



IFAD
INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT
Governing Council – Twenty-Fifth Anniversary Session

Rome, 19-20 February 2003

AFTER-SERVICE MEDICAL COVERAGE SCHEME

Background

1. The After-Service Medical Coverage Scheme (ASMCS) is administered by the Food and Agriculture Organization of the United Nations (FAO) and provides medical benefits for staff receiving a United Nations pension and eligible former staff on a cost-sharing basis. Formerly, the cost of this scheme was met on a pay-as-you-go basis. In 1999, International Accounting Standard No. 19 (IAS 19), governing employee benefits, became effective. This accounting standard requires IFAD to recognize a liability for employee and former-employee benefits to be paid in the future. The value of these future benefits, and therefore the corresponding financial obligations for all organizations in the scheme, is estimated by an actuary engaged by FAO for the entire scheme. IFAD is allocated a share of the total scheme obligations to cover its deemed future financial liabilities for former staff. A new actuarial valuation is prepared every two years.

2. The funding of the liability is not pooled: the assets are separately held by each participating organization. Therefore, any interest or other residue arising from funding a higher liability will accrue to IFAD in future years.

Trust Fund

3. IAS 19 requires IFAD to set up a separate legal entity into which assets should be transferred (in this case, in the form of a trust fund). This is necessary in order for these assets to qualify as ASMCS assets and as such to be used to offset IFAD's deemed liability for its former staff under this scheme. Since 2001, IFAD has effectively set aside these funds so that any interest accruing is credited to them. This was a transitory measure pending the establishment of a separate legal entity, for which a resolution needs to be adopted by the Governing Council. This is proposed in paragraph 5 below. The transfer of funds into a separate entity will not affect IFAD's ability to access these funds, as they will be consolidated in IFAD's accounts.



External Auditor

4. This proposal has been discussed with IFAD's external auditor, who agrees with it.

Recommendation

5. The Governing Council is invited to consider the proposal and adopt the attached draft resolution.



DRAFT RESOLUTION ON THE ESTABLISHMENT OF AN IFAD TRUST FUND FOR THE AFTER-SERVICE MEDICAL COVERAGE SCHEME

Resolution/XXVI

The Establishment of an IFAD Trust Fund for the After-Service Medical Coverage Scheme

The Governing Council of IFAD,

Noting the requirements of International Accounting Standard No. 19 to fully recognize its liability to employees and former employees in its financial statements and to transfer sufficient assets to cover this liability to a separate legal entity;

Having considered document GC 26/L.7 on after-service medical benefits;

Decides:

1. For the purpose of covering IFAD's liability to employees and former employees for the After-Service Medical Coverage Scheme (ASMCS) and to hold sufficient funds to cover such liability, a trust fund for the ASMCS will be established (the IFAD ASMCS Trust Fund).
2. IFAD is hereby appointed the administrator of the IFAD ASMCS Trust Fund.
3. The trust fund is authorized to receive and hold the following resources:
 - (a) funds, in an amount to be specified by the Executive Board, that the Board may, from time to time, decide to transfer from IFAD's resources, including funds from the General Reserve of IFAD;
 - (b) the investment income earned on the trust fund's own resources; and
 - (c) funds from other resources, subject to the approval of the Executive Board.
4. The Executive Board will periodically review the adequacy of the trust fund's resources, taking into account the requirements of the international accounting standards. In that context, the Board may determine, from time to time, the maximum amount of resources to be held by the trust fund.
5. IFAD will invest the resources of the IFAD ASMCS Trust Fund prudently, non-speculatively and in accordance with the same rules, guidelines and criteria on investment that it applies to its regular resources. Notwithstanding this, it will not invest trust fund resources in equities or similar instruments.
6. The IFAD ASMCS Trust Fund will be used to meet IFAD's obligations to eligible former staff members and family members for after-service medical coverage. Should the level of the trust fund's resources be deemed significantly higher than that required, after an independent external actuarial valuation, the Executive Board may decide to transfer some of the excess resources either directly to its own resources or, where some of the funds originated from other sources, back to those sources.



7. Withdrawals from the IFAD ASMCS Trust Fund for the purposes stated in paragraph 6 will be made by the President of IFAD, in the following manner:
 - (a) the trust fund will make payments or repayments on behalf of IFAD every month until all obligations to eligible former staff members and family members for the ASMCS have been fully met; and
 - (b) should the Executive Board judge that the level of resources is significantly higher than that required, the trust fund will pay such amounts as decided by the Executive Board.
8. The incremental administrative expenditures directly incurred by IFAD in administering the IFAD ASMCS Trust Fund will be paid to IFAD from the trust fund's resources.
9. The Executive Board will terminate the IFAD ASMCS Trust Fund upon a proposal from the President of IFAD at an appropriate time. At that time, the Executive Board will decide upon the arrangements for the termination of the trust fund and the disposal of its resources.
10. The President of IFAD will report to the Executive Board annually on the trust fund's operations and the resources that it holds.

