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| **Agenda item: ADM 1** | **Document C25/46-E** |
| **22 April 2025** |
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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 2024, 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**  *Document* [*C24/46*](http://www.itu.int/md/S24-CL-C-0046/en) *and* [*Decision 5*](https://staging.itu.int/en/council/Documents/basic-texts-2023/DEC-005-E.pdf) *(Rev. Bucharest, 2022) of the Plenipotentiary Conference* | |

# 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 ITU is part of the United Nations Staff Mutual Insurance Society (UNSMIS). UNSMIS brings together several UN funds and programmes as well as 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) but also UNDP, UNICEF, UNCTAD, etc.

2.2 The UNSMIS plan is based on a salary-based contribution of 3.4 per cent of the staff salary or the retiree pension. The ITU is also contributing to the health insurance plan by matching the contribution paid by the active staff and by paying 2/3 of the contribution for retirees.

2.3 The follow-up of the cost containment is managed by the UNSMIS Executive Committee, where ITU as a member has a seat.

# 3 Evolution of the ASHI liability in 2024

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 2024, the ASHI liability increased by CHF 40.6 million as a result of the changes in the discount rate, which decreased from 1.9 per cent in 2023 to 1.40 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) | 31.12.2024 | 31.12.2023 |
| Balance at 1 January | 375 271 | 344 102 |
| – Net Current Service Cost | 11 095 | 10 165 |
| – Finance charge | 7 046 | 8 489 |
| Total expenses recognized in the statement of financial performance | 18 141 | 18 654 |
| – Obligation due to the changes in demographic assumptions | 10 602 | (574) |
| – Obligation due to changes in financial assumptions | 20 636 | 24 687 |
| – Obligation due to experience during the period | 1 511 | (4 589) |
| **Actuarial losses recognized in net assets** | **32 748** | **19 524** |
| **Contributions during the period** | **(10 325)** | **(7 009)** |
| **Amount of obligations under the ASHI plan at 31 December** | **415 835** | **375 271** |

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

3.3 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.

3.4 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.

3.5 Two categories of assumptions are used in the ASHI valuation: demographic and financial. In 2024, the discount rate was decreased from 1.9 per cent to 1.4 per cent, which contributed to the change in financial assumptions that resulted in CHF 20.6 million loss in 2024 as compared to a loss of CHF 24.6 million in 2023. A second element with a significant impact on the ASHI liability increase is the change in demographic assumptions. The analysis of the data provided by UNSMIS showed a decrease of actuarial gain from CHF 0.6 million in 2023 to a loss of CHF 10.6 million in 2024. In addition, the update of the Experience study resulted in a CHF 1.5 million loss in 2024, as compared to a CHF 4.6 million gain in 2023.

3.6 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 change in demographic assumptions, the ASHI liability increased again in 2024.

3.7 Despite this decrease in the discount rate as of 31 December 2024, the ASHI liability has decreased by 34.2 per cent compared to 2020 when it was at the highest level.

3.8 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 | 2024 |
| Discount rate | 1.20% | 0.60% | 0.20% | 0.50% | 2.50% | 1.90% | 1.40% |
| Increase in medical costs | 3.90% | 3.00% | 2.80% | 2.50% | 2.80% | 2.60% | 2.40% |
| Salary increase | 3.50% | 3.00% | 3.00% | 3.00% | 3.00% | 3.10% | 3.10% |
| ASHI liability at year-end | 552 240 | 611 896 | 631 870 | 564 636 | 344 102 | 375 271 | 415 835 |

# 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 2024, the ASHI fund amounted to CHF 15 million. Since its creation in 2013, CHF 9 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. JIU also conducted a review of the ASHI for all UN organizations. This report contains some recommendations mainly on long-term financing strategy.

# 5 Conclusion

5.1 Regardless of the medical plan, financing the ASHI obligation remains an issue for many UN system organizations.

5.2 After a careful review of the recommendations issued by the UN ASHI working group (established under General Assembly Resolution A/RES/68/244) and further to the recommendations of both JIU and IMAC, the ITU Secretary-General has decided to address the concern of the financing of the ASHI liability by integrating in the next budget a 5.35 per cent of the base salary for new staff recruited as from 1 January 2026.

It is also worth highlighting that the implementation of this proposal would contribute to a more sustainable and fiscally responsible approach to managing the ASHI liability. While the current budget resolution typically allocates CHF 1 million per biennium, the revised mechanism —based on actual staff participation— would generate approximately CHF 600 000 per biennium. This reduction of CHF 400 000 reflects a more accurate alignment between funding and actual recoveries, thereby enhancing long-term budget predictability and improving the integrity of liability funding over time.

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