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| **Agenda item: ADM 1** | **Document C24/46-E** |
| **3 May 2024** |
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| Report by the Secretary-General | |
| THE AFTER-SERVICE HEALTH INSURANCE (ASHI) LIABILITY | |
| **Purpose**  This document presents the situation of the after-service health insurance (ASHI) liability as of 31 December 2023, in line with the request made by the Council at its 2014 session to receive annual reports from ITU on the ASHI liability.  **Action required by the Council**  The Council is invited to **take note** of this document.  **Relevant link(s) with the Strategic Plan**  n/a  **Financial implications**  Within the allocated budget 2024-2025.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **References**  [*C23/46*](http://www.itu.int/md/S23-CL-C-0046/en) *and* [*Decision 5*](https://staging.itu.int/en/council/Documents/basic-texts-2023/DEC-005-E.pdf) *(Rev. Bucharest, 2022)* | |

**1 Introduction**

1.1 In 2010, ITU net assets have evolved from a positive to a negative balance due to the way the after-service health insurance (ASHI) obligation is treated under the International Public Sector Accounting Standards (IPSAS) rules, which require mandatory recognition of the present value of the future obligation.

1.2 The self-funded ASHI programme, set up in 1967, allows eligible employees to keep their health insurance after retirement. The growing number of retirees covered, and the ever higher medical costs have led to a significant increase in programme costs, which are shared between the Union and the staff.

1.3 The ASHI liability is calculated as the present value of what ITU would have to pay in the event of cessation of activity at the closing date. Although such a situation is highly improbable, the Union is aiming at increasing the fund coverage and thus reducing the related obligation. Actions set out in Section 4 have been taken to return to a situation where the health insurance plan achieves surpluses so that it can both ensure coverage of current benefits on a pay-as-you-go basis and allocate resources to cover the actuarial liability for future obligations.

**2 Health medical plan in place at ITU**

2.1 Since January 2020, ITU has been part of the United Nations Staff Mutual Insurance Society (UNSMIS). Joining the UNSMIS medical plan presents assessed advantages both for the staff and ITU as the contribution rate has decreased, the deductible removed, and the size of this plan also gives to ITU the advantage of a long-term approach. UNSMIS brings together several organizations and specialized agencies of the United Nations based in Geneva, providing coverage for the staff of the United Nations Office at Geneva, the Office of the United Nations High Commissioner for Refugees (UNHCR) and the World Meteorological Organization (WMO).

2.2 The UNSMIS plan is based on a salary-based contribution of 3.4 per cent, put into place at ITU as of 1 January 2020. The follow-up of the cost containment is managed by the UNSMIS Executive Committee, where ITU as a member has a seat.

2.3 Upon joining the UNSMIS plan in 2020, ITU began to pay an extraordinary annual contribution of USD 1.6 million to compensate for the impact that the arrival of the ITU population had on the overall plan. These payments will end in 2032.

**3 Evolution of the ASHI liability in 2022**

3.1 The evolution of the ASHI liability since 2010 has resulted in increasingly negative net assets as the actuarial losses were recorded in full against the net assets. At the end of 2023, the ASHI liability increased by CHF 31.2 million as a result of the change in the discount rate, which decreased from 2.5 per cent in 2023 to 1.90 per cent in 2024, and the change in the assumptions.

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| **Amounts of obligations under the ASHI plan at 31 December in the statement of financial position (in thousands of Swiss francs)** | **31.12.2023** | **31.12.2022** |
| Balance at 31 December | 344,102 | 545, 636 |
| Total expenses recognized in the statement of financial performance | 18,654 | 22, 388 |
| Actuarial losses recognized in net assets | 19,524 | (215, 510) |
| Contributions during the period | (7,009) | (8, 412) |
| Amount of obligations under the ASHI plan at 31 December | 375,271 | 344, 102 |

3.2 The table below details the expense for ASHI recognized in the statement of financial performance.

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| **Amounts recognized in the statement of financial performance (in thousands of Swiss francs)** | **31.12.2023** | **31.12.2022** |
| Updating of obligation and contributions for the period |  |  |
| Service costs | 10,165 | 19, 685 |
| Finance charge | 8,489 | 2,703 |
| Total | 18,654 | 22, 388 |

3.3 The service costs represent the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

3.4 Further to a decision of the UN task force on accounting standards, since 2016 all the assumptions related to the ASHI valuation have been harmonized among the UN agencies.

3.5 Among the assumptions used in the actuarial valuation, the discount rate (based on returns on AA corporate obligations), the increase of medical costs and the increase of salary have the most significant impacts. A decrease in the discount rate or an increase in medical costs results in an increase in the ASHI liability, whereas an increase of salary results in an increase of the members’ and ITU’s contributions and support to the funding of the ASHI liability.

3.6 Two categories of assumptions are used in the ASHI valuation, demographic and financial. In 2023, the discount rate was decreased from 2.5 per cent to 1.90 per cent, which triggered an actuarial loss amounting to CHF 24.6 million in 2023 as compared to an actuarial gain amounting to CHF 133.6 million in 2022. A second element with a significant impact on the ASHi liability, is the change in demographic assumptions. An analysis of the data provided by UNSMIS showed a decrease of actuarial gain from CHF 80.8 million in 2022 to CHF 0.57 million in 2023.

3.7 Considering how it is calculated, the ASHI liability is volatile by nature. As shown in the table below, in 2022 it reached its lowest level for ten years and due mainly to the decrease of the discount rate, the ASHI liability increased again in 2023.

3.8 Despite this decrease in the discount rate as at 31 December 2023, the ASHI liability has decreased by 40.6 per cent compared to 2020.

3.9 The evolution of these assumptions and of the ASHI liability are illustrated in the table below.

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|  | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
| Discount rate | 1.20% | 0.60% | 0.20% | 0.50% | 2.50% | 1.90% |
| Increase in medical costs | *3.90%* | *3.00%* | *2.80%* | *2.50%* | *2.80%* | *2.60%* |
| Salary increase  ASHI liability at year end | *3.50%* | *3.00%* | *3.00%* | *3.00%* | *3.00%* | *3.10%* |
| *552, 240* | *611, 896* | *631, 870* | *564, 636* | *344, 102* | *375,271* |

**4 Actions taken**

4.1 Since 2010, the funding of the ASHI actuarial liability has been a concern. Measures have been taken to ensure that current health insurance benefits can continue to be financed on a pay-as-you-go basis while assuring long-term funding of the accrued ASHI liability.

4.2 It is to be noted that the estimated health insurance contributions from ITU for active staff and retirees are included in the biennial budget presented to the Council.

***Creation of fund for the long-term financing of the ASHI actuarial liability***

4.3 As of 31 December 2023, the ASHI fund amounted to CHF 14 million. Since its creation in 2013, CHF 8 million have been paid into the fund in accordance with the different budget resolutions and a further CHF 6 million from surpluses resulting from budget implementation.

4.4 The magnitude of the ASHI obligation and the current budgetary constraints do not allow a faster financing of the ASHI obligation at present. The evolution of the ASHI liability will therefore continue to be carefully monitored.

4.5 To assist the UN organizations in financing their long-term liability, the Inter-Agency Working Group on After-Service Health Insurance established by the Secretary-General of the United Nations has proposed to the United Nations General Assembly (UNGA) the creation of a dedicated financial reserve for each organization, financed through a contribution of 5.35 per cent of the salary mass for officials recruited as from 1 January 2022.

4.6 A final decision by the UN General Assembly is still pending and the proposal by the Working Group has not been implemented.

4.7 JIU has conducted a review of the ASHI for all UN organizations. This report contains some recommendations and ITU management is currently studying their implementation.

**5 Conclusion**

5.1 Regardless of the medical plan, financing the ASHI obligation remains an issue for many UN system organizations. The report issued by the Working Group on After-Service Health Insurance remains pending before the General Assembly. ITU will continue to pay close attention to the study of this report and will consider the recommendations once they emerge from it.

5.2 ITU will continue to examine options to cover the ASHI liability.

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