

TERMS OF REFERENCE

Actuarial Valuation for UNHCR's Liabilities related to After-Service Health Insurance and Repatriation Benefits

1) General Background of Project or Assignment:

UNHCR staff that fulfil the necessary statutory conditions have the right, after the end of service, to the following at the expense of the organization: after-service health insurance, repatriation benefits (i.e., repatriation grant, travel and shipping) and accrued annual leave.

After-service health insurance (ASHI) is available in the form of continued membership in the United Nations Mutual Insurance Society against Sickness and Accident (UNSMIS) or in an insurance scheme of another organization in the United Nations family, or through the self-insured and self-administered Medical Insurance Plan (MIP) for eligible locally recruited staff members who served at designated duty stations away from Headquarters, and their eligible dependents.

The mandatory age of retirement for staff recruited before 1 January 1990 is 60 and 62 for staff recruited on or after that date until 31 December 2013. For staff recruited after that date the mandatory retirement age is 65.

Internationally recruited UNHCR staff members are entitled to repatriation grants and related relocation costs upon their separation from the Organization, based on the number of years of service, in line with the Staff Regulations and the Staff Rules of the United Nations.

Separating staff are entitled to be paid for any unused leave days they may have accrued up to a maximum of 60 days for staff working at 100 per cent (pro-rated commensurately if on part-time employment). However, all accrued Annual Leave is considered to be a current liability and accordingly is not currently subject to Actuarial Valuation.

The International Public Sector Accounting Standards (IPSAS) followed by UNHCR require the provision for such end-of-service and post-retirement liabilities under IPSAS 39, Employee Benefits. Bidders should make themselves fully aware of and provide accounting support in line with IPSAS 39 which is based on but not the same as the relevant IFRS accounting standards. A copy of the relevant IPSAS standard can be downloaded here: <https://www.ipsasb.org/publications/ipsas-39-employee-benefits-2>.

2) Purpose and Objective:

The purpose of this Request for Proposal (RFP) is to select a qualified vendor for the provision of Actuarial Valuation Services in respect of UNHCR's long term employee benefit obligations, including but not limited to its obligations for after service health insurance (ASHI) and Repatriation Benefits and of any further ad-hoc actuarial services as may be required from time to time.

A Frame Agreement for Services will be established with the most responsive vendor representing the best value for money for UNHCR, for an initial period of three years, with the option to extend for an additional two-year period on the same technical and commercial Terms and Conditions.

The objective of this Frame Agreement is to allow UNHCR to purchase services from the selected vendor as and when required on the rates offered in response to the RFP.

The principles of a Frame Agreement are as follows:

- a) UNHCR will not be obligated to order any minimum quantity of Services from the Frame Agreement holder;
- b) UNHCR shall not be liable for any cost in the event that no purchase of Services is made under the Frame Agreement;
- c) This Arrangement is non-exclusive and UNHCR will be entitled to procure the same or similar Services from other vendors, as it sees fit.

3) Scope of Assignment

3.1) Actuarial Valuation Services of UNHCR's employee benefit obligations

- (i) The actuary is expected to provide an actuarial valuation of UNHCR's liabilities for after-service health insurance and repatriation benefits and for any other obligations that may be considered as subject to the provisions of IPSAS 39, for the fiscal year ending 31 December 2022 based on data as at 30 November 2022. UNHCR will consult with the actuary to review the profile of all relevant data as at 31 December 2022 in order to establish whether or not any significant change has occurred in the data during the month of December. It is anticipated that no significant change will occur in the relevant profile data during that month. The results of this valuation will

be reported in UNHCR's 2022 financial statements. The results of this valuation are required by 31 January 2023.

- (ii) By 31 January 2022 the actuary is also expected to provide an estimate on the portion of the reserves under the Medical Insurance Plan that covers the ASHI liability.
- (iii) The actuary will be expected to draft the IPSAS compliant disclosure Note for the 2022 UNHCR Financial Statements to be delivered by 15 February 2023.
- (iv) After delivery of the actuarial valuation reports by 31 January 2023, the actuarial firm may be required / is expected to respond to queries which may require adjustments to the actuarial valuation until 30 June 2023.

Footnote: Those active staff and retirees charged to the UNHCR posts funded by the UN Regular Budget to be disclosed in a separate total under the actuarial valuation.

It is expected that the above-described Actuarial Valuation services (Full Valuation exercise) will be required in Year 1 of the Frame Agreement.

UNHCR would typically require limited Actuarial Valuation services (Roll-Over exercise) in the year following a Full Actuarial exercise.

The anticipated services and tentative timeframe during the course of the Frame Agreement (5 years maximum) are the following:

- 1 January 2022 through 31 December 2022 (delivery 31 January 2023 latest): Full Valuation exercise
- 1 January 2023 through 31 December 2023 (delivery 31 January 2024 latest): Roll-Over exercise
- 1 January 2024 through 31 December 2024 (delivery 31 January 2025 latest): Full Valuation exercise
- 1 January 2025 through 31 December 2025 (delivery 31 January 2026 latest): Roll-Over exercise
- 1 January 2026 through 31 December 2026 (delivery 31 January 2027 latest): Full Valuation exercise

Please note that this tentative work plan is provided to enable the bidders to make a financial proposal based on these assumptions. However, UNHCR reserves the right to change this work plan, at its sole discretion. As stated in the above section 2, there will be no obligation for UNHCR to order any minimum quantity of services from the Frame Agreement holder.

3.2) Potential Additional Ad-hoc Services

Additional ad-hoc professional actuarial services and studies may be required and requested by UNHCR from time to time during the course of the Frame Agreement.

Following the award of the contract to the successful bidder, UNHCR may require specific actuarial studies to be performed for a) Medical Insurance Plan (MIP) b) UNSMIS Asset Liability Modelling (ALM) studies, c) establishment or review of investment decision making criteria related to ASHI reserves confirming asset allocation with matching liability profile.

The required specific actuarial studies may to be undertaken in a combined approach and would consider staff members of UNHCR i) using the MIP and ii) the UNSMIS medical plan.

Based on the results of such combined actuarial studies, a specific investment strategy proposal or review of individual investment criteria and objectives may be requested. This may include a review and assessment of current investment universe and a determination/review of the relevant asset classes to be included in the portfolio to meet the latest investment objectives.

a) Requirements for MIP actuarial study:

Such specific study will need to provide a validation of the methodology used to calculate the reserves and indicate whether these criteria need to be adjusted going forward. The key elements of the study may include:

- An analysis of the current financial criteria and assumptions in determining adequacy of the premium and utilization ratios;
- An assessment of the relevance/appropriateness of the specific reserves (e.g., statutory, catastrophic and other reserves) held by the MIP, calculating the required amounts necessary for such reserves and substantiating impact on MIP overall funding position;
- A review and assessment the level of contributions to ASHI scheme associated to MIP, together with payments made by the scheme in the settlement of actual ASHI claims and provide an opinion on their adequacy.

b) UNSMIS Liability Modelling Study:

Develop actuarial projections by year for a period of up to 30 years. The actuarial projections will reflect:

- The projected evolution of the liabilities and cash flows over a period of 30 years, based on results of the IPSAS 39 valuation as at the most recent year end date;

- A validation of the financial parameters and projected funding level of the Plan, at the end of the defined period, assuming the same level of financing and the same level and type of benefits will be reimbursed;
- The development of alternative scenarios and simulations regarding:
 - i) changes in level of financing ii) changes in type and level of reimbursed benefits iii) a combination of changes in both financing and reimbursed benefits iv) the confirmation of the resulting impact on funding of the Plan.
- The validation of changes to the liability profile, confirming assumptions applying IPSAS 39, in line with the base line most recent year end date; and
- The review and assessment of the level of contributions to ASHI scheme associated with UNSMIS, together with payments made by the scheme in the settlement of actual ASHI claims and provide an opinion on their adequacy.

If specific additional professional actuarial services are needed at any given time, UNHCR will provide a more detailed Statement of Work in which the Frame Agreement holder will assess and propose the number of days/ hours needed to complete the assignment, noting that the pre-agreed fixed hourly/daily rates in the Frame Agreement will be applicable. UNHCR and the Frame Agreement holder will agree in advance on the number of days required for the specific assignment.

Engagement of services shall only be binding upon receipt and acceptance by the Frame Agreement holder of an official Purchase Order issued by the Procurement unit of UNHCR, to which the Statement of Work will be attached.

Thereafter, the Frame Agreement holder shall respond to the requests by sending:

- Detailed CVs of consultants offered indicating their qualifications/grade.
- Development offers with workload estimates, using the pre-agreed fixed hourly/daily rates as set out in **Annex C** (Financial Proposal Form).
- Statement of Work: each request shall be substantiated by a Statement of Work (SOW) to be agreed upon by both Parties. The Statement of Work (SOW) associated with a Purchase Order shall contain detailed specification, list of services, number of days required, acceptance criteria and calculated costs agreed to between UNHCR and the Frame Agreement holder.

The Frame Agreement holder will invoice UNHCR based on the pre-agreed number of days and the pre-agreed Frame Agreement fixed rate. Such assignments raised against the Frame Agreement will be based on deliverables. All services provided will be paid by UNHCR only once satisfactorily delivered by the Frame Agreement holder in accordance with UNHCR's requirements and upon acceptance by UNHCR.

The Frame Agreement holder shall provide consultants who are fluent in subject-matter-specific written and spoken English.

4) Additional information:

- (i) Entry Video Conference will be expected between relevant UNHCR Staff and those of the selected Actuary.
 - (ii) Data requirements to be clearly stated in writing by the Actuary together with related timetable for UNHCR to provide same.
 - (iii) Data as of 30th November 2022 will be used with subsequent confirmation by UNHCR that its staffing profile has not materially changed by 31 December 2022.
 - (iv) A brief profile of the relevant UNHCR data is as follows:
 - UNSMIS has in the region of 4,400 Active staff (with 2700 spouses and 4800 dependent children) and 1,900 Retirees/Widow(er)s including their widow(er)s and dependents.
 - MIP has approximately 7,500 Active staff and 1,900 Retirees/Widow(er)s/Dependents.
 - The total for UNHCR actuarial valuation is therefore in the region of 12,900 Active staff and 3,800 with Retiree or Widow(er)/Dependent status.
 - (v) UNHCR will provide full relevant UN/UNHCR HR rules and regulations relating to Staff Benefits and Entitlements.
 - (vi) UNHCR will also provide procedures and policies for both UNSMIS and MIP relating to Staff Benefits and Entitlements.
 - (vii) Knowledge of Swiss medical base for costs would be an asset as 70% of UNSMIS medical refunds are in CHF by value.
 - (viii) Based on queries from bidders in response to a prior solicitation for these services **Annex D** includes a list of Frequently Asked Questions (FAQs).
- MIP data is extremely global and diverse in origin but will be provided in both original currency and USD, which is the UNHCR reporting currency.

5) Assumptions:

- Assumptions for discount rates, general price inflation and - where relevant - medical cost inflation are obtained and utilized in line with the approach adopted by several UN system entities which have agreed to use common assumptions. The relevant annually assumptions are determined and agreed in early January each year and communicated to all participating entities and to their actuaries.
- Mortality based assumptions are provided by and based on the population pool of the UN Joint Staff Pension Fund
- Similarly, salary assumptions to be based on the United Nations Joint Staff Pension Fund (UNJSPF) actuarial valuation report for 2022.
- The basis for health care trend rate assumptions to be discussed and agree between UNHCR and the successful bidder based on relevant population data provided by UNHCR.
- Sensitivity analysis for reporting disclosure of the results to be provided based on 1% above and below the baseline in relation to both Present Rate of Future Benefits and the Accrued Liability.
- A breakdown of the main constituent elements of the actuarial gain or loss of each period shall also be provided
- The Actuary will be expected to prepare and justify the basis of all assumptions including but not limited to; sensitivity analysis, mortality, discount rates health care trends for the consideration by UNHCR for management decision regarding the final assumptions to be used.