



# **CEB / HLCM / Finance and Budget Network Meeting of the Task Force on Accounting Standards**

**World Food Programme, Rome  
2 & 3 October 2017**

**Standardization of the  
ASHI liability valuation  
methodology and key  
valuation factors**



## **Standardization of the ASHI liability valuation methodology and key valuation factors**

**1**

***Inventory from the 2016  
Task Force on Accounting Standards meeting***

**2**

***Yield curves for the development of the  
discount rates***

**3**

***Mortality tables***

**4**

***Funding of the ASHI liabilities / Sources of offsets***



## Inventory from the 2016 TFAS meeting (A/71/698)

### Broad TFAS agreement

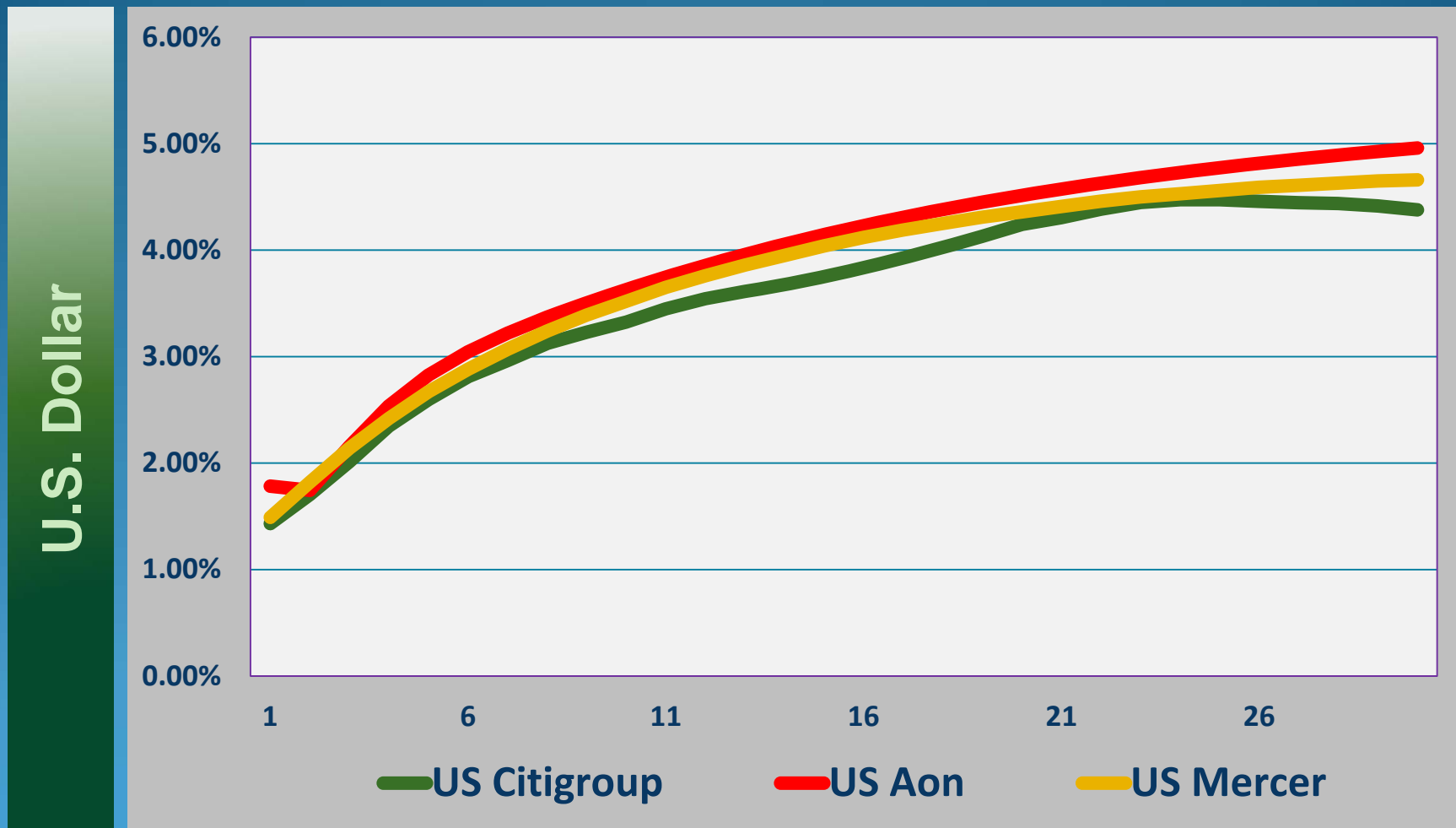
Projected unit credit cost method with service prorate •  
**30-year yield curves for high-quality bonds** • UN Operational Rates of Exchange • **Mortality rates (UNJSPF)** • Disability rates (UNJSPF) • **Retirement rates (UNJSPF)** • Pension adjustment rates (UNJSPF) • **Salary increase rates (except where significant geographic bias)** • General inflation rates (Geneva, New York, Rome, Vienna)

### Further TFAS consideration

Yield curve source • **Medical trend rate(s)** • Spousal coverage rate • **Plan participation rate** • Staff turnover rate • **Methodology for assessment of plan administration cost** • Assets used for liability offset purposes



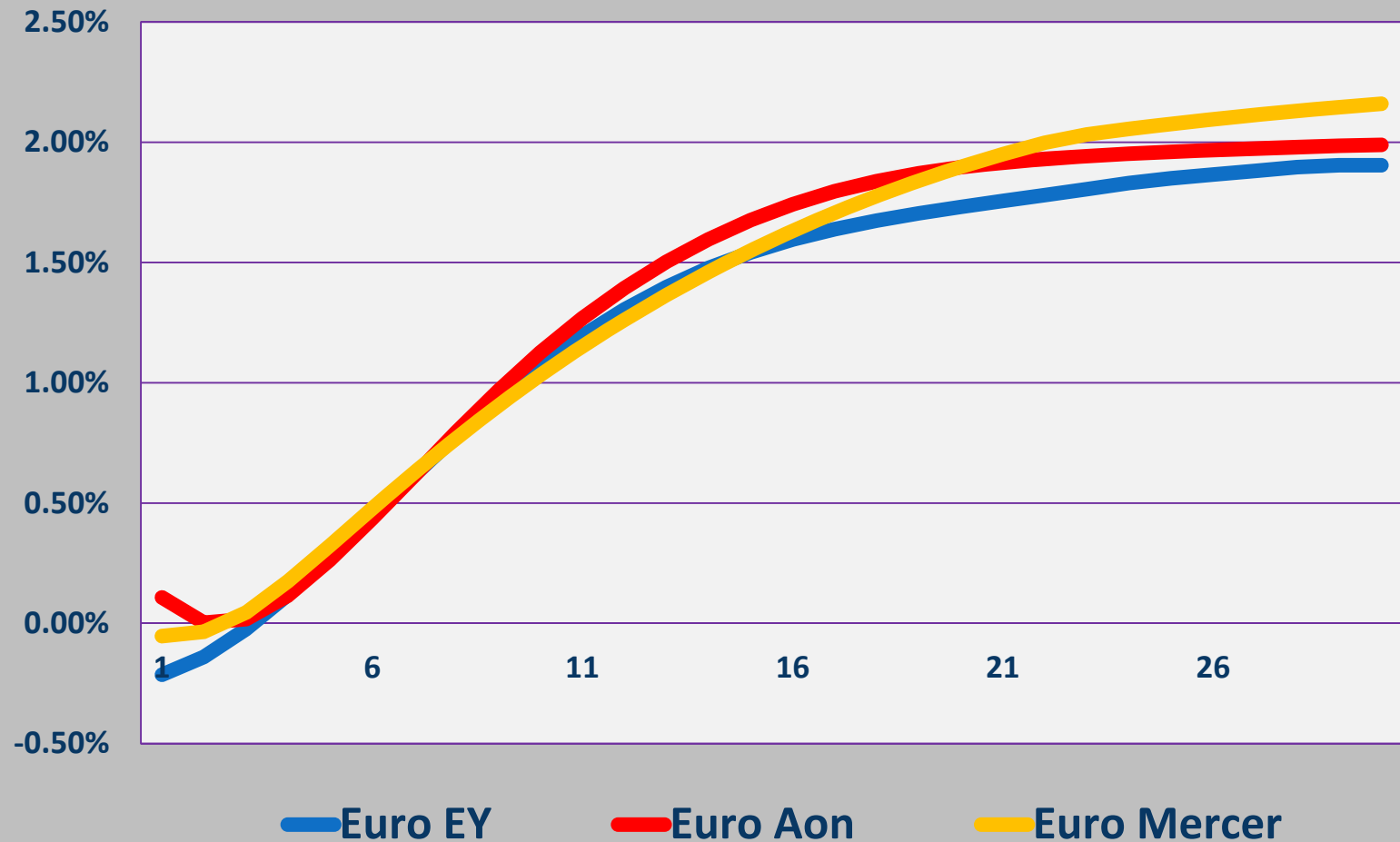
## Yield curves for the development of the discount rates





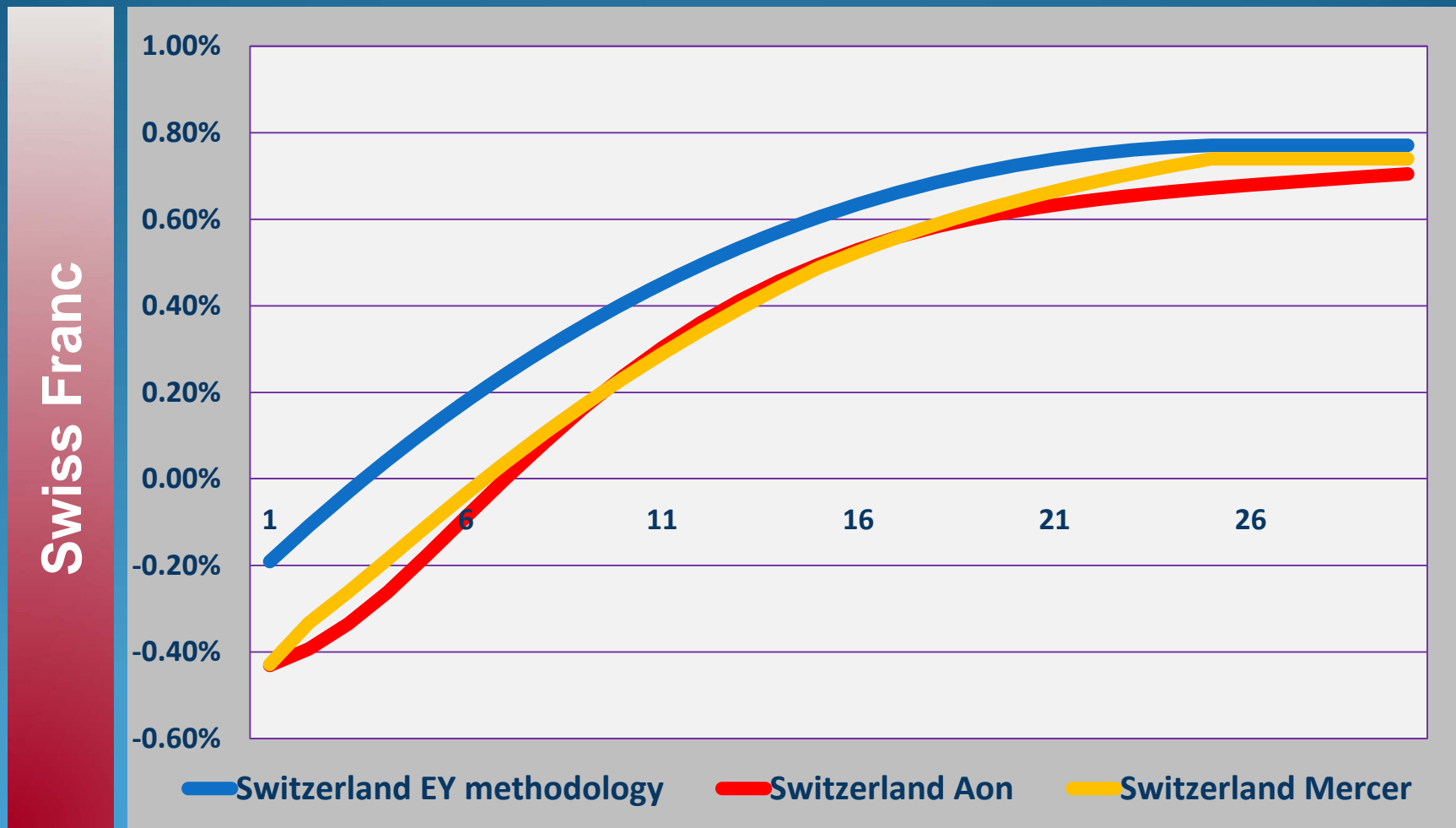
## Yield curves for the development of the discount rates

Euro





## Yield curves for the development of the discount rates





## Mortality Tables - Information

- **IPSAS 39, § 83:** “[...] entity shall determine its mortality by reference to its best estimate [...]”.
- **IPSAS 39, § 84:** “[...] entity takes into consideration expected changes in mortality”.
- **Standard approach to developing mortality table:** Per age, number of people who died ÷ number of people alive
- **UNJSPF approach:** Weighting of the ‘standard’ mortality rates according to annuity values
- **Logic:** Assumed correlation between income and longevity / assumed correlation between income and quality of healthcare
- **Effect:** 3-year increase in average longevity

**For decision:** Is the use of the “weighted” approach appropriate in the context of ASHI liability valuations?





## Mortality Tables - weighted vs non-weighted

### Weighted

- Assumed correlation between pension level and life expectancy (therefore of ASHI liability) - **longer period of healthcare usage**
- Consistency in use of mortality tables for development of both Pension and ASHI liability valuations - **same population**
- Appropriate to be reasonably conservative

### Non-weighted

- ASHI liabilities based on healthcare expenditure – **i.e. no direct relation between income and health insurance benefits**
- Pension and ASHI schemes different in nature - **liabilities are correspondingly different**
- IPSAS requires best estimate approach to mortality – **no requirement for conservative valuation of the ASHI liabilities**



