the after-service liabilities of the organizations of the United Nations common system with regard to accounting for and funding these liabilities. As at 31 December 2011, most organizations had taken steps to recognize and/or fund their accrued liabilities.

The General Assembly is requested to approve the recommendations to fund the annual incremental liability for after-service health insurance benefits for active staff of the United Nations through a charge equivalent to 4.5 per cent of total staff costs, and to begin funding the accrued United Nations liability through a combination of a temporary charge equivalent to a 2 per cent charge of total staff costs and a continuation of the pay-as-you-go approach, as from 1 January 2016. The action requested to be taken by the General Assembly is contained in section X.

Contents

I. Introduction

1. The after-service health insurance programme provides staff members who meet defined eligibility criteria with continued health insurance coverage throughout their retirement under the same health insurance schemes as active staff. The eligibility requirements include 10 years of participation in a United Nations health plan for those who were recruited on or after 1 July 2007, and 5 years for those recruited before that date. The after-service health insurance programme is an extremely important element of social security for staff members, given that upon retirement many cannot benefit from the national social security schemes of Member States as a result of their service with the United Nations. The associated costs of those benefits, as shared by the Organization and the staff, have increased considerably since the inception of the programme in 1967, fuelled by demographics, increased life expectancy, increases in the rate of medical care utilization and the increased cost of medical services worldwide.

2. The Secretary-General has, in previous reports on the after-service health insurance programme, requested the General Assembly to approve a number of recommendations aimed at addressing the concerns raised by it and by the Board of Auditors with regard to recognizing and funding the liability for after-service health insurance benefits. These proposals included adoption of a funding strategy that ensures that adequate funds are systematically set aside to meet the cost of current and future liabilities; establishment of measures to ensure the financial viability of the programme by managing costs through a combination of cost containment, cost-sharing and funding initiatives; authorization of revisions to the after-service health insurance provisions in relation to eligibility requirements for new recruits; and establishment of a segregated special account to record after-service health insurance liabilities and to account for related transactions.

3. In his report on liabilities and proposed funding for after-service health insurance benefits (A/64/366), the Secretary-General recommended (a) an initial partial funding of the accrued liabilities relating to both active and former staff through transfers from the unencumbered balances and miscellaneous income under peacekeeping budgets, from the compensation reserve funds and from the medical and dental reserve funds; and (b) ongoing funding of the accrued liabilities through continuation of biennial appropriations to cover the cost of subsidy payments in respect of current after-service health insurance participants who retired under the regular budget and peacekeeping operations and through the establishment of biennial appropriations in respect of current after-service health insurance participants who retired under extrabudgetary funds. The Secretary-General further proposed the establishment of charges equivalent to 9.6 per cent, 1 per cent and 2.6 per cent to be applied, respectively, against the net base salary costs of staff financed under the regular budget, under peacekeeping operations and under extrabudgetary funds and special accounts, as part of common staff costs, to fund the liabilities. Funds generated from all sources were to be transferred to a special account for the after-service health insurance reserve fund.

4. In respect of the funding of current and future after-service health insurance liabilities of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda, the Secretary-General recommended the appropriation of specified amounts in the context of their 2010-2011 budgets and

the approval of funding of residual unfunded after-service health insurance liabilities, if any, as part of the wind-up costs of both tribunals.

5. The General Assembly, in its resolution 64/241, took note of the report and requested the Secretary-General to submit a report on managing after-service health insurance liabilities.

II. Scope and coverage of existing United Nations insurance plans

A. Overview of United Nations health insurance

6. The United Nations health insurance programmes are self-funded schemes administered by either third-party administrators or by the United Nations itself. Under self-funded programmes, claims are financed directly through the collection of premiums that are shared by the staff, retirees and the Organization in accordance with cost-sharing ratios approved by the General Assembly.

7. The United Nations health insurance programmes provide medical and dental benefits to staff members and retirees worldwide and their covered dependants. Staff members of several United Nations funds and programmes[1] also participate in the scheme. The insurance plans currently available to staff and retirees who meet the after-service eligibility requirements are as follows:

(a) Self-funded plans administered by third-party administrators:

(i) Plans based in the United States of America:

a. Aetna Open Choice Preferred Provider Organization (medical);

b. Empire Blue Cross Blue Shield Preferred Provider Organization (medical);

c. Cigna Preferred Provider Organization (dental);

(ii) Plans not based in the United States (medical and dental):

a. Vanbreda International (worldwide coverage for staff working outside the United States);

b. Medical insurance plan for locally recruited staff at designated duty stations away from Headquarters, administered by Henner-GMC;

(b) Self-funded plan administered by the United Nations for Geneva-based organizations: United Nations Staff Mutual Insurance Society against Sickness and Accident;

(c) Fully insured plans:

(i) Health Insurance Plan of New York (closed to new enrolees);

[1] Primarily, the United Nations Development Programme, the United Nations Population Fund, the United Nations Children's Fund, the United Nations Entity for Gender Equality and the Empowerment of Women, the United Nations Office for Project Services, the United Nations Environment Programme, the United Nations Human Settlements Programme and the Office of the United Nations High Commissioner for Refugees.

(ii) Group medical insurance plan with Allianz Worldwide Care (administered by the United Nations Industrial Development Organization through the United Nations Office at Vienna);

(iii) Austrian health insurance scheme (Wiener Gebietskrankenkasse).

8. The health insurance plans generally provide coverage of between 70 and 100 per cent of hospital expenses and 80 per cent of reasonable and customary costs for other covered medical expenses. The plans allow a choice of medical and dental practitioners, pharmacists and health-care establishments, subject to certain restrictions and reimbursement limitations. Cost containment measures are built into the plans by virtue of their network of providers, with which discounts have been negotiated by the administrators. Maximum annual reimbursable amounts and maximum reimbursements for specific medical expenses also help to contain costs, while hardship provisions ensure that participants maintain access to care in case of chronic or serious medical conditions. A summary of the benefits of the health plans is provided in annex I to the present report.

B. Operational reserves for health insurance plans

9. The United Nations maintains and manages distinct health insurance reserves as premium stabilization provisions for each of its self-insured health plans in order to manage possible large fluctuations in premium requirements. The reserves are used to smooth out premium increases so that unusually high claims experienced in a given year do not lead to unusually high increases in premiums. The reserves are also available to meet unanticipated catastrophic claim requirements, when necessary. Each of the reserve balances represents a combination of contributed funds and related investment income over many years, based on contributions from active and retired staff, the United Nations and the other participating organizations across all funding sources. The volume of health insurance claims has a direct bearing on the reserve balances: balances have increased when numbers of health claims were lower than expected and have decreased when the numbers were higher than expected.

10. The medical and dental reserves are maintained in accordance with prudent financial practices, taking into account insurance industry standards. The benchmark for health insurance plans based in the United States is to maintain reserves equivalent to about three or four average months of claim costs. For plans not based in the United States, larger reserve balances equivalent to about six to eight average months of claim costs need to be maintained to take into consideration fluctuations resulting from currency exchange and inflation rates, in addition to higher claims incurred but not reported owing to a lesser degree of automation in the claim filing process. The reserves of the United Nations Staff Mutual Insurance Society against Sickness and Accident are maintained in accordance with the statutory requirements governing the plan.

Table 1
Reserve balances of the self-funded health insurance plans as at 31 December 2012[a]
(Thousands of United States dollars)

Health plan	*Reserve balance as at 31 December 2012*	*Average monthly claim costs*	*Equivalent of average monthly claim costs*
Plans administered by third-party administrators			
Aetna	83 991	7 311	11.5
Empire Blue Cross	30 882	11 101	2.8
Cigna dental	11 759	1 745	6.7
Vanbreda International	58 332	7 448	7.8
Medical insurance plan for locally recruited staff	77 753	1 733	44.9
Subtotal	**262 717**	**29 338**	**9.0**
Plan administered by the United Nations Office at Geneva			
United Nations Staff Mutual Insurance Society against Sickness and Accident	130 500	7 210	18.1
Total	**393 217**	**36 548**	**10.8**

[a] Does not include information on the fully insured plans listed in paragraph 7 of the present report because the full monthly premiums are remitted to the insurance companies based on monthly invoices and therefore no reserves are built up and held by the United Nations.

11. To periodically adjust excess reserve amounts, the United Nations has, over the years, declared premium holidays. On the basis of current plan participant data, the excess reserve amounts are distributed to the active and retired staff and to the participating organizations across all funding sources. This has been and continues to be the most equitable means of returning excess health insurance reserve funds to all participants, because staff from all funding sources have participated in the plans at various weightings over time and because data for health insurance claims are not maintained by funding source. Movements of staff between funding sources and between the United Nations and the funds and programmes which continue their coverage under the health plans administered by the United Nations further complicate the ability of the Secretariat to provide a precise allocation of excess reserves by funding source.

12. A total of $23.3 million (comprising $5.9 million to staff and retirees and $17.4 million to the Secretariat and other participating entities) was distributed through the premium holiday methodology from October 2010 to June 2013, in respect of the Aetna medical and Cigna dental insurance plans.

13. The level of the reserve for the Empire Blue Cross plan fell below industry standards, to the equivalent of 1.5 average months of claim costs in 2010. Through plan design changes, increases in premiums and new requirements relating to the enrolment in Medicare Part B of eligible retirees residing in the United States, the level of the reserve has increased to the equivalent of 2.8 average months of claim

costs as at 31 December 2012 and is expected to reach 3 average months by 31 December 2013.

14. The high level of reserves of the medical insurance plan is mainly attributable to the increases in the number of participants in certain peacekeeping missions where the loss ratio, namely, claim expenditures as compared with premium collections, was particularly low. This trend is, however, currently changing given the improvements in the network of medical providers with direct billing agreements; these improvements, which have been put in place by the third-party administrator, have facilitated access to care at many duty stations. The strengthening of preventive care provisions is also expected to have a slight short-term impact on the level of reserves.

15. The Secretariat continues to monitor closely the medical and dental reserve balances, taking into consideration the insurance industry standards, in an effort to minimize significant differences in the levels of reserves maintained for the various health insurance plans.

III. Updated actuarial valuation of after-service health insurance liabilities

A. Basis for valuation, including changes affecting the results

16. Since 1995, through the use of a certified actuary, the United Nations has determined the present value of future after-service health insurance benefits and disclosed this as an accrued liability in its audited financial statements. The most recent actuarial study to determine this accrued liability was undertaken for the financial period ending 31 December 2011.

17. The actuarial valuation was based on comprehensive sets of census data for active staff and retirees, medical claims data and assumptions with regard to retirement and withdrawal rates, eligibility requirements, life expectancy and other parameters; the same assumptions are used by the United Nations Joint Staff Pension Fund for its pension liability valuation.

18. The valuation, which was based on the plan provisions in effect as at 1 January 2012, determined the net United Nations after-service health insurance obligation by applying the aggregate cost-sharing percentages to the total obligations relating to the after-service health insurance benefits.

19. The actuarial valuation also took into account the change in policy under the after-service health insurance programme effective from 1 January 2011, which required eligible participants to enrol in Part B of the Medicare programme of the United States, in addition to enrolling in a United Nations plan, with the United Nations reimbursing the Medicare Part B premium to participants.

B. Extent of liability

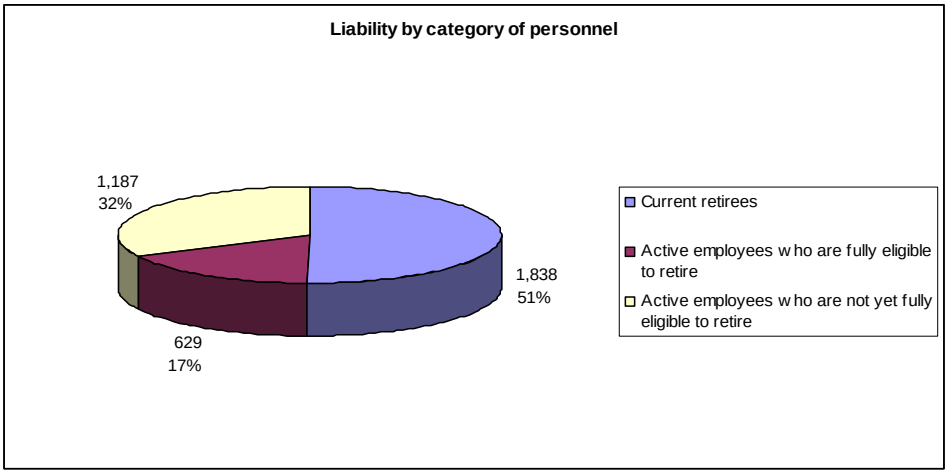
20. Based on the 2011 actuarial valuation, the present value of the accrued liability of future benefits (net of retiree contributions) for the United Nations was estimated at $3,654 million as at 31 December 2011 and was projected to increase to $3,943

million as at 31 December 2012. The relative distribution of accrued liability across the sources of funding is illustrated in table 2 and figure I.

Table 2
Projection of accrued after-service health insurance liability as at 31 December 2011 and 2012
(Millions of United States dollars)

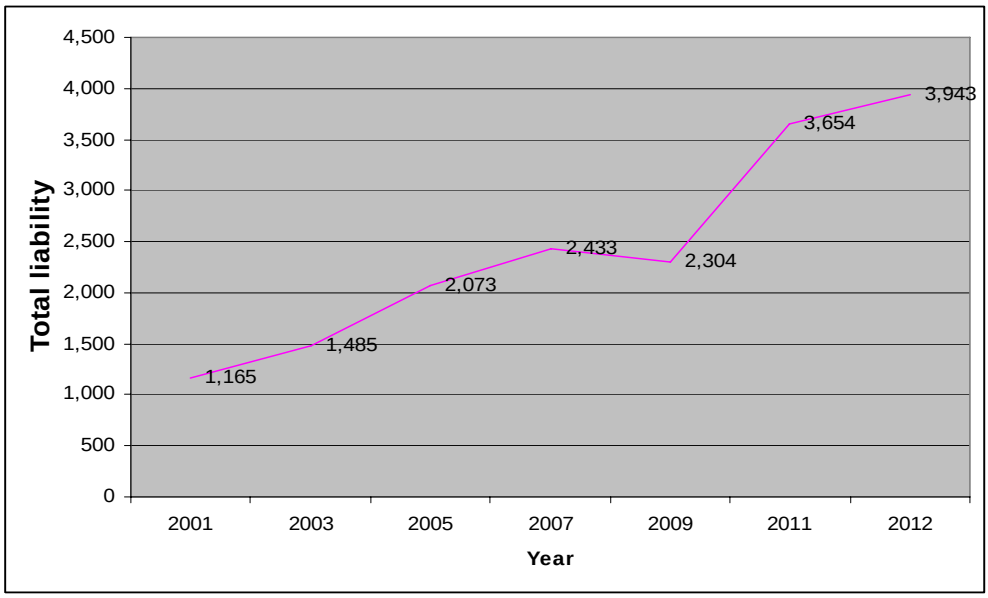
Source of funding	*2011*	*2012*
Regular budget	2 568	2 710
Peacekeeping operations	769	886
Extrabudgetary	317	347
Total	**3 654**	**3 943**

Figure I
Breakdown of 2011 accrued liabilities
(Millions of United States dollars)



21. Since 2001, the accrued liabilities have grown more than threefold, as illustrated in figure II.

Figure II
Accrued after-service health insurance liability since 2001
(Millions of United States dollars)



22. The Board of Auditors validates the after-service health insurance liabilities as part of its audit of the financial statements of the Organization. In its reports on the financial statements of the United Nations for the biennium ended 31 December 2011 (A/67/5 (Vol. I) and Corr.1 and 2) and on United Nations peacekeeping operations for the 12-month period from 1 July 2011 to 30 June 2012 (A/67/5 (Vol. II)), the Board recognized the increasing accrued liabilities for after-service health insurance and noted that the predominant reason for this increase was the decrease in the discount rate from 6 per cent to 4.5 per cent, reflecting the broad decline in the interest rate for high-quality corporate bonds which was used as the benchmark for determining the discount rate. Given that the current actuarial valuation is conducted biennially with no further review of the applied discount rate during the biennium, the Board expressed its concern that the estimated annual liability might not sufficiently reflect changes in the economic environment. To address the finding, the Administration agreed with the Board to conduct an annual review of the changes in discount and inflation rates and to revise the valuation accordingly while continuing to undertake a full census and medical claims review every two to three years except when significant changes in staffing levels occurred, in accordance with accepted actuarial principles.

23. The presentation in the financial statements indicates that no specific assets exist to settle the unfunded liabilities. Given the projected retirement of United Nations staff, the growth in liability and in expenditure to cover after-service health insurance costs for current retirees will continue to accelerate in future bienniums. The Board of Auditors has expressed its concern regarding the absence of specific assets to cover the liabilities. The need for the adoption of a funding plan in respect of the accrued liabilities has become crucial.

C. Impact of the increase of the retirement age to 65 years

24. The General Assembly, in its resolution 67/257, endorsed the decision of the International Civil Service Commission in paragraph 85 of its report (A/67/30 and Corr.1) to support the recommendation of the United Nations Joint Staff Pension Fund to raise the mandatory age of separation to age 65 years for new staff, effective no later than 1 January 2014.

25. Under International Public Sector Accounting Standard 25, obligations for end-of-service benefits are determined based on the benefits of current participants at the time of calculation of the liabilities. Accordingly, the actuary contracted by the United Nations has determined that the increase in the normal retirement age of staff members who enter on duty as from 1 January 2014 will have no immediate impact on the obligations as at 31 December 2011, 31 December 2012 or 31 December 2013.

26. If the raising of the mandatory age of separation were to be extended to current staff, the actuary estimated that, assuming that 70 per cent of current staff elect to defer their retirement and with no further changes to the assumptions used for the original 31 December 2011 valuation, the impact on the liabilities would be less than 1 per cent, or a reduction of $30.9 million (0.85 per cent) of the 2011 valuation of $3,654 million.

27. Two factors would influence such a change:

(a) Staff who are already eligible for after-service health insurance and who delay their retirement will continue to contribute as active staff, thereby deferring and reducing the liabilities for after-service health insurance;

(b) Staff who would not normally qualify for after-service health insurance owing to the requirement of 5 or 10 years' participation in a United Nations health insurance plan upon retirement may accrue additional years and qualify for participation in the scheme. This would result in an increase in the liabilities.

IV. Funding of after-service health insurance liabilities for active staff and retirees

A. Comprehensive long-term strategies for financing after-service health insurance liabilities, including arrangements for ensuring accurate funding from the different sources

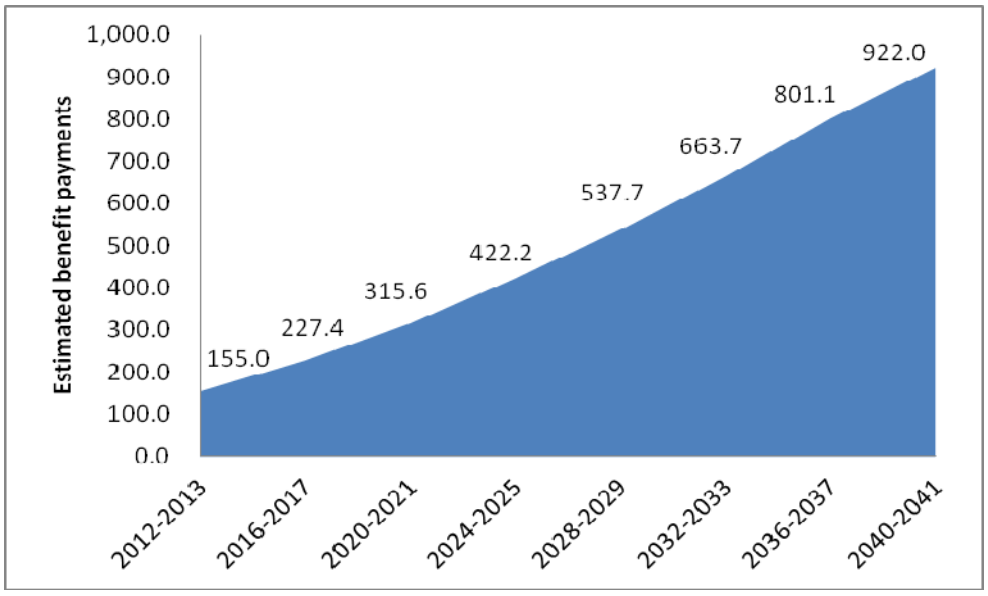
28. The issue of funding for the accrued liabilities for after-service health benefits has been under discussion by Member States and in inter-agency bodies for some years. A number of United Nations organizations have adopted their own strategy through a variety of systematic and ad hoc funding mechanisms appropriate to their respective situation. These methods include a blend of pay-as-you-go, supplemented by additional contributions from existing reserves, one-time or periodic transfers from fund balances otherwise available for programming, and charging of fixed or incremental annual amounts ranging from 4 to 7 per cent of net salary cost rates.

29. As with pension benefits, entitlement to after-service health insurance accrues over the working careers of staff members; however, the modalities for funding these two post-employment entitlements differ significantly. In the case of pension

benefits, costs are budgeted and recorded as part of staff costs in advance during the working years of the staff members and the funds collected are invested by the United Nations Joint Staff Pension Fund until the benefits are paid. While after-service health insurance benefits are comparable in nature, no such financial provisions are made during the years of service. Instead, such costs are currently budgeted and provided for in the year in which the benefits are accessed by retirees.

30. While the pay-as-you-go approach provides for the resources required to fund the United Nations share of the after-service health insurance premiums during the year that such coverage is provided, there is at present no mechanism to set aside funds and to build a reserve to address accumulated or future costs. The pay-as-you-go approach has led to the accumulation of the current unfunded liabilities, estimated at $3,943 million as at 31 December 2012. This approach addresses only the continuing health insurance premium subsidies of retirees and does not address the accrued and increasing liabilities for after-service health insurance. The consulting actuary has valued the pay-as-you-go requirements for the biennium 2012-2013 at $155 million, and projected that such requirements will grow to $422.2 million by the biennium 2024-2025 and to $922 million by the biennium 2040-2041. The pay-as-you-go approach as the sole financing mechanism is not considered to be a sustainable option in the long term owing to the rapidly increasing amount of the support resources required to fund the cost of after-service health insurance, given the projected retirement rates of United Nations staff and the demographic and economic factors that affect the valuation.

Figure III
Projection of pay-as-you-go biennial costs
(Millions of United States dollars)



Note: Estimated compound annual rate of growth of 18.2 per cent for each biennium from 2012-2013 to 2024-2025 and 13.6 per cent for each biennium from 2012-2013 to 2040-2041.

31. The Secretary-General recognizes that providing a funding mechanism to meet these liabilities is a complex issue. Full funding of the accrued liabilities for the United Nations cannot be achieved in the short to medium term and will require a dedicated long-term funding strategy.

32. The Secretary-General has therefore explored a number of funding mechanisms and considers it prudent to adopt a funding policy that ensures that adequate funds are set aside to meet the costs of current participants and future benefit liabilities towards full funding of such liabilities. While limiting the rapid increase in pay-as-you-go amounts that would be experienced if it remained the only funding mechanism, this approach would also provide a more accurate and transparent view of the true cost of service of active staff. The recommended funding strategy described below addresses funding of the incremental ongoing after-service health insurance liabilities and of the existing accrued liabilities.

(a) Funding of the accruing liabilities of active staff as a result of their current service

33. With regard to active staff members who are currently accruing an entitlement towards after-service health insurance, the proposed approach is to establish a charge equivalent to 4.5 per cent of total staff costs across all funding sources in order to cover current service costs, that is, the cost of benefits earned during the current period of active service. Total staff costs would comprise net base salary and common staff costs for all categories of staff. The recommended flat percentage charge would be charged to common staff costs and would reflect the actual cost of employment. Based on total staff costs of approximately $4.5 billion for 2012, under this approach an amount of $202 million will have been accrued to match the 2012 service costs projected by the actuary.

(b) Funding of existing accrued liabilities of existing retirees and active staff

34. To address the unfunded and already accrued liabilities and with the objective of achieving a specific funding goal, the Secretary-General proposes to establish a charge, to be included in common staff costs, equivalent to 2 per cent of total staff costs across all funding sources. Based on actuarial valuations, it is estimated that full funding of the accrued liabilities could be achieved in 20 years. The initial estimated cost is $200 million (2 per cent of total staff costs) for the biennium 2016-2017, increasing to an estimated $329 million by the biennium 2036-2037.

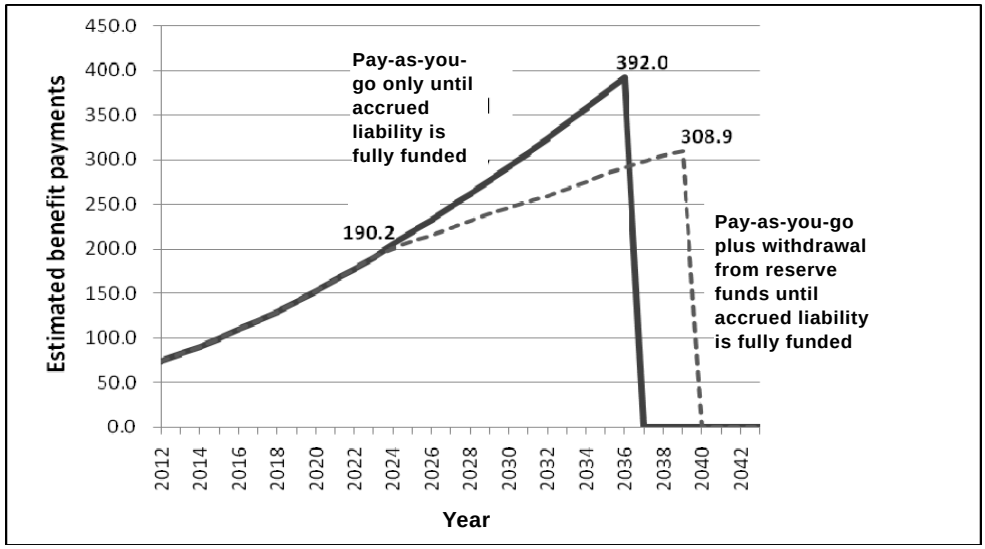
35. Under this approach, the after-service health insurance costs for retirees would continue with the current pay-as-you-go funding arrangements, through appropriations for the subsidy payments for participants who retired under regular budget and peacekeeping operations, and through funds provided from extrabudgetary sources for the subsidy payments in respect of participants who retired under extrabudgetary funds. Once full funding of the accrued liabilities is achieved, the pay-as-you-go requirements and the charge equivalent to 2 per cent of total staff costs would be discontinued.

36. It is recognized that variations in the accrual rates and the pay-as-you-go approach could shorten or lengthen the period required to reach full funding. The flat rates would be adjusted periodically to ensure that the amounts necessary to achieve full funding of the liabilities are met and to reflect variations in rates and actuarial assumptions. Similarly, the growth in the pay-as-you-go requirements could be reduced through use of a share of the accrued interest from the reserve in

the medium term, with the effect of delaying the discontinuance of the pay-as-you-go funding.

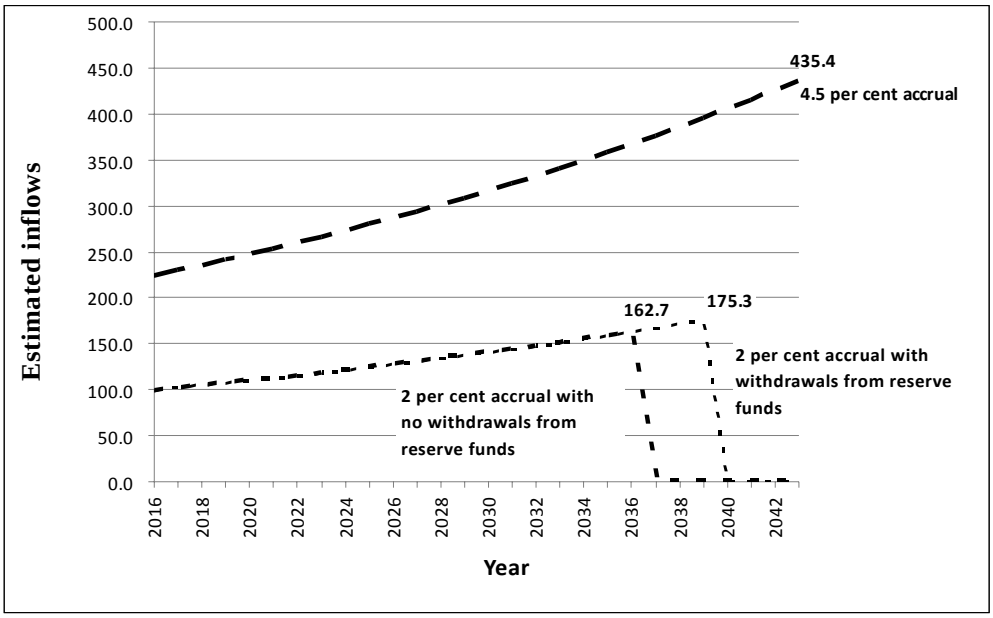
37. Figure IV shows the estimated annual pay-as-you-go amounts with and without withdrawals from the reserve funds. With no withdrawal, the pay-as-you-go option would reach an annual amount of $392 million by 2036 and be discontinued in 2037 once the accrued liability is fully funded. With withdrawals from the reserve beginning in 2023, the annual pay-as-you-go amount would reach $308.9 million in 2039. The pay-as-you-go option could then be discontinued in 2040 once the accrued liability is fully funded.

Figure IV
Pay-as-you-go levels with and without withdrawal from reserve funds
(Millions of United States dollars)



38. Figure V shows the estimated yearly inflows from the 4.5 per cent and 2 per cent accrual charges. The 2 per cent accrual charge would be discontinued once full funding of the accrued liability is achieved in 2037, or in 2040 if withdrawals from the reserve are used to fund a portion of the pay-as-you-go requirements beginning in 2023.

Figure V
Estimated inflows as a result of the 4.5 per cent and 2.0 per cent accruals
(Millions of United States dollars)



39. There are a number of benefits resulting from the proposed approaches for funding the liabilities. First, the use of fixed rates would entail no differentiation according to funding source, similar to other staff benefits, and would better reflect the true cost of service. Second, the methodology would provide for a transparent method of costing by differentiating between service cost and accrued liability funding and would maintain transparency in the service cost even after the past liability is funded. Lastly, the service cost in the medium term could be established for all organizations, similar to the approach followed for the United Nations Joint Staff Pension Fund, if the after-service health insurance eligibility and coverage were to converge.

40. Once full funding is achieved, both the pay-as-you-go appropriations and the special 2 per cent charge on staff costs would be discontinued.

B. Use of the premium holiday

41. The Secretary-General recommends that, as part of the strategy for reducing the unfunded portion of the accrued liabilities, the General Assembly might consider that the portion of the health insurance reserves that would normally accrue to Member States under the premium holiday methodology be made available for the purpose of funding the liability. It is estimated that the amount available annually for this purpose would range from $1 million to $5 million, and would serve to reduce the duration of the additional 2 per cent charge described in paragraph 34 above.

C. Administration costs relating to alternative funding options

42. Subject to the approval of the General Assembly of the proposed funding options, the funds generated would be held in trust under special segregated liability reserve funds. The investment management services would be provided by the United Nations Treasury in the short to medium term for at least five years. The proposed accruals would involve annual estimated inflows of from $323 to $356 million, beginning in 2016. The United Nations Treasury has both the capacity and the expertise to undertake the management of the liability reserve funds within its existing operations, given that it currently manages a portfolio that amounts to more than $6 billion, comprising more than 100 pooled accounts with recurrent inflows and outflows, and includes the existing operating reserves of the health insurance plans.

43. The primary investment goal for the liability reserve funds will be ultimately to meet or exceed future benefit obligations by investing in a well-diversified asset mix within acceptable parameters, which is suitable for a reserve for retirement benefits.

44. The specifics of an investment strategy tailored for after-service health insurance will be dependent upon the approved level of the periodic contributions and, at a subsequent stage, upon the level of outflows needed to provide for the benefits. Allocations will be adjusted as necessary to lower the exposure to systemic risk and to increase diversification. The strategic asset allocation will be developed for the purpose of maximizing the return on investment and will require periodic review to ensure that it achieves its performance objective.

45. It is anticipated that, in the longer term, as the liability reserve funds grow and the pay-as-you-go approach for current retirees is gradually supplemented by withdrawals from the reserve, thereby creating both inflows into and outflows from the liability reserve funds, it will be necessary to assess the need for specialized assets management services. This could be done in conjunction with a number of the United Nations organizations that are currently examining the feasibility of an external entity to jointly manage their respective after-service health insurance liability reserves. The industry standard annual charge rate by an asset manager is approximately 0.5 per cent of the portfolio value.

V. Further measures to reduce United Nations costs relating to health insurance plans

46. To address the growing costs of health insurance, the Organization has over the years embarked on a number of cost containment initiatives while ensuring that participants continue to have access to appropriate insurance to meet their health-care needs. Health insurance costs are controlled by the manner in which the plans are structured and through a continuing review of the provisions of and benefits offered by the various plans.

47. The Secretary-General, in his report on liabilities and proposed funding for after-service health liabilities (A/64/366), provided a description of the cost containment initiatives undertaken in previous years. These measures continue to be applied.

A. Cost containment initiatives

48. The following measures, implemented since the issuance of the above-mentioned report of the Secretary-General, are aimed at further containing the costs of the health insurance programme:

(a) *Medicare Part B requirement for retirees residing in the United States*. Medicare is a federal programme established by the Government of the United States to provide health insurance to eligible participants aged 65 years and over, or who meet other specific criteria. As at 1 January 2011, United Nations retirees who reside in the United States, are covered under a plan based in the United States and are deemed eligible are required to enrol in Medicare Part B, with the Organization reimbursing the required premium. This change did not result in any loss of benefits because the United Nations plan now acts as a supplementary plan. The consulting actuary estimated that the initiative resulted in a reduction of the liabilities by some $258 million. It is noted that the United States-based plans have already seen lower rates of premium increases for the plan year beginning 1 July 2013 compared with previous years;

(b) *Preventive care*. Efforts have been made to revise the plan designs to ensure that preventive care is fully covered and encouraged. This includes the cost of annual medical, dental and eye examinations, and the immunizations recommended by the World Health Organization, especially for staff working in the field. The rationale for such improvements is that preventive care is more cost-efficient than treatment. Early identification of chronic and serious conditions enables participants to take steps to better manage their health. Early management of such conditions may also result in lower rates of absenteeism and higher productivity among active staff, costs that are not easily reflected in the insurance programme costs;

(c) *Changes in the deductibles of the plans based in the United States*. Over the years, the deductibles have been increased for participants who do not use the network providers with which the third-party administrators have negotiated discounted rates. The use of out-of-network providers increases costs because such providers tend to charge retail prices that are higher than the rates of network providers, even if the claim reimbursements are limited to reasonable and customary rates. Changes in the deductibles implemented in July 2009 and July 2013 are aimed at encouraging participants to use network providers;

(d) *Changes in the Vanbreda plan for care in the United States*. The Vanbreda plan has been designed and priced for health care outside the United States, where costs are usually higher; the plan provides coverage for emergency care in the United States. The increased use of the plan in the United States has resulted in higher costs and, consequently, premiums. In July 2013, changes, including higher deductible amounts specific to non-emergency care received in the United States, were made to the plan in order to reduce costs and use of the plan in the United States for non-emergency inpatient and selected outpatient treatments, while preserving overall access to adequate health care;

(e) *Third-party administrator*. The appointment of a third-party administrator for the medical insurance plan for locally recruited staff at designated duty stations was completed in 2010. Consequently, the United Nations has access to claim statistics that were not available in such detail in the past. In addition, participants

now can benefit from an increasing number of direct billing agreements, including discounted price lists, signed between the third-party administrator and care facilities;

(f) *Expansion of the disease management and wellness programme to field personnel*. The United Nations is currently working with the third-party administrators to enable an expansion of the disease management and wellness programme to field personnel. As noted in subparagraph (b) above, productivity and absenteeism costs may not be fully reflected in the cost of the insurance programmes but have financial implications for the United Nations.

B. Consideration of other national health insurance plans for eligible United Nations retirees

49. Current experience has indicated that United Nations staff members do not necessarily return to their home countries upon retirement; many retire in countries in which they maintain family ties. In addition to Medicare, the United Nations has examined the retiree health insurance plans offered in other countries for public and private sector employees to determine whether United Nations retirees who are nationals and residents of the respective countries are permitted to enrol in national health insurance programmes, provided that they satisfy their eligibility requirements. Employees who are normally eligible to enrol in public sector after-service health insurance plans are those who retire on an immediate annuity under a retirement system for civilian employees and who may or may not have been continuously enrolled in a health benefits plan. United Nations retirees able to satisfy these requirements are often limited to the small number who served on secondment from their Governments. No Member State is known to equate service with the United Nations with service with its Government. A study of 11 countries showed that health insurance plans may provide universal coverage or may be restricted to particular groups that have contributed to such plans.[2] Where there is no generally available health insurance plan, the United Nations after-service health insurance plans are the only source of social security in this respect. The United Nations will continue to examine instances in which the option of national health insurance plans could be pursued as an additional cost containment measure in the context of maintaining adequate health insurance for retirees while minimizing the financial impact on the Organization.

VI. Options with regard to contribution levels to after-service health insurance plans

A. Background

50. The United Nations health insurance plans provide for the cost of insurance premiums to be shared between the United Nations and plan participants (active and retired), in accordance with the relevant General Assembly resolutions (see table 3).

[2] The countries studied were Canada, Chile, France, Ghana, India, Japan, Lebanon, Mexico, the Philippines, Thailand and the United Kingdom of Great Britain and Northern Ireland. These countries, along with the United States, comprise the top countries of residence of United Nations retirees.

Table 3
Approved cost-sharing ratios for the United Nations health insurance plans
(Percentage)

Health insurance plan	*Organization share*	*Participant share*
United States plans[a]	66.7	33.3
Non-United States-based plans[b]	50.0	50.0
Medical insurance plan for locally recruited staff at designated duty stations[c]	75.0-80.0	25.0-20.0

[a] General Assembly resolution 38/235.
[b] General Assembly resolution 1095 A (XI).
[c] General Assembly resolution 41/209.

51. The subject of health insurance subsidies, including the apportionment of the cost of health insurance between the United Nations organizations and staff, was considered by the International Civil Service Commission in 1983 (see A/38/30), in response to the request of the General Assembly to examine the need to raise the ratio of contributions by organizations of the United Nations common system (Assembly resolution 37/126, sect. III, para. 8). The Commission examined staff contributions to health insurance as a proportion of net remuneration at the seven headquarters duty stations and noted, among other things, that while the 50/50 cost-sharing formula had kept average staff contributions expressed as a proportion of net remuneration at reasonably low levels, in some instances those percentages appeared to be too high, especially in New York.

52. The International Civil Service Commission agreed that health insurance was a common system issue and decided that an average of staff contributions to health insurance expressed as a proportion of net remuneration and weighted by the number of staff members at seven headquarters locations should be calculated by its secretariat. For duty stations where the ratio of staff contributions to net remuneration was higher than the ratio for the seven headquarters duty stations, the Commission indicated that the executive heads might wish to propose to their legislative bodies appropriate cost-sharing formulae that would align staff contribution rates at those duty stations with the average applicable at the seven headquarters locations.

53. It has been 30 years since the cost-sharing ratios were reviewed by the International Civil Service Commission.

B. Participant contributions

54. Participant contributions under the health insurance schemes are dependent upon the type of coverage (e.g. single, two-person or family) and health plan selected. In accordance with General Assembly resolution 1095 A (XI), contributions are also based on an individual’s salary or pension level so that participants at lower salary and pension levels receive a larger share of the health benefit costs from the Organization than do staff and retirees at higher salary and pension levels. This is illustrated in table 4.

Table 4
Current staff contributions to the medical insurance expressed as percentage of net salary

Health insurance plan	*1 person*	*2 persons*	*3-5 persons*	*6 or more persons*
Plans based in the United States				
Aetna	5.0	8.73	9.75	9.75
Empire Blue Cross	3.43	6.08	7.75	7.75
Health Insurance Plan of New York	4.66	7.13	10.01	10.01
Plans not based in the United States				
Vanbreda International				
Western Europe	2.41	3.88	6.11	6.11
Chile and Mexico	2.31	3.73	5.86	5.86
Worldwide (all other countries)	1.51	2.33	3.67	3.67
Medical insurance plan for locally recruited staff in the field	1.0	1.25	1.75	2.25
United Nations Staff Mutual Insurance Society against Sickness and Accident	2.7	4.0	4.4	4.4

55. Contributions by retirees are determined on a sliding scale, based on monthly pension values that are adjusted on the basis of cost-of-living increases declared by the United Nations Joint Staff Pension Fund. For staff hired on or after 1 July 2007 and who retire with less than 25 years of participation in the health insurance programme, the contribution levels will be higher than for staff who were hired before 1 July 2007. The impact of this policy change will be more noticeable from 2017.

56. Each health insurance plan provides for both active and retired staff in a single claims experience pool. Since January 1974, costs are apportioned between retired and active staff with the result that the contribution rate for retirees is approximately one half of that for active staff members, while maintaining the mandated sharing ratios between the Organization and the participants as a group. This arrangement shifts a portion of the Organization’s share from active staff members to retirees.

C. Pricing of medical insurance premiums

57. The self-insured United Nations health insurance programmes are experienced rated, with annual premiums set based on a combination of the expenses incurred by plan participants in the prior year, the expected effect of higher utilization and inflation and the appropriate allowance for administrative costs. Following a year of heavy utilization, premium increases are relatively high. Conversely, if utilization in the prior year has been moderate, the premium increase will be moderate. The annual premiums are calculated to meet medical expenses and administrative costs in the ensuing 12-month period.

VII. Financial and legal implications of changing the scope and coverage of the after-service health insurance plans and the contribution levels

58. The Secretary-General has examined the financial and legal implications of changing (a) the scope and coverage of the after-service health insurance plans and (b) the contribution levels for current retirees and active staff.

59. From a legal standpoint, any significant changes to the scope, coverage and contribution levels of the after-service health insurance plans that are detrimental to participants could affect the core elements of the acquired rights of both active and retired staff members in relation to the benefit. This would contravene staff regulation 12.1, which allows the existing Staff Regulations and Rules of the United Nations to be supplemented or amended by the General Assembly without prejudice to the acquired rights of the staff members. While no definition of acquired rights exists in the Staff Regulations and Rules, it is a well-established legal principle that has been followed not only by national jurisdictions but also by administrative tribunals in the United Nations system.

60. It is not always easy to determine whether a specific change to a rule may affect acquired rights. Essentially, rights which are acquired through service and become due cannot be challenged by a subsequent rule that modifies the conditions giving rise to them.

61. The after-service health insurance benefit essentially derives from the staff member's contract of employment and is acquired through service.[3] It is thus an essential part of the staff members' terms and conditions of employment.

62. The rights of current retirees to after-service health insurance have become due and are being enjoyed. Significant changes to the scope, coverage and/or contribution levels of the after-service health insurance plans that diminish their benefits would pose legal risks.

63. Insofar as active staff members are concerned, modifications that affect rights acquired through service would be admissible only prospectively. For example, pursuant to General Assembly resolution 61/264, modifications to the provisions concerning eligibility for and contributions to after-service health insurance were limited to staff members recruited on or after 1 July 2007 and were consistent with the principles of non-retroactivity and respect for acquired rights.

64. To determine the exact legal implications of the changes to the scope and coverage of the after-service health insurance plans and the contribution levels for participants, specific analysis of any considered changes would be necessary before reaching a definitive conclusion.

65. Any change to the after-service health insurance could have financial implications for the liabilities, ongoing costs and apportionment of costs borne by the participants and by the United Nations. The financial implications would more accurately be determined on the basis of detailed measures.

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[3] The after-service health insurance programme was established in 1967 in the light of the difficulties encountered by retired staff members in obtaining health insurance after a career in an international organization. Current provisions governing the programme are contained in administrative instruction ST/AI/2007/3, dated 1 July 2007.

66. Changes to the design of the plans have been introduced on a regular basis, including those requiring enrolment in Medicare B for all eligible retirees as from January 2011 and an increase in the level of deductibles and co-payment amounts paid by participants on the basis of prevalent provisions in comparable plans. Plan designs continue to be adapted in accordance with the evolving health insurance environment, while maintaining the goal of containing costs and ensuring access to quality care for eligible retirees.

VIII. Closure of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda

67. In previous reports on the funding of after-service health insurance liabilities, the Secretary-General proposed the establishment of a funding mechanism in respect of the closure of the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda. The Secretary-General noted that the liabilities had been accruing but that no portion thereof had been funded. This has contributed to the large degree of concern raised by the Board of Auditors in its reports related to the financial statements of the Tribunals for the bienniums 2004-2005 and 2006-2007 (A/61/5/Add.11 and Corr.1, A/61/5/Add.12 and Corr.1, A/63/5/Add.11 and A/63/5/Add.12). Without related funding, the tribunals will not have the capacity to cover their liabilities. The Secretary-General advises that, as part of the eventual closure of the tribunals, it will be necessary to take into account the accrued unfunded liabilities of the active and retired staff and to ensure that the residual amounts are appropriately funded.

IX. Conclusions

68. The unfunded liabilities of after-service health insurance amounted to $3,654 million and $3,943 million as at 31 December 2011 and 31 December 2012, respectively. Based on the projected retirement of United Nations staff, and on existing demographic and medical inflation assumptions, this amount is expected to increase significantly in future bienniums, with no specific assets to match the unfunded liabilities. The Board of Auditors has validated the liabilities and, in view of their significance, has continued to recommend that the Organization adopt a funding strategy. The Secretary-General concurs that it is necessary to begin recognizing ongoing service costs as service takes place and to regularly put aside funds in order to build a reserve to fund future after-service health insurance subsidy requirements, smoothing the need for resources over time.

X. Action to be taken by the General Assembly

69. **With regard to the adoption of a mechanism to fund the presently accrued liability for after-service health insurance benefits of the United Nations, the International Tribunal for the Former Yugoslavia and the International Criminal Tribunal for Rwanda and to fund the annual incremental accrual for employees in the active service of those entities, the General Assembly is requested:**

(a) **To approve the funding of current and future after-service health insurance liabilities of the United Nations relating to active and former staff under all funding sources with effect from 1 January 2016 and the transfer of such funds to a special account for the after-service health insurance liability reserve fund, by:**

(i) **Ongoing funding for the long term:**

a. **Taking note of the intention of the Secretary-General to continue with current pay-as-you-go funding arrangements through appropriations to cover the cost of subsidy payments in respect of current after-service health insurance participants who retired under the regular budget and peacekeeping operations;**

b. **Taking note of the intention of the Secretary-General to continue with current pay-as-you-go arrangements from extrabudgetary sources in respect of current after-service health insurance participants who retired under extrabudgetary funds;**

c. **Establishing charges equivalent to 4.5 per cent of total staff costs across all funding sources in order to cover accruing service costs in respect of active staff members, as part of common staff costs, with effect from 1 January 2016;**

d. **Deciding that the rate of 4.5 per cent with regard to the accruing service costs in respect of active staff members will be reviewed every five years to ensure that the amounts required to achieve the funding goal are met;**

(ii) **Funding of accrued liabilities:**

a. **Establishing a charge equivalent to 2 per cent of total staff costs across all funding sources with the objective of achieving a full funding goal in 20 years in respect of the accrued liabilities for after-service health insurance, as part of common staff costs, with effect from 1 January 2016;**

b. **Deciding that the rate of 2 per cent with regard to the accrued liabilities for after-service health insurance would be reviewed every five years to ensure that the amounts required to achieve the funding goal are met;**

c. **Endorsing the proposal of the Secretary-General that the portion of the health insurance reserves that would normally accrue to Member States when a premium holiday is granted be made available to reduce the unfunded portion of the accrued liabilities for after-service health insurance;**

(b) **To approve funding of the accrued after-service health insurance liabilities of the International Tribunal for the Former Yugoslavia and of the International Criminal Tribunal for Rwanda as part of the wind-up costs of both tribunals;**

(c) **To take note that increasing the normal age of retirement to 65 years for future staff members, with effect from 1 January 2014, would not have a material effect on the accrued liabilities reported before 1 January 2014;**

(d) **To take note that, by increasing the normal retirement age to 65 years for current staff members on an optional basis and with effect from 1 January 2014, the impact on the actuarial valuation would be a reduction in the accrued liabilities of less than 1 per cent.**

70. **The General Assembly may also wish to invite the International Civil Service Commission to revisit the issue of the apportionment of health insurance premiums between the United Nations organizations and plan participants.**

Annex I

Summary of benefits of the health plans in the United Nations health insurance programme

(United States dollars)

Benefit	*Aetna (medical only)*		*Empire Blue Cross (medical only)*		*Cigna (dental only)*	*Vanbreda International*	*Medical insurance plan for locally recruited staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*United Nations Industrial Development Organization and United Nations Office at Vienna group medical insurance plan*
	Network provider	*Out-of-network provider*[a]	*Network provider*	*Out-of-network provider*[a]					
Annual deductible	None	$250 (individual) $750 (family)	None	$250 (individual) $750 (family)	None (network provider) $50 per person and $150 per family (out-of-network provider)	None if care is outside United States For care in United States: $1,200 (individual); $3,600 (family)	None	None	None
Annual out-of-pocket maximum	–	$1,250 (individual) $3,750 (family)	–	$1,250 (individual) $3,750 (family)	–	$200 (individual) $600 (family) For care in United States: $2,200 (individual); $6,600 (family)	One month’s salary for active service	–	–
Annual maximum (per person)	Unlimited	Unlimited	Unlimited	Unlimited	$2,250, with annual increases of between $100 and $300 if preventive care taken	$250,000	Four times the plan’s reference salary (five times for Thailand)	Unlimited	Unlimited

Benefit	*Aetna (medical only)*		*Empire Blue Cross (medical only)*		*Cigna (dental only)*	*Vanbreda International*	*Medical insurance plan for locally recruited staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*United Nations Industrial Development Organization and United Nations Office at Vienna group medical insurance plan*
	Network provider	*Out-of-network provider*[a]	*Network provider*	*Out-of-network provider*[a]					
Inpatient hospitalization (pre-registration required)	100%	100%	100%	80% (United States) 100% (international)	–	$330 per day for room and board, except for Western Europe, Canada, Israel, Australia, Chile and Mexico, with specific maximum daily rates 80% (fees)[b] 100% (other expenses)	100%	100% (general ward, six-bed minimum) 90% (two-bed ward) 75% (private room)	100% (for general ward and countries other than Canada, Israel, Europe and United States) 90% (second-class hospital) 70% (first-class hospital)
Outpatient hospitalization, pre-registration required	100%	100%	100%	80% (United States) 100% (international)	–	100%	100%	90%	90%
Emergency room, initial visit	100% after $50 co-payment	100% after $50 co-payment	100% after $50 co-payment	100% after $50 co-payment	–	80%	100%	80%	80%
Emergency room visit, non-emergency care	80% after deductible	80% after deductible	Not covered	Not covered	–	80%	80%	80%	80%
Office and/or home visit	100% after $15/$20 primary care physician/ specialist co-payment	80%	100% after $15/$20 primary care physician/ specialist co-payment	80%	–	80%[b]	80%	80%	80%

Benefit	*Aetna (medical only)*		*Empire Blue Cross (medical only)*		*Cigna (dental only)*	*Vanbreda International*	*Medical insurance plan for locally recruited staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*United Nations Industrial Development Organization and United Nations Office at Vienna group medical insurance plan*
	Network provider	*Out-of-network provider*[a]	*Network provider*	*Out-of-network provider*[a]					
Routine physical	100% after $15 co-payment	80%	100% after $15 co-payment	80%	–	100% (up to $750)	80%	80%	80% (up to EUR 170 per calendar year; up to EUR 562 for men over 40 and women over 35)
Surgeon's fees	100%	80% after deductible	100%	80% after deductible	–	80% (fees) 100% (other expenses)	80%	90%	80%
Pharmacy	20% co-payment (up to $20)	60% (United States) 80% (international)	20% co-payment (up to $20)	60% (United States) 80% (international)	–	80%	100% (inpatient) 80% (outpatient)	80%	80%
Mental health care, inpatient	100%	100%	100%	80%	–	Same as inpatient hospitalization	Same as inpatient hospitalization, with an annual maximum of one month of reference salary	100% (general ward, six-bed minimum) 90% (two-bed ward) 75% (private room)	100% (for general ward and countries other than Canada, Israel, Europe and United States) 90% (second-class hospital) 70% (first-class hospital)
Mental health care, outpatient	100%	80% after deductible	100%	80% after deductible	–	80% with prior approval	80% (up to one month's reference salary)	80% (maximum six visits per year)	80% for staff, with prior approval, and up to a maximum of EUR 1,890 per 24 consecutive months for dependant

Benefit	*Aetna (medical only)*		*Empire Blue Cross (medical only)*		*Cigna (dental only)*	*Vanbreda International*	*Medical insurance plan for locally recruited staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*United Nations Industrial Development Organization and United Nations Office at Vienna group medical insurance plan*
	Network provider	*Out-of-network provider*[a]	*Network provider*	*Out-of-network provider*[a]					
Inpatient alcohol and substance abuse care (prior approval required)	100%	100% after deductible	100%	80% after deductible	–	Same as inpatient hospitalization	Same as inpatient hospitalization but with an annual 30-day maximum and a maximum of one month's reference salary	80% (lifetime maximum of three treatments)	Reimbursed as inpatient hospitalization, with two treatments during lifetime
Outpatient alcohol and substance abuse care	100%	80% after deductible	100%	80% after deductible	–	80% if medically necessary, with prior approval	80% (up to one month's reference salary)	80% (lifetime maximum of three treatments)	
Eye examination	100% after $20 co-payment	80%	100% after $15 co-payment	80% after deductible	–	80%	80%	80%	80% every 24 months
Eyeglasses, frames and optical lenses	$100 maximum for any two lenses or frames in a 12-month period	$100 maximum for any two lenses or frames in a 12-month period	$130 allowance; $10 co-payment for lenses	$45 maximum for frames; $25-$55 for lenses; and $105 for contact lenses	–	80% (up to $250 every 24 months)	80% (up to $120 every 24 months)	80% for: (a) lenses (maximum of SwF 450 per year cumulative over two years); (b) frames (maximum of SwF 75); and (c) refractive surgery (SwF 2,000 per eye during lifetime)	80% for lenses (up to EUR 390 every 24 months) and for laser treatment (reimbursed under day surgery or hospitalization benefit); frames are not covered

Benefit	*Aetna (medical only)*		*Empire Blue Cross (medical only)*		*Cigna (dental only)*	*Vanbreda International*	*Medical insurance plan for locally recruited staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*United Nations Industrial Development Organization and United Nations Office at Vienna group medical insurance plan*
	Network provider	*Out-of-network provider*[a]	*Network provider*	*Out-of-network provider*[a]					
Dental, annual maximum	–	–	–	–	$2,250 with annual increases of between $100 and $300 if preventive care taken	$1,000 with a one-time carry-over of unspent balance	One half of reference salary	Maximum of SwF 2,500 per year, cumulative over two calendar years	EUR 1,897 with a one-time carry-over of unspent balance
Dental, preventive care	–	–	–	–	100% (network provider) 90% (out-of-network provider)	80% (up to annual maximum)	80% (up to one half of reference salary)	80%	80% (up to annual maximum)
Dental, restorative care	–	–	–	–	100% (network provider) 80% (out-of-network provider)	80% (up to annual maximum)	80% (up to one half of reference salary)	90%	80% (up to annual maximum)
Orthodontic care, children up to 19 years of age	–	–	–	–	100% (network provider) 70% (out-of-network provider) $2,250 lifetime maximum	80% (up to annual maximum)	80% (up to one half of reference salary)	80%	80% (up to annual maximum)
Physical and other therapy, inpatient	100%	80%	100% (60 visits per year)	80%	–	100% (hospital) 80% (doctor's fees)	100% (hospital) 80% (doctor's fees)	100% (hospital) 80% (doctor's fees)	80%

Benefit	*Aetna (medical only)*		*Empire Blue Cross (medical only)*		*Cigna (dental only)*	*Vanbreda International*	*Medical insurance plan for locally recruited staff*	*United Nations Staff Mutual Insurance Society against Sickness and Accident*	*United Nations Industrial Development Organization and United Nations Office at Vienna group medical insurance plan*
	Network provider	*Out-of-network provider*[a]	*Network provider*	*Out-of-network provider*[a]					
Physical and other therapy, outpatient	100%	80%	100% after $20 co-payment (60 visits per year)	80%	–	80%[b]	80%	80% (maximum SwF 70 per session; maximum 30 sessions per year)	80%
Durable medical equipment	100%	80%	100%	–	–	80%[b]	–	80%	80%

[a] Reimbursement for out-of-network provider in the United States is subject to meeting the annual deductible amounts and is limited to reasonable and customary charges.

[b] Major Medical Benefit Plan reimburses 80 per cent of the residual 20 per cent not covered under the basic plan benefit once a member meets the annual out-of-pocket maximum.

Annex II

Comparative analysis of after-service health insurance liability for organizations of the United Nations common system

(Millions of United States dollars)[a]

Organization or entity	Total liability, 31 December			Funding available, 31 December			Liability recorded on the balance sheet, 31 December			Liability not yet recorded on the balance sheet, 31 December		Date of most recent actuarial valuation	Pay-as-you-go current retirees	Percentage of total liability funded
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2010	2011			
United Nations	2 302	2 473	3 654	–	–	–	2 304	2 473	3 654	–	–	31 December 2011	Yes	–
ICTR	23	25	43	–	–	–	23	25	43	–	–	31 December 2011	Yes	–
ICTY	14	15	27	–	–	–	14	15	27	–	–	31 December 2011	Yes	–
FAO	934	983	979	187	219	229	654	714	776	268	203	31 December 2011	No	23
IAEA[a]	244	244	111	–	–	–	–	145	111	99	–	31 December 2011	Yes	–
ICAO[a]	54	66	63	–	1	1	–	66	63	–	–	31 December 2011	Yes	2
IFAD	61	56	52	60	67	66	61	56	52	–	–	31 December 2011	No	127
ILO	510	564	738	36	40	48	510	564	738	–	–	31 December 2011	Yes	6
IMO	27	27	24	3	–	–	–	27	24	–	–	31 December 2011	Yes	–
ITC	37	39	58	–	–	–	37	39	58	–	–	31 December 2011	Yes	–
ITU	188	–	302	–	–	7	–	–	302	–	–	2012	Yes	2
PAHO	203	258	–	22	25	–	–	186	–	71	–	31 December 2010	No	–
UNAIDS	–	–	63	–	–	29	–	–	–	–	34	31 December 2007	Yes	46
UNCC	3	3	5	–	–	–	3	3	5	–	–	31 December 2011	Yes	–
UNCCD	5	5	9	–	–	–	5	5	9	–	–	31 December 2011	Yes	–
UNCDF[b]	11	11	10	–	–	–	–	–	–	–	–	31 December 2011	Yes	–
UNDP[b]	430	463	830	373	–	453	373	–	453	–	377	31 December 2011	Yes	55
UNEP	39	44	77	–	–	–	39	44	77	–	–	31 December 2011	Yes	–
UNESCO	649	736	750	27	–	–	–	736	750	–	–	31 December 2011	Yes	–
UNFCCC	13	16	29	–	–	–	13	16	29	–	–	31 December 2011	Yes	–
UNFPA	88	88	163	79	84	115	88	88	163	–	–	31 December 2011	No	71
UN-Habitat	8	9	17	–	–	–	8	9	17	–	–	31 December 2011	Yes	–
UNHCR	347	286	351	–	–	–	347	286	351	–	–	31 December 2011	Yes	–
UNICEF	464	507	783	210	240	270	–	–	–	507	783	31 December 2011	Yes	34

Organization or entity	Total liability, 31 December			Funding available, 31 December			Liability recorded on the balance sheet, 31 December			Liability not yet recorded on the balance sheet, 31 December		Date of most recent actuarial valuation	Pay-as-you-go current retirees	Percentage of total liability funded
	2009	2010	2011	2009	2010	2011	2009	2010	2011	2010	2011			
UNIDO	101	124	144	–	–	–	–	124	144	–	–	31 December 2011	Yes	–
UNJSPF	31	–	45	–	–	–	31	–	45	–	–	31 December 2011	Yes	–
UNODC	14	17	30	–	–	–	14	17	30	–	–	31 December 2011	Yes	–
UNOPS	–	–	40	–	–	18	–	–	18	–	22	31 December 2011	Yes	45
UNU	6	6	10	–	–	–	6	6	10	–	–	31 December 2011	Yes	–
UN-Women[b]	20		27			22			22		5	31 December 2011	Yes	81
UNWTO	4	4	4	–	1	1	–	1	1	3	3	31 December 2007	Yes	25
UPU	6	21	40	–	–	–	–	–	37	21	3	31 December 2010	Yes	–
WFP	182	204	231	107	113	145	182	204	231	–	–	31 December 2011	No	63
WHO	1 000	1 365	1 236	450	478	444	450	478	528	887	264	31 December 2011	Yes	36
WIPO[a]	99	112	113	–	–	–	46	101	103	11	103	31 December 2011	Yes	–
WMO	60	65	40	2	–	24	–	65	40			31 December 2011	Yes	60

Abbreviations: FAO, Food and Agriculture Organization of the United Nations; IAEA, International Atomic Energy Agency; ICAO, International Civil Aviation Organization; ICTR, International Criminal Tribunal for Rwanda; ICTY, International Tribunal for the Former Yugoslavia; IFAD, International Fund for Agricultural Development; ILO, International Labour Organization; IMO, International Maritime Organization; ITC, International Trade Centre; ITU, International Telecommunication Union; PAHO, Pan American Health Organization; UNAIDS, Joint United Nations Programme on HIV/AIDS; UNCC, United Nations Compensation Commission; UNCCD, United Nations Convention to Combat Desertification in Those Countries Experiencing Serious Drought and/or Desertification, Particularly in Africa; UNCDF, United Nations Capital Development Fund; UNDP, United Nations Development Programme; UNEP, United Nations Environment Programme; UNESCO, United Nations Educational, Scientific and Cultural Organization; UNFCCC, United Nations Framework Convention on Climate Change; UNFPA, United Nations Population Fund; UN-Habitat, United Nations Human Settlements Programme; UNHCR, Office of the United Nations High Commissioner for Refugees; UNICEF, United Nations Children's Fund; UNIDO, United Nations Industrial Development Organization; UNJSPF, United Nations Joint Staff Pension Fund; UNODC, United Nations Office on Drugs and Crime; UNOPS, United Nations Office for Project Services; UNU, United Nations University; UPU, Universal Postal Union; UN-Women, United Nations Entity for Gender Equality and the Empowerment of Women; UNWTO, World Tourism Organization; WFP, World Food Programme; WHO, World Health Organization; WIPO, World Intellectual Property Organization; WMO, World Meteorological Organization.

[a] Amounts for IAEA are in euros, for ICAO in Canadian dollars and for WIPO in Swiss francs.

[b] Since 2009, UNDP has reported the liability for UNCDF and UN-Women (previously United Nations Development Fund for Women) separately.