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# Update on the funding status and utilization of the UNHCR Staff Benefits Fund

*Summary*

In view of significant recent changes in the staffing levels of UNHCR, this paper provides Member States with an update on the funding status of the Staff Benefits Fund. It also proposes that UNHCR initiates an analysis to identify the way forward in relation to the funding strategy of the Staff Benefits Fund and the utilization of its resources, with the aim to report back to the Standing Committee in 2026.

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# I. Introduction

1. In accordance with its Financial Rules, UNHCR maintains a Staff Benefit Fund (hereafter the Fund) to account for accrued end-of-service and post-retirement benefits, and to record the associated assets and financial liabilities. In principle, transfers from the Fund are authorized only for specific purposes related to these benefits, unless otherwise decided by the Executive Committee. Through various decisions, as further described in paragraphs 2 and 3, the Executive Committee has authorized UNHCR to fund after-service health insurance (also known as ASHI) and repatriation liabilities through the Fund.

2. At its sixty-second meeting in September 2011, the Standing Committee of the Executive Committee adopted a decision on funding end-of-service and post-retirement benefits (A/AC.96/1104). The decision provided for the creation of reserves by:

(a) applying a monthly payroll charge of 3 per cent to the net base salary of all professional staff and relevant general service staff, effective 1 January 2012, to fund after-service health insurance liabilities; and

(b) allocating, where available, $2 million annually from staff cost savings to build a reserve for repatriation benefits, effective 1 January 2012.

3. UNHCR staff and former staff are primarily covered by two health insurance schemes: the United Nations Staff Mutual Insurance Society and the Medical Insurance Plan. The 2011 funding strategy referred to in paragraph 2(a) above established a mechanism to fund after-service health insurance liabilities for staff covered by the United Nations Staff Mutual Insurance Society. However, this 2011 funding strategy did not cover the staff under the Medical Insurance Plan.

4. In March 2017, UNHCR presented an updated funding strategy to the Standing Committee, extending the 3 per cent charge to all staff salaries funded from voluntary contributions, regardless of which scheme under which they were insured. At the same time, UNHCR proposed increasing the annual allocation to the repatriation liability referred to in paragraph 2(b) above from $2 million to $3 million. This revised funding strategy was adopted by the Standing Committee of the Executive Committee in March 2017 (A/AC.96/1166), with effect from the date of the decision, and has been applied consistently since.

5. While under the Financial Rules, the High Commissioner has the authority, in principle, to make transfers from the Fund for specific purposes related to all categories of accrued end-of-service and post-retirement benefits falling under the scope of the Fund, this authority is currently limited through the Standing Committee decisions of 2011 and 2017 mentioned above, which established separate funding sources specifically for after-service health insurance and repatriation benefits only.

6. This paper provides an update on the status of funding accumulated in the Staff Benefits Fund following application of the funding strategies described above. It also proposes initiation of an analysis to identify the way forward in relation to the Fund's funding strategy and utilization of its resources, considering also the specific context of the significant downsizing and restructuring of the workforce that UNHCR is currently undergoing.

# II. Current funding situation of the Staff Benefit Fund

*After-service health insurance reserves*

7. Applying the 3 per cent payroll charge as per the 2011 and 2017 Standing Committee decisions, together with annual charge for current service costs and interest, has resulted in a funded amount of $828 million accumulated for after-service health insurance liabilities in the Fund. This amount represents about 62 per cent of the after-service health insurance liabilities, which stood at $1.34 billion as at 31 December 2024. The most recent study on the after-service health insurance asset and liability modelling, which was commissioned in 2021, indicated that full funding of the after-service health insurance liabilities would be reached by 2034.

*Repatriation grant reserves*

8. In respect of the repatriation grant, UNHCR has only accrued 39 per cent of the corresponding liability, as the transfers made on annual basis were capped by the Executive Committee decision at $2 million between 2012 and 2016 and at $3 million from 2017 onwards. As at 31 December 2024, UNHCR had accumulated an amount of $56 million in funding for the total repatriation liability of $143.8 million (see table I below).

*Unused annual leave reserves*

9. UNHCR has also set aside funds within the Staff Benefits Fund to fully accrue for the liability corresponding to unused annual leave by staff members, which is paid at separation, as well as for other smaller separation benefits.

10. The evolution of funds accumulated in the Staff Benefits Fund against the corresponding liabilities recorded in the same Fund are also presented in the table below:

Table I

## Liability and funding for various components of the Staff Benefits Fund

(As at 31 December, in millions of United States dollars)

| *Year* | *2017* | *2018* | *2019* | *2020* | *2021* | *2022* | *2023* | *2024* |
|---|---|---|---|---|---|---|---|---|
| ASHI funding | 117.4 | 182.6 | 302.4 | 377.5 | 468.3 | 584.8 | 706.6 | 828.0 |
| ASHI liability | 633.3 | 588.6 | 798.9 | 1,021.8 | 1,200.5 | 833.9 | 916.4 | 1,340.1 |
| *Funding ratio (%)* | *18* | *31* | *38* | *37* | *39* | *70* | *77* | *62* |
| Repat funding | 13.2 | 16.5 | 19.9 | 23.0 | 26.0 | 29.4 | 40.7 | 56.0 |
| Repat liability | 103.1 | 103.3 | 125.7 | 134.8 | 144.6 | 131.6 | 143.1 | 143.8 |
| *Funding ratio (%)* | 13 | 16 | 16 | 17 | 18 | 22 | 28 | 39 |
| AL* and other funding | 0.1 | 0.0 | 76.6 | 112.8 | 119.8 | 123.4 | 130.3 | 132.8 |
| AL and other liability | 71.5 | 74.2 | 78.4 | 112.8 | 119.8 | 123.4 | 130.3 | 132.8 |
| *Funding ratio (%)* | *0* | *0* | *98* | *100* | *100* | *100* | *100* | *100* |
| **Total funding** | **130.4** | **199.1** | **398.9** | **513.3** | **614.1** | **737.7** | **877.6** | **1,016.9** |
| **Total liability** | **807.9** | **766.1** | **1,003.0** | **1,269.5** | **1,464.9** | **1,088.9** | **1,190.0** | **1,616.7** |
| ***Overall funding ratio*** | *16%* | *26%* | *40%* | *40%* | *42%* | *68%* | *74%* | *63%* |

*Annual leave

11. The table below shows the overall financial situation of the Fund, considering the funding against the corresponding liabilities as at 31 December 2024 and 2023 respectively:

Table II

**Analysis of the Staff Benefits Fund as at the end of 2023 and 2024**

(As at 31 December, in millions of United States dollars)

| | *31 December 2024* | | | *31 December 2023* | | |
|---|---|---|---|---|---|---|
| | *Liabilities* | *Funding* | *Net fund balance* | *Liabilities* | *Funding* | *Net fund balance* |
| After-service health insurance | (1 340 109) | 828 022 | (512 087) | (916 438) | 706 557 | (209 881) |
| Repatriation | (143 824) | 56 050 | (87 774) | (143 120) | 40 734 | (102 386) |
| Annual leave | (122 064) | 122 064 | - | (125 971) | 125 971 | - |
| Service-related insurance | (7 323) | 7 323 | - | - | - | - |
| Other separation benefits | (3 410) | 3 410 | - | (4 367) | 4 367 | - |
| **Total** | **(1 616 730)** | **1 016 869** | **(599 861)** | **(1 189 896)** | **877 629** | **(312 267)** |

12. The financial situation of the Fund presented in the tables above reveals that, while the after-service health insurance, repatriation and other types of liabilities continued to grow in the last years, the funding strategy pursued so far allowed UNHCR to progressively set aside reserves that reached a coverage of 63 per cent of the overall liability of the Fund as calculated by UNHCR's independent professional actuary as at 2024-year end and reflected in the 2024 financial statements.

# III. Obligations related to the sudden termination of contracts

13. In 2025, UNHCR experienced a significant reduction in voluntary contributions. In June 2025, UNHCR's leadership completed a review of the organization's activities, expenditure, staffing and structures in response to the financial situation. Based on this review, restructuring measures were announced to reduce the overall scale of UNHCR's operations, including the expected closure or downsizing of several offices worldwide, a reduction of nearly 50 per cent in senior positions at its Geneva headquarters and in the regional bureaux, and the discontinuance of thousands of staff positions, representing a global reduction in staffing costs of around 30 per cent.

14. The changes expected in the workforce composition and profile as a result of these restructuring measures will have a significant effect on the level of liabilities pertaining to the Fund, with important implications for the funding and utilization of resources that require further attention, as outlined in chapter V below.

15. In accordance with the decisions of the Standing Committee of the Executive Committee, UNHCR has only accrued under the Fund for staff benefits that are legally due to staff as part of the normal separation process (not involving termination before an appointment's expiry). UNHCR has not set aside any funding or created any reserves to cover compensations for staff in relation to an unexpected sudden termination of their employment contract. Such compensations may be applicable as follows:

(a) In accordance with staff rule 9.7(b), the High Commissioner may authorize, in lieu of the notice period[1], compensation equivalent to salary, applicable post adjustment, and allowances corresponding to the relevant notice period at the rate in effect on the last day of service;

(b) In addition, staff members who have their contract terminated are entitled to a termination indemnity governed by staff regulation 9.3 and annex II of the United

[1] UNHCR staff members are typically entitled to a specific notice period before their employment can be terminated. This period varies based on the type of appointment (such as permanent, fixed-term or temporary).

Nations Staff Regulations. The amount of this indemnity depends on the type of appointment and the staff member’s length of service.

16. No funds have been accrued to cover payments of compensations in lieu of the notice period nor termination indemnities, as these only become legally due once a decision to terminate a staff member’s appointment has been formally made. Therefore, the expenses for these payments will have to be charged to the annual budget for the current financial period.

17. It should be noted that, UNHCR staff have no unemployment insurance coverage as part of their employment contract. These benefits are meant to support the affected staff on a temporary basis until they find new employment.

## IV. Assessment of current accruals for various elements of the staff benefits

*After-service health insurance*

18. As illustrated above, the funding accumulated for after-service health insurance has been steadily growing, providing a solid financial base to allow UNHCR to be fully funded for these liabilities within a reasonable time (current estimation being by 2034). This funding allows for the payment of benefits for the growing number of retirees out of the amounts accrued in the Fund, without creating a substantial burden on the current or future annual budgets.

*Repatriation grant*

19. With regards to the repatriation grant, the funding levels are still not adequate, as explained in paragraph 8 above. It is, thus, anticipated that the reduction in staff levels will risk depleting the repatriation grant accrual, thereby placing an additional burden on future annual budgets to fund these liabilities.

*Annual leave*

20. Accrued annual leave and other liabilities are currently fully funded.

*Termination indemnities*

21. The lack of any kind of reserve for termination indemnities poses a serious financial risk to the organization and could result in a financial deficit should there not be enough funding from the current annual budget to cover the costs of these liabilities.

22. The Financial Regulations and Rules require UNHCR to have a source of funding for all known commitments. In line with the International Public Sector Accounting Standards (IPSAS), accruals should be made for those benefits that can be reasonably estimated and that meet the definition of a firm obligation. The IPSAS accounting standards do not require or permit entities to recognize liabilities for termination payments or payments in lieu of notice triggered by an unforeseen downsizing exercise related to staff contracts, until these liabilities become firm obligations.

23. While recording a liability for unknown termination is not permitted by IPSAS, the absence of any kind of funded reserve for future sudden changes in staffing levels exposes UNHCR to a significant operational risk. It is, therefore, incumbent upon the organization to assess options for the establishment of a funded reserve for termination indemnities.

## V. Way forward for the funding and utilization of the Staff Benefit Fund

24. It is critical for UNHCR to ensure that the funding strategy of the Staff Benefits Fund provides a clear, systematic, and predictable method for funding the reserve. To continue addressing the remaining funding gap of the Fund in the long-term, while also tackling the more urgent staff benefit funding needs derived from the restructuring currently being implemented by the organization, UNHCR will initiate a comprehensive review of the adequacy and effectiveness of the current methodologies for funding, aiming to report on its findings to the Standing Committee in 2026.

25. More precisely, UNHCR's analysis could cover the following aspects:

(a) Reviewing the adequacy of the current methodology for covering the after-service health insurance liability, namely through the application of a 3 per cent charge to net base salary, in addition to the current service and interest cost associated with the after-service health insurance obligations charged annually to the budget.

(b) Exploring a potential change in the methodology for funding the repatriation liability. For example, rather than imposing a fixed amount to be accrued at $3 million a year, other funding options could be explored. This could include the application of a charge to the monthly payroll, with close monitoring on yearly basis to adjust the charge in order to ensure full funding of the liability within an established time frame.

(c) Considering the establishment of a new category within the Fund for termination indemnity and payment in lieu of notice, to provide coverage of unexpected sudden reductions in staffing levels without causing undue pressure on that year's budget. UNHCR would also look at other United Nations organizations to identify good practices in establishing a reasonable level of funds that need to be accrued under this category to cover costs associated with potential indemnities.

(d) Exploring the possibility to grant the High Commissioner explicit authority to reallocate funding between the various elements of the Fund for which amounts are accrued for, as described in section IV above and in line with applicable financial and staff regulations, rules and the organization's fiduciary responsibilities. This would enable UNHCR to address the current limitations of the funding strategy described in paragraph 5 above and ensure that all contractual obligations have a source of funding, preventing thus the existence of unfunded obligations for Member States.

# IV. Conclusion

26. The Fund's funding strategy needs to provide a systematic, clear and predictable method for funding the reserve. The current funding strategy of the Staff Benefits Fund has effectively contributed to building reserves to cover 63 per cent of the current liabilities of the organization for specific purposes of after-service health insurance, repatriation grant and annual leave. The sufficiency of the funding reserves for these purposes will continue to be reviewed periodically, in consultation with the organization's governing and oversight bodies.

27. It is noted that no funds have been set aside to cover other termination liabilities that the organization may acquire due to the sudden suspension of programmes or other events triggering a curtailment of the workforce. UNHCR is, thus, of the opinion that options should be assessed to establish a source of funding for such purpose within the Fund.

28. UNHCR further notes that some adjustments to the current methodology may be needed to allow the reallocation of resources accumulated within the Fund. The optimization of resource allocation could be achieved by granting authority to the High Commissioner to distribute resources against the liabilities recorded within various accounts of the Fund, as and when necessary, to meet the corresponding obligations related to end-of-service and post-retirement benefits.

29. UNHCR will continue to keep Member States informed on all aspects related to the status of funding of end-of-service liabilities, while initiating a more comprehensive review, as described above, with the aim to present proposals in 2026 to update the funding strategy through a decision by the Standing Committee of the Executive Committee.