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**REPORT BY THE DIRECTOR-GENERAL  
ON THE STATE OF THE MEDICAL BENEFITS FUND  
AND APPOINTMENT OF MEMBER STATES' REPRESENTATIVES  
TO THE BOARD OF MANAGEMENT FOR 2004-2005**

**ADDENDUM**

**SUMMARY**

The present addendum contains the comments of the UNESCO Staff Union (STU) on the Director-General's report on the state of the Medical Benefits Fund of UNESCO.

The UNESCO Staff Union (STU) is pleased to note that the Director-General considers that the UNESCO Medical Benefits Fund (MBF) fulfils an essential function for international civil servants by providing a health protection scheme for both present and former staff members and reiterates its support for such a scheme run as a mutual benefit fund.

Recognizing that a solution has to be found to finance the increasing cost of health insurance, STU supports the proposals set out in paragraph 23 of document 32 C/45 to establish a criterion of notional minimum in order to assess the contributions of the associate participants, the addition of a supplementary contribution rate for participants having a large number of protected persons and the introduction of a specific contribution rate in order to cover secondary dependents.

STU also supports the proposal to modify the division of contribution to the Fund between employer and employee on a gradual basis, starting in the next biennium, in order to shift from an equal division to one of one third by the employee and two thirds by the employer. This proposal would bring UNESCO into line with other agencies within the United Nations system.

In view of the worldwide rise in health costs and in order to stabilize the MBF, STU urges that a decision be taken at the earliest possible date on all these proposals, which have already been put before the General Conference on a number of occasions.

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With regard to the table annexed to document 32 C/45, STU should like to express concern about the significance of the figures shown there and which have most likely prompted the Director-General not to take appropriate steps to guarantee the financial equilibrium of the Fund. What is shown in this table are mere accounting figures, which hide more than they reveal, and which have nothing to do with a proper actuarial assessment of the Fund's state. The "virtual" surplus of US \$1.4 million shown for 2002 and referred to in paragraph 23 of document 32 C/45 does not take into account either the inexplicable high increase of contributions in 2002 or the increase in provisions for registered and unregistered unpaid claims of almost 50%. Had these two factors together with an allowance for changes in the exchange rate been properly accounted for the excess of income over expenditure would probably be closer to zero than to the \$1.4 million shown in the document. It is recalled that Buck Consultants in their report referred already to this problem of an increase in the number of unpaid claims and predicted "that fund disbursements are expected to exceed income starting in 2001" and that consequently "additional funding will be needed".

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STU should also like to draw attention to the study mentioned in paragraph 16 of document 32 C/45. The objective of this study and its expected conclusions are in obvious contradiction with the principles on which the MBF is based and has been functioning ever since its inception, namely those of mutual interest and solidarity among groups within the same international structure.