

Program and Budget Committee

Thirty-Ninth Session
Geneva, June 16 to 20, 2025

FINANCING PLAN TO RESTORE THE COVERAGE OF LONG-TERM EMPLOYEE BENEFITS AT WIPO

prepared by the Secretariat

Background

1. Following the discussions on the WIPO Financing Plan to Manage Risks arising from Long-Term Employee Benefits at WIPO (document WO/PBC/34/14) during the 34th Session of the Program and Budget Committee (PBC) in June 2022, the PBC recommended and the Assemblies of WIPO, each as far as it is concerned, approved:¹

“(...) the funding proposal for long-term employee benefits outlined in document WO/PBC/34/14, namely to have an annual charge up to 10 per cent of personnel costs starting from the biennium 2024/25.”

2. During the 34th Session of the PBC, Member States raised concerns on the 80 per cent target for the level of coverage of WIPO's long-term employee benefits liabilities and expressed a preference for a higher coverage to fund the projected liability considering the Organization's strong financial position².

3. Pursuant to Rule 103.20 of the Financial Regulations and Rules on Long Term Liabilities:

¹ Document A/63/7 List of Decisions Adopted by the Program and Budget Committee.

² Discussions regarding the need to aspire for a higher coverage ratio related to Long-Term Employee Benefit Liabilities are reflected in document WO/PBC/34/17 – paragraphs 323 to 351.

The Controller shall ensure that a funding plan is in place for long-term liabilities, drawing on the reserves and subject to the approval by the Assemblies of WIPO.”

Current financing mechanisms and coverage of long-term employee benefits liabilities at WIPO

4. Since the 2004/05 Biennium, WIPO's budget has included a charge on personnel costs to fund long-term employee benefit liabilities. The accumulated charge is held in WIPO's Strategic Investment Portfolio which has been earmarked to finance the future costs of these liabilities. The 10 per cent charge of personnel costs approved by the Assemblies of WIPO in 2022³ aimed at delivering a coverage level of 100 per cent of WIPO's long-term employee benefit liabilities over 20 years.⁴

5. In 2014 and 2019, additional lump-sums amounting to 85.2 million and 38.3 million Swiss francs were approved by the Assemblies of WIPO⁵ to increase the coverage of the financing of WIPO's long-term employee benefits liabilities.

Asset Liability Management Study by Aon Suisse SA

6. An ALM study is performed every three years as required by WIPO's Policy on Investments⁶. In the latest ALM study, completed in May 2025 by Aon Suisse SA, WIPO's long-term employee benefits liabilities have increased by 104 million Swiss francs since the previous study completed in 2022. The increase in liabilities was primarily due to unfavorable medical premium increases since 2022 and a lower ASHI discount rate used in calculation of the liabilities. Consequently, the level of coverage on December 31, 2024, decreased to 70 per cent compared to the coverage of 79 per cent based on the ALM study completed in 2022. The latest ALM study projects a funding gap which makes it less likely that WIPO would reach a 100 per cent coverage in 20 years based on the current financing plan.

7. The 2025 ALM study also concluded that an additional lump sum of 50 million Swiss francs would increase the current coverage level of the long-term employee benefit liabilities at WIPO to 82 per cent. The additional lumpsum supplemented by the ongoing contributions of 10 per cent of personnel cost and current annualized investment returns of 2.3 per cent is estimated to increase the coverage to 90 per cent after 20 years. The positive overall investment return target of 2.3 per cent reflects an acceptable level of risk and is in accordance with WIPO's Policy on Investments⁷.

Proposed financing plan to restore the coverage of long-term employee benefit liabilities at WIPO

8. WIPO's Accumulated Reserves, as of December 31, 2024, amounted 909.8 million Swiss francs and its short-term liquidity position is healthy. WIPO's daily operating cash position averaged approximately 302 million Swiss francs, well above the 222.5 million Swiss francs mandated target level required for WIPO Reserves and Working Capital Funds (RWCF). The

³ From 2004/05, a 6% charge was applied in each biennium, except for 2012/13 biennium when the charge was 2%. This was increased to an 8% charge for the 2020/21 and 2022/23 biennium. Additionally, WIPO has applied a one-off charge (top-up) in the final month of the biennia 2012/13, 2014/15, 2016/17 and 2018/19.

⁴ The projections of liabilities were based on the ALM study completed by AON Suisse SA in 2022.

⁵ Details of the financing plans were discussed in WO/PBC/20/6 and WO/PBC/29/6. The plans were subsequently approved during the 51st and 59th Series of Meetings of the Assemblies of the Member States of WIPO.

⁶ The result of the ALM study is reviewed by the Advisory Committee on Investments (ACI) which will recommend any adjustments necessary to the investment strategy for the Strategic Investment Portfolio. Such recommendation is submitted to the Director General for approval.

⁷ The aim of the investments for the Strategic portfolio is highlighted in paragraph 18 in the WIPO Policy on Investments.

use of the Reserves for restoring the coverage of long-term employee benefit liabilities would not result in the RWCF falling below its target level. Furthermore, liquidity available to WIPO, represented by the Core Investment Portfolio, amounted to 931.4 million Swiss francs at the end of 2024. WIPO has no external borrowings that are outstanding as of December 31, 2024.

9. The transfer of 50 million Swiss Francs in combination with ongoing contributions of 10 per cent of personnel cost and annualized investment returns of 2.3 per cent would immediately restore the current coverage to a current 82 per cent and place the Organization on track for a projected coverage of 90 per cent in 20 years, bringing the funding closer to the target of 100 per cent coverage of the long-term employee benefit liabilities.

10. The following decision paragraph is proposed.

11. The Program and Budget Committee (PBC) recommended to the Assemblies of WIPO, each as far as it is concerned, to approve a transfer of 50 million Swiss francs to the Strategic Investment Portfolio, which is earmarked for covering the long-term employee benefits liabilities at WIPO.

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