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**FOLLOW-UP TO DECISIONS AND RESOLUTIONS ADOPTED BY  
THE EXECUTIVE BOARD AND THE GENERAL CONFERENCE  
AT THEIR PREVIOUS SESSIONS**

**PART V**

**HUMAN RESOURCES ISSUES**

**C. STATE OF THE MEDICAL BENEFITS FUND (MBF)  
(FOLLOW-UP TO 37 C/RESOLUTION 85)**

**ADDENDUM**

**COMMENTS BY THE UNESCO STAFF UNION (STU)**

Pursuant to Item 9.2.E of the UNESCO Administrative Manual, the UNESCO Staff Union (STU) submits its comments on the reports by the Director-General.

## II. Financial implication to the Organization of a 60:40 cost-sharing formula

1. The STU would like to draw the attention of the Executive Board to the rather misleading statement in paragraph 48 that “various measures have been undertaken by successive Directors-General to address the perennial deficits [in the Medical Benefits Fund]”.

2. The Fund had a technical deficit (expenditure was greater than contributions) for six years, from 2006 to 2011, with an actual deficit for four years, from 2008 to 2011. There are several reasons for these deficits:

- (a) there was no increase in contributions for the 16 years, from 1996 to 2012, despite the generally accepted medical costs inflation rate of 5%, and despite the General Assembly of Participants repeatedly drawing the attention of the Directors-General to the problem;
- (b) the proposal to move to the 60:40 cost-sharing formula in three stages, beginning 1 January 2008, contained in the Director-General’s 2005 Global Plan of Action,<sup>1</sup> has never been implemented. The renewed proposal was not accepted by the General Conference in 2011<sup>2</sup> and in 2013.

These reasons are now buried under the new problem of a fall in the number of active staff, and the rise in the number of retired staff.

3. It would appear to the STU that no real measures were undertaken to address the deficits. Instead, the Administration commissioned more than five studies, few of which appeared to be appropriate, relevant or to show any understanding of the MBF. The last of these recommended a change in the governance structure, in order to strengthen the MBF’s financial sustainability (para. 64). If the Directors-General have been reluctant over the years to take the essential financial measures to strengthen the MBF’s financial sustainability, a change in the governance structure will certainly not accomplish that.

4. Reporting on the implications of moving to a 60:40 cost-sharing formula, the document:

- (a) reiterates, in paragraph 49, the argument in document 37 C/38 that the 60:40 cost-sharing formula is needed to offset the diminishing income generated from the growing number of retired staff, and
- (b) demonstrates yet again, in paragraph 60 and Annex I, that UNESCO is a less than generous employer, being one of only two comparable international organizations contributing only 50% towards the health insurance of their staff, while other organizations contribute up to 75%, and
- (c) notes in paragraph 53 and paragraph 57, that the effect of a change to the 60:40 cost-sharing formula would be to add \$2.5 million to the Organization’s current contribution, but would result in a slower than expected increase in the overall liability of After-Service Health Insurance (ASHI).

In spite of these arguments, the Director-General has found yet another reason to do nothing, and to postpone yet again the introduction of the 60:40 cost-sharing formula, noting in paragraph 66 that “the increase in the contribution rates in 2012 has stabilized the short-term financial situation of the MBF and there is no need therefore to change the formula”.

<sup>1</sup> 172 EX/Decision 38 Item 8. “Invites the Director-General to report to it at its 176th session on the implementation of the global action plan, including proposed measures to increase the contributions to the Medical Benefits Fund, which will be presented as part of the Draft Programme and Budget for 2008-2009 (34 C/5).”

<sup>2</sup> 36 C/Resolution 99.

5. The External Auditor takes exception to the laissez-faire approach of the Administration, noting that the MBF's reserve in 2013, at only 12 months of real claims expenditure was still below the requirement of 15-18 months, and that although the increase in 2012 had stabilized the short-term financial situation, "there is a material risk that the MBF will slip back into deficit in the medium term" and thus "the Organization must pursue efforts to restore a sustainable financial balance". [195 EX/19 Part II, paras. 24, 27, 28]. The simple fact of the matter is that medical costs have, in the past, and will continue in the foreseeable future, to increase at a faster rate (5%) than the increase in salaries and pensions (2%)<sup>3</sup> and thus, as the participants have repeatedly emphasized, periodic increases in contributions will always be necessary, at least every four to six years.<sup>4</sup> After all, private insurance premiums increase every year.

6. Taking all these factors into consideration, the STU urges the Executive Board to **recommend** a change in the MBF cost-sharing formula to 60:40 to the General Conference at its 38th session: that is, to the reverse the sense of the draft decision 3, shown on p. 31. The argument that the change should await the outcome of the United Nations study is specious and disingenuous, since the primary concern of the study is the ASHI, and in any event, its findings will not result in any immediate change in the various health insurance systems.

#### IV. MBF governance

7. A further sign of the perennial neglect of the MBF by the Administration is that the decision (37 C/Resolution 85) of the General Conference in November 2013 to amend the rules of the Medical Benefits Fund has not been implemented almost a year later (para. 65). Indeed, there has been no meeting of the Board of Management since October 2013, the Extraordinary General Assembly of Participants of 4 September 2013 remains adjourned, there has been no meeting of the annual General Assembly of Participants, nor have there been elections to the Board of Management which were due in September 2014. Worst of all, the participants, who have repeatedly asserted their attachment to the MBF and of which they are joint owners, have not been informed about what is or is not happening to their MBF.

8. The Administration informs the Executive Board that the Secretariat is in the process of finalizing the composition of the new Advisory Board. Naturally, the STU and all the active and retired staff, who are compulsory and voluntary participants in the Fund, are curious about how and when this is being done, especially as the new rules specify that their representatives (three members and three alternates) will be elected by participants through electronic and mail voting.

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<sup>3</sup> Mercer: "Optimization of the UNESCO MBF Plan: Part I Actuarial Report, 12 February 2010, p. 23

<sup>4</sup> "This approach requires the cost and pattern of medical claims to be monitored on a regular basis, with regular adjustments to contributions, as required, to ensure the Fund's financial stability." 187 EX/32, paragraph 3 (emphasis added)