

Editorial

Will 2008 be remembered as an easy year? No. How about a rewarding year? Definitely.

The amendments to the SHIF's contribution structure have resulted in a much needed strengthening of Guarantee Fund reserves and this NewsLetter includes some broad-brush insight into the Fund's 2008 financial results. With the introduction of means testing into the supplementary benefits system, distribution of supplementary benefits is more socially appropriate than in the past. And work has continued to align the SHIF Schedule of Benefits on the current needs and cost concerns of the majority of insured persons.

In the past weeks, I have frequently been asked how the SHIF's solvency is likely to be affected by fall-out from the current global economic turbulence. Is there cause for alarm? No. But experience has shown that there are countless ways in which circumstances change and change components combine to impact healthcare expenditure and the Fund's financial outlook. That's why we keep up our guard and maintain a policy of prudential management.

I am pleased to announce that, in December 2008, the Management Committee approved the monthly adjustment of the US Dollar limits shown in the SHIF Schedule of Benefits, as a means of compensating for exchange rate fluctuation. An explanation of the adjustment mechanism is provided in this NewsLetter.

Cliff Kunstler
 Executive Secretary

SHIF Year-end 2008 financial results are on track

Provisional year-end 2008 financial results reflect the positive effects of the amendments to the SHIF contribution structure.

But does this mean the news is all good? No. There is less reason for alarm, but still reason to be watchful

Where have we come from ?

The SHIF's solvency is maintained through a Guarantee Fund, whose year-end amount must be at least one sixth of the total benefits paid over the last 3-year period. Between 2000 and 2007, the SHIF's operating results were consistently weak and benefits exceeded contributions from 2003 through 2007. In 2004, the SHIF began liquidating Guarantee Fund assets to pay claims. As at 31 December 2007 Guarantee Fund balance stood at USD 29.4 million. While that balance was above the USD 19.8 million minimum required by the SHIF Regulations, it was 25.8 per cent below the USD 39.6 million mid-point between the minimum required and the maximum allowable.

So, where do we stand now ?

First of all, the 2008 valuation of the SHIF portfolio of securities shows a market value 5.4 per cent (USD 2.5 million) below book value. Secondly, an 8.2 per cent negative variance versus prior year in the 2008 year-end exchange rate of the US dollar versus the Swiss franc has translated into an unrealized revaluation gain on SHIF assets of USD 3.5 million, bringing the year-end 2008 Guarantee Fund balance to USD 37.6 million. However, it can reasonably be expected that this gain will be offset by 2009 revaluation losses as the US dollar strengthens versus the Swiss franc. Excluding the revaluation gain, the year-end 2008 Guarantee Fund balance stood at USD 34.2 million, still 15.8 per cent below mid-point. Taking into account the market value of the SHIF portfolio of securities, balance stood at USD 31.7 million, 21.9 per cent below mid-point.

And what are the next steps ?

Implementation of the restructured contribution system is in two phases. From 1st January 2008, the amendments to the SHIF contribution structure introduced separate contributions for automatically insured spouses. These same amendments introduce separate contributions for automatically insured children from 1st January 2010.

Over 28.0 per cent of SHIF benefits paid are subject to benefit limits. Although it is reasonable to expect that measures already implemented will have a better-than-anticipated impact on the SHIF's operating results over the 2008-09 biennium, those operating results have also been bolstered by the effects of the exchange rate of the US dollar versus other currencies, where benefit caps are expressed in US dollars. Implementation from 1st January 2010 of the second phase of the restructured contribution system remains all the more justified in view of the Management Committee's decision to implement new administrative rules to govern Article 2.13 ("Exchange rates") of the SHIF Regulations (*see below*).

Adjustment of US Dollar limits shown in SHIF Schedule of Benefits

From 1st January 2009 capped benefits expressed in US Dollars are adjusted to compensate for currency fluctuation and maintain benefit value.

Here's how. (New administrative rules governing Article 2.13 ["Exchange rates"] of the SHIF Regulations).

« The United States dollar (USD) maximum approved expense limits stated in Chapter VI ("Schedule of Benefits") of the Administrative Rules shall be automatically adjusted by dividing those limits by the United Nations operational rate of exchange for the relevant month and multiplying the result by an exchange rate of reference for the USD versus the Swiss franc (CHF) set by the Management Committee. However, the USD maximum approved expense limit shall never be inferior to that stated in Chapter VI of the Administrative Rules. »

« The exchange rate of reference from 1st January 2009 is CHF 1.30 to USD 1.00. »

« The Management Committee may decide, in respect of Code 4 ("Dental care") or of Code 5.1 ("Optical appliances") of the Schedule of Benefits, to adjust the USD approved expense year-end balances, using the same methodology as that applied for the adjustment of USD approved expense limits. »

(Cont'd overleaf)

Amendments to Code 6 (« Transport costs ») of the SHIF Schedule of Benefits

The recently adopted amendments to Code 6 ("Transport costs") become effective 1st April 2009.

IMPORTANT: From that date, insured persons who practice a high risk sport (including skiing and snowboarding!) or travel to a remote location will need to take out separate insurance.

The amendments may also affect insured persons retiring after 31st December 2011.

As a reminder, Code 6 governs reimbursement of transportation costs only and the amendments do not affect the other Codes of the Fund's Schedule of Benefits.

The amendments are aimed at broadening the general scope of "Transport costs" benefits. For example, reimbursement of transportation costs related to a protected person's return home following in-patient treatment is now included. So is transportation between the protected person's home and the place of treatment of certain chronic diseases, such as kidney failure requiring dialysis and cancers requiring chemotherapy or radiotherapy.

But the changes are also aimed at limiting the Fund's liability when transportation costs are incurred as a result of an injury or illness sustained, for example, while practicing a high risk sport or during a trip to a location remote from an adequate place of treatment. Winter sports are specifically identified as high risk sports so transportation costs associated with skiing- and snowboarding accidents are no longer covered.

Also, when electing to reside far from an adequate place of treatment, persons retiring after 31st December 2011 will be affected by amendments to Code 6 only if the place of residence is not located in the insured person's - or his spouse's - country of origin, or a country to which the insured person was assigned during while an ILO or ITU staff member.

Reminder: Supplementary benefit thresholds re-set on 1st January 2009

Pursuant to the new provisions of Article 2.5.3 (« Supplementary benefits ») of the Fund's Administrative Rules, your 2009 supplementary benefit threshold was set on 1st January.

Your SHIF Reimbursement Advice statements provide a reminder of your 3-year supplementary benefit threshold history.

Your supplementary benefit threshold is a US Dollar amount representing 25.0 per cent of the same annual income as that upon which your contributions are assessed. Chances are you have noticed an increase in your threshold. This is because, just as currency fluctuations can affect benefits, currency fluctuation from year to year can affect the amount of your threshold.

Adjustment of US Dollar limits shown in SHIF Schedule of Benefits (Cont'd)

This is how the adjustment works:

Example 1:

In September 2009, you claim for reimbursement of 4 days of accommodation in a hospital under Code 2.2 of the Schedule of Benefits. The hospital confinement was in Paris and the maximum approved expense is USD 400.00 per day. The United Nations accounting rate of exchange for September 2009 is, for example, CHF 1.185 to the US Dollar.

With no adjustment the benefit would be **USD 1'280.00**:
80.0% of: USD 400.00 X 4 days of confinement.

With the adjustment the benefit would be **USD 1'404.22**:
80.0% of: $\frac{\text{USD } 400.00 \times 1.30}{1.185}$ X 4 days of confinement.

Example 2:

Under Code 4 ("Dental care"), your year-end 2008 ordinary benefit balance was USD 856.00. Your 2009 calendar entitlement of USD 1'200.00 has brought your total 2009 ordinary benefit "credit" to USD 2'056.00. The United Nations accounting rate of exchange for January 2009 is CHF 1.122 to the US Dollar.

In January 2009, the adjustment brings that "credit" to:
 $\frac{\text{USD } 2'056.00 \times 1.30}{1.122} = \text{USD } 2'382.17$

The "credit" is adjusted monthly, taking into account your expenditure in the course of the year.

Newly elected Management Committee members

Following the elections held year-end 2008, here is how you will be represented in the SHIF Management Committee for the period 2009-2011.

Elected members representing the insured persons of the ILO :

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|--------------------------------------|------------|
| • Mireille ECUVILLON (Retiree) | Titular |
| • Jean-François SANTARELLI (Retiree) | Titular |
| • Christopher BARON (Retiree) | Titular |
| • Philippe MARCADENT (SEC/SOC) | Substitute |
| • Chantal AMINE (PROGRAM) | Substitute |
| • Xenia SCHEIL-ADLUNG (SEC/SOC) | Substitute |

Elected members representing the insured persons of the ITU:

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|------------------------------|------------|
| • Michel ROLLAND (Retiree) | Titular |
| • David BROADHURST (Retiree) | Substitute |

At its 187th meeting, on 9th February 2009, the Management Committee elected its Chairperson and Vice-Chairperson for 2009:

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|-----------------------------|------------------|
| • Michel ROLLAND | Chairperson |
| • Marianne WILSON (ITU HRD) | Vice-Chairperson |

Don't !

Don't condone irregular billing practices on the part of healthcare providers. And don't allow yourself to be talked into lodging an irregular claim !

The SHIF is tough on fraud!