Item 12.4 of the provisional agenda

THE STATE OF THE MEDICAL BENEFITS FUND AND INTRODUCTION OF THE NEW GOVERNANCE STRUCTURE

OUTLINE

Background: In accordance with 36 C/Resolution 99, the Director-General reports on the engagement of an independent health insurance consulting firm concerning the evaluation of income against expenditure on a yearly basis. The Director-General also reports on governance structure discussions and the amendment process of the rules of the Medical Benefits Fund (MBF).

Purpose: The General Conference is informed of the MBF governance structure discussions and is invited to take a decision on funding challenges including the cost-sharing formula and the after-service health insurance liability as well as to provide any other recommendations it deems necessary.

Decision required: Paragraph 22.
Introduction

1. The UNESCO Medical Benefits Fund (MBF), established by the General Conference at its 3rd session in 1948, is a medical insurance plan that the Director-General must operate for staff in accordance with Staff Regulation 6.2. The essential role of the Fund is to provide health insurance benefits to its participants, thus giving them the means of preserving or regaining their health. Unlike other conditions of employment for international civil servants (staff salaries, allowances, indemnities and pensions), a common health insurance scheme is not regulated within the United Nations system. The Medical Benefits Fund, established early in the Organization’s history to meet the needs of UNESCO staff members, is therefore a self-financing scheme, the assets of which are based entirely on contributions paid in equal shares by the participants and the Organization.

Governance of the Medical Benefits Fund

2. In accordance with General Conference 36 C/Resolution 99, the Director-General was invited to review the governance of the Fund, taking into account the recommendation made by the external consulting firm, in particular with regard to the need to enhance its expertise and independence. The General Conference, in the above-mentioned Resolution, requested that the MBF Rules be amended accordingly and invited the Director-General to report to the Executive Board on this matter at its 190th session.

3. The Executive Board, in 190 EX/Decision 32, examined the principles recommended by the external consultant for a new governance structure for the MBF and recommended that the Director-General consider the new proposed governance structure with a view to amending the Rules of the MBF in accordance with the procedures established in those Rules.

4. To strengthen the financial sustainability of the MBF and the effectiveness of the governance structure, the MBF needs to establish a framework of governance that is independent and objective, and that makes recommendations based on best-practices and expertise in health care. To this end, UNESCO engaged Deloitte Consulting Firm to advise the Director-General on plan design and strategy, in addition to plan administration and contributions calculation. In this regard, the Director-General plans to maintain the services of the Consulting Firm for the coming two biennia.

5. Following the recommendations of the Consulting Firm, the Bureau of Human Resources Management (HRM) and the Bureau of Financial Management (BFM) initiated work to develop a new governance structure and changes to the related MBF rules based on the following principles:

- decisions and tasks are delegated to the appropriate people;
- those to whom decisions and tasks are delegated to will have access to appropriate information;
- duties and roles are clearly defined between each entity in the governance structure;
- there will be effective oversight and reporting among all entities involved in the governance structure.

6. The governance structure proposal was submitted to the MBF Board for its consideration. The Board established its own Working Group to study the proposal from HRM and BFM. Once the Working Group’s recommendations were received and after a series of discussions, the Board agreed on a new version (Addendum (Part 1)). In accordance with the current MBF rules, the Board submitted the document to the General Assembly of Participants for its consideration. The General Assembly of Participants, at its meeting on 4 September 2013 did not vote on the proposed changes, as submitted, and adopted the Resolution attached (Addendum (Part 2))
7. Considering the above, it should be noted that the MBF Rules foresees a specific procedure for the review and approval of amendments to these Rules. The relevant clauses of the MBF Rules read as follows:

**Article 5.1.7:**

“Any amendments recommended by the Board of Management to Sections V, VI and VII of the Rules and the annexes relating thereto must be approved by the General Assembly.”

**Article 5.2.6 (the relevant sub-article in bold):**

“The Board of Management shall:

(a) define the policy of the Fund and be responsible for managing it, in accordance with the present Rules;

(b) examine any proposed amendments to the Rules of the Fund and its annexes and transmit them to the Director-General; those concerning Sections V, VI and VII of the Rules and the annexes thereto shall first be submitted to the General Assembly of Participants with its observations;

(c) apply the measures laid down in the Rules to safeguard the financial balance of the Fund;

(d) interpret the Rules in the cases submitted to it by the Secretary of the Fund, subject to the procedure for the settlement of disputes laid down in Article 4.12;

(e) submit to the General Assembly of Participants, for adoption and transmission to the Director-General, an annual report on the activities of the Fund and its financial situation;

(f) examine any complaints by the participants against the decisions of the Secretary, subject to the procedure for the settlement of disputes laid down in Article 4.12;

(g) examine cases of fraud submitted to it by the Secretariat and take appropriate decisions.”

**Article 7.1:**

“Proposed amendments to any of the provisions contained in Sections V, VI and VII of these Rules and the annexes thereto must be approved by the General Assembly of Participants. After a vote by the General Assembly, they shall be submitted to the Director-General, who shall take such action as he/she considers necessary. The provisions contained in other sections of these Rules may be amended by the Director-General on the recommendation of the Board of Management.” In particular, Articles 5.1.7 and 7.1 require that any proposed amendments to Sections V, VI and VII of the MBF Rules and the annexes thereto must be approved by the General Assembly of Participants. According to Article 7.1, “[a]fter a vote by the General Assembly, [the proposed amendments] shall be submitted to the Director-General, who shall take such action as he/she considers necessary”.
Consequently, the approval of both the General Assembly and the Director-General would be required in order to amend Sections V, VI and VII of the MBF Rules. This has been confirmed by the Office of International Standards and Legal Affairs (LA).

As explained above, the General Assembly of Participants did not take a decision on the proposed amendments of the MBF Rules and therefore did not approve them. The Director-General, therefore, was not able to proceed with the amendments of the Rules of the MBF, which were requested by the General Conference at its 36th session and the Executive Board at its 190th session. In the light of the above and taking into consideration the addenda to this document, the General Conference may wish to provide further recommendations regarding the review of the MBF Rules.

8. For completeness of information, HRM and BFM reviewed the proposal of the MBF Board to the General Assembly of Participants and identified the need for slight editorial amendments to more clearly describe certain points without changing the substance of the MBF Board’s proposal to the General Assembly of Participants. The document is attached for information as Addendum (Part 3).

**Contribution scale**

9. The Consulting Firm also reviewed the contribution scale for the biennium so that the Director-General may take appropriate action to maintain the balance between the Fund’s income and expenditure.

10. Based on the 2014–2015 cost projections and without changes to the current contribution rates, the Fund is projected to end the 2014–2015 biennium with a deficit of $4.8 million. In order to absorb the projected deficit on a 50:50 cost sharing basis between the Organization and the participants, the Consulting Firm recommended an increase of 9.1% to the current contribution rates.

11. As per 36 C/Resolution 99, the General Conference authorized the Director-General to revise the scale every two years as needed to match the income and expenditure of the Fund. The Director-General, due to the reduced expenditure plan of $507 million, may delay the implementation of the changes to the contribution rates as the projected income of the Fund would be affected by the organizational restructuring plan. Other measures which may reduce the projected deficit will be considered during 2014 before the introduction of the new rates.

**New cost-sharing formula (60:40)**

12. The ratio of voluntary participants to active staff members has evolved over the years as follows: 1 voluntary participant for 8 active staff members in 1973, 1 for 4 in 1983, 1 for 2 in 1993, 1 for 1.13 in 2004 and, in 2013, the ratio has reached to all time low 1 voluntary participant for 0.79 for active staff member. The financial difficulties that the Fund is faced with are worsened by the unfavourable trend in this ratio.

13. As recommended by the Deloitte Report, the Director-General proposes the adoption of a new cost sharing formula, of 60% and 40% for the Organization and participants respectively. This adjustment is necessary because the current cost sharing formula (50/50) cannot generate enough income from the declining number of active staff to offset the diminishing income that is generated from the growing number of voluntary participants, whose lower pensions are used as a basis for determining their contributions and organization’s share of contributions. This cost sharing proposition is required to balance the actual financial stability of the MBF due to the continual increase in the voluntary participants versus the number of active staff contributing. The maintaining of the 50/50 will result in a deficit trend which will require an overall increase of the contributions by both participants and the Organization and continued reduction in benefits which on the other hand must ensure a viable level of coverage. The new cost sharing formula for
2014/2015 budgetary period, if it were to be approved would cost to the budget of the Organization, based on current 2013 contributions, an amount of approximately $5 million (Annex II): $3 million for active staff and $2 million for voluntary participants. However, given the current financial situation of the Organization, the Director-General proposes that the General Conference agrees on the principle and postpones the implementation of this recommendation until the next budgetary period (2016/2017) or until such a time as the financial expenditure plan of the Organization improves.

14. This proposal will bring the Organization into alignment with the majority of United Nations agencies. As indicated in Annex I, 10 agencies out of 14 have an organizational share of 60% or above.

Financial situation of the Fund

15. Two major factors tend to weaken most health care schemes, including UNESCO’s MBF; the ageing of the insured population, due to increased life expectancy, and the rapid rise in the cost of health care.

16. As at 31 December 2012, there were approximately 1,940 active participants, with an average age of forty-eight and 2,473 voluntary participants, with an average age of seventy-three, covered by the Medical Benefits Fund. The total population of the Fund, including the dependents of participants and staff and retirees of other United Nations agencies based in Paris, is approximately 7,164.

(a) For the first time in five years, the Fund generated a net operating result for the year-ended 31 December 2012. The Fund realized a surplus of $3.6 million compared to a deficit of $6.2 million in the previous financial period which ended 31 December 2011. The positive result is attributable to the increase in contribution income as well as decrease in expenditure.

(b) As a result of the net positive result, the Fund’s reserves increased to $19 million representing 10 months of average expenditure. Though the result is encouraging, the reserve is still about $9 million below the required level of between 15-18 months’ cover of expenditure.

After-Service Health Insurance (ASHI) liability

17. The ASHI programme provides a continuation of health insurance coverage to retired staff members meeting the eligibility criteria on a basis similar to the current active staff. A retiring staff member who has completed 10 years of participation in the MBF and has reached the minimum age of 55 at retirement can continue to receive medical insurance coverage. The ASHI liability as calculated by a professional firm of actuaries reflects the total future costs associated with providing health insurance benefits to existing retirees and current staff upon retirement. The total liability as at 31 December 2012, being the present value of the accrued future benefits, amounted to $777.2 million. Following the move to International Sector Public Accounting Standards, these liabilities are recognized in the financial statements of the Organization and are audited by the External Auditor. As Figure I below shows, the liability has grown significantly from 2008 to date.
18. Though the ASHI liability is recognized in the financial statements, no provision for funding is made in the budget of the Organization. The External Auditor in the annual audits of the Organization’s financial statements has drawn the attention of the Governing Bodies and the Secretariat on the need to start funding for ASHI as the current system of ‘pay as you go’ of the Medical Benefits Fund is unsustainable. In line with the recommendations of the External Auditor, the Director-General submitted a funding proposal for ASHI to the Executive Board at its 191st session (document 191 EX/29). The Director-General proposed to charge 1% of staff costs to fund the ASHI liability with effect from 1 January 2014. The Board decided not to recommend the inclusion of the charge in the 37 C/5 and “requested the Director-General to undertake a study with a view to introducing a new health insurance scheme as soon as possible, and to report back on the outcome of the study at the 194th session of the Executive Board, including a proposed date for the entry into force of this new scheme for newly recruited staff”.

19. The issue of funding for ASHI is common to many United Nations system organizations. The United Nations System Chief Executives Board for Coordination carried out a survey as at 31 December 2010 on ASHI liability and funding within United Nations agencies. Out of the 18 agencies who responded to the survey, 11 have put in place some sort of funding mechanism. Of all the organizations with liabilities of more than $200 million, only four were without any funding mechanism – IAEA, United Nations, UNHCR and UNESCO. The liability for the United Nations has grown to $3.65 billion as at 31 December 2011 and it is expected that the Secretary-General will be presenting a funding proposal to the General Assembly in December 2013. Other agencies have also taken measures since the last survey to address the lack of funding. The High-Level Committee on Management (HLCM) of the United Nations agencies has identified ASHI as a priority issue and a Working Group under the Finance and Budget Network will be set up on this subject.

20. The Technical Group of the Panel of External Auditors of the United Nations System in its presentation to the Taskforce on Accounting Standards meeting held in Geneva in October 2013 also raised concerns regarding the lack of funding for post-employment benefits. If the Organization’s net asset is negative due to lack of assets to cover the liabilities, the auditor would then have to assess how this should be reflected in the audit certificate. Even where the auditor
does not qualify the financial statements, he/she may consider adding a specific paragraph on this issue in an unqualified opinion.

21. The increased concern by the External Auditors and the shift in the population grid of MBF participants to a volunteer majority (55% retired staff and 45% active staff) makes funding of the ASHI liability more pressing than ever. The Director-General’s proposal to charge 1% of staff costs to cover ASHI funding would put the Organization on a long-term funding path while other funding options are considered and discussed. This would also demonstrate to the External Auditor, the Organization’s commitment to fund these liabilities. The Director-General fully understands the Executive Board’s decision not to recommend the funding proposal in document 37 C/5 due to the current financial situation. The Director-General is therefore proposing to implement the funding as from 1 January 2016 (under the 38 C/5). This would allow the Secretariat enough time to incorporate the funding mechanism in the preparation of the 38 C/5 budget.

**DECISION**

22. In light of the foregoing considerations, the General Conference may wish to adopt the following Resolution:

   The General Conference,

   1. **Having examined** document 37 C/38 and Addendum;

   2. **Takes note** of the information contained in this document with regard to the governance structure revisions and *(paragraph to be completed if the General Conference wishes to make recommendations)*;

   3. **Approves**, in principle the revised 60:40 cost sharing formula with a view to implementing it as of 1 January 2016 or until such a time as the financial expenditure plan of the Organization improves;

   4. **Authorizes** the Director-General to establish a charge of 1 per cent of total staff costs across all funding sources with effect from 1 January 2016 as funding for ASHI liability in respect of active staff members;

   5. **Invites** the Director-General to continue improving the management of the Fund;

   6. **Further invites** the Director-General to report to the 38th session of the General Conference on the state of the Medical Benefits Fund.
# ANNEX I

## UNITED NATIONS ORGANIZATIONS’ CONTRIBUTIONS TO THEIR MEDICAL INSURANCE PLANS

<table>
<thead>
<tr>
<th>UN Organization</th>
<th>Organization’s share of contributions to its medical plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAO</td>
<td>60% (***)</td>
</tr>
<tr>
<td>IAEA</td>
<td>from 30% to 85% (**), from 70% to 80% for active staff, 60% to 85% for retirees</td>
</tr>
<tr>
<td>IFAD</td>
<td>56%</td>
</tr>
<tr>
<td>ILO/ITU</td>
<td>60%</td>
</tr>
<tr>
<td>IMO</td>
<td>71%</td>
</tr>
<tr>
<td>OPCW</td>
<td>61%</td>
</tr>
<tr>
<td>UN GENEVA</td>
<td>from 50% to 67% (†)</td>
</tr>
<tr>
<td>UNHCR</td>
<td>79%</td>
</tr>
<tr>
<td>UN NY (UNDP, UNEP, UNICEF)</td>
<td>66%</td>
</tr>
<tr>
<td>UNESCO</td>
<td>50% (****)</td>
</tr>
<tr>
<td>UNWTO</td>
<td>67%</td>
</tr>
<tr>
<td>WFP</td>
<td>54% (***)</td>
</tr>
<tr>
<td>WHO</td>
<td>67%</td>
</tr>
<tr>
<td>WIPO</td>
<td>63%</td>
</tr>
</tbody>
</table>

(†) UN Geneva contributes: 50% for active staff and 67% for retirees.

(**) IAEA contributes from 70% to 80% for active staff, depending on the staff member's level of compensation; and from 60% to 85% for retirees, depending on the retiree's pension.

(***) FAO/WFP’s contribution shares are determined on a flat dollars 50/50 basis with maximum ceiling of 5% of active staff’s monthly gross salary and 4% of retiree’s pension. Any amount in the calculation of the contribution exceeding the ceiling will be covered by the Organization in addition to its 50% share.

(****) UNESCO contributes 50% for all participants.
UN Organizations’ contributions to their medical insurance plans

- Organization’s share of contributions to its medical plan
- UN Organizations’ contributions to their medical insurance plans

FAO, IAEA, IFAD, ILO/ITU, IMO, OPCW, UN GENEVA, UNHCR, UN NY (UNDP, UNEP, UNICEF,...), UNESCO, UNWTO, WFP, WHO, WIPO
## ANNEX II

### COST-SHARING FORMULA FROM 50/50 BETWEEN THE ORGANIZATION AND PARTICIPANTS, TO 60/40, ORGANIZATION/PARTICIPANTS BASED ON CURRENT EXPERIENCE

<table>
<thead>
<tr>
<th>Ratio</th>
<th>50/50</th>
<th>60/40</th>
<th>Additional amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>UNESCO staff contributions</td>
<td>7,550,989.40</td>
<td>6,059,540.32</td>
<td>1,491,449.08</td>
</tr>
<tr>
<td>UNESCO contribution for staff</td>
<td>7,597,861.40</td>
<td>9,089,310.48</td>
<td></td>
</tr>
<tr>
<td>Total Staff</td>
<td>15,148,850.80</td>
<td>15,148,850.80</td>
<td></td>
</tr>
<tr>
<td>UNESCO retirees contributions</td>
<td>4,979,248.67</td>
<td>3,983,398.94</td>
<td></td>
</tr>
<tr>
<td>UNESCO contribution for retirees</td>
<td>4,979,248.67</td>
<td>5,975,098.40</td>
<td>995,849.73</td>
</tr>
<tr>
<td>Total retirees</td>
<td>9,958,497.34</td>
<td>9,958,497.34</td>
<td></td>
</tr>
<tr>
<td>Total additional amount for UNESCO / year</td>
<td>2,487,298.81</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total additional amount for UNESCO / biennium</td>
<td>4,974,597.63</td>
<td></td>
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</tbody>
</table>
THE STATE OF THE MEDICAL BENEFITS FUND AND
INTRODUCTION OF THE NEW GOVERNANCE STRUCTURE

ADDAENDUM

Part 1
The MBF Board established its own Working Group to study the proposal from HRM and BFM, and after a series of discussions, the Board agreed on this new version.

Part 2
The Board submitted the document to the General Assembly of Participants for its consideration. The General Assembly of Participants, at its meeting on 4 September 2013 did not vote on the proposed changes, as submitted, and adopted this Resolution.

Part 3
HRM and BFM reviewed the proposal of the MBF Board to the General Assembly of Participants and identified the need for slight editorial amendments to more clearly describe certain points without changing the substance of the MBF Board’s proposal to the General Assembly of Participants.
PART 1

Section V
MANAGEMENT OF THE FUND

Article 5.1 The Director-General

The Director-General
(a) Has the fiduciary responsibility to administer a system of medical health insurance for the Participants (compulsory and voluntary).
(b) Nominates three staff members to participate in the Advisory Board of the Medical Benefit Fund in their own capacity for a period of three years.
(c) Consults the Advisory Board on all matters related to the management of the Fund.
(d) Takes final decisions on the recommendations submitted by the Advisory Board, the Director of HRM and the Chief Financial Officer.
(e) Approves all plan design changes, changes in contribution rates and formula.
(f) Shares studies, financial statements, actuarial evaluations and underwriting results with the Advisory Board.

Article 5.2 The Advisory Board of the Medical Benefit Fund (ABMBF)

The Advisory Board advises the Director-General on the management of the MBF.

It consists of
(a) Three members nominated in their personal capacity by the Director-General for a period of three years.
(b) Three members and three alternates elected for a period of three years by the participants. Two members representing compulsory participants and one representing voluntary participants. Both compulsory and voluntary participant representatives are elected by participants through electronic and mail voting.
(c) The Advisory Board elects a Chairperson and Vice-Chairperson among its members. If the Chairperson is a member nominated by the Director-General, the Vice-Chairperson shall be a member elected by Participants.
(d) The Chairperson and Vice-Chairperson are elected for one year and are eligible for re-election.
(e) Standing observers: one representative of each staff association and association of former staff members,
(f) Internal and external experts can be invited by the Board to lend their expertise in the examination of items (eg. The Chief Medical Officer, the MBF Coordinator, the External Subject Matter Expert, etc.).

The Advisory Board

(a) Is consulted on all matters related to the management of the Fund.
(b) Determines its work programme and priorities.
(c) Examines items submitted by the Director-General, the Director of HRM and the Chief Financial Officer and/or the MBF Coordinator, as well as any other matter it deems necessary to ensure the financial sustainability of the Fund.
(d) Examines the annual financial statements produced by the Chief Financial Officer and makes, as appropriate, observations thereon as well as formulates recommendations addressed to the Director-General.
(e) Examines the reports and recommendations of the External Expert and makes, as appropriate, observations thereon and formulates recommendations addressed to the Director-General.
(f) Is consulted on all modifications to the MBF Rules. Any amendments to the MBF Rules and the Annexes relating thereto must be submitted to the MBF Board, in particular those...
concerning sections V, VI, VII. The Board is expected to issue recommendations thereon that are addressed to the Director-General.

(g) Examines complaints against the decisions of the MBF Coordinator and issues recommendations thereon that are addressed to the Director General for final decision (ref Art.10 Disputes and Arbitration)

(h) Examines cases giving rise to particular difficulties in the application of these Rules submitted by the MBF Coordinator and issues recommendations thereon.

(i) Examines cases of fraud submitted to it by the MBF Coordinator and makes recommendations to the Director-General on appropriate decisions.

(j) May seek advice from the MBF Coordinator, the Director of HRM and Chief Financial Officer, the External Subject Matter Expert and the Chief Medical Officer on substantive matters related to the Fund.

(k) Calls an annual General Meeting of Participants.

(l) Reports to the annual General Meeting of Participants on its activities and future work programme.

(m) Elects its own Chairperson and Vice-Chairperson among its members.

(n) Will have a minimum of two meetings per year.

(o) The meetings of the Advisory Board require a quorum of 2/3 of its full members.

(p) Decisions of the Board should be taken by consensus as much as possible. In case of disagreement, a decision can be taken by vote.

(q) If a vote is requested, decisions are taken by a simple majority of the votes cast. The Chair of the session is thus replaced by an alternate that is given the right to vote. When an equal number of votes are cast for and against a motion, the Chairperson shall have a casting vote.

Article 5.3 The Director of the Bureau of Human Resources Management and the Chief Financial Officer

1. The Director of Human Resources Management and the Chief Financial Officer

   (a) Jointly assess all recommendations from the MBF Coordinator, including on the overall plan administration.

   (b) Make recommendations to the Director-General on all matters concerning the MBF Fund, including measures required to ensure the financial sustainability of the Fund.

   (c) With the MBF Coordinator, recommend items to be examined by the Advisory Board of the MBF.

2. The Chief Financial Officer ensures the Fund’s financial oversight.

3. The CFO shall:

   (a) Maintain such accounting records as are necessary.

   (b) Present the accounts of the MBF for audit to the External Auditor of UNESCO, together with the other accounts of the Organization.

   (c) Provide yearly financial statements on the Fund.

4. The Director of Human Resources designates the Secretary of the Advisory Board of the MBF.

Article 5.4 The Coordinator of the Medical Benefits Fund

The Coordinator is a UNESCO Staff member appointed by the Director-General. S/he reports to the Director of Human Resources. S/he shall:

   (a) Administer the day-to-day operations of the Fund related to the plan administration in accordance with the Rules of the MBF in force.

   (b) Manage the external contractors involved in the administration of the MBF, including the External Subject Matter Experts and the Claims Administrator.

   (c) Advise the Advisory Board upon request.
(d) Submit to the Advisory Board cases giving rise to particular difficulties or problems in the application of these Rules.
(e) Report to the Advisory Board on any inconsistencies encountered in the application of these Rules.
(f) On the basis of the reports and studies provided by the External Subject Matter Expert, recommend the contribution strategy to ensure that the plan is adequately funded.

**Article 5.5 The Chief Medical Officer**

The Organization’s Chief Medical Officer shall lend his/her expertise in the examination of appeals in accordance with the procedures described in Article 4.10.

The Chief Medical Officer provides advice to the MBF Coordinator and to the Advisory Board on the assessment of claims appeals as requested.

**Article 5.6 The General Meeting of Participants**

1. The General Meeting of Participants is convened by the Advisory Board of the Medical Benefits Fund.

2. The General Meeting of Participants:
   (a) Meets at least once a year.
   (b) Examines the report on the activities of the Advisory Board.
   (c) Makes recommendations to the Advisory Board.

**Section VI
FINANCIAL PROVISIONS**

**Article 6.1 Contributions for compulsory participation**

1. The contributions of participant members of the Secretariat shall be calculated on the basis of their annual remuneration as defined in this article. For the purposes of these Rules, “remuneration” shall mean:
   - the basic net salary adjusted in accordance with Staff Rule 103.2 in the case of staff members in the Professional category and above; and
   - basic net salary plus language allowance(s) and non-resident’s allowance in the case of staff members in the General Service category.

Where a participant is entitled to only part of his/her salary (such as a participant on sick leave with half pay or a participant working part-time), his/her contribution shall nevertheless be calculated on the basis of the full remuneration which would otherwise be due to him/her.

2. Contributions shall be deducted monthly from a participant’s remuneration and shall be calculated monthly in accordance with the scale annexed to these Rules (Annex VII).

**Article 6.2 Contributions for voluntary participation**

1. Retired participants shall pay contributions according to the same scale as for staff members (Annex VII) on the basis of whichever is the highest of the amounts below.

For participants who retired before 1 January 2007:

(a) the full amount of benefits as defined in the Regulations, Rules and pension adjustment system of the United Nations Joint Staff Pension Fund, i.e. the integral pension, including the periodic increases specified;
(b) an amount equal to one third of the remuneration on which contributions were payable at the date of separation from service.

For participants who retired as of 1 January 2007:

(a) the full amount of the benefit as defined in the Regulations, Rules and pension adjustment system of the United Nations Joint Staff Pension Fund, i.e. the integral pension, including the periodic increases specified;
(b) an amount equal to one third of the remuneration on which contributions were payable at the date of separation from service;
(c) a notional minimum corresponding to the pension they would have received from the United Nations Joint Staff Pension Fund had they contributed to it for 20 years.

2. Other voluntary participants shall pay contributions according to the same scale as for staff members (Annex VII):

(a) for participant members of the Secretariat on special leave (Article 2.2, para. 1), participant members of the Secretariat following separation (Article 2.2, para. 2), staff members on secondment (Article 2.2, para. 6) and staff members of other organizations of the United Nations system (Article 7.2):
   (i) on the basis of their annual remuneration as defined in Article 6.1;
   (ii) provided the Organization’s contribution is paid;
(b) for disabled participants (Article 2.2, para. 4), on the basis of their disability benefit paid by the United Nations Joint Staff Pension Fund;
(c) for surviving protected persons spouses (Article 2.2, para. 5), on the basis of whichever is the higher of the following amounts:
   (i) the surviving-spouse pension paid by the United Nations Joint Staff Pension Fund;
   (ii) an amount equal to one third of the deceased participant’s remuneration.
(d) for surviving children (Article 2.2, para. 5), on the basis of whichever is the higher of the following amounts:
   (i) the surviving-child pension paid by the United Nations Joint Staff Pension Fund;
   (ii) an amount equal to one third of the deceased participant’s remuneration.

3. In the case of death of a Participant, the spouse if he or she is a participant in the Fund, or, in the absence of a spouse participating in the Fund, the eldest of the Protected Persons pursuant to Article 2.3 shall be deemed, unless there is a judicial decision to the contrary, a participant and the other survivors shall be persons protected by him/her.

4. The payment of voluntary contributions shall be made in accordance with the modalities determined by the MBF Administration. In the case of delay in the payment of contributions, the Coordinator may suspend the payment of benefits. Any prolonged delay in the payment of contributions shall entail removal from the rolls by the MBF Administration if, after due notice has been given by the Coordinator, the person concerned fails to fulfil his/her obligations.

Article 6.3 Contribution of the Organization

The Organization shall make a contribution that is at least equal to 60 % of the projected expenses as determined by the External subject matter expert.

Article 6.4 Changes in the scale of contributions

Should the Director-General consider in the course of a year that, in the light of an unfavourable financial situation, it would be advisable to increase the rates of contribution, the following entities of the MBF Administration shall be consulted on the measures to be taken: HRM and BFM Directors, the Coordinator
and the Advisory Board. The Director-General shall then take such action as he/she considers necessary.

Article 6.5 Currency of account

The Fund’s currency of account shall be the United States dollar.

Article 6.6 Donations and subventions

The Fund may accept donations and subventions in accordance with the Constitution of the Organization.

Article 6.7 Administrative expenses

The administrative expenses incurred by the Fund in applying the present Rules shall be covered by the Organization.

Article 6.8 Financial Regulations

The Fund’s assets shall be managed in accordance with the Organization’s Financial Regulations.

Article 6.9 Financial analysis and performance review

1. The Chief Financial Officer ensures the Fund’s financial oversight.

2. The Chief Financial Officer shall provide financial analysis together with the annual financial statements of the Fund.

3. An External Subject Matter Expert shall be hired to offer services related to MBF actuarial, financial and underwriting analysis. The External Subject Matter Expert:

   (a) Provides annual plan performance reviews and recommendations to the Director-General.
   (b) Performs biennium based cost projections and underwriting.
   (c) Advises on plan design changes and reports on the results of annual benchmarking exercises.
   (d) Performs periodic actuarial studies upon request.
   (e) Advises the Advisory Board as appropriate through the MBF Coordinator.
   (f) The reports and studies of the External Expert are submitted to the Director-General and shared with the Advisory Board for recommendation.

Article 6.10 Liquidation

1. In the event of liquidation of the Fund, its assets shall be transferred to its successor body by the MBF Administration.

2. Should no such body exist, the assets shall be distributed by the Organization among the participants on the one hand and the Organization on the other hand, pro rata to contributions paid.
Section VII

GENERAL PROVISIONS

Article 7.1 Amendments to the Rules

The Director of HRM and the Chief Financial Officer jointly, the Coordinator as well as the Advisory Board may propose amendments to the present Rules to the Director-General.

Proposed amendments to any of the provisions of these Rules and the annexes thereto must be submitted to the Advisory Board as well as HRM and BFM Directors for review. Each entity shall communicate its recommendations to the Director-General, who shall take such action as he/she considers necessary.

Article 7.2 Exception to the Rules

Under no circumstances exceptions to these Rules will be granted to any participant.

Article 7.3 Applicability to other organizations of the United Nations system

The provisions of these Rules shall apply mutatis mutandis to other organizations of the United Nations system having an office in Paris and to their staff members in accordance with and subject to the agreements entered into with UNESCO for this purpose.
Part 2

MEDICAL BENEFITS FUND OF UNESCO RESOLUTION

The Extraordinary General Assembly of 4 September 2013,

1. **Recalling that:**

   (a) Resolution 86 of the 33th General Conference of UNESCO in 2005, took note of the recommendations of the External Auditor, the timetable for their implementation and the global plan of action, and invited the Director General to report ... on the possibility of reviewing contributions to the Fund. The plan of action included the increase in 3 stages, beginning on 1 January 2008, of the employer's share of contributions to 60%. (See Annex 1 for Resolution 86 and the measures relating to contributions and financial management);

   (b) the present Rules, dated 2008, were revised over a period of 5 years by two different Working Groups, and that, in comparison, the procedure for the introduction of these new Rules has been extremely hurried, with the first draft provided to the Board of Management on 6 June 2013;

2. **Considering that:**

   (a) the present structure of the Medical Benefits Fund has served the participants (active and retired staff), and the organization, reasonably well for more than 60 years, so it is only reasonable to allow participants sufficient time to study the new rules and structures proposed.

   (b) the Deloitte report on governance, which is the basis of the new Rules, has been made available to participants only the evening before the Extraordinary General Assembly, despite its being specifically requested at the General Assembly of Participants held on 15 May 2013;

   (c) far from enhancing the Fund's expertise and independence, the proposed reform would concentrate control in a newly established Coordinator within the Secretariat who would be accountable only to senior management;

   (d) despite the best efforts of a small Working Group to revise the Administration's draft Rules in July 2013, the role of participants would be reduced to participation in an Advisory Board;

   (e) costs are likely to increase in view of the tasks envisaged for the proposed External subject matter expert, and any benefits for the participants are unclear;

3. **Notes with regret that:**

   (a) the proposed new Rules would fundamentally change the status of the MBF from “a mutually financed and autonomous health insurance scheme based on principles of solidarity” to a scheme managed by a Coordinator, unaccountable except to his/her immediate superiors;

   (b) the loss of autonomy of the Board of Management and the effective abolition of the General Assembly would leave the participants of the Fund, who are its co-owners, without any recourse to decisions, and would deprive them of the kind of affordable, mutually financed health insurance scheme to which they have repeatedly affirmed their attachment;
4. **Recommends** that the UNESCO External Auditor be requested to undertake a full performance audit of the MBF, including its financing, governance and administration, the costs and benefits of the proposed changes, and a review of its own last report, i.e. of 2005;

5. **Considers** that it is premature to take a decision on the proposed new Rules and governance structure; and decides to adjourn the Assembly until the External Auditor’s Report is made available to it.

6. **Requests** the Chairman of the Extraordinary General Assembly to transmit this Resolution to the Director General.
ANNEX I

33 C/Resolution 86
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 2006-2007

The General Conference,

I

Recalling 32 C/Resolution 73, 171 EX/Decision 38 and 172 EX/Decision 38,

Having examined documents 33 C/36 and 172 EX/36,

1. Recognizes that the Medical Benefits Fund is an efficient and indispensable element of medical protection for serving and retired staff members;
2. Takes note of the recommendations of the External Auditor concerning the Medical Benefits Fund, including the timetable for their implementation as well as the global plan of action and the measures proposed by the Director-General to ensure the Fund’s long-term financial stability and equilibrium;
3. Welcomes the launching of an international call for tenders with a view to selecting the best offer for subcontracting the processing of claims that the Fund carries out worldwide for all its participants;
4. Decides exceptionally to suspend Financial Regulation 4.4, and authorizes the Director-General to use the balance of unliquidated obligations from the 2002-2003 biennium ($2,478,170) to finance, as a one-time measure, the costs of subcontracting the processing of the reimbursement claims of the Fund;
5. Invites the Director-General to report to the Executive Board at its 176th session on the Medical Benefits Fund, including the possibility of reviewing contributions to the Fund;

II

6. Designates the following two Member States to act as observers on the Board of Management of the Fund for the 2006-2007 biennium:

Finland
Lao People’s Democratic Republic

172 EX/Decision 38
Report by the Director-General on a global plan of action for the UNESCO Medical Benefits Fund together with a timetable for the implementation of the recommendations of the External Auditor (172 EX/36)

The Executive Board,

1. Recalling 32 C/Resolution 73 and 171 EX/Decisions 38 and 40,
2. Having examined document 172 EX/36,
3. Recognizes that the Medical Benefits Fund is an efficient and indispensable element of medical protection for serving and retired staff members;
4. Takes note of the recommendations of the External Auditor on the Medical Benefits Fund and of the timetable for their implementation contained in Annex III to document 172 EX/36;
5. Also takes note of the global plan of action and the measures proposed therein to ensure the Fund’s long-term financial stability and equilibrium;
6. Welcomes the launching of an international call for tenders with a view to selecting the best offer for subcontracting of the processing of claims that the Fund carries out worldwide for all its participants;

7. Recommends that the General Conference, at its 33rd session, suspend Financial Regulation 4.4 exceptionally, and authorize the Director-General to use the balance of unliquidated obligations from the 2002-2003 biennium ($2,478,170) to finance, as a one-time measure, the costs of subcontracting the processing of the reimbursement claims of the Fund;

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).

172 EX/36

Global Plan of Action: 5. Measures relating to contributions and financial management

26. The measures relating to contributions merit consideration because the Fund should have 18 months of benefit payments in reserve with a margin of roughly three months, or between 15 and 21 months of reimbursements. The proposals contained in document 171 EX/30 have therefore been modified as follows, as part of the global plan of action:

(i) the establishment, beginning on 1 January 2007, of a minimum level of contribution for associate participants based on a theoretical pension paid for 20 years' service in the Organization;

(ii) the increase in three stages, beginning on 1 January 2008, of employee/employer contributions, augmenting gradually to 60% the employer’s share of contributions, including administrative costs;

(iii) the adoption of a mechanism that would automatically increase contributions as a function of recorded expenditure, which would become operational after the 2012-2013 biennium;

(iv) the establishment of biennial monitoring of the projected results for the following ten years (2008).
Part 3

Section V
MANAGEMENT OF THE FUND

Article 5.1 The Director-General

The Director-General

(g) Has the fiduciary responsibility to administer a system of medical health insurance for the Participants (compulsory and voluntary).
(h) Nominates three staff members to participate in the Advisory Board of the Medical Benefit Fund in their own capacity for a period of three years
(i) Consults the Advisory Board on all matters related to the management of the Fund
(j) Takes final decisions on all MBF related issues including on the recommendations submitted by the Advisory Board, the Director of HRM and the Chief Financial Officer.
(k) Approves all plan design changes, changes in contribution rates and formula.
(l) Shares studies, financial statements, actuarial evaluations and underwriting results with the Advisory Board.

Article 5.2 The Advisory Board of the Medical Benefit Fund (ABMBF)

The Advisory Board advises the Director-General on the management of the MBF.

It consists of

(a) Three members nominated in their personal capacity by the Director-General for a period of three years.
(b) Three members and three alternates elected for a period of three years by the participants. Two members representing compulsory participants and one representing voluntary participants. Both compulsory and voluntary participant representatives are elected by participants through electronic and mail voting.
(c) The Advisory Board elects a Chairperson and Vice-Chairperson among its members. If the Chairperson is a member nominated by the Director-General, the Vice-Chairperson shall be a member elected by Participants.
(d) The Chairperson and Vice-Chairperson are elected for one year and are eligible for re-election.
(e) Standing observers: one representative of each staff association and association of former staff members,
(f) Internal and external experts can be invited by the Board to lend their expertise in the examination of items (eg. The Chief Medical Officer, the MBF Coordinator, the External Subject Matter Expert, etc.).

The Advisory Board

(a) Is consulted on all matters related to the management of the Fund.
(b) Determines its work programme and priorities.
(c) Submits its observations and recommendations on items submitted by the Director of HRM and the Chief Financial Officer and/or the MBF Coordinator, as well as any other matter it deems necessary to ensure the financial sustainability of the Fund.
(d) Submits its observations and recommendations on the annual financial statements produced by the Chief Financial Officer to the Director-General.
(e) Reviews the reports and recommendations of the External Expert and makes, as appropriate, observations thereon and formulates recommendations addressed to the Director-General.
(f) Is consulted on all modifications to the MBF Rules.
(g) Examines complaints against the decisions of the MBF Coordinator and issues recommendations thereon that are addressed to the Director-General for final decision (ref
Art.10 Disputes and Arbitration)

(h) Examines cases giving rise to particular difficulties in the application of these Rules submitted by the MBF Coordinator and issues recommendations thereon to the Director-General.

(i) Examines cases of fraud submitted to it by the MBF Coordinator and makes recommendations to the Director-General on appropriate decisions.

(j) May seek advice from the MBF Coordinator, the Director of HRM and Chief Financial Officer, the External Subject Matter Expert and the Chief Medical Officer on substantive matters related to the Fund.

(k) Calls an annual General Meeting of Participants.

(l) Reports to the annual General Meeting of Participants on its activities and future work programme.

(m) Elects its own Chairperson and Vice-Chairperson among its members.

(n) Will have a minimum of two meetings per year.

(o) The meetings of the Advisory Board require a quorum of 2/3 of its full members.

(p) Decisions of the Board should be taken by consensus as much as possible. In case of disagreement, a decision can be taken by vote.

(q) If a vote is requested, decisions are taken by a simple majority of the votes cast. The Chair of the session is thus replaced by an alternate that is given the right to vote. When an equal number of votes are cast for and against a motion, the Chairperson shall have a casting vote.

Article 5.3 The Director of the Bureau of Human Resources Management and the Chief Financial Officer

5. The Director of Human Resources Management and the Chief Financial Officer

(a) Jointly assess all recommendations from the MBF Coordinator, including on the overall plan administration.

(b) Make recommendations to the Director-General on all matters concerning the MBF Fund, including measures required to ensure the financial sustainability of the Fund.

(c) With the MBF Coordinator, recommend items to be examined by the Advisory Board of the MBF.

6. The Chief Financial Officer ensures the Fund’s financial oversight.

7. The CFO shall:

(d) Maintain such accounting records as are necessary.

(e) Present the accounts of the MBF for audit to the External Auditor of UNESCO, together with the other accounts of the Organization.

(f) Provide yearly financial statements on the Fund.

8. The Director of Human Resources designates the Secretary of the Advisory Board of the MBF.

Article 5.4 The Coordinator of the Medical Benefits Fund

The Coordinator is a UNESCO Staff member appointed by the Director-General. S/he reports to the Director of Human Resources. S/he shall:

(g) Administer the day-to-day operations of the Fund related to the plan administration in accordance with the Rules of the MBF in force.

(h) Manage the external contractors involved in the administration of the MBF, including the External Subject Matter Experts and the Claims Administrator.

(i) Advise the Advisory Board upon request.

(j) Submit to the Advisory Board cases giving rise to particular difficulties or problems in the application of these Rules.

(k) Report to the Advisory Board on any inconsistencies encountered in the application of these
(l) On the basis of the reports and studies provided by the External Subject Matter Expert, recommend the contribution strategy to ensure that the plan is adequately funded.

Article 5.5 The Chief Medical Officer

The Organization’s Chief Medical Officer shall lend his/her expertise in the examination of appeals in accordance with the procedures described in Article 4.10.

The Chief Medical Officer provides advice to the MBF Coordinator and to the Advisory Board on the assessment of claims appeals as requested.

Article 5.6 The General Meeting of Participants

3. The General Meeting of Participants is convened by the Advisory Board of the Medical Benefits Fund.

4. The General Meeting of Participants:
   (d) Meets at least once a year.
   (e) Examines the report on the activities of the Advisory Board.
   (f) Makes recommendations to the Advisory Board.

Section VI

FINANCIAL PROVISIONS

Article 6.1 Contributions for compulsory participation

1. The contributions of participant members of the Secretariat shall be calculated on the basis of their annual remuneration as defined in this article. For the purposes of these Rules, “remuneration” shall mean:
   - the basic net salary adjusted in accordance with Staff Rule 103.2 in the case of staff members in the Professional category and above; and
   - the basic net salary plus language allowance(s) and non-resident’s allowance in the case of staff members in the General Service category.

Where a participant is entitled to only part of his/her salary (such as a participant on sick leave with half pay or a participant working part-time), his/her contribution shall nevertheless be calculated on the basis of the full remuneration which would otherwise be due to him/her.

2. Contributions shall be deducted monthly from a participant’s remuneration and shall be calculated monthly in accordance with the scale annexed to these Rules (Annex VII).

Article 6.2 Contributions for voluntary participation

1. Retired participants shall pay contributions according to the same scale as for staff members (Annex VII) on the basis of whichever is the highest of the amounts below.

For participants who retired before 1 January 2007:

(a) the full amount of benefits as defined in the Regulations, Rules and pension adjustment system of the United Nations Joint Staff Pension Fund, i.e. the integral pension, including the periodic increases specified;
(b) an amount equal to one third of the remuneration on which contributions were payable at the date of separation from service.

For participants who retired as of 1 January 2007:
(a) the full amount of the benefit as defined in the Regulations, Rules and pension adjustment system of the United Nations Joint Staff Pension Fund, i.e. the integral pension, including the periodic increases specified;
(b) an amount equal to one third of the remuneration on which contributions were payable at the date of separation from service;
(c) a notional minimum corresponding to the pension they would have received from the United Nations Joint Staff Pension Fund had they contributed to it for 20 years.

2. Other voluntary participants shall pay contributions according to the same scale as for staff members (Annex VII):

(a) for participant members of the Secretariat on special leave (Article 2.2, para. 1), participant members of the Secretariat following separation (Article 2.2, para. 2), staff members on secondment (Article 2.2, para. 6) and staff members of other organizations of the United Nations system (Article 7.2):
   (i) on the basis of their annual remuneration as defined in Article 6.1;
   (ii) provided the Organization’s contribution is paid;
(b) for disabled participants (Article 2.2, para. 4), on the basis of their disability benefit paid by the United Nations Joint Staff Pension Fund;
(c) for surviving protected persons spouses (Article 2.2, para. 5), on the basis of whichever is the higher of the following amounts:
   (i) the surviving-spouse pension paid by the United Nations Joint Staff Pension Fund;
   (ii) an amount equal to one third of the deceased participant’s remuneration.
(d) for surviving children (Article 2.2, para. 5), on the basis of whichever is the higher of the following amounts:
   (i) the surviving-child pension paid by the United Nations Joint Staff Pension Fund;
   (ii) an amount equal to one third of the deceased participant’s remuneration.

3. In the case of death of a Participant, the spouse if he or she is a participant in the Fund, or, in the absence of a spouse participating in the Fund, the eldest of the Protected Persons pursuant to Article 2.3 shall be deemed, unless there is a judicial decision to the contrary, a participant and the other survivors shall be persons protected by him/her.

4. The payment of voluntary contributions shall be made in accordance with the modalities determined by the MBF Administration. In the case of delay in the payment of contributions, the Coordinator may suspend the payment of benefits. Any prolonged delay in the payment of contributions shall entail removal from the rolls by MBF Administration if, after due notice has been given by the Coordinator, the person concerned fails to fulfil his/her obligations.

Article 6.3 Contribution of the Organization

The Organization shall make a contribution that is at least equal to 60% of the projected expenses as determined by the External subject matter expert.

Article 6.4 Changes in the scale of contributions

Should the Director-General consider in the course of a year that, in the light of an unfavourable financial situation, it would be advisable to increase the rates of contribution, the following entities of the MBF Administration shall be consulted on the measures to be taken: HRM and BFM Directors, the Coordinator and the Advisory Board. The Director-General shall then take such action as he/she considers necessary.

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The Fund may accept donations and subventions in accordance with the Constitution of the Organization.

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3. An External Subject Matter Expert shall be hired to offer services related to MBF actuarial, financial and underwriting analysis. The External Subject Matter Expert:
   (g) Provides annual plan performance reviews and recommendations to the Director-General.
   (h) Performs biennium based cost projections and underwriting.
   (i) Advises on plan design changes and reports on the results of annual benchmarking exercises.
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   (k) Advises the Advisory Board as appropriate through the MBF Coordinator.
   (l) The reports and studies of the External Expert are submitted to the Director-General and shared with the Advisory Board for recommendation.

Article 6.10 Liquidation

1. In the event of liquidation of the Fund, its assets shall be transferred to its successor body by the MBF Administration.

2. Should no such body exist, the assets shall be distributed by the Organization among the participants on the one hand and the Organization on the other hand, pro rata to contributions paid.

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GENERAL PROVISIONS

Article 7.1 Amendments to the Rules

The Director of HRM and the Chief Financial Officer jointly, the Coordinator as well as the Advisory Board may propose amendments to the present Rules to the Director-General.

Proposed amendments to any of the provisions of these Rules and the annexes thereto must be submitted to the Advisory Board as well as HRM and BFM Directors for review. Each entity shall
communicate its recommendations to the Director-General, who shall take such action as he/she considers necessary.

**Article 7.2 Exception to the Rules**

Under no circumstances exceptions to these Rules will be granted to any participant.

**Article 7.3 Applicability to other organizations of the United Nations system**

The provisions of these Rules shall apply *mutatis mutandis* to other organizations of the United Nations system having an office in Paris and to their staff members in accordance with and subject to the agreements entered into with UNESCO for this purpose.
Item 12.4 of the agenda

THE STATE OF THE MEDICAL BENEFITS FUND AND INTRODUCTION OF THE NEW GOVERNANCE STRUCTURE

ADDENDUM 2

COMMENTS BY 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. STU wishes to draw attention to the fact that the MBF is not a Unit of the Secretariat, but is, according to Article 1 of the Rules of the MBF, “a mutually financed and autonomous health insurance scheme based on principles of solidarity.” Participants in the scheme have frequently expressed their attachment to the scheme in its present form, of which they are co-owners.

2. It thus requests the General Conference to respect the autonomy of the MBF, and in particular the decision of the Extraordinary General Assembly of 4 September 2013 (Part 2 of document 37 C/38 Add.), which considered that it was premature to take a decision on the new Rules, not least because of the withholding of background information and of the lack of time to consider the very radical changes being proposed to the governance structure. In this sense, it further requests the General Conference to take note of the information in the documents 37 C/38 and 37 C/38 Add., and to reserve judgment on any changes in the governance structure and rules until the issue has been fully and transparently examined by those directly concerned.

3. It regrets the plan to maintain the services of Deloitte for the coming two biennia as this consulting firm has shown little understanding of the nature of the MBF but instead has made proposals based on what appear to be pre-conceived ideas of what the MBF should be. The MBF Board of Management has not been consulted on this measure, and the terms of reference and the
costs (at least US $10,000 to $12,000 a year for basic services only, as estimated in their report of 9 July 2010) of the consultancy are not known. STU would prefer the adoption of the recommendation of the External Auditor (37 C/30, Recommendation 6) that UNESCO use the same consulting actuary for all its long-term staff benefits. This would be both a savings and a benefit as it would align the MBF and the ASHI liability under the same structure and valuations.

4. It notes that the unilateral decision of the Administration in this matter is yet a further instance of the lack of respect in the application of the existing Rules. Further instances relate to the considerable cost-savings measures that have been approved by the Board of Management but have yet to be implemented by the Administration. The deplorable delay in presenting this document after the start of the General Conference, less than 24 hours before it is to be discussed in the APX Commission, is a further symptom of the inefficiency of the current administrative team.

5. It trusts that the General Conference will approve the revised cost sharing formula and the initial funding of the ASHI liability, which would provide a measure of badly needed financial stability to the MBF. It notes that the External Auditor has once again reprimanded the Organization and its governing bodies for not yet adopting a structural solution to its long-term liabilities. In view of the enforced departure of several hundred staff at the end of 2013, and the further erosion of the balance between active and retired staff participants, it is urgent that these measures, together with the cost-saving measures approved by the MBF’s Board of Management, be applied as soon as possible.