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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 2010-2011

ADDENDUM

COMMENTS OF THE UNESCO STAFF UNION (STU)

In conformity with item 2805.7 of the UNESCO Administrative Manual, the UNESCO Staff Union (STU) submits its observations on this report by the Director-General.

1. The report by the Director-General reviews the state of the Medical Benefits Fund (MBF) in a rather reassuring light which, alas, is far removed from reality.

2. In fact, the financial situation of the Fund gives cause for great concern. The excess of expenditure over income is not due only to the rising cost of health care and an ageing population. It is also a consequence of the sharp drop in interest earned on investments owing to the world crisis, stagnation in pensions and therefore of premiums, and the Organization's contract policy, which excludes the many consultants and holders of contracts for fewer than six months from the Fund, not to mention the contractual exclusions for which Article 2.1(b) of the Rules of the UNESCO Medical Benefits Fund provides. While it is hoped that the number of retirees will not rise significantly in the next decade, as the age pyramid at UNESCO is not harmonious as in national administrations, the only other factor of imbalance that can be controlled to a significant extent is the contract policy.

3. In 2005, the External Auditor estimated that the Fund should have 18 months of benefit payments in reserve with a margin of roughly three months, that is, between 15 and 21 months.

However, the reserves which amounted to 20 months as at 31 December 2004 fell to 17.5 months as at 31 December 2006 and 15.2 as at 31 December 2008. This means that the reserves have dropped to the danger level and are now at the mercy of the first pandemic to strike.

4. Also in 2005, the External Auditor had recommended urgent action on, among other things, contribution rates and their distribution (172 EX/36). UNESCO was the only United Nations agency that applied a 50-50 employee/employer contribution formula; in most other agencies, the share between the employee and employer contributions to the United Nations Joint Staff Pension Fund was 40-60 and even 33-67. The Director-General had accordingly proposed to the General Conference, which took note at its 33rd session, a global plan of action together with a timetable for the implementation of the recommendations of the External Auditor (33 C/36), the most urgent of which was conceivably the increase in three stages, beginning on 1 January 2008, of employee/employer contributions, entailing a gradual rise to 60% in the employer's share of contributions, including administrative costs.

5. The first stage of the increase was due to begin on 1 January 2008, bringing the share of the employer contribution to 56%, including administrative costs. This was postponed for budgetary reasons and, should the General Conference approve the Director-General's proposals this year, the same would occur in 2010, when the contribution in question was scheduled to rise to 58%. UNESCO would thus lag behind all other United Nations agencies for another two years.

6. Another issue giving cause for concern is the communication policy. For two years, we have been told that a communication plan would be or had been adopted, but both participants and the Board of Management have yet to see that plan, and communication is non-existent. The Board finds it extremely difficult to obtain information requested from the Secretariat of the Fund or representatives of the Director-General. Elected members must relentlessly insist on regular meetings being convened inasmuch as the small number of such meetings hinders the effective management by the Board.

7. Lastly, it must be noted that the number of elected members representing participants is no longer two as indicated in the document, but three.