

3 septembre 2014

**RAPPORT DU COLLÈGE INTERNATIONAL
DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN**

SUITE DONNÉE

Le 2 septembre 2014, au terme d'une procédure d'accord tacite, le Conseil a pris note du rapport du Collège international des commissaires aux comptes de l'OTAN diffusé sous la cote IBA-AR(2014)06 et joint au C-M(2014)0051, et il a approuvé la recommandation du Bureau de la planification et de la politique générale des ressources visant la mise en lecture publique.

(signé) Alexander Vershbow
Secrétaire général délégué

NOTE : La présente note fait partie du C-M(2014)0051 et doit être placée en tête de ce document.

21 août 2014

**RAPPORT DU COLLÈGE INTERNATIONAL
DES COMMISSAIRES AUX COMPTES DE L'OTAN
SUR LA VÉRIFICATION DES ÉTATS FINANCIERS
DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN**

Note du secrétaire général délégué

1. On trouvera ci-joint le rapport du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2013. Ce rapport contient une opinion sans réserve.
2. Le rapport de l'IBAN a été porté à l'attention du Bureau de la planification et de la politique générale des ressources (RPPB) ainsi que du Comité des budgets.
3. Conformément à la décision prise par le Conseil en juin 2012 (C-M(2012)0041), le RPPB recommande que le rapport de l'IBAN sur la vérification des états financiers du DCPS pour l'exercice 2013 ainsi que les états financiers correspondants et d'autres éléments pertinents soient mis en lecture publique.
4. J'estime que ce rapport ne nécessite pas d'examen plus approfondi. Par conséquent, sauf avis contraire me parvenant d'ici au **mardi 2 septembre 2014 à 18 heures**, je considérerai que le Conseil aura pris note du rapport de l'IBAN diffusé sous la cote IBA-AR(2014)06 et qu'il aura approuvé la recommandation du RPPB visant la mise en lecture publique des documents précités.

3 annexes

Original : anglais

18 juin 2014

**BUREAU DE LA PLANIFICATION
ET DE LA POLITIQUE GÉNÉRALE DES RESSOURCES (RPPB)**

**RAPPORT DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE
L'OTAN (IBAN) SUR LA VÉRIFICATION DES ÉTATS FINANCIERS DU RÉGIME DE
PENSIONS À COTISATIONS DÉFINIES DE L'OTAN (DCPS) POUR L'EXERCICE 2013**

Note du président

Référence : IBA-A(2014)110

1. En mai 2012, le Conseil a décidé (C-M(2012)0041) qu'à compter de l'exercice 2013, tous les rapports NATO SANS CLASSIFICATION de l'IBAN et les états financiers correspondants seraient mis en lecture publique, sur recommandation du RPPB puis approbation du Conseil, au cas par cas.
2. L'IBAN a formulé une opinion sans réserve sur les états financiers 2013 du régime de pensions à cotisations définies de l'OTAN, et le rapport correspondant (IBA-A(2014)110) sera transmis au Conseil afin qu'il en prenne note, conformément aux procédures agréées.
3. Le RPPB est invité à confirmer que le rapport d'audit ne contient pas d'informations qui, en vertu de la politique relative à la mise en lecture publique de l'information OTAN, ne peuvent être rendues publiques et, conformément à la politique agréée dans le C-M(2012)0041, à recommander que le Conseil approuve la mise en lecture publique du rapport de l'IBAN portant la cote IBA-A(2014)110, ainsi que des états financiers correspondants et d'autres éléments pertinents.
4. L'approbation de ce qui précède est sollicitée suivant la procédure d'accord tacite. Ainsi, sauf avis contraire me parvenant d'ici au **mardi 24 juin 2014 à 16 heures**, je considérerai que le RPPB aura marqué son accord.

Note du secrétaire

Le 24 juin 2014, au terme d'une procédure d'accord tacite, le RPPB a validé la recommandation au Conseil concernant la mise en lecture publique du rapport de l'IBAN sur la vérification des états financiers de DCPS pour l'exercice 2013, comme proposé au paragraphe 3 de l'AC/335-N(2014)0039.

**Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers
du régime de pensions à cotisations définies (DCPS) de l'OTAN
pour l'exercice clos le 31 décembre 2013**

Le Collège a procédé à la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN, régime de pensions par capitalisation auquel contribuent les agents recrutés depuis le 1^{er} juillet 2005 ainsi que l'OTAN, en tant qu'employeur. Au 31 décembre 2013, la valeur des actifs du DCPS s'élevait à 191,0 millions d'euros et le régime comptait 2 782 affiliés.

Le Collège a émis une opinion sans réserve sur les états financiers et la conformité pour l'exercice clos le 31 décembre 2013.

Le Collège n'a pas eu d'observation à formuler dans le rapport d'audit.

Le Collège a fait le point sur la question qui restait à régler à la suite d'un précédent audit et il a constaté que cette question avait été partiellement réglée. Ses conclusions sont récapitulées dans la lettre d'observations et de recommandations (annexe 3).

PAGE BLANCHE

14 avril 2014

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

RAPPORT SUR LA VÉRIFICATION DES ÉTATS FINANCIERS

DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2013

**OPINION DU COLLÈGE INTERNATIONAL
DES COMMISSAIRES AUX COMPTES DE L'OTAN
À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD
ET DES MEMBRES DU PERSONNEL AFFILIÉS
AU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES DE L'OTAN**

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2013, composés de l'état de l'actif net disponible pour le service des prestations, de l'état de l'évolution de l'actif net disponible pour le service des prestations, des tableaux relatifs aux pensions de retraite et aux pensions d'invalidité relevant du DCPS, du tableau comparatif de la valeur d'acquisition nette et de la valeur de marché des placements, ainsi que de notes explicatives, y compris un résumé des méthodes comptables importantes.

Responsabilité de la direction

La direction est chargée d'établir les états financiers conformément à la norme comptable internationale (IAS) 26 (*Comptabilité et rapports financiers des régimes de retraite*)¹ et aux dispositions du Règlement financier de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord, et de veiller à ce qu'ils donnent une image fidèle de la situation de l'entité. Elle est ainsi responsable de la conception, de l'application et de la tenue d'un système de contrôle interne de nature à permettre l'établissement et la présentation d'états financiers qui soient exempts d'inexactitudes significatives, que celles-ci relèvent d'une fraude ou d'une erreur.

Responsabilité du Collège

Il incombe au Collège de formuler sur ces états financiers une opinion qui soit fondée sur son travail de vérification, lequel aura été effectué conformément aux dispositions de sa charte et aux normes internationales d'audit. Ces normes exigent que le Collège respecte certains principes déontologiques, et qu'il planifie et effectue sa vérification de manière à parvenir à une assurance raisonnable sur le point de savoir si les états financiers sont exempts d'inexactitudes significatives.

Un audit consiste à appliquer des procédures permettant d'obtenir des éléments probants relatifs aux montants et aux informations figurant dans les états financiers. Les procédures retenues à cette fin sont laissées à l'appréciation de l'auditeur, qui évalue notamment les risques d'inexactitudes significatives dans les états financiers, que

¹ Comme le cadre comptable OTAN ne comporte pas de norme portant spécifiquement sur la comptabilité et sur les rapports financiers des régimes de retraite, le Secrétariat international établit les états financiers du DCPS conformément à l'IAS 26.

celles-ci relèvent d'une fraude ou d'une erreur. Pour l'évaluation de ces risques, le système de contrôle interne sur lequel s'appuient l'établissement et la présentation des états financiers de l'entité concernée est pris en considération, le but étant d'élaborer des procédures d'audit qui soient adaptées à la situation considérée et non pas d'exprimer une opinion sur l'efficacité du système de contrôle interne. Il s'agit aussi de déterminer si les méthodes comptables appliquées sont appropriées et si les estimations comptables faites par la direction sont raisonnables, ainsi que d'évaluer la présentation générale des états financiers.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Opinion sur les états financiers

L'opinion du Collège est qu'à tous égards significatifs, les états financiers donnent une image fidèle, conforme à l'IAS 26, de la situation financière du DCPS au 31 décembre 2013 ainsi que de l'évolution de la situation financière du régime au cours de l'exercice clos à cette date.

Rapport sur la conformité

Responsabilité de la direction

En plus d'être responsable, comme il est dit plus haut, de l'établissement et de la présentation des états financiers, la direction est chargée de veiller à ce que les opérations financières et les informations présentées dans les états financiers soient conformes aux dispositions du Règlement financier de l'OTAN et du Règlement du personnel civil de l'OTAN telles qu'elles ont été fixées par le Conseil de l'Atlantique Nord.

Responsabilité du Collège

En plus d'être responsable, comme il est dit plus haut, de la formulation d'une opinion sur les états financiers, le Collège est chargé de se prononcer sur le point de savoir si les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN. Il lui incombe notamment d'appliquer des procédures lui permettant d'obtenir une assurance raisonnable sur le point de savoir si les fonds ont été utilisés pour le règlement de dépenses autorisées et si les opérations correspondantes ont été exécutées conformément à la réglementation en vigueur dans le domaine financier et en matière de personnel. De telles procédures prévoient notamment l'évaluation des risques de non-conformité significative.

Le Collège estime qu'il a obtenu par son audit les éléments probants nécessaires et suffisants pour lui permettre de formuler une opinion.

Opinion sur la conformité

Le Collège estime que les opérations financières et les informations présentées dans les états financiers sont, à tous égards significatifs, conformes au Règlement financier de l'OTAN et au Règlement du personnel civil de l'OTAN.

Bruxelles, le 14 avril 2014

Charilaos Charisis
Président

14 avril 2014

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

**LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS
RELATIVE AU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES DE L'OTAN
(DCPS)**

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2013

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du régime de pensions à cotisations définies (DCPS) de l'OTAN pour l'exercice clos le 31 décembre 2013, et il a émis une opinion sans réserve à leur sujet ainsi que sur la conformité.

Observations et recommandations

Le Collège n'a pas eu d'observation à formuler dans le rapport d'audit.

Le Collège a fait le point sur la question qui restait à régler à la suite d'un précédent audit et il a constaté que cette question avait été partiellement réglée.

Commentaires officiels de la direction

Le SI n'a pas de commentaire officiel à formuler sur le rapport de l'IBAN.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées dans le cadre de précédents audits. On en trouvera un résumé dans le tableau ci-dessous.

Suites données aux observations antérieures

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
Rapport d'audit 2009 IBA-AR(2011)09, paragraphe 5.1 Observation Le Collège a constaté que le Secrétariat international n'était que partiellement préparé pour le versement de prestations de pension, pour les motifs suivants : • non-recours à des applications informatiques pour le versement des prestations ; • absence de prestataire de pensions ; • nécessité d'emprunter des fonds au régime de pensions coordonné en raison de problèmes de liquidités. Recommandation du Collège Le Collège recommande que le Secrétariat international veille à être bien préparé à l'augmentation attendue du nombre de versements de prestations dans le cadre du DCPS. À cet effet, il lui recommande d'utiliser le système informatique pour le versement des prestations au titre du DCPS, de sélectionner un/des prestataire(s) de pensions, d'obtenir en temps voulu, de la part de la compagnie d'assurance et du/des prestataire(s) de pensions, les montants nécessaires au versement des prestations et de ne plus emprunter de fonds au régime de pensions coordonné.	Le Collège a relevé ce qui suit : • les versements de prestations étant encore peu nombreux, il est possible d'en effectuer un contrôle suffisant ; par ailleurs, il est prévu que le futur système de planification des ressources d'entreprise (ERP) soit doté des fonctions nécessaires ; • la procédure de sélection d'un prestataire de rentes est en cours ; • le DCPS a remboursé le montant emprunté au régime de pensions coordonné, et le problème de liquidité a été résolu grâce à un transfert de fonds en interne.	Question partiellement réglée.

**NATO DEFINED CONTRIBUTION PENSION SCHEME
FINANCIAL STATEMENTS AS AT 31/12/2013
FINANCIAL YEAR 2013**

Annexes:

- 1 Statement of Net Assets Available for Benefits
- 2 Statement of Changes in Net Assets Available for Benefits
- 3 Retirement and Invalidity Pensions - Statement of Net Assets Available for Benefits
- 4 Retirement and Invalidity Pensions - Cash Flow Statement
- 5 Schedule - Cost and Market Values of Investments
- 6 Explanatory notes to the financial statements

NATO DEFINED CONTRIBUTION PENSION SCHEME
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-13	31-Dec-12
Assets			
Cash	4	3,671,362.26	3,402,393.41
Investments at market value	5	187,336,100.65	143,692,327.43
Accounts Receivable	6		
Contributions receivable from NATO bodies		36,642.73	50,000.00
Bank interest accrued		5,686.66	12,295.68
Other receivable		49.50	0.00
Total Assets		191,049,841.80	147,157,016.52
Liabilities			
Accounts Payable	7		
Payable to staff members/NATO bodies		38,042.33	61,889.79
Payable to others		628.04	0.00
Total Liabilities		38,670.37	61,889.79
Net assets available for benefits	8	191,011,171.43	147,095,126.73

NATO DEFINED CONTRIBUTION PENSION SCHEME
Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year
		31-Dec-13	31-Dec-12
Increase in net assets			
Net unrealized gain in market value of investments	5	17,244,913.78	10,901,023.43
Contributions	9	37,893,843.52	35,699,037.55
Inward transfer of pension rights	10	1,005,144.50	2,501,890.18
Advances to retirement & invalidity pensions	6	0.00	50,000.00
Impact of change of accounting classification	2	0.00	11,782.70
Miscellaneous receipts	11	6,179.66	19,231.95
Total increase in net assets available for benefits		56,150,081.46	49,182,965.81
Decrease in net assets			
Net unrealized loss in market value of investments	5	0.00	0.00
Accounts closed (Staff)	12	11,750,323.25	11,580,316.72
Outward transfer of pension rights	10	471,505.21	9,911.87
Transfers to insurance and DCPS retirement account	13	0.00	193,003.36
Cash advance to DCPS invalidity and retirement pensions	6	0.00	50,000.00
Miscellaneous payments	14	12,208.30	8,211.28
Total decrease in net assets available for benefits		12,234,036.76	11,841,443.23
Net increase for the year		43,916,044.70	37,341,522.58
Net assets available for benefits, beginning of year		147,095,126.73	109,753,604.15
Net assets available for benefits, end of year		191,011,171.43	147,095,126.73

NATO DCPS RETIREMENT AND INVALIDITY PENSIONS
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year	Prior Year	Variance
		31-Dec-13	31-Dec-12	CY - PY
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	4			
Cash		0.00	0.00	0.00
Current bank accounts		83,408.38	40,522.73	42,885.65
Cash equivalents		0.00	0.00	0.00
Total Cash and Cash Equivalents		83,408.38	40,522.73	42,885.65
Receivables				
Receivable from Insurance Company	3	5,203.16	16,255.88	-11,052.72
Tax Adjustment Receivable		41,394.00	4,830.60	36,563.40
Receivable from DBPS		0.00	0.00	0.00
Miscellaneous receivable		236.48	0.00	236.48
Total Receivables		46,833.64	21,086.48	25,747.16
Miscellaneous Assets				
Bank interest accrued		229.86	246.85	-16.99
Miscellaneous receipts		0.00	0.00	0.00
Total Miscellaneous Assets		229.86	246.85	-16.99
TOTAL CURRENT ASSETS		130,471.88	61,856.06	68,615.82
NON-CURRENT ASSETS		0.00	0.00	0.00
TOTAL NON CURRENT ASSETS		0.00	0.00	0.00
TOTAL ASSETS		130,471.88	61,856.06	68,615.82
LIABILITIES				
CURRENT LIABILITIES				
Payable	17			
Payable to I.S.		120,000.00	0.00	120,000.00
Payable to DCPS		0.00	50,000.00	-50,000.00
Net interest payable to DBPS		0.00	687.04	-687.04
Miscellaneous payable		49.50	0.00	49.50
Other payable		10,422.38	11,169.02	-746.64
Total Payables		130,471.88	61,856.06	68,615.82
TOTAL CURRENT LIABILITIES		130,471.88	61,856.06	68,615.82
NON CURRENT LIABILITIES		0.00	0.00	0.00
TOTAL NON CURRENT LIABILITIES		0.00	0.00	0.00
TOTAL LIABILITIES		130,471.88	61,856.06	68,615.82
NET ASSETS				
Surplus/Deficit of the period		0.00	0.00	0.00
Total Net Assets		0.00	0.00	0.00
TOTAL NET ASSETS		0.00	0.00	0.00

**NATO DCPS RETIREMENT AND INVALIDITY PENSIONS
CASH FLOW STATEMENT**

(All amounts in EUR)

	Notes	2013	2012
RECEIPTS	3,13, 17		
DCPS redemptions received		0.00	147,456.79
Financial revenue relative to Y-1		287.10	635.81
Third-party insurer settlements received for invalidity		165,434.57	97,739.50
Monthly annuity payments received		104,048.31	97,709.29
Advances rec'd from I.S.		110,305.24	0.00
Advances rec'd from Defined Benefit Pension Scheme		0.00	20,000.00
Advances rec'd from Defined Contribution Pension Scheme		0.00	50,000.00
Other		1,074.22	19,020.95
Tax adjustment rec'd from Defined Benefit Pension Scheme		4,830.60	3,833.91
Tax adjustment refunded by Estate		0.00	2,122.98
Gain on exchange		21.65	

PAYMENTS	3,13, 17		
Annuities purchased		0.00	(147,456.79)
Lump sum retirement benefit		0.00	0.00
Monthly annuity payments paid		(210,136.84)	(192,408.94)
Tax adjustment		(38,274.60)	(5,921.58)
Contribution paid to DCPS		(39,229.88)	(30,214.25)
Insurance		(4,281.13)	(2,495.71)
Financial costs		(407.99)	(226.65)
Financial costs relative to Y-1		(40.25)	0.00
Advances repaid to Defined Benefit Pension Scheme		0.00	(60,000.00)
Advances repaid to Defined Contribution Pension Scheme		(50,000.00)	0.00
Interest paid to DBPS		(687.04)	0.00
Other		(58.31)	(19,040.90)

Net increase (decrease) in cash and cash equivalents	42,885.65	(19,245.59)
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Cash and cash equivalents at beginning of period	40,522.73	59,768.32
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Cash and cash equivalents at end of period	83,408.38	40,522.73
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NATO DEFINED CONTRIBUTIONS PENSION SCHEME
Schedule - Net Purchase Cost and Market Values of Investments
(All amounts in EUR)

Year ended 31-Dec-13	Net Purchase Cost	Market Value 31.12.2013	
EUROLAND BOND FUND EUR C CLASS C	2,488,585.11	2,503,683.21	
GLOBAL EQUITY FUND EUR C CLASS C	8,588,207.45	9,181,560.74	
GLOBAL EQUITY FUND USD C CLASS C	1,716,092.06	1,896,041.82	
GLOBAL BOND FUND EUR C CLASS C	2,713,980.64	2,556,534.29	
GLOBAL BOND FUND USD C CLASS C	437,178.79	424,953.82	
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	122,570.37	122,581.95	
INSTICASH	10,240,037.73	10,243,270.57	
Difference on exchange rates	92,207.29		
TOTAL	26,398,859.44	26,928,626.40	

Year ended 31-Dec-12	Net Purchase Cost	Market Value 31.12.2012 31.12.13	
EUROLAND BOND FUND EUR C CLASS C	455,326.84	461,069.34	469,915.56
GLOBAL EQUITY FUND EUR C CLASS C	10,137,393.97	10,540,481.02	12,607,639.57
GLOBAL EQUITY FUND USD C CLASS C	1,318,966.65	1,392,293.76	1,663,544.58
GLOBAL BOND FUND EUR C CLASS C	3,171,401.98	3,160,046.73	2,853,486.49
GLOBAL BOND FUND USD C CLASS C	1,043,455.45	1,063,615.51	959,413.52
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	518,920.85	544,576.71	521,059.36
INSTICASH & UNIVERSAL EURO ACCUMULATION C	9,397,387.86	37,166,396.57	37,182,822.93
Difference on exchange rates	124,708.94		
TOTAL	26,167,562.54	54,328,479.64	56,257,882.02

Year ended 31-Dec-11	Net Purchase Cost	Market Value 31.12.2011 31.12.13	
EUROLAND BOND FUND EUR C CLASS C	840,417.94	845,370.20	979,241.30
GLOBAL EQUITY FUND EUR C CLASS C	8,284,292.83	8,038,700.19	11,016,933.99
GLOBAL EQUITY FUND USD C CLASS C	1,274,004.96	1,158,702.32	1,584,818.17
GLOBAL BOND FUND EUR C CLASS C	914,383.52	1,009,082.46	927,128.42
GLOBAL BOND FUND USD C CLASS C	615,767.82	628,110.50	576,461.12
UNIVERSAL EURO ACCUMULATION C	10,565,467.52	10,616,538.24	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	260,685.96	260,709.21	244,720.50
Difference on exchange rates	-136,596.46		
TOTAL	22,618,424.09	22,557,213.12	15,329,303.51

Year ended 31/12/2010	Net	Market Value	
	Purchase Cost	31.12.2010	31.12.13
EUROLAND BOND FUND EUR C CLASS C	685,573.81	687,552.79	809,458.01
GLOBAL EQUITY FUND EUR C CLASS C	10,585,411.29	11,572,370.59	14,379,295.38
GLOBAL EQUITY FUND USD C CLASS C	916,687.72	1,020,229.90	1,262,723.78
GLOBAL BOND FUND EUR C CLASS C	799,242.42	876,567.29	889,188.81
GLOBAL BOND FUND USD C CLASS C	354,229.65	370,910.78	375,084.94
UNIVERSAL EURO ACCUMULATION C	8,223,420.45	8,243,277.75	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	169,720.25	169,862.84	164,737.69
Difference on exchange rates	31,415.26		
TOTAL	21,765,700.85	22,940,771.94	17,880,488.61

Year ended 31-Dec-2009	Net	Market Value	
	Purchase Cost	31.12.2009	31.12.13
EUROLAND BOND FUND EUR C CLASS C	408,938.15	450,484.49	556,120.99
GLOBAL EQUITY FUND EUR C CLASS C	14,958,418.64	17,259,401.23	25,100,040.23
GLOBAL EQUITY FUND USD C CLASS C	998,483.78	1,190,409.75	1,728,270.85
GLOBAL BOND FUND EUR C CLASS C	851,907.19	860,993.51	1,008,960.86
GLOBAL BOND FUND USD C CLASS C	14,793.27	16,209.69	18,962.92
UNIVERSAL EURO ACCUMULATION C	4,993,821.62	5,009,815.55	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	121,031.70	121,101.50	126,748.87
Difference on exchange rates	3,345.97		
TOTAL	22,350,752.33	24,908,415.72	28,539,104.73

Year ended 31-Dec-2008	Net	Market Value	
	Purchase Cost	31.12.2008	31.12.13
EUROLAND BOND FUND EUR C CLASS C	276,803.80	290,671.92	407,333.33
GLOBAL EQUITY FUND EUR C CLASS C	13,884,019.56	9,955,185.62	18,168,387.68
GLOBAL EQUITY FUND USD C CLASS C	1,014,183.32	704,902.98	1,278,277.04
GLOBAL BOND FUND EUR C CLASS C	876,480.71	946,097.20	1,119,902.44
GLOBAL BOND FUND USD C CLASS C	162,970.15	165,995.18	195,341.86
UNIVERSAL EURO ACCUMULATION C	1,336,794.72	1,354,185.46	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	89,453.91	90,124.52	91,329.95
Difference on exchange rates	-14,317.46		
TOTAL	17,626,388.71	13,507,162.88	21,260,572.30

Year ended 31-Dec-2007	Net	Market Value	
	Purchase Cost	31.12.2007	31.12.13
EUROLAND BOND FUND EUR C CLASS C	128,791.70	129,294.04	196,030.75
GLOBAL EQUITY FUND EUR C CLASS C	10,630,792.53	11,090,953.86	11,411,683.52
GLOBAL EQUITY FUND USD C CLASS C	576,140.26	651,342.37	669,107.58
GLOBAL BOND FUND EUR C CLASS C	533,450.12	529,496.85	692,014.30
GLOBAL BOND FUND USD C CLASS C	72,134.39	77,529.18	101,223.39
UNIVERSAL EURO ACCUMULATION C	2,087,907.17	2,113,050.69	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	74,245.82	76,340.25	84,108.11
Difference on exchange rates	14,918.83		
TOTAL	14,118,380.82	14,668,007.24	13,154,167.65

Year ended 31-Dec-2006	Net	Market Value	
	Purchase Cost	31.12.2006	31.12.2012
EUROLAND BOND FUND EUR C CLASS C	20,156.93	20,277.81	30,957.36
GLOBAL EQUITY FUND EUR C CLASS C	5,422,670.66	5,640,017.76	6,323,832.38
GLOBAL EQUITY FUND USD C CLASS C	364,962.85	394,525.50	441,105.45
GLOBAL BOND FUND EUR C CLASS C	206,209.45	205,775.60	266,334.72
GLOBAL BOND FUND USD C CLASS C	43,970.21	45,065.16	58,196.36
UNIVERSAL EURO ACCUMULATION C	73,976.63	74,447.01	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	20,001.18	20,233.51	20,991.60
Difference on exchange rates	1,821.28		
TOTAL	6,153,769.19	6,400,342.35	7,141,417.88

Year ended 31-Dec-2005	Net	Market Value	
	Purchase Cost	31.12.2005	31.12.13
EUROLAND BOND FUND EUR C CLASS C	0.00	0.00	0.00
GLOBAL EQUITY FUND EUR C CLASS C	612,871.54	640,528.85	773,801.99
GLOBAL EQUITY FUND USD C CLASS C	36,636.50	38,096.79	45,784.95
GLOBAL BOND FUND EUR C CLASS C	19,953.00	20,245.84	24,950.62
GLOBAL BOND FUND USD C CLASS C	0.00	0.00	0.00
UNIVERSAL EURO ACCUMULATION C	0.00	0.00	0.00
UNIVERSAL LIQUIDITY (USD) ACCUMULATION C	0.00	0.00	0.00
TOTAL	669,461.04	698,871.48	844,537.57
GRAND TOTAL	157,869,299.01		187,336,100.67

EXPLANATORY NOTES NATO DEFINED CONTRIBUTION PENSION SCHEME

NOTE 1: GENERAL INFORMATION

Description of the Fund

The NATO Defined Contribution Pension Scheme (DCPS) was implemented with effect from 1 July 2005 based on Council's approval of C-M(2000)53 and C-M(2005)0057. The DCPS aims to provide retirement benefits for NATO staff who are employed for the minimum six-year vesting period and to make cash payments to staff who leave before satisfying the vesting requirement. All new entrants recruited on or after 1 July 2005 are compulsorily affiliated to the NATO DCPS.

The DCPS is a cash purchase pension scheme. Both staff and NATO contribute to the Scheme. There is no long term liability for NATO related to the DCPS.

An account is opened for each member of the Scheme. Contributions are invested according to the member's instructions within the seven funds currently available, described below. Members can check the status of their accounts and give instructions via a secure web portal.

Upon departure, the member's account is disinvested. Until 20 December 2012, the effective date of changes to related NATO Civilian Personnel Regulations (CPR), if the member had vested in the Scheme and was at least 50 years old, the member could take up to 25% of the proceeds as a cash lump sum and the balance had to be applied to the purchase of a retirement pension from a commercial provider. In 2009, the vesting period was five years; in 2010 the vesting period was increased to six years. Members who leave the NATO employer prior to vesting withdraw the entire proceeds as a cash lump sum.

On 20 December 2012 the NATO Council approved a number of changes to the rules which provided more choice and flexibility for affiliates regarding their retirement benefits. The upper and lower limits on ages at which affiliates could take benefits were abolished. The lump sum is no longer restricted to those aged 50 and over and is no longer limited to 25%. Affiliates leaving the DCPS may take any percentage of their holdings in cash. Affiliates accounts no longer have to be closed when they reach 65. They may remain indefinitely as passive investors, with no further investments or switches until full disinvestment, beyond the age of 65.

As at 31 December 2012, there were 2,662 NATO DCPS affiliates (members). During 2013, 310 members joined and 190 left, leaving the membership at 2,782 as at 31 December 2013. Note 19 provides a summary of the evolution of the membership since inception.

Financing

Staff make a compulsory contribution of 8% of basic salary to the Scheme. Staff may make additional voluntary contributions to the Scheme up to 5% of basic salary. NATO pays employer contributions of 12% of basic salary of each active scheme member. Contributions to the DCPS are part of pay and are made monthly.

Scheme members may, under certain circumstances, transfer into their DCPS account any amounts corresponding to pension rights accrued under the pension scheme to which they were previously affiliated.

Governance

The DCPS is administered in accordance with NATO Civilian Personnel Regulations (CPRs), Annex VI, governing the DCPS approved by the Council under C-M(2005)0057.

The Secretary General is responsible for the administration and management of the Scheme, assisted by a consultative committee, the DCPS Management Board, whose Chairman is appointed by the Secretary General.

The committee also includes: seven representatives of the Administrative Services for the International Staff, the International Military Staff, the NATO Standardization Agency and the NATO Defence College, the Assistant Secretary General (ASG) Executive Management and the Financial Controller of the International Staff or their representatives; two representatives of the Administrative Services for the NATO Production and Logistics Organisations and other bodies not listed above; a representative from SHAPE J1 Manpower and Personnel, and the Financial Controller, Allied Command Operations, or their representatives; one representative from the Administrative Services of a NATO military body in Allied Command Transformation; six representatives of the staff nominated by the Liaison Committee of the NATO Civilian Staff Associations shall nominate up to six representatives to the Management Board from among the members of the Scheme. At least one representative shall be a member of the NATO International Staff; one representative of retired NATO staff nominated by the Confederation of Retired NATO Staff.

The Assistant Secretary General for Executive Management was appointed Chairperson of the DCPS Management Board in late 2010.

The members of the DCPS Management Board, who are also NATO staff members, receive no additional remuneration or benefits in return for their participation.

Investment Policy

The Management Board oversees the investment policy of the Scheme.

Members of the NATO DCPS invest in their choice of several funds, consisting of equity, bond and cash funds. Detailed descriptions of each of the funds are provided in Annex 6 to the financial statements. Investments are made in units in the respective funds; the unit price fluctuates according to its market value. With the exceptions of the Mellon Euroland Bond fund and the BNP InstiCash fund, which are only in EUR and the Mellon Universal Liquidity USD which is only in USD, each of the funds is available in EUR and in USD as follows:

Equity Funds:

Mellon Global Equity Portfolio EUR C
Mellon Global Equity Portfolio USD C

Bond Funds:

Mellon Global Bond Portfolio EUR C
Mellon Global Bond Portfolio USD C
Mellon Euroland Bond Portfolio EUR C

Cash Funds:

Mellon Universal Liquidity Funds – Liquidity Plus USD
BNP Paribas InstiCash Fund - EUR

Additional investment funds, passively-managed (indexed) funds offered by Vanguard were selected by the NATO Contract Awards Committee in consultation with the DCPS Management Board in November 2013 and will become available to DCPS affiliates in early 2014.

NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Management of the DCPS

Previnet SPA (Italy) was selected as the Third Party Administrator of the DCPS at the introduction of the Scheme in July 2005, and has been administering the scheme on behalf of NATO since that date. Previnet is responsible for the individual accounts administration, benefit administration, reporting, customer services and maintenance of the DCPS web site with on-line facilities for the scheme members.

Previnet tracks contributions and individual holdings of scheme members. It also provides aggregate accounting data and investment instructions destined for NATO-IS and the Investment Managers.

NATO-IS Office of Financial Control (OFC) receives the monthly contributions from the various NATO body payroll centres in a custodial bank account and converts the funds, on the instructions prepared by the Scheme Administrator, into EUR or USD, as required, for the investment accounts. The OFC is responsible for transfer of the funds from the relevant bank account to the appropriate accounts with the Investment Managers, BNY Mellon and BNP Paribas, based on the Scheme Administrator's reconciliation of the global amount and validation of the amounts to be invested for each staff member.

NATO-IS Executive Management Human Resources Pensions Unit reconciles the number of units per member received from the Scheme Administrator against the leaving scheme members' accounts on the website. Treasury OFC then transfers the redemption/lump sum amounts according to the bank instructions provided by the leaving scheme members.

DCPS amounts redeemed for the purchase of pension annuities and amounts due from an outside insurer for invalidity pensions of former DCPS members are administered by the NATO-IS OFC. The member's holdings are transferred to the relevant pension provider when a leaving DCPS member is entitled to purchase an annuity. OFC also transfers monthly invalidity pensions and the adjustments related to income tax to former DCPS members who qualify.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below.

Declaration of conformity

The financial statements of the NATO DCPS have been prepared on the basis of the NATO Financial Regulations and IPSAS (International Public Sector Accounting Standards) specifications, which the North Atlantic Council approved for adoption on 17 July 2002, with implementation by 1 January 2006, and IFRS (International Financial Reporting Standards) more specifically International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans" for which no specific IPSAS standard has been developed. The accounting system currently used by the NATO DCPS is accrual based.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the DCPS will continue in operation for the foreseeable future.

The amounts shown in these financial statements are presented in EUR.

Changes in accounting policy

There are no changes to report.

Reclassification of financial statements of previous years

None to report

Use of estimates

In the application of accounting policies, which are described below, management is required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Foreign currency transactions

Contributions are made in the currency of the respective payroll centre. Investments are made in USD and in EUR as chosen by the scheme member. NATO Parity Rates do not apply in the DCPS. All bank transactions are processed at the market rate. Contributions received in currencies other than EUR and USD are converted in the latter at investment dates and payments to the Investment Managers are made in EUR and USD.

The amounts shown in these financial statements are presented in EUR. The following rates of exchange fixed by the European Central Bank as at 31 December 2013 were used to convert the balances of the different currencies into EUR:

		<u>EUR</u>
Euro	EUR	1.0000
Danish Kroner	DKK	7.4593
Pound Sterling	GBP	0.8337
Norwegian Kroner	NOK	8.3630
Polish Zloty	PLN	4.1543
Turkish Lira	TRY	2.9605

	6-5	
US Dollar	USD	1.3791
Hungarian Forint	HUF	297.0400

Contributions due in December 2013 and invested in January 2014 are converted using the exchange rates as at 31 December 2013.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term assets. They include deposits held with banks and short term highly liquid investments.

Investments

Investments reported under these DCPS financial statements consist of equity funds, bond funds and cash funds. These investments are non-current assets with respect to the purpose of the DCPS.

Investments are recorded at market value on the reporting date.

Receivables

Receivables are stated at net realisable value. No allowance for loss is recorded for receivables relating to NATO bodies' statutory contributions.

Payables

Payables are amounts due to third parties based on services provided that remain unpaid. This includes, as required, an estimate of accrued obligation for services provided but not yet invoiced.

Net Assets

The net assets available at year-end correspond to investments at market value plus receivables and contributions awaiting investment less payables. Also included are interest earned on the custodial bank account, surpluses gained on transactions with the insurance company and miscellaneous gains and losses related to corrective transactions

Financial Risks

The DCPS uses only non-derivative financial instruments as part as its normal operations. These financial elements include cash, investment funds, bank accounts and accounts receivable.

All financial instruments are recognised in the statement of financial position at their fair value.

The DCPS is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2013 is equal to the total amount of bank balances and receivables. NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

Credit risk

The DCPS incurs credit risks from cash and cash equivalent held with banks and receivables. There is very limited credit risk associated with the realization of these elements.

Concerning cash and cash equivalent the DCPS credit risk is managed by holding current bank accounts and short term highly liquid deposits that are readily convertible to a known amount of cash held with ING Bank (Belgium) which has the following short term credit ratings:

ING Bank	Credit Ratings as at 31.12.2013			
	Fitch	S&P	Moody's	Date of last rating update
Short term	A+	A	A2	31.10.2013

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO bodies' payroll centres. This risk is considered limited since these bodies are primarily funded by member nations which are considered creditworthy.

Price risk

The DCPS individual member holdings are exposed to equity and bond securities market risk. NATO shall not be held responsible for any losses on investments incurred by movement in the investment markets (Annex VI, Article 10.3 of the NATO Civilian Personnel Regulations).

In cases of death in service, the insurance company who will provide the survivor's annuity has a claim on the proceeds of the redemption of the affected member's holdings in an amount equal to the lesser of the member's holdings on 31 October of the previous year or the insurer's previously established cost of that annuity. While there have been no shortfalls to date, there is a risk that the value of available holdings on the date of transfer to the insurance company could be less than that of the preceding 31 October. Up to now, this has resulted in the available amounts being higher, and the surplus is kept on a suspense account and forms part of the net assets.

The fact sheets at Annex 6 provide additional information for each fund.

Currency risk

The DCPS is exposed to a very limited foreign currency exchange risk arising from fluctuations in currency rates. The contributions received in various currencies are converted into EUR or USD as required by the members' investment decisions. The converted amounts are invested in funds held in EUR or USD accordingly.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because the amounts due to departing staff are equal to their holdings, and because amounts transferred to the investment manager are equal to the contributions received from the payroll centres of NATO bodies which receive resources

from member states funding the related budgets, or income from their customers which generally are other NATO bodies funded through their approved budgets.

Interest rate risk

The DCPS is restricted from entering into borrowings.

A portion of DCPS is invested in bond funds. The market value of bonds fluctuates according to market perception of the issuer's creditworthiness and to projected interest rates. The value of DCPS individual member accounts is therefore subject to some interest rate risk.

The fact sheets provided at Annex 6 provide additional information.

NOTE 3: PENSION BENEFITS PAYMENTS

Benefits are paid for retirement (four cases in 2013, four cases in 2012), survivor (three cases in 2013, three cases in 2012) and invalidity (three cases in 2013, two cases in 2012) pensions. They are paid at the end of each month.

Annuities received from commercial pension providers pending augmentation by the adjustment related to income tax and further transfer to the retired beneficiary are held in a separate bank account, NATO-DCPS Retirement Pensions.

Benefits received from the insurer pending augmentation by the adjustment related to income tax and further transfer to the disabled beneficiary are held in another separate bank account, NATO-DCPS Invalidity Pensions.

The Statement of Net Assets Available for Benefits of NATO-DCPS Retirement Pensions and Invalidity Pensions is in Annex 3.

The related Cash Flow Statement is in Annex 4.

Pension Adjustment

The Scheme is not subject to income tax under the terms of Articles IX and X of the Agreement on the Status of the North Atlantic Treaty Organization signed in Ottawa on 20 September 1951 (the Ottawa Treaty).

In accordance with Annex VI, Article 15 of the CPR, beneficiaries are subject to tax by national authorities on their annuity receipts and receive an adjustment equivalent to 50% of the amount by which the recipient's pension would theoretically need to be increased, were the balance remaining after deduction of the amount of national income tax or taxes on the total to correspond to the amount of the pension calculated in accordance with the CPR. This adjustment is paid out of the DCPS Retirement Pensions and Invalidity accounts (Annexes 3 and 4) and is funded by one of two specific budgets approved by the North Atlantic Council, one from the Civil Budget and the other from the Military Budget. Related information is disclosed in the Financial Statements of the NATO Coordinated Pension Scheme.

Amounts paid in relation to 2013 were EUR 41,394.00 (EUR 4,830.60 for 2012). The increase is mainly due to one new specific situation and to the increase in the number of beneficiaries (six in 2013, two in 2012).

NOTE 4: CASH AND CASH EQUIVALENTS

The various NATO entities pay their contributions into a custodial account. This account serves to effect the transfers of funds to be invested by the Investment Manager and to receive redemptions for departing staff. The total in the account at year-end was EUR 3,671,362.26.

Separate bank accounts are held for transactions relating to the payment of pension and invalidity benefits.

NOTE 5: FUNDS HELD BY THE INVESTMENT MANAGER

BNY Mellon is the Investment Manager of six of the funds. BNP Paribas Investment Partners manages the seventh fund, the BNP Paribas InstiCash Fund in euro.

Distribution of Assets as of 31 December

	2013	2012
Mellon Global Equity Portfolio EUR C	108,963,175.47	83,421,342.31
Mellon Global Equity Portfolio USD C	10,569,674.24	7,259,345.16
Mellon Global Bond Portfolio EUR C	10,338,500.96	8,618,011.12
Mellon Global Bond Portfolio USD C	2,709,637.93	2,532,823.85
Mellon Euroland Bond Portfolio EUR C	5,952,740.52	3,384,128.35
Universal Liquidity Funds - Liquidity Plus USD	1,376,278.03	1,310,280.07
BNP Paribas InstiCash EUR	47,426,093.50	37,166,396.57
TOTAL	187,336,100.65	143,692,327.43

Unrealized Gain/Loss in Market Value of Investments

Gains and losses in the market value of investments vary according to the volume of contributions invested, currency fluctuations, and changes in the unit prices of the investment funds. The annual unrealized gains and losses for the past two years were as follow:

	in EUR	2013	2012
Market value end current year		187,336,100.65	143,692,327.43
less Market value end previous year		143,692,327.43	106,623,741.46
less Investments current year		38,620,687.89	37,966,163.54
plus Redemptions current year		12,221,828.45	11,798,601.00
= Net unrealized gain/loss current year		17,244,913.78	10,901,023.43

Unit Price per Fund

New investments and redemptions may take place within each of the funds twice per month and the unit price for each fund fluctuates continuously. Income is therefore not reported by fund in absolute terms. The appropriate performance measure per fund is the unit price. The unit prices for each of the funds at year-end and the resulting annualized income per unit were as follow:

<u>Fund Name and Currency</u>	<u>2013</u>	<u>2012</u>	<u>Annualized Income per Unit</u>
Global Equity Fund EUR C Class C	1.305800	1.091700	0.214100
Global Equity Fund USD C Class C	2.018200	1.616000	0.402200
Global Bond Fund EUR C Class C	1.486500	1.646200	-0.159700
Global Bond Fund USD C Class C	2.279800	2.418000	-0.138200
Euroland Bond Fund EUR C Class C	1.763600	1.730400	0.033200
Universal Liquidity (USD) Accum C	1.190847	1.190717	0.000130
BNP Paribas Insticash EUR	140.7963	140.7341	0.062200

Schedule

Annex 5 provides a schedule of the net purchase cost and market values of investments since 2005.

NOTE 6: RECEIVABLES

Contributions are paid on a monthly basis by NATO bodies. There were three NATO body employer and employee contributions receivable at the end of 2013. For a total of EUR 36,642.73 which were received in January 2014.

Bank interest accrued as of year-end amounting to EUR 5,686.66 was credited to the bank account in January 2014.

Other receivables consist of interest to be received from DCPS Invalidity.

NOTE 7: PAYABLES

Payables totalling EUR 38,670.37 are made up primarily of EUR 38,042.33 due to a leaving member and her NATO body employer pending Pensions Unit's authorization to transfer the funds. Other payables consist of EUR 236.48 in bank charges to be paid to DCPS Retirement and an EUR 391.56 overpayment of the December 2013 contributions by a NATO body.

NOTE 8: NET ASSETS AVAILABLE FOR BENEFITS

- a) The custodial account also receives the proceeds of redeemed holdings of deceased DCPS affiliates. In cases of death in service, the insurance company who will provide the survivor's annuity has a claim on the proceeds of the redemption of the affected member's holdings in an amount equal to the lesser of the member's holdings on 31 October of the previous year or the insurer's previously established cost of that annuity. Up to now, holdings on the date of transfer to the insurance company have been higher than the amount recorded as of the preceding 31 October, and the surplus of EUR 13,974.70 (unchanged from 2013) kept on a suspense account.
- b) Gains and losses on corrective investments effected by the third party administrator are also credited to the suspense account. The cumulative gains as of year end 2012 amounted to EUR 13,782.19. There were no corrective transactions in 2013 so the total remained unchanged as at 31 December 2013.

- c) Cumulated interest earned on the custodial bank account amounted to EUR 89,194.39 end 2013 (EUR 84,040.29 end 2012).

These amounts form part of the Net Assets Available for Benefits and could be used to cover eventual future potential shortfalls of the sort described in Note 2 (Price Risk).

NOTE 9: CONTRIBUTIONS

A minimum of 8% is deducted from staff emoluments monthly and transferred to DCPS together with the NATO employers' contributions of 12% of emoluments. Staff may make additional voluntary contributions.

The composition of contributions is as follows:

Contributions	in EUR	<u>31-Dec-13</u>	<u>31-Dec-12</u>
Employee share received		15,904,653.00	14,978,269.25
NATO bodies shares received		21,952,547.79	20,720,768.30
Contributions to be received		<u>36,642.73</u>	<u>0.00</u>
		37,893,843.52	35,699,037.55

NOTE 10: INWARD/OUTWARD TRANSFERS OF PENSION RIGHTS

The NATO Civilian Personnel Regulations (Annex VI, Article 6) provide that staff may, under certain circumstances, arrange for payment to the Organisation of any amounts corresponding to the retirement pension rights accrued under the pension scheme to which the staff member was previously affiliated in so far as that scheme allows such a transfer. These payments are called inward transfers.

The inward transfers resulted essentially from an agreement given by the Belgian Office National des Pensions in late 2009. The decrease in the amounts transferred is due to settlement of pending files. Other transfers were received mainly from the Netherlands, Belgium and the European Union.

Outward transfers are also allowed, in which cases the proceeds of ex-DCPS member's closed account are paid to the eligible pension scheme (CPR Annex VI, Article 11).

NOTE 11: MISCELLANEOUS RECEIPTS

The composition of the miscellaneous receipts is as follows:

	in EUR	<u>31-Dec-13</u>	<u>31-Dec-12</u>
Interest earned		5,686.66	18,626.80
Profit on erroneous and corrected deals		0.00	605.14
Foreign exchange profit		51.94	0.00
Rounding		0.00	0.01
Misc receipts		391.56	0.00
Interest from DCPS Invalidity Pensions		<u>49.50</u>	<u>0.00</u>
TOTAL miscellaneous receipts		6,179.66	19,231.95

NOTE 12: ACCOUNTS CLOSED (STAFF)

The accounts of former staff members leaving DCPS are closed and the proceeds are paid in whole or in part either to the former staff member, or to the insurance company providing the annuity to the former staff member or his or her survivors.

In 2013 because beneficiary account instructions were not provided in time, the EUR 38,042.33 proceeds of a closed account could only be transferred the following year. The composition of Accounts Closed was as follows:

	in EUR	<u>31-Dec-13</u>	<u>31-Dec-12</u>
Pension benefits paid to leaving members		11,712,280.92	11,518,426.93
Pension benefits to be paid to 1 ex member/NATO body		38,042.33	61,889.79
Delayed pension transfer to ex member		<u>0.00</u>	<u>0.00</u>
Total Accounts Closed		11,750,323.25	11,580,316.72

NOTE 13: TRANSFERS TO INSURANCE AND RETIREMENT ACCOUNTS

In 2012, one member left DCPS and took a DCPS retirement pension for which the cost of EUR 147,456.79 was transferred to the DCPS retirement account. Another member died in service and, as described above in Note 8 a), EUR 45,546.57 of the proceeds of the redemption of the affected member's holdings was transferred to the insurer to pay for the related survivor annuity. This brought the total of such transfers during the year to EUR 193,003.36. There were no such transfers in 2013.

	in EUR	<u>31-Dec-13</u>	<u>31-Dec-12</u>
Pension benefits forwarded to DCPS retirement account		0.00	147,456.79
Pension benefits transferred to the insurance company		<u>0.00</u>	<u>45,546.57</u>
TOTAL transferred to insurance and DCPS retirement account		0.00	193,003.36

NOTE 14: MISCELLANEOUS PAYMENTS

Miscellaneous payments are as follows:

	in EUR	<u>31-Dec-13</u>	<u>31-Dec-12</u>
Foreign exchange loss		6,662.59	3,495.31
Bank charges		4,917.65	4,715.97
Other		<u>628.06</u>	<u>0.00</u>
Total		12,208.30	8,211.28

NOTE 15: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the DCPS.

Adjustments related to income tax may be due to certain annuity recipients. The amounts are yet to be determined but the total of possible obligations relating to this item is not expected to be material.

NOTE 16: CONTINGENT ASSETS

None to report.

NOTE 17: RELATED PARTY TRANSACTIONS

Members of the DCPS Management Board receive no additional remuneration or benefits in return for their participation. The Chairman of the Management Board is the ASG for Executive Management. The NATO-IS Financial Controller is a member of the Management Board.

NATO-IS, in particular Executive Management and the Office of Financial Control, are responsible for the day-to-day management of the DCPS. No management fees corresponding to the related costs are charged to the DCPS. In the global framework of the Administrative Support process, the NATO bodies are charged by the IS on a pro rata basis for these costs, including the fees paid to the Third Party Administrator. The related income of approximately EUR 270,000 per year reduces the contributions due from Nations to fund the NATO Civil Budget.

In 2013, cash advances of EUR 120,000 were made by NATO International Staff to allow for the timely payment of pension benefits. Conversely, tax adjustment payments were made as an advance to be settled with the related budget (amounts due for tax adjustment advances: EUR 41,394.00 end 2013 and EUR 4,830.60 end 2012).

As provided for by the CPRs (Annex VI, articles 13 and 14), survivors' benefits for the surviving spouses and dependent children of serving staff who die in service and invalidity benefits to serving staff are funded (partially for survivor benefits, totally for invalidity benefits) through the payment of insurance premiums which are paid directly by the NATO bodies to the insurance company and are not accounted for in the present financial statements. Amounts paid for death in service benefits were EUR 4,496,919 in 2013 (EUR 4,770,584 in 2012); amounts paid for invalidity benefits were EUR 3,627,625 in 2013 (EUR 3,395,533 in 2012).

The Scheme does not hold any securities of the employer sponsor or, directly, of its related parties.

NOTE 18: KEY MANAGEMENT PERSONNEL

For the purposes of these financial statements, Key Management Personnel are considered to be the NATO-IS Assistant Secretary General for Executive Management and the Financial Controller. Their remuneration is totally covered by the NATO International Staff.

Members of the DCPS Management Board do not receive any additional remuneration or benefits in return for their responsibilities. The Management Board is chaired by the Assistant Secretary General for Executive Management. The IS Financial Controller is a member of the Board.

NOTE 19: STATISTICAL INFORMATION

Evolution of DCPS membership (number of affiliates)			
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year-end	2004	Affiliates	0
	2005	Joined	274
	2005	Exited	0
year-end	2005	Affiliates	274
	2006	Joined	527
	2006	Exited	-6
year-end	2006	Affiliates	795
	2007	Joined	501
	2007	Exited	-23
year-end	2007	Affiliates	1273
	2008	Joined	511
	2008	Exited	-43
year-end	2008	Affiliates	1741
	2009	Joined	443
	2009	Exited	-71
year-end	2009	Affiliates	2113
	2010	Joined	477
	2010	Exited	-208
year-end	2010	Affiliates	2382
	2011	Joined	454
	2011	Exited	-260
year-end	2011	Affiliates	2576
	2012	Joined	274
	2012	Exited	-188
year-end	2012	Affiliates	2662
	2013	Joined	310
	2013	Exited	-190
year-end	2013	Affiliates	2782

From: Financial Controller, NATO International Staff

Subject: **Statement on Internal Control
Defined Contribution Pension Scheme (DCPS) 2013**

Scope of responsibility

Attached are the un-audited Defined Contribution Pension Scheme (DCPS) financial statements for 2013 which have been prepared under my responsibility.

As Financial Controller, as provided by NATO's Financial Regulations (Article 21), I have responsibility for administration of the financial and budgetary control system that supports the achievement of the DCPS mission. I am personally responsible for the correct use of all international appropriated funds made available to the Organization.

It is my responsibility to ensure that an effective system of internal control is maintained and operated by NATO International Staff (IS). The system is applied to several NATO budgets and entities for which the IS manages the budget and financial operations and in particular for DCPS.

The NATO IS internal control system is designed to manage rather than eliminate the risk of failure to achieve the Organisation's mission; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Purpose of the system of internal control

The system of internal control is designed to support the achievement of the DCPS's mission by providing reasonable assurance of the achievement of objectives as to: the effectiveness and efficiency operations, the reliability of financial information, and compliance with applicable rules and regulations. This includes safeguarding the Organisation's funds and assets.

The system of internal control is an ongoing process designed to identify the principal risks to the achievement of the DCPS mission, to evaluate the nature and extent of those risks, and to manage them efficiently, effectively and economically. This process was in place for the financial year ended 31 December 2013 and up to the date of the issuance of the Financial Statements.

Internal control framework

The key elements of the internal control system include:

- NATO Financial Regulations including the Financial Rules and Procedures applicable to the International Staff
- Civilian Personnel Regulations and in particular Annex VI concerning the NATO Defined Contribution Pension Scheme
- the NATO Code of Conduct
- the NATO Defined Contribution Pension Scheme Management Board
- the status reports by the Investment Manager
- the NATO International Staff IT financial system
- segregation of duties between the functions of approving officer, accountant and treasurer
- management supervision and a system of delegation
- the internal audit function
- annual accounts

Review of effectiveness

My review of the effectiveness of the system of internal control over financial reporting is informed by the work of the Office's internal auditors, and of the executive managers within the organization who have responsibility for the development and maintenance of the internal control framework, the decisions and recommendations of the DCPS Management Board. It also relies on observations made by the external auditors in their reports, not only relative to DCPS but also to other entities for which the IS Office of Financial Control exercises similar functions.

Observations made by IBAN up until the last audited DCPS financial statements (2012) have been taken into account. IBAN observations on other financial statements issued by the IS OFC are considered because the related internal control system is very similar.

During 2013, including IBAN's field audit work and report on the financial statements for the year ended 31 December 2013, no material instances of failure of the internal control system were reported that should be brought to Nations' attention.

Based on the information from these sources, internal control over financial reporting is in general adequate. There is however an issue which needs to be addressed.

Area for improvement

The present IT accounting system does not enable the production of IPSAS compliant financial statements. This IT financial system, implemented in the early 1990s, was conceived to track budget execution and make payments, but was not designed to be an accounting system. It was never updated. The system does not generate financial

statements and much work and analysis relies on spreadsheets. The implementation of an Enterprise Resource Planning system is planned to begin in 2015 and should contribute to solving this issue. In the meantime, manual adjustments are necessary, requiring a significant effort impacting the overall process of generating the financial statements of the NATO bodies for which I am responsible. As such they a risk factor for errors. In addition, the present IT system is not connected to any Human Resources database, which also constitutes a risk factor for errors. As a consequence the internal control system relies greatly on the control environment, in particular on knowledge acquired and values shared by the staff. In this context, any existing single point of failure could become an issue.

My assessment is nevertheless that the situation as outlined above had no material impact on the budgetary contributions called from Nations to fund the NATO entities' budgets from which the staff and employer's contributions are paid into the DCPS. Neither did it have any material impact on the preservation of the assets belonging to the Scheme members.

The DCPS financial statements since 2005 (creation of the DCPS) to 2012 have received an unqualified opinion from IBAN.

In my opinion these financial statements provide a true and fair view of the financial activities of DCPS for 2013.