



General Conference

39th Session, Paris, 2017

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United Nations
Educational, Scientific and
Cultural Organization

Organisation
des Nations Unies
pour l'éducation,
la science et la culture

Organización
de las Naciones Unidas
para la Educación,
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Организация
Объединенных Наций по
вопросам образования,
науки и культуры

منظمة الأمم المتحدة
للتربية والعلم والثقافة

联合国教育、
科学及文化组织

39 C/36 Part II Add.2

31 October 2017

Original: French

Item 10.1 of the agenda

REPORT BY THE DIRECTOR-GENERAL ON THE STATE OF THE MEDICAL BENEFITS FUND (MBF)

PART II – ADDENDUM 2

FINANCIAL SITUATION

COMMENTS OF THE INTERNATIONAL STAFF ASSOCIATION OF UNESCO (ISAU)

OUTLINE

In accordance with item 9.2.7 of the UNESCO Human Resources Manual, the International Staff Association of UNESCO (ISAU) submits its comments on the report by the Director-General on the state of the Medical Benefits Fund (MBF) – financial situation, as set out in document 39 C/36 Part II.

1. ISAU has carefully read the report by the Director-General on the state of the Medical Benefits Fund (MBF) (document 39C/36 Part II).

2. In reading the report, we have noted that the financial performance remains stable but gives rise to a number of concerns. The report states that the level of reserves as at 31 December 2016 stood at 16 months of average claim reimbursements, which is two months fewer than 2015, and that the annual surplus decreased from \$3.4 million in 2015 to \$1.2 million in 2016.



3. The Administration attributes that decrease mainly to a 16% increase in claims expenditure (\$20.7million). However, it is also attributable to the decreasing number of persons enrolled in the Fund, including the dependents of participants, as a direct result of the no-recruitment policy and the abolition of posts. It also stems from the fact that there are fewer active staff members than retirees (45% versus 55%). As the report suggests, the imbalance in that ratio constitutes a key long-term challenge for the MBF. The financial situation of the Organization is neither stable nor reassuring, which is why we are concerned for the future of the staff and, hence, the Fund.

4. Based on the assumption that social security is an established right and an obligation for any employer, UNESCO has to guarantee good social security cover for active staff members and retirees. To that end, UNESCO needs to have an overarching vision on the matter and to be effective in choosing healthcare providers and administrators. That has not been the case with the selection of MSH International.

5. The fact is that staff members and retirees continue to encounter many difficulties, especially in the field offices. Many problems have been reported by colleagues dissatisfied with the services provided by MSH, which, contrary to the previous provider, do not entirely meet their expectations. Such a lack of efficiency raises questions as to the merits of the change of provider or, at any rate, the selection of the current provider. The selection of the provider should, in future, therefore be subject to wider consultation.

6. The level of reserves allotted to claim reimbursements varies from year to year, fluctuating between seven and 18 months, which has led the Administration to make what we regard as the inappropriate proposal to adjust the scales, and which further adds to our concerns. The Administration needs to work closely with the staff associations to come up with suitable solutions to maintain the financial balance of the MBF.

7. ISAU is satisfied with Administration's decision to recommend to the General Conference that it revise paragraph 1 of 37 C/Resolution 85, by which it decided:

- “to amend the Rules of the Medical Benefits Fund as set out in Part 3 of document 37 C/38 Add.”, and that
- “the applicable MBF Rules should be those in force before the issuance of Administrative Circular AC/HR/43 of 21 October 2014, including the governance structure laid out therein;”.

This policy reversal stems from two commended judgements by the International Labour Organization Administrative Tribunal (ILOAT). We attach importance to compliance with the rules and procedures and the strict application of the law.