13 décembre 2018 **DOCUMENT**
C-M(2018)0063-AS1

RAPPORTS DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN, DE LA CAISSE DE PRÉVOYANCE DE L'OTAN ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)

NOTE SUR LA SUITE DONNÉE

Le 12 décembre 2018, au terme d'une procédure d'accord tacite, le Conseil a pris note des rapports de l'IBAN sur les états financiers 2017 du DCPS, de la Caisse de prévoyance de l'OTAN et du FCMR, il a avalisé le rapport du RPPB annexé au C-M(2018)0063, et il a donné son accord pour que le rapport du RPPB, les rapports de l'IBAN et les états financiers correspondants soient communiqués au public.

(signé) Jens Stoltenberg
Secrétaire général

NB : La présente note fait partie du C-M(2018)0063 et doit être placée en tête de ce document.

4 décembre 2018

DOCUMENT
C-M(2018)0063
Procédure d'accord tacite :
12 déc 2018 17:30

RAPPORTS DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN, DE LA CAISSE DE PRÉVOYANCE DE L'OTAN ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)

Note du secrétaire général

1. On trouvera ci-joint les rapports du Collège international des commissaires aux comptes de l'OTAN (IBAN) sur la vérification des états financiers 2017 du régime de pensions à cotisations définies (DCPS) de l'OTAN, de la Caisse de prévoyance de l'OTAN et du fonds de couverture médicale des agents à la retraite (FCMR). Dans chacun de ces trois cas, l'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité.

2. Le rapport de l'IBAN a été examiné par le Bureau de la planification et de la politique générale des ressources (RPPB) (voir annexe).

3. Je ne pense pas que la question doive être débattue plus avant. Par conséquent, **sauf avis contraire me parvenant d'ici au mercredi 12 décembre 2018 à 17h30**, je considérerai que le Conseil aura pris note des rapports de l'IBAN sur les états financiers 2017 du DCPS, de la Caisse de prévoyance et du FCMR, qu'il aura avalisé le rapport du RPPB, et qu'il aura donné son accord pour que le rapport du RPPB, les rapports de l'IBAN et les états financiers correspondants soient communiqués au public.

(signé) Jens Stoltenberg

1 annexe
1 pièce jointe

Original : anglais

RAPPORTS DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN SUR LA VÉRIFICATION DES ÉTATS FINANCIERS 2017 DU RÉGIME DE PENSIONS À COTISATIONS DÉFINIES (DCPS) DE L'OTAN, DE LA CAISSE DE PRÉVOYANCE DE L'OTAN ET DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE (FCMR)

Rapport du Bureau de la planification et de la politique générale des ressources (RPPB)

Références :

A.	IBA-AR(2018)0022	Rapport de l'IBAN sur la vérification des états financiers 2017 du DCPS
B.	IBA-AR(2018)0086	Rapport de l'IBAN sur la vérification des états financiers 2017 de la Caisse de prévoyance de l'OTAN
C.	IBA-AR(2018)0014	Rapport de l'IBAN sur la vérification des états financiers 2017 du FCMR
D.	AC/335-N(2018)0036	Traitement des rapports sur la vérification des états financiers de 2017
E.	PO(2015)0052	Mandat issu du sommet du pays de Galles concernant la transparence et l'obligation de rendre compte
F.	AC/335-N(2017)0102	Rapport du RPPB concernant le rapport de l'IBAN sur la vérification des états financiers 2016 du DCPS

CONTEXTE

1. Le présent rapport concerne les rapports de l'IBAN sur la vérification des états financiers 2017 du DCPS (référence A), de la Caisse de prévoyance de l'OTAN (référence B) et du FCMR (référence C). Pour chacune de ces trois entités, l'IBAN a émis une opinion sans réserve sur les états financiers ainsi que sur la conformité pour l'exercice.

2. Conformément à la procédure agréée (référence D), les rapports relatifs à ces entités font l'objet d'un seul document du RPPB.

EXAMEN DE LA QUESTION

3. Le RPPB note que, dans les trois cas, l'IBAN n'a émis aucune observation sur les états financiers ou la conformité pour l'exercice.

4. L'IBAN a par ailleurs fait le point sur la suite donnée aux observations formulées lors de précédents audits, et il a constaté ce qui suit : pour ce qui est du DCPS, deux questions ont été réglées, trois autres l'ont été partiellement et il en reste une à régler ; pour ce qui est de la Caisse de prévoyance, les deux seules questions qui restaient à régler l'ont été en 2017 ; pour ce qui est du FCMR, quatre questions ont été réglées, une autre l'a été partiellement et il en reste une à régler. Le RPPB prend note de ce qui suit.

4.1. <u>DCPS – Question restant à régler</u> – L'IBAN estime qu'il est nécessaire de mettre au point une méthode pour la comptabilisation et le compte rendu des opérations libellées en monnaie étrangère. Le contrôleur des finances du Secrétariat international prévoit de consigner et d’expliciter dans les états financiers comment les calculs relatifs aux monnaies étrangères sont effectués dans le système de planification des ressources d’entreprise ; il est d'avis que la question pourra être considérée comme réglée dans le rapport sur la vérification des états financiers de 2018.

4.2. FCMR – Observation – Dans son rapport sur les états financiers du FCMR, l'IBAN consacre une « observation particulière[1] » au fait que l’évaluation actuarielle de l'obligation à long terme relative aux soins médicaux postérieurs à la période d'emploi se fonde sur des données de l’exercice précédent (2016), parce que l’étude basée sur les données de 2017 n’était pas encore achevée quand les états financiers ont été publiés. Cette obligation, que le FCMR doit couvrir, est passée de 1,80 milliard d’euros d'après les états financiers de 2016[2] à 2,30 milliards d’euros d'après ceux de 2017[3], soit une augmentation de 28 %. Celle-ci s’explique principalement par le fait que le taux d'actualisation utilisé dans l’évaluation actuarielle a été ramené de 1,60 % à 0,98 %. Si l’évaluation actuarielle de 2017 avait été disponible quand les états financiers de cet exercice ont été soumis à l’IBAN, le montant qui y aurait été constaté au titre de l’obligation relative aux soins médicaux postérieurs à la période d’emploi aurait été de 2,07 milliards d'euros. L'IBAN recommande à l’OFC de veiller à se procurer l’évaluation actuarielle avant la publication des états financiers du FCMR (c’est-à-dire avant le 31 mars). Sur le principe, le contrôleur des finances souscrit à la recommandation, et il étudiera les options qui s’offrent pour obtenir le document avant le 31 mars, afin que la question puisse être réglée dans les états financiers de 2018.

5. Le RPPB prend note des progrès accomplis en ce qui concerne toutes les autres observations formulées lors de précédents audits, et il espère vivement que, s'agissant du DCPS et du FCMR, l’OFC continuera de s’employer à régler pleinement toutes les questions restant en suspens.

CONCLUSION

6. Le RPPB note que l’IBAN a émis des opinions sans réserve sur les états financiers 2017 du DCPS, de la Caisse de prévoyance et du FCMR ainsi que sur la conformité pour cet exercice. Bien que ce résultat soit positif, il note également que certaines questions restent à régler ou restent partiellement à régler, et il souligne qu’il est important de s'appuyer sur les recommandations de l’IBAN pour améliorer les processus financiers et la transparence financière.

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1 Paragraphe ajouté dans l’opinion afin d'appeler l'attention sur un élément des états financiers qui est présenté correctement mais dont l'importance est telle, selon l’auditeur, qu'il est indispensable à l'utilisateur pour sa compréhension de ces documents.

2 Le montant constaté dans les états financiers de 2016 est basé sur l’évaluation actuarielle de 2015.

3 Le montant constaté dans les états financiers de 2017 est basé sur l’évaluation actuarielle de 2016.

RECOMMANDATIONS

7. Le RPPB recommande au Conseil :

7.1. de prendre note des rapports de l'IBAN cités en références A à C ;

7.2. de prendre note de sa conclusion, figurant au paragraphe 6 ;

7.3. d'approuver la communication au public du présent rapport, des rapports de l'IBAN et des états financiers 2017 du DCPS, de la Caisse de prévoyance et du FCMR, en vertu de la politique agréée dans le document de référence E.

North Atlantic Treaty Organization
Organisation du Traité de l'Atlantique Nord

International Board of Auditors
Collège International des Commissaires aux Comptes

NATO UNCLASSIFIED

IBA-A(2018)0088
27 August 2018

To: Secretary General
(Attn: Director of the Private Office)

Cc: Assistant Secretary General, Executive Management Division
Financial Controller, International Staff (IS)
Chairman, Resource Policy & Planning Board (RPPB)
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (Board) Auditor's Report and Letter of Observations and Recommendations on the audit of the NATO Defined Contribution Pension Scheme (DCPS) Financial Statements for the year ended 31 December 2017 - IBA-AR(2018)0022***

The Board submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

The Board's report sets out an unqualified opinion on the financial statements of the NATO DCPS and an unqualified opinion on compliance for financial year 2017.

Yours sincerely,

Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

Boulevard Léopold III - B-1110 Bruxelles - Belgique
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**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 2017**

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, régime de pensions par capitalisation auquel contribuent les agents recrutés depuis le 1er juillet 2005 ainsi que l'OTAN, en tant qu'employeur. Au 31 décembre 2017, l'actif net disponible pour le service des prestations s'établissait à 377,7 millions d'euros et le régime comptait 3 668 affiliés.

Le Collège a émis une opinion sans réserve sur les états financiers du DCPS pour l'exercice clos le 31 décembre 2017, ainsi qu'une opinion sans réserve sur la conformité pour cet exercice.

Le Collège n'a pas eu d'observation à formuler à l'issue de l'audit.

Le Collège a également fait le point sur la suite donnée aux observations formulées lors de précédents audits, et il a constaté que deux questions avaient été réglées, que trois l'avaient été partiellement et qu'il en restait une à régler.

La question des lacunes dans la préparation pour le versement des prestations de pension, soulevée par le Collège lors de la vérification des états financiers de 2009, n'est toujours pas réglée et nécessite la pleine attention de la direction.

La lettre d'observations et de recommandations (annexe 3) contient un récapitulatif de l'état des différentes questions.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, qui n'a pas eu de commentaire factuel ou officiel à formuler.

27 août 2018

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

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

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

**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 (DCPS) 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 2017, 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, 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*)[4] 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 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

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

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 sur les états financiers.

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 2017, ainsi que de l'évolution de sa situation financière 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 sur la conformité.

ANNEXE 2
IBA-AR(2018)0022

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 27 août 2018

Hervé-Adrien Metzger
Président

ANNEXE 3
IBA-AR(2018)0022

27 août 2018

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT

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

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

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 2017, et il a émis une opinion sans réserve à leur sujet ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

Le Collège n'a pas eu d'observation à formuler à l'issue de l'audit.

Le Collège a également fait le point sur la suite donnée aux observations formulées lors de précédents audits, et il a constaté que deux questions avaient été réglées, que trois l'avaient été partiellement et qu'il en restait une à régler.

La question des lacunes dans la préparation pour le versement des prestations de pension, soulevée par le Collège lors de la vérification des états financiers de 2009, n'est toujours pas réglée et nécessite la pleine attention de la direction.

La présente lettre d'observations et de recommandations a été soumise au Secrétariat international, qui n'a pas eu de commentaire factuel ou officiel à formuler.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

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

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) Exercice 2016 **IBA-AR(2017)30, paragraphe 1** **INSUFFISANCE DES CONTRÔLES RELATIFS AU COMPTE RENDU FINANCIER** **Recommandation du Collège**	Le Collège a relevé ce qui suit.	
• Les personnes responsables de l'établissement des états financiers doivent conserver les documents sur lesquels ils se sont appuyés dans leur travail afin de pouvoir justifier tout solde présenté dans les états financiers et toute information mentionnée dans les notes qui leur sont jointes. De plus, le SI doit impérativement être en mesure de fournir des informations détaillées au sujet de chaque compte d'actif ou de passif de l'ERP, pour que les soldes puissent faire l'objet d'un suivi adéquat.	• Les informations qui lui ont été fournies à sa demande sur un certain nombre de comptes de l'ERP étaient suffisantes. **Question réglée.**	Question **partiellement réglée**.
• Le Collège recommande de constater les opérations correspondant à des produits et les opérations correspondant à des charges, par nature différentes, dans des comptes distincts, tels que : gains/pertes sur les achats en devises ; frais bancaires ; autres types de produits/charges.	• Le nombre de comptes utilisé pour la constatation des opérations correspondant à des produits et des opérations correspondant à des charges (excédent/actif net disponible pour le service des prestations) demeure faible. Toutefois, les auditeurs se sont vu fournir des justificatifs suffisants concernant ces différentes opérations. **Question partiellement réglée.**	
• Le Collège recommande d'améliorer la transparence et la disponibilité des données comptables. Il recommande, lorsque c'est techniquement possible, de lier les opérations enregistrées dans l'ERP à la contrepartie concernée afin de pouvoir retracer l'évolution des différents soldes à payer aux contreparties et/ou à recevoir de leur part. Il engage le SI à appliquer des procédures ERP normalisées plutôt	• Le Collège a constaté que la transparence et la disponibilité des données comptables s'étaient améliorées et que les procédures ERP étaient davantage appliquées. **Question réglée.**	

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
que de procéder à des ajustements manuels. Lorsque des données globales sont introduites dans l'ERP, des justificatifs détaillés (récapitulatifs, listes, calculs, etc.) doivent être disponibles dans l'ERP et faire l'objet d'une vérification et d'une validation dans le système. • Le Collège recommande de renforcer le processus d'examen multiniveau des états financiers, afin d'améliorer la qualité globale des états financiers et leur conformité avec les cadres de compte rendu applicables. • Le Collège recommande d'obtenir, une fois par an au moins, la confirmation officielle des soldes interentités auprès de toutes les entités dont les états financiers sont préparés par le Bureau du contrôle financier du SI. • Le Collège recommande d'attribuer des dimensions supplémentaires aux comptes de l'ERP pour le secteur Gestion financière et le secteur Pensions de retraite et pensions d'invalidité.	• Le Collège a constaté que la qualité globale des états financiers s'était améliorée. Cependant, il suggère de continuer de renforcer le processus d'examen des états financiers. En effet, des erreurs mineures, qu'un examen multiniveau doit normalement permettre d'éliminer, y ont été relevées. Les insuffisances détectées ne sont toutefois pas significatives. **Question partiellement réglée.** • Le Bureau du contrôle financier du SI n'a pas obtenu de confirmation officielle des soldes interentités auprès de toutes les entités dont il prépare les états financiers. **Question restant à régler.** • Un ensemble de livres (SOB) distinct, le 310, a été créé dans l'ERP pour le versement des prestations au titre du DCPS ; Toutefois, cet ensemble n'est utilisé correctement que depuis 2018. **Question réglée.**	
(2) Exercice 2016 **IBA-AR(2017)30, paragraphe 2** **NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES EN MATIÈRE DE RAPPROCHEMENT DES SOLDES BANCAIRES** **Recommandation du Collège** Le Collège recommande de procéder au rapprochement mensuel des soldes du système comptable et des relevés bancaires et d'en conserver une trace écrite. Il sera ainsi plus facile de repérer à temps les éventuelles inexactitudes. Le résultat de ce travail devra être signé par la personne qui l'aura effectué et par celle	Des justificatifs ont été fournis qui attestent que les soldes ont fait l'objet de rapprochements mensuels.	Question **réglée**.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
qui l'aura examiné, avec mention de la date dans chaque cas.		
(3) Exercice 2015 **IBA-AR(2016)28, paragraphe 3** **JUSTIFICATION INSUFFISANTE DE LA CONSTATATION D'UN MONTANT À RECEVOIR ET D'UNE PROVISION DANS LES ÉTATS FINANCIERS** **Recommandation du Collège** Le Collège recommande au secrétaire général, qui assume la responsabilité de l'administration et de la gestion du DCPS, d'examiner cette situation dès que possible afin de déterminer si l'OTAN est d'accord avec l'indemnité proposée, à quelles entités OTAN présentant des états financiers revient cette indemnité et à qui les fonds correspondants, s'ils sont reçus, devraient *in fine* être restitués (par exemple : pays, affiliés au DCPS).	À la date du présent rapport, aucune décision officielle n'avait été prise sur le point de savoir à quelles entités OTAN présentant des états financiers revenait le montant à recevoir et à qui les fonds correspondants devraient en définitive être remboursés (par exemple : pays, affiliés au DCPS). Le SI a demandé à un courtier d'assurance belge de réaliser une analyse indépendante de l'indemnité proposée par l'assureur. D'après le rapport de ce courtier, les négociations de 2015 ont abouti à un résultat équilibré avec la proposition de versement de 6 MEUR au titre des prestations de prévoyance relevant du DCPS. Le 22 juin 2017, le secrétaire général adjoint pour la gestion exécutive a informé l'assureur que le SI était en mesure d'accepter son offre de 6 MEUR, à condition que le montant soit versé en une seule fois et au plus tard en 2018. À la date d'établissement du présent rapport, Allianz n'avait pas encore remboursé le montant en question.	Question **partiellement réglée**.
(4) Exercice 2015 **IBA-AR(2016)28, paragraphe 4** **IMPOSSIBILITÉ POUR L'IBAN D'OBTENIR EN TEMPS VOULU LES ÉLÉMENTS PROBANTS NÉCESSAIRES ET SUFFISANTS** **Recommandation du Collège** Le Collège recommande au SI de lui fournir en temps voulu les informations	Le Collège a constaté que la préparation des informations demandées par les auditeurs	Question **réglée**.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
dont il a besoin pour ses vérifications, de manière à ne pas retarder la réalisation des audits et l'établissement des rapports. Il serait plus facile d'y parvenir en constituant des pistes d'audit adéquates et en assurant la disponibilité des données dans le système comptable.	s'était sensiblement améliorée et que les services répondaient suffisamment rapidement aux demandes d'information spécifiques.	
(5) Exercice 2015 **IBA-AR(2016)28, paragraphe 7** **MANQUE DE CLARTÉ DE LA MÉTHODE DE CHANGE** **Recommandation du Collège** Le Collège recommande de mettre au point et d'appliquer une méthode complète pour la comptabilisation et le compte rendu des opérations libellées en monnaie étrangère.	Le Collège n'a pu établir l'existence d'une méthode officielle de comptabilisation et de compte rendu des opérations libellées en monnaie étrangère.	Question **restant à régler**.
(6) Exercice 2009 **IBA-AR(2011)09, paragraphe 5,1** **FAIBLESSES DANS LA PRÉPARATION POUR LE VERSEMENT DES PRESTATIONS DE PENSION** **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 : • le DCPS a remboursé le montant emprunté au régime de pensions coordonné et le problème de liquidité a été résolu par un transfert de fonds interne au DCPS ; • un ensemble de livres (SOB) distinct, le 310, a été créé dans l'ERP pour le versement des prestations au titre du DCPS ; • comme les versements de prestations sont encore peu nombreux, il est possible d'en assurer un contrôle suffisant ; par ailleurs, il est prévu que le futur ERP soit doté des fonctionnalités nécessaires. La procédure de sélection d'un prestataire de rentes est terminée mais n'a pas donné les résultats escomptés, si bien qu'aucun prestataire n'a été sélectionné. La question est examinée dans le cadre de l'étude générale sur le DCPS.	Question **partiellement réglée**.

NATO DEFINED CONTRIBUTION PENSION SCHEME
FINANCIAL STATEMENTS

For the year ended 31 December 2017

Annexes

1	Statement of Net Assets Available for Benefits
2	Statement of Changes in Net Assets Available for Benefits
3	Notes to the Financial Statements

Jens STOLTENBERG
Secretary General

Stephane CHAGNOT
Financial Controller

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

(All amounts in EUR)	Notes	Current Year			Prior Year		
		Investment	Benefits	Total	Investment	Benefits	Total
		31-Dec-17			31-Dec-16		
Assets							
Cash	3	5,105,638.11	6,883.87	5,112,521.98	4,544,722.74	176,754.41	4,721,477.15
Investments at market value	4	373,126,531.89		373,126,531.89	331,661,002.68		331,661,002.68
Receivables	5	6,000,000.13	249,126.97	6,249,127.10	6,000,110.47	169,425.97	6,169,536.44
Other receivables	5		1.26	1.26		0.76	0.76
Total Assets		**384,232,170.13**	**256,012.10**	**384,488,182.23**	**342,205,835.89**	**346,181.14**	**342,552,017.03**
Liabilities							
Provisions	16	(6,000,000.00)		(6,000,000.00)	(6,000,000.00)		(6,000,000.00)
Payables	6	(412,600.62)	(206,193.73)	(618,794.35)		(314,290.88)	(314,290.88)
Other payables	6		(44,443.52)	(44,443.52)	(18,853.66)	(24,726.90)	(43,580.56)
Surplus inv/disinvestment	7	(80,016.59)		(80,016.59)	(84,443.53)		(84,443.53)
Current year surplus financial results	7	(8,680.56)	(5,374.85)	(14,055.41)	(97,227.50)	(7,163.36)	(104,390.86)
				-			-
Total Liabilities		**(6,501,297.77)**	**(256,012.10)**	**(6,757,309.87)**	**(6,200,524.69)**	**(346,181.14)**	**(6,546,705.83)**
Net assets available for benefits		**377,730,872.36**	**-**	**377,730,872.36**	**336,005,311.20**	**-**	**336,005,311.20**

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-17			31-Dec-16		
		Investment	Benefits	Total	Investment	Benefits	Total
Increase in net assets							
Net unrealized gain in market value of investments	4	10,319,589.82		10,319,589.82	10,797,979.18		10,797,979.18
Contributions	8	52,202,642.04		52,202,642.04	47,965,018.13		47,965,018.13
Inward transfer of pension rights	9	611,554.36		611,554.36	1,542,465.87		1,542,465.87
Transfers from Insurer	10		598,421.41	598,421.41	0.00	547,778.59	
Transfers from Annuity Provider	10		90,832.67	90,832.67	0.00	82,703.36	
Contribution for Tax Adjustments Due	11		65,212.92	65,212.92	0.00	59,488.77	
Miscellaneous receipts	15		10,820.00	10,820.00		408.11	
Total increase in net assets available for benefits		**63,133,786.22**	**765,287.00**	**63,899,073.22**	**60,305,463.18**	**690,378.83**	**60,305,463.18**
Decrease in net assets							
Net unrealized loss in market value of investments				0.00	0.00		0.00
Accounts closed (Staff)	12	20,736,205.48		20,736,205.48	19,282,107.55		19,282,107.55
Outward transfer of pension rights	12	163,519.58		163,519.58	892,139.18		892,139.18
Transfer to insurer or annuity provider	13	508,500.00		508,500.00	473,491.75		473,491.75
Pension Benefits	14		90,859.38	90,859.38		79,698.05	0.00
Invalidity, Survivor and Dependent Benefits	14		536,463.93	536,463.93		494,688.86	
Tax Adjustment Paid to Beneficiaries	11		65,212.92	65,212.92		59,488.77	
Employer Contributions to DCPS	14		59,498.52	59,498.52		56,503.15	
Miscellaneous Expenses	15		13,252.25	13,252.25			
Total decrease in net assets available for benefits		**21,408,225.06**	**765,287.00**	**22,173,512.06**	**20,647,738.48**	**690,378.83**	**20,647,738.48**
Net increase for the year		41,725,561.16	0.00	41,725,561.16	39,657,724.70	0.00	39,657,724.70
Net assets available for benefits, beginning of year		336,005,311.20	-	336,005,311.20	296,347,586.50	-	296,347,586.50
Net assets available for benefits, end of year		**377,730,872.36**	**0.00**	**377,730,872.36**	**336,005,311.20**	**0.00**	**336,005,311.20**

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 eleven 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 2017, there were 3,668 NATO DCPS affiliates (members). Note 21 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.

Investments

The Management Board oversees the investment options of the Scheme.

Members of the NATO DCPS invest in their choice of several funds, consisting of equity, bond and cash funds. Investments are made in units in the respective funds; the unit price fluctuates according to its market value. Four 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 became available to DCPS affiliates in February 2014.

The funds are available in EUR and/or in USD as follows:

Equity Funds:	ISIN
Mellon Global Equity Portfolio EUR C	IE00B82M6789
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98
Vanguard Global Stock Index Fund	IE00B03HD191
Vanguard Global Stock Index Fund	IE00B03HD209
Bond Funds:	ISIN
Mellon Global Bond Portfolio EUR C	IE0003932385
Mellon Global Bond Portfolio USD C	IE0003932492
Mellon Euroland Bond Portfolio EUR C	IE0032722484
Vanguard Global Bond Index Fund USD	IE00B18GCB14
Vanguard Euro Government Bond	IE0007472990
Cash Funds:	ISIN
Mellon Universal Liquidity Funds –	IE0032713202
BNP Paribas InstiCash Fund – EUR	LU0094219127

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).

Benefits

Benefits are paid for retirement, survivor and invalidity pensions. They are paid at the end of each month. The following table gives the number of beneficiaries per category of benefits.

at year end	Retirement	Survivor	Invalidity	Total
2013	4	3	3	10
2014	8	4	6	18
2015	8	5	7	20
2016	9	12	9	30
2017	10	12	10	32

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 separate from that of the Investment element of the DCPS. And so are the benefits received from the insurer pending augmentation by the adjustment related to income tax and further transfer to the disabled beneficiary.

Contributions, in the case of invalidity, are made to the DCPS and invested, until the beneficiary reaches retirement age.

Contributions for medical insurance are also paid as required.

Transfers are made to the pension provider in order to purchase the annuity for members who leave the DCPS and take a DCPS retirement pension. This was also the case, until 1 July 2017, where funds were transferred to the insurance company for staff who died in service.

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 CPRs, 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 CPRs. 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 are disclosed in the Statement of Change in Net Assets.

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, Vanguard 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. 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 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 in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans.

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 - Reclassification of financial statements of previous years

As from 2017 transactions related to the payment of benefits are presented in the Statement of Changes in Net Assets, which was not the case until then. This new presentation brings more clarity to the Financial Statements and contributes to a better understanding of the activities related to the DCPS by separating the Investment cycle of staff contributions during their employment by NATO from the payment of benefits, including tax adjustment, to former staff members or their dependants. The transactions, which were treated on a pass-through basis, are now presented by showing the amounts received from the insurer, the pension provider, the DBPS on one side, and the related payment of annuities or benefits, and tax adjustment, on the other.

Restatement of financial statements of previous years

Errors were identified in the financial statements of 2016 concerning mainly the impact of unrealised gains on foreign exchange of the investments, internal bank transactions and the amount of cash advanced by the NATO International Staff.

The tables below analyses the changes to 2016 including the impact of the change in accounting policy described above.

	RESTATED			INITIAL		
(All amounts in EUR)	Current Year			Prior Year		
	Investment	Benefits	Total	Investment	Benefits	Total
	31-Dec-16			31-Dec-16		
Assets						
Cash	4,544,722.74	176,754.41	4,721,477.15	4,499,604.26	176,754.41	4,676,358.67
Investments at market value	331,661,002.68		331,661,002.68	331,800,415.09		331,800,415.09
Accounts Receivable	6,000,110.47	169,426.73	6,169,537.20	6,041,831.37	282,295.06	6,324,126.43
Total Assets	**342,205,835.89**	**346,181.14**	**342,552,017.05**	**342,341,850.72**	**459,049.47**	**342,800,900.19**
Liabilities						
Provisions	(6,000,000.00)		(6,000,000.00)	(6,000,000.00)		(6,000,000.00)
Other Current Liabilities		(24,726.90)	(24,726.90)	(30,575.66)	(119,035.74)	(149,611.40)
Payable	(18,853.66)	(314,290.88)	(333,144.54)	55,363.94	(340,013.73)	(284,649.79)
Surplus	(181,671.03)	(7,163.36)	(188,834.39)	(95,309.69)		(95,309.69)
						-
Total Liabilities	**(6,200,524.69)**	**(346,181.14)**	**(6,562,141.83)**	**(6,070,521.41)**	**(459,049.47)**	**(6,529,570.88)**
Net assets available for benefits	**336,005,311.20**	**-**	**335,989,875.22**	**336,271,329.31**	**-**	**336,271,329.31**

(All amounts in EUR)	RESTATED			INITIAL	
	31-Dec-16			31-Dec-16	
	Investment	Benefits	Total	Investment	Total
Increase in net assets					
Net unrealized gain in market value of investments	10,797,979.18		10,797,979.18	10,937,391.59	10,937,391.59
Contributions	47,965,018.13		47,965,018.13	47,867,448.63	47,867,448.63
Inward transfer of pension rights	1,542,465.87		1,542,465.87	1,542,465.87	1,542,465.87
Transfers from Insurer	0.00	547,778.59			
Transfers from Annuity Provider	0.00	82,703.36			
Contribution for Tax Adjustments Due	0.00	59,488.77			
Miscellaneous receipts		408.11			
Total increase in net assets available for benefits	**60,305,463.18**	**690,378.83**	**60,305,463.18**	**60,347,306.09**	**60,347,306.09**
Decrease in net assets					
Net unrealized loss in market value of investments	0.00		0.00	0.00	0.00
Accounts closed (Staff)	19,282,107.55		19,282,107.55	19,057,932.35	19,057,932.35
Outward transfer of pension rights	892,139.18		892,139.18	892,139.18	892,139.18
Transfer to insurer or annuity provider	473,491.75		473,491.75	473,491.75	473,491.75
Pension Benefits		79,698.05	0.00		
Invalidity, Survivor and Dependent Benefits		494,688.86			
Tax Adjustment Paid to Beneficiaries		59,488.77			
Employer Contributions to DCPS		56,503.15			
Miscellaneous Expenses		0.00			
Total decrease in net assets available for benefits	**20,647,738.48**	**690,378.83**	**20,647,738.48**	**20,423,563.28**	**20,423,563.28**
Net increase for the year	39,657,724.70	0.00	39,657,724.70	39,923,742.81	39,923,742.81
Net assets available for benefits, beginning of year	296,347,586.50	0.00	296,347,586.50	296,347,586.50	296,347,586.50
Net assets available for benefits, end of year	**336,005,311.20**	**0.00**	**336,005,311.20**	**336,271,329.31**	**336,271,329.31**

Use of estimates

In the application of accounting policies, 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 to purchases or sales 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. Balance sheet amounts at year-end are reported using the NATO Parity Rates in effect on 31 December.

Cash and Cash Equivalents

Cash and cash equivalents are defined as short-term assets. They include short term 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 year end 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 22/02/2018

	Fitch	Moody's	S&P
Short term	F1	NA	A2

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. This provision in the insurance contract was deleted with effect as from 1 July 2017 and therefore this risk which existed in the course of the year no longer exist from that date that date. The proceedings are paid to the person designated by the staff member.

Currency risk

The DCPS is exposed to a 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. With regards to benefits there is a limited currency risk since payments are sometimes made in another currency than the amounts received from the insurer or the annuity provider.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement in relation to amounts due to departing staff. 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.

There is a limited liquidity risk in relation to the payment of annuities to eligible members. These transactions are handled on bank accounts separate from those used for investments and disinvestments. Amounts due by the insurers arrive later than when annuities are due to members. Pension Adjustment is paid in advance from contributions due by the Coordinated Pension Scheme. This situation is managed through cash advances from the NATO International Staff (EUR 305,000 end 2016, EUR 200,000 end 2017).

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.

NOTE 3: CASH AND CASH EQUIVALENTS

The various NATO entities pay their contributions into a custodial account. This account serves to effect the transfer of funds to be invested by the Investment Manager and to receive redemptions for departing staff. The total mainly corresponds to contributions received in December and awaiting transfer to the Investment Managers.

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

NOTE 4: FUNDS HELD BY THE INVESTMENT MANAGER

BNY Mellon is the Investment Manager first six funds listed below; BNP Paribas Investment Partners manages the BNP Paribas InstiCash Fund in Euro; Vanguard Asset Management manages the four index funds.

NATO DCPS holdings at market value		NPR at 31 12.2017 =	1.186	
		2017		2016
Equity Funds:	ISIN	EUR or EUR equivalent of USD	USD	EUR
Mellon Global Equity Portfolio EUR C	IE00B82M6789	191,933,102.34		174,732,350.41
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	16,760,349.84	19,877,774.91	16,110,502.22
Vanguard Global Stock Index Fund EUR	IE00B03HD191	21,363,661.21		11,679,620.78
Vanguard Global Stock Index Fund USD	IE00B03HD209	7,812,590.19	9,265,731.97	4,207,202.62
Bond Funds:				
Mellon Global Bond Portfolio EUR C	IE0003932385	21,875,553.40		20,325,524.69
Mellon Global Bond Portfolio USD C	IE0003932492	3,686,442.72	4,372,121.07	3,639,177.47
Mellon Euroland Bond Portfolio EUR C	IE0032722484	12,427,228.25		10,655,118.75
Vanguard Global Bond Index Fund USD	IE00B18GCB14	2,232,949.64	2,648,278.27	1,131,177.41
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	5,821,423.35		3,558,600.79
Cash Funds:				
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	3,807,905.67	4,516,176.13	3,829,850.64
BNP Paribas InstiCash Fund – EUR	LU0094219127	85,405,325.27		81,791,700.93
TOTAL		**373,126,531.89**		**331,660,826.71**

Unrealized Gain/Loss in Market Value of Investments

Unrealized gains and losses in the market value of investments vary according to the volume of contributions invested, redemptions, currency fluctuations, and changes in the unit prices of the investment funds.

Unit Price per Fund

New investments and redemptions may take place between 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 follows:

Unit Price per Fund as of 31 December				
Equity Funds:	ISIN	2017	2016	Annualized income per unit
Mellon Global Equity Portfolio EUR C	IE00B82M6789	1.099100	1.039100	0.06
Mellon Global Equity Portfolio USD C	IE00B7X4LZ98	1.171800	0.975800	0.20
Vanguard Global Stock Index Fund EUR	IE00B03HD191	22.758800	21.198300	1.56
Vanguard Global Stock Index Fund USD	IE00B03HD209	27.456100	22.463000	4.99
Bond Funds:				
Mellon Global Bond Portfolio EUR C	IE0003932385	1.788600	1.896600	-0.11
Mellon Global Bond Portfolio USD C	IE0003932492	2.388600	2.231000	0.16
Mellon Euroland Bond Portfolio EUR C	IE0032722484	1.143500	2.006200	-0.86
Vanguard Global Bond Index Fund USD	IE00B18GCB14	145.308200	141.035100	4.27
Vanguard Euro Government Bond Index Fund EUR	IE0007472990	221.992700	222.171600	-0.18
Cash Funds:				
Mellon Universal Liquidity Funds – Liquidity Plus USD	IE0032713202	1.208670	1.196607	0.01
BNP Paribas InstiCash Fund – EUR	LU0094219127	139.933000	140.526200	-0.59

NOTE 5: RECEIVABLES

Receivables						
amounts in EUR	2017			2016		
	Investments	Benefits	Total	Investments	Benefits	Total
Contributions from NATO bodies	0.10	-	0.10	110.47		110.47
Reimbursement of Tax Adjustment Paid	-	212,426.37	212,426.37		166,093.74	166,093.74
Insurer	6,000,000.00	29,156.87	6,029,156.87	6,000,000.00	3,332.25	6,003,332.25
Beneficiaries		7,543.73	7,543.73			-
Others	0.03	1.26	1.29		0.76	0.76
Total	6,000,000.13	249,128.23	6,249,128.36	6,000,110.47	169,426.75	6,169,537.22

Contributions for further investment are paid on a monthly basis by NATO bodies to the DCPS account. The process normally results in no such contributions receivable, or of limited amount, at year-end. Some transactions may still be pending regularisation.

An amount of EUR 6,000,000 is receivable from the insurance company further to an analysis covering the last years of the history of death in service and invalidity risks in relation to premiums paid by the Organisation (see Note on Related Parties for details concerning the insurance premiums). Payment is subject to decisions to be taken concerning the future use of such funds and is expected in 2018. For presentation purposes it has been attributed to the "Investments" segment.

Tax adjustment payments are made to beneficiaries from the DCPS Benefits (Retirement, Invalidity and Survivor) accounts as an advance to be settled by the NATO Coordinated Pension Scheme budget which handles all tax adjustment operations NATO-wide and calls the related contributions by the nations concerned (i.e. in which the beneficiaries paid their income taxes). This resulted in amounts receivable from the NATO Coordinated Pension Scheme.

Amounts receivable from the insurer and the pension provider relate to individual cases to be settled.

Amounts receivable from beneficiaries relate to overpayment of specific allowances attached to their monthly benefits.

NOTE 6: PAYABLES

Payables						
amounts in EUR	Investments	Benefits	Total	Investments	Benefits	Total
NATO International Staff		200,000.00	200,000.00		305,000.00	305,000.00
Departing Staff	412,597.62		412,597.62			-
Insurer		6,193.73	6,193.73		9,290.88	9,290.88
Others		44,443.52	44,443.52		24,726.90	24,726.90
Total	**412,597.62**	**250,637.25**	**663,234.87**	**-**	**339,017.78**	**339,017.78**

Payables to the IS correspond to cash advances made by NATO International Staff to allow for the timely payment of pension and invalidity benefits. In 2016, additional cash advances were made by NATO International Staff to allow for the timely payment of pension and invalidity benefits, bringing the total amount advanced to EUR 305,000 at year-end. In 2017, a partial reimbursement was made leaving the remaining advance at EUR 200,000.

Payables to Departing Staff are transactions pending final payment.

In cases where overpayments were made to beneficiaries, these need to be reimbursed to the insurer.

Other payables and other current liabilities are essentially transactions to be regularised.

NOTE 7: SURPLUS

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 had 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. To date, 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 corresponding amount of EUR 80,016.59 (EUR 84,443.53 end 2016) kept on a suspense account. As from 1 July 2017, the related contract clause with the insurance company no longer applies.

There is also a surplus element resulting from cumulated interest earned on the custodial bank account, bank charges, from miscellaneous gains and losses on exchange rates and corrective investments effected by the third party administrator (EUR 106,953.12 end 2017).

These two amounts have on occasion been used as a reserve to cover eventual future potential shortfalls of the sort described in Note 2 (Price Risk) or other miscellaneous expenses.

There is also an unrealised loss on exchange rates (EUR 92,897.71). Therefore the final surplus amount is EUR 14,055.41 end 2017.

NOTE 8: 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 increase in contributions is due to the combined effect of increasing membership and salary adjustments.

There is also an employer contribution to the DCPS, paid by the insurance company, for the cases of invalidity benefits.

NOTE 9: 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.

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 10: TRANSFERS FROM INSURER AND ANNUITY PROVIDER

Transfers are received from the insurer in relation to amounts due to staff entitled to invalidity survivors' benefits (spouses and dependent children of serving staff who are DCPS members who die in service). As from 1 July 2017, the holdings of deceased DCPS members are no longer used to finance related insurance premiums.

NOTE 11: 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 CPRs, 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 CPRs. This adjustment is paid out of the DCPS Benefits (Retirement Pensions, Invalidity and Survivor Benefits) account 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.

NOTE 12: STAFF ACCOUNTS CLOSED

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, to an outside pension scheme, or to the insurance company providing the annuity to the former staff member or his or her survivors.

NOTE 13: TRANSFERS TO INSURER OR ANNUITY PROVIDER

These correspond to staff holdings transferred to the pension provider in order to purchase the annuity for members who leave the DCPS and take a DCPS retirement pension, or transferred to the insurer in case of death in service (this provision no longer applies as from 1 July 2017).

NOTE 14: PENSION, INVALIDITY and SURVIVOR BENEFITS

Benefits are paid for retirement, survivor and invalidity pensions. They are paid at the end of each month. The following table gives the number of beneficiaries per category of benefits.

at year end	Retirement	Survivor	Invalidity	Total
2013	4	3	3	10
2014	8	4	6	18
2015	8	5	7	20
2016	9	12	9	30
2017	10	12	10	32

In case of invalidity an employer contribution is made to the DCPS holdings of the individual concerned.

NOTE 15: MISCELLANEOUS RECEIPTS AND EXPENSES

Miscellaneous receipts and payments correspond essentially to regularisations.

NOTE 16: PROVISION

An amount of EUR 6,000,000 corresponds to amounts due from the insurance company (see Note on Receivables), pending a decision on the use to be made of such funds.

NOTE 17: 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 18: CONTINGENT ASSETS

None to report.

NOTE 19: 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-International Staff, 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 360,000 per year reduces the contributions due from Nations to fund the NATO Civil Budget.

In 2016, additional cash advances were made by NATO International Staff to allow for the timely payment of pension and invalidity benefits, bringing the total amount advanced to EUR 305,000 at year-end. In 2017, a partial reimbursement was made leaving the remaining advance at EUR 200,000.

Conversely, tax adjustment payments are made to beneficiaries from the DCPS Retirement and Invalidity accounts as an advance to be settled by the Defined Benefit Pension Scheme budget which handles all tax adjustment operations NATO-wide. This resulted in amounts receivable from the latter.

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. Insurance premiums paid for death in service benefits were EUR 3,474,786.34 (EUR 3,211,077.00 in 2016); insurance premiums paid for invalidity benefits were EUR 3,822,430.78 (EUR 3,924,086 in 2016).

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

NOTE 20: 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 21: STATISTICAL INFORMATION

Evolution of DCPS membership (number of affiliates)			
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	1,273
	2008	Joined	511
	2008	Exited	-43
year-end	2008	Affiliates	1,741
	2009	Joined	443
	2009	Exited	-71
year-end	2009	Affiliates	2,113
	2010	Joined	477
	2010	Exited	-208
year-end	2010	Affiliates	2,382
	2011	Joined	454
	2011	Exited	-260
year-end	2011	Affiliates	2,576
	2012	Joined	274
	2012	Exited	-188
year-end	2012	Affiliates	2,662
	2013	Joined	310
	2013	Exited	-190
year-end	2013	Affiliates	2,782
	2014	Joined	433
	2014	Exited	-214
year-end	2014	Affiliates	3,001
	2015	Joined	345
	2015	Exited	-174
year-end	2015	Affiliates	3,172
	2016	Joined	454
	2016	Exited	-207
year-end	2016	Affiliates	3,419
	2017	Joined	469
	2017	Exited	-220
year-end	2017	Affiliates	3,668

NORTH ATLANTIC TREATY ORGANIZATION
ORGANISATION DU TRAITÉ DE L'ATLANTIQUE NORD
INTERNATIONAL BOARD OF AUDITORS
COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES

NATO UNCLASSIFIED

IBA-A(2018)0086
27 August 2018

To: Secretary General
(Attn: Director of the Private Office)

Cc: Assistant Secretary General, Executive Management Division
Financial Controller, International Staff (IS)
Chairman, Resource Policy & Planning Board (RPPB)
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (Board) Auditor's Report on the audit of the NATO Provident Fund's Financial Statements for the year ended 31 December 2017 – IBA-AR(2018)0010***

The Board herewith submits its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

The Board's report sets out an unqualified opinion on the NATO Provident Fund's Financial Statements and an unqualified opinion on compliance for financial year 2017.

Yours sincerely,

Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

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Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers
de la Caisse de prévoyance de l'OTAN
pour l'exercice clos le 31 décembre 2017

Le Collège a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN, qui assure le versement de prestations de retraite aux membres du personnel civil qui sont entrés à l'OTAN avant le 1er juillet 1974 et qui n'ont pas opté pour le régime de pensions coordonné. Au 31 décembre 2017, l'actif net disponible pour le service des prestations s'établissait à 0,4 million d'euros. À cette même date, un agent cotisait à la Caisse. Celui-ci a quitté l'OTAN en 2018.

Le Collège a émis une opinion sans réserve sur les états financiers de la Caisse de prévoyance de l'OTAN et une opinion sans réserve sur la conformité pour l'exercice clos le 31 décembre 2017.

Le Collège n'a pas eu d'observation à formuler à l'issue de l'audit.

Le Collège a fait le point sur la suite donnée aux observations formulées lors de l'audit précédent, et il a constaté que toutes les questions qui restaient en suspens avaient été réglées.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, qui n'a pas eu de commentaire factuel ou officiel à formuler.

ANNEXE 2
IBA-AR(2018)0010

27 août 2018

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS DE LA CAISSE DE PRÉVOYANCE DE L'OTAN POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

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 À LA CAISSE DE PRÉVOYANCE 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 de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2017, composés de l'état de l'actif net disponible pour le service des prestations à cette date, de l'état des variations de l'actif net disponible pour le service des prestations, 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*)[5] 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 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

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

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 de la Caisse de prévoyance de l'OTAN au 31 décembre 2017, ainsi que de l'évolution de sa situation financière 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 27 août 2018

Hervé-Adrien Metzger
Président

ANNEXE 3
IBA-AR(2018)0010

27 août 2018

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT

LA CAISSE DE PRÉVOYANCE DE L'OTAN

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers de la Caisse de prévoyance de l'OTAN pour l'exercice clos le 31 décembre 2017, et il a émis une opinion sans réserve à leur sujet, ainsi qu'une opinion sans réserve sur la conformité.

Observations et recommandations

Le Collège n'a pas eu d'observation à formuler à l'issue de l'audit.

Le Collège a fait le point sur la suite donnée aux observations formulées lors de l'audit précédent, et il a constaté que toutes les questions qui restaient en suspens avaient été réglées.

La présente lettre d'observations et de recommandations a été soumise au Secrétariat international, qui n'a pas eu de commentaire factuel ou officiel à formuler.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations formulées à l'issue de l'audit précédent, et il a constaté que toutes les questions qui étaient restées en suspens avaient été réglées. On en trouvera un récapitulatif dans le tableau ci-dessous.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) EXERCICE 2016 **IBA-AR(2017)24, paragraphe 1** **INSUFFISANCES SIGNIFICATIVES DANS LE CONTRÔLE INTERNE DU COMPTE RENDU FINANCIER** **Recommandation du Collège** Le Collège recommande d'améliorer le système des contrôles visant à prévenir et à détecter les erreurs liées à la comptabilité et au compte rendu financier, ainsi qu'à l'autorisation et à l'exécution des paiements. Le Collège recommande de mettre en œuvre le processus d'examen des états financiers à plusieurs niveaux, afin de garantir l'exactitude mathématique et la qualité globale des états financiers et des pièces justificatives.	Les processus de comptabilité et de compte rendu financier ont été améliorés de manière notable.	Question **réglée.**
(2) EXERCICE 2016 **IBA-AR(2017)24, paragraphe 2** **NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES EN MATIÈRE DE RAPPROCHEMENT DES SOLDES BANCAIRES** **Recommandation du Collège** Le Collège recommande de procéder au rapprochement mensuel des soldes du système comptable et des relevés bancaires et d'en conserver une trace écrite. Il sera ainsi plus facile de repérer à temps les éventuelles inexactitudes. Le résultat de ce travail devra être signé par la personne qui l'aura effectué et par celle qui l'aura examiné, avec mention de la date dans chaque cas.	Des justificatifs ont été fournis qui attestent que des rapprochements mensuels ont été effectués.	Question **réglée.**

NATO PROVIDENT FUND

Financial Statements
2017

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Jens STOLTENBERG
Secretary General

Stephane CHAGNOT
Financial Controller

Annex 1 to
FC(2018)0037

The NATO Provident Fund

Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year 31-Dec-2017	Prior Year 31-Dec-2016
Assets			
Cash and Cash Equivalents	(3)	7,543.51	117,775.15
Investments	(4)	405,720.27	2,937,907.38
Accounts Receivable			
Outstanding Contributions	(5)	0.00	0.00
Other Receivables	(6)	0.00	583,874.39
Bank interest accrued	(7)	0.00	0.00
Rounding on Net Asset Value		0.00	0.00
Total assets		**413,263.78**	**3,639,556.92**
Liabilities			
Payable to former staff	(8)	0.00	466,759.78
Payable to other NATO bodies	(9)	0.00	915,955.15
Bank charges to be paid	(7)	555.17	104.67
Miscellaneous Gains/Losses	(10)	0.00	0.00
Rounding on Net Asset Value		0.00	0.00
Total Liabilities		**555.17**	**1,382,819.60**
Net assets available for benefits		**412,708.61**	**2,256,737.32**

The NATO Provident Fund

Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year 31-Dec-17	Prior Year 31-Dec-16
Increase in net assets			
Unrealised Change in the Value of the Fund	(11)	26,692.48	114,498.80
Contributions	(12)	16,578.36	78,547.40
Housing loan reimbursements	(13)	0.00	0.00
Net Gains Invested	(14)	0.00	0.00
Miscellaneous	(15)	0.00	20,101.35
Total increase in net assets available for benefits		**43,270.84**	**213,147.55**
Decrease in net assets			
Accounts closed (Staff)	(16)	1,579,821.82	2,389,215.45
OAP, Housing Loans and Advances on Full Settlement	(17)	306,916.51	456,680.00
Bank costs	(7)	561.22	121.77
Total decrease in net assets available for benefits		**1,887,299.55**	**2,846,017.22**
Net change for the year		-1,844,028.71	-2,632,869.67
Net assets available for benefits, beginning of year		2,256,737.32	4,889,606.99
Net assets available for benefits, end of year		**412,708.61**	**2,256,737.32**

EXPLANATORY NOTES TO THE 2017 FINANCIAL STATEMENTS OF THE NATO PROVIDENT FUND

NOTE 1: GENERAL INFORMATION

Description of the Provident Fund

The NATO Provident Fund (the Fund) is a defined contribution pension scheme which provides retirement benefits to civilian staff recruited by NATO before 1 July 1974 and who decided not to join the defined benefit pension scheme set up at this date. Benefits are paid upon retirement as one lump sum, being the total of the individual right acquired.

The Provident Fund 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 Provident Fund.

An account is opened for each member of the Fund. Contributions are invested according to a strategy approved by the Provident Fund Board of Supervisors and applicable to all members. Contributions are invested in a single fund, currently transferred to an insurance company which guarantees a minimum rate of return. Members can check the status of their accounts via a secure web portal.

Upon departure, the member's account is disinvested.

The number of affiliates is decreasing steadily. At end 2017, only one staff member was affiliated to the Fund (3 at the end of 2016). It is forecast that all members will have left the Fund by 2019.

The rules and principles governing the Provident Fund are provided under Annex VII of the NATO Civilian Personnel Regulations.

Financing

Monthly contributions are made by staff and NATO, being 7% and 14% respectively of basic salary.

Governance

The Fund is administered in accordance with the NATO Civilian Personnel Regulations (CPRs), Annex VII (A, B and C). The NATO Secretary General is responsible for its administration and is assisted by a consultative committee (Board of Supervisors) to carry out this task.

The CPRs (Annex VII.A. Article 3) state that the Board is chaired by the Assistant Secretary General, Executive Management as Chairman of the Board is responsible for the administration and management of the Fund.

The Board consists of the Chair, six representatives of the administrative services of various NATO bodies, and six representatives of staff affiliated to the Provident Fund.

In 2013, in consideration of the reduced number of members, the Board decided it would only meet in cases of significant or unforeseen events affecting the Fund. As a consequence, it has not met since.

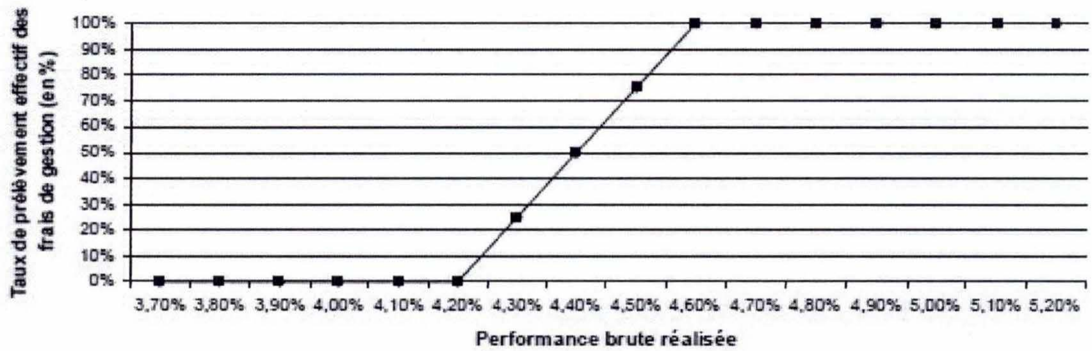
Board members do not receive any additional remuneration for their responsibilities or access to benefits from NATO.

Investment Strategy

In 2007, per PO(2007)0059), Council approved rules adapting the governance of the Fund as well as a new financial management approach in order to address the issue of the decreasing number of affiliates.

Throughout the years, the Fund has consistently been managed with the aim of obtaining a steady return against a low degree of risk. In 2008, the Board approved a solidarity-based investment strategy to address the investment needs of the Fund and following an open call for bids, an insurance company, SOGECAP, was selected on 4 June 2009. SOGECAP's insurance contract guarantees the capital and a minimum net annual return of 3%.

SOGECAP is contractually committed to reduce its fees if the gross return is below 4.6%. The diminution is gradual (see graph below) if the gross return is lower. No management fees are charged if the gross return is less than 4.2%.



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 Provident Fund have been prepared in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting by retirement benefit plans.

The accounting system currently used by the Fund is accrual based.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the Provident Fund will continue operating for the foreseeable future.

In accordance with the Regulations of the Provident Fund all amounts are expressed in Euro.

Changes in accounting policy

There are no changes to report.

Reclassification of financial statements of previous years

A minor correction to bank costs and unrealised gain/losses in the value of the Fund was made for 2016 impacting the Statement of Changes in Net Assets Available for Benefits, with no change in the value of the latter. The following table compares the initial and the reclassified Statements.

(All amounts in EUR)	Reclassified	Initially Issued
	31-Dec-16	31-Dec-16
Increase in net assets		
Unrealised Change in the Value of the Fund	114,498.80	114,394.13
Contributions	78,547.40	78,547.40
Housing loan reimbursements	0.00	0.00
Net Gains Invested	0.00	0.00
Miscellaneous	20,101.35	20,101.35
Total increase in net assets available for benefits	**213,147.55**	**213,042.88**
Decrease in net assets		
Accounts closed (Staff)	2,389,215.45	2,389,215.45
OAP, Housing Loans and Advances on Full Settlement	456,680.00	456,680.00
Administrative expenses	0.00	0.00
Bank costs	121.77	17.10
Total decrease in net assets available for benefits	**2,846,017.22**	**2,845,912.55**
Net change for the year	-2,632,869.67	-2,632,869.67
Net assets available for benefits, beginning of year	4,889,606.99	4,889,606.99
Net assets available for benefits, end of year	**2,256,737.32**	**2,256,737.32**

Foreign currency transactions

All contributions are made and accounted for in euro.

The amounts standing to the credit of affiliates should be paid in the currency of the country where the body employing them is located. All affiliates are currently employed in bodies based in the Euro zone. However, depending on their nationality, staff might request the redemption of their holdings in a currency other than Euro. Transfers are made at the NATO parity rates prevailing on the date the account is closed.

Cash and Equivalents

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

Invested Funds

At the end of each reporting period, a valuation of the Fund is made by the insurance company at market value.

Contributions

Employer and employee contributions are jointly received on the Provident Fund account from the various NATO payroll centres on a monthly basis. They are received and accounted for in euro. An accrued amount is booked for amounts due but not received by year end.

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 goods received or services provided that remain unpaid. This includes, as required, an estimate of accrued obligation for goods received or services provided but not yet invoiced.

Financial Risks

Financial instruments

The Provident Fund uses only non-derivative financial instruments as part as its normal operations. These financial elements include cash bank accounts, deposit accounts, accounts receivable and funds invested with SOGECAP.

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

The Provident Fund is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2017 is equal to the total amount of bank balances, short term deposits, investment funds, and receivables.

Credit risk

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

Concerning cash and cash equivalents, the Provident Fund 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 22/02/2018

	Fitch	Moody's	S&P
Short term	F1	P-1	A-2

SOGECAP was rated A for long-term and A-1 for short-term counterparty credit risk and insurer financial strength by S&P on 22 February 2018.

At year-end 2016, SOGECAP had a solvency ratio of 163% (108% at end of 2015). The ratio as of 31 December 2017 was not known at the date of issuance.

SOGECAP is wholly owned by SOCIETE GENERALE which is rated as follows:

Société Générale	Credit Ratings as at 22/02/2018		
	Fitch	Moody's	S&P
Short term	F1	P1	A-1
Long term	A+	A2	A

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

Currency risk

The Provident Fund is exposed to foreign currency exchange risk arising from fluctuations in currency rates. This risk is limited since the scheme receives contributions only in Euro, the investments underlying the insurance contract are in Euro and members' holdings are accounted for in Euro. However, staff may request payment of their holdings in a currency other than Euro and currency fluctuations may occur between the date the staff formally retires and the date the payment is made.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions needed to pay the insurance premiums are paid by NATO bodies which receive contributions from member states funding the related budgets, or income from their customers which generally are other NATO bodies funded through their approved budgets. On occasion, NATO-IS makes cash advances to ease-up payment procedures. With regard to capital, the insurance contract guarantees the payment of the affiliates' accounts due upon closure of their account in the Provident Fund.

Interest rate risk

The Provident Fund is restricted from entering into borrowings.

The contract with the insurance company guarantees a minimum rate of return of 3% per annum. The contract renews automatically at the end of each year from 31 December 2016 forward unless terminated in writing by one of the parties.

NOTE 3: CASH AND CASH EQUIVALENTS

Besides the funds managed by SOGECAP, the Provident Fund holds one bank account to collect contributions to be transferred to SOGECAP for investment and to transfer funds to the affiliates after redemption by SOGECAP. This amount corresponds to the funds held on the bank account at the year end.

Cash held end at the end of the year is essentially made of the net result of treasury operations with the International Staff and of staff member contributions for the month of December waiting to be transferred.

NOTE 4: INVESTMENTS

The decrease in the invested amounts is due to the reduction in the number of Provident Fund members.

In 2017 the gross and net returns to NATO were both 3.00% (3.00% in 2016). In accordance with the contract, SOGECAP received no management fee.

The funds underlying the insurance contract are invested in the "Top Croissance 6" mutual fund, which had a total market value of assets under management of EUR 12.8 billion. At 31 December 2017, the asset distribution was as follows:

Asset Allocation

	% end 2017	% end 2016
Fixed Income (fixed rate)	81.5	79.0
Fixed Income (variable rate)	1.9	1.6
Convertible Bonds	0	0.3
Equities and Equity Mutual Funds	10.0	9.1
Mutual funds (bonds)	0.0	6.2
Real Estate	4.4	4.2
Liquidity	2.2	-0.4
Total	100.0	100.0

Bond portfolio rating breakdown:

RATING	% end 2017	% end 2016
AAA	8.7	8.9
AA	51.7	50.4
A	23.7	25.4
BBB	13.8	13.0
BB	1.9	2.1
B	0.1	0.2
	100.0	100.0

Sovereign bond allocation by country:

Sovereign bonds country allocation	% end 2017	% end 2016
Australia	0.0	1.3
Austria	0.6	0.3
Belgium	4.4	2.4
Canada	1.9	1.6
Finland	0.2	0.3
France	69.9	59.7
Germany	0.0	0.1
Ireland	1.0	1.9
Italy	0.0	5.8
Luxembourg	6.2	3.3
Netherlands	0.1	3.7
Norway	0.0	0.0
Spain	8.8	5.3
Sweden	0.0	1.5
Other	6.9	5.0
United Kingdom	0.0	4.6
USA	0.0	3.2
	100.0	100.0

NOTE 5: OUTSTANDING CONTRIBUTIONS RECEIVABLE

Contributions are paid on a monthly basis. Receivables relate to outstanding contributions due at the end of the year but paid in the following year. As at 31 December 2017, there were no uncollected contributions for covered parties.

NOTE 6: OTHER RECEIVABLES

An amount of EUR 583,874.39 was due from the International Staff at the end of 2017 to regularize miscellaneous treasury operations.

NOTE 7: INTERESTS AND BANK CHARGES

This corresponds to interest earned on the transition bank account and received during the following year and to related bank charges due.

NOTE 8: PAYABLE TO FORMER STAFF - CLOSED ACCOUNTS TO BE SETTLED.

This corresponds to the value of the affiliates' accounts closed in December and loans to current affiliates to be paid to them at the beginning of the following year.

The reduction of the amount from year to year is linked to the number of staff in such situation and their respective holdings.

NOTE 9: PAYABLE TO OTHER NATO BODIES

Corresponds to amounts due to NATO bodies who, in accordance with Provident Fund regulations, have advanced 1/3 of staff members' accounts before final settlement.

Amounts may be due to the NATO International Staff for advances it may make to enable the Provident Fund to settle the accounts of affiliates. There were no such advances end 2017. The advances end 2016 were reimbursed in early 2017.

NOTE 10: MISCELLANEOUS GAINS/LOSSES

This corresponds to the cumulative amount of miscellaneous net income, essentially interest net of bank charges and fees on premiums. The Board of Supervisors agreed that the balance of bank interest above Euro 5,000.00 be distributed to affiliates' accounts rather than be used for payment of bank fees. (CSCP-R(2011)0001 dated 4 March 2011).

NOTE 11: UNREALISED GAIN/LOSS IN VALUE OF THE FUND

The unrealised change in the value of the Fund is calculated as follows:

	2017	2016
Balance beginning of year	2,256,737.32	4,889,606.99
Contributions	16,578.36	78,547.40
Loan reimbursements	0.00	0.00
Accumulated interest invested	0.00	0.00
Accounts closed	-1,579,821.82	-2,389,215.45
OAP, loans and advances	-306,916.51	-456,680.00
Administrative expenses	0.00	0.00
Bank charges	-561.22	-121.77
(a)	386,016.13	2,122,137.17
Net assets available end of year	412,708.61	2,256,737.32
Regularizations	0.00	20,101.35
(b) Net assets available end of year *(excluding regularizations)*	412,708.61	2,236,635.97
(b) - (a) Change in value of the fund	26,692.48	114,498.80

NOTE 12: CONTRIBUTIONS

Monthly contributions are made by staff and NATO, being 7% and 14% (netted as required from any OAP contribution, see Note below) respectively of basic salary. They are to be transferred as premiums to the insurance company and are credited to the individual accounts of the affiliates. The decrease in contributions is due to the declining membership of the Provident Fund.

Contributions (in EUR)	2017	2016
Employer	11,052.24	52,364.93
Employee	5.526.12	26,182.47
TOTAL	**16,578.36**	**78,547.40**

NOTE 13: HOUSING LOAN REIMBURSEMENTS BY STAFF

According to the CPRs, Articles 54.1 and 54.2, each member of the Fund is entitled to withdraw an amount from his (her) account: for payment to an old-age pension scheme (OAP) or the pension scheme applying in his (her) national administration; or to ease a housing problem.

Housing Loan reimbursements are usually handled via deductions from salaries and amounts are re-credited to the member's account. Staff may make exceptional reimbursement.

NOTE 14: NET GAINS INVESTED

The Board of Supervisors' decision (CSCP-R(2011)0001 dated 4 March 2011) stated that the balance of bank interest above Euro 5,000.00 should be distributed to affiliates' accounts after payment of bank fees.

NOTE 15: MISCELLANEOUS

For 2016, the amount of EUR 20,101.35 corresponds to a regularization of past transactions.

NOTE 16: ACCOUNTS CLOSED

Corresponds to the final settlement for staff who left the Organisation in the course of the year. In the long run, the evolution is driven by the declining membership of the Fund. However, given the small number of departing staff, this evolution can be irregular from one year to the other.

NOTE 17: OLD AGE PENSIONS, HOUSING LOANS AND ADVANCES ON FULL SETTLEMENT PAID TO STAFF

Staff can request to have one-third of the amount of their individual account paid in advance (not earlier than three months prior to their date of departure). The advance is made by each NATO entity and is reimbursed when the affiliates' portfolio is disinvested.

According to the CPRs, Articles 54.1 and 54.2, each member of the Fund is entitled to withdraw an amount from his (her) account: for payment to an Old Age Pension scheme (OAP) or the pension scheme applicable in his (her) national administration, or to ease a housing problem.

The breakdown between OAP contributions, housing loans and advances on Full Settlements paid to affiliates at their request is as follows:

In EUR	2017	2016
Old Age Pensions	0.00	0.00
Housing Loans	0.00	0.00
Advances on Full Settlement	306,916.51	456,680.00
TOTAL	**306,916.51**	**287,000.00**

NOTE 18: CONTINGENT ASSETS

None to report.

NOTE 19: CONTINGENT LIABILITIES

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

NOTE 20: RELATED PARTY TRANSACTIONS

The following party transactions took place during the year ended 31 December 2017.

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the Provident Fund.

Administrative support provided by NATO International Staff for the administration of the Fund is charged to other NATO bodies according to a cost share which takes into account the number of their affiliates. This includes the cost of International Staff - Office of Financial Control personnel (15% Full Time Equivalent of a B5 grade staff). Costs related to the outsourced administration of affiliates' holdings (including Internet services so that affiliates can see the value of their Fund on a monthly basis) are funded through the NATO Civil Budget.

In specific circumstances cash advances are made by the International Staff to ease-up payment procedures. Reimbursement to the NATO International Staff account is done as soon as technically possible.

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

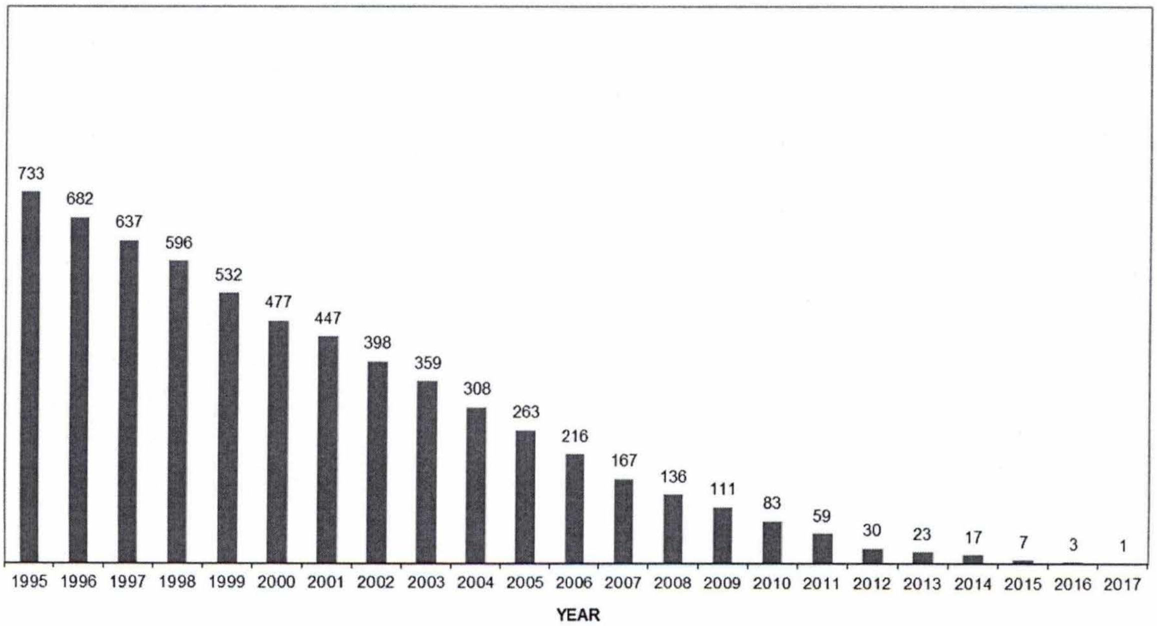
NOTE 21: KEY MANAGEMENT PERSONNEL

For the purpose of these financial statements, key management personnel are considered to be the Assistant Secretary General for Executive Management and the Financial Controller of the International Staff. Their remuneration is entirely covered by the NATO International Staff.

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

NOTE 22: STATISTICAL INFORMATION

NUMBER OF AFFILIATES TO THE PROVIDENT FUND
NOMBRE D' AFFILIES AU FONDS DE PREVOYANCE 1995 - 2017



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List of acronyms:

CPRs: Civilian Personnel Regulations
FTE: Full Time Equivalent
IPSAS: International Public Sector Accounting Standards
OAP: Old Age Pension
PF: Provident Fund

Enclosure to
C-M(2018)0083

North Atlantic Treaty Organization
Organisation du Traité de l'Atlantique Nord
International Board of Auditors
Collège International des Commissaires aux Comptes

NATO UNCLASSIFIED

IBA-A(2018)0083
27 August 2018

To: Secretary General
(Attn: Director of the Private Office)

Cc: Financial Controller, International Staff
Secretary, RMCF Supervisory Committee
Chairman, Resource Policy & Planning Board
Branch Head, Plans and Policy Branch, NATO Office of Resources (NOR)
Private Office Registry

Subject: ***International Board of Auditors for NATO (Board) Auditor's Report and Letter of Observations and Recommendations on the audit of the Retirees Medical Claims Fund (RMCF) Financial Statements for the year ended 31 December 2017 – IBA-AR(2018)0014***

The Board submits herewith its approved Auditor's Report (Annex 2) and Letter of Observations and Recommendations (Annex 3) with a Summary Note for distribution to the Council (Annex 1).

The Board's report sets out an unqualified opinion on the Financial Statements of the RMCF and an unqualified opinion on compliance for financial year 2017.

Yours sincerely,

Hervé-Adrien Metzger
Chairman

Attachments: As stated above.

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Note succincte
du Collège international des commissaires aux comptes de l'OTAN
à l'intention du Conseil
sur la vérification des états financiers
du fonds de couverture médicale des agents à la retraite (FCMR)
pour l'exercice clos le 31 décembre 2017

Le fonds de couverture médicale des agents à la retraite (FCMR) a été créé au 1er janvier 2001 par suite de l'approbation du PO(2000)123 par le Conseil. L'objectif était de constituer une réserve afin de garantir la disponibilité de fonds suffisants pour permettre à l'OTAN, dans les années ultérieures, de faire face aux obligations qui lui incombent s'agissant de la prise en charge des dépenses médicales des agents retraités répondant aux critères fixés et des personnes reconnues comme étant à leur charge.

Le FCMR est doté d'un Comité de surveillance, qui est chargé d'en superviser la gestion. Le Comité se réunit au moins deux fois par an.

En 2017, les paiements des organismes et du personnel de l'OTAN se sont établis à 23,9 millions d'euros (MEUR), contre 23,0 MEUR en 2016, et les primes d'assurance prélevées sur le fonds se sont élevées à 21,1 MEUR, contre 19,6 MEUR en 2016. Fin 2017, le gestionnaire du fonds détenait 323,2 MEUR au nom de l'OTAN, contre 306,9 MEUR fin 2016. La valeur actuarielle à la fin 2017 de l'obligation à long terme relative aux soins médicaux postérieurs à la période d'emploi n'est pas connue (fin 2016, elle se chiffrait à 2,3 milliards d'euros).

Le Collège a émis une opinion sans réserve sur les états financiers ainsi qu'une opinion sans réserve sur la conformité pour l'exercice clos le 31 décembre 2017.

Le Collège n'a pas eu d'observation à formuler à l'issue de l'audit.

Par ailleurs, le Collège a fait le point sur la suite donnée aux observations formulées lors de précédents audits, et il a constaté que quatre questions avaient été réglées, qu'une autre l'avait été partiellement et qu'il en restait une à régler.

L'opinion (annexe 2) et la lettre d'observations et de recommandations (annexe 3) ont été transmises au Secrétariat international, dont les commentaires ont ensuite été intégrés dans la lettre (appendice à l'annexe 3).

ANNEXE 2
IBA-AR(2018)0014

27 août 2018

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

OPINION SUR LES ÉTATS FINANCIERS

DU FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE

(FCMR)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

OPINION DU COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN À L'INTENTION DU CONSEIL DE L'ATLANTIQUE NORD

Rapport sur les états financiers

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du fonds de couverture médicale des agents à la retraite (FCMR) pour l'exercice clos le 31 décembre 2017, composés de l'état de l'actif net disponible pour le service des prestations et de l'état de l'évolution de l'actif net disponible pour le service des prestations pour l'exercice clos à cette date, 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*)[6] 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 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

[6] 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 FCMR conformément à l'IAS 26.

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 FCMR au 31 décembre 2017, ainsi que de l'évolution de sa situation financière au cours de l'exercice clos à cette date.

Observation particulière

La note 3 (*Évaluation actuarielle*) jointe aux états financiers mentionne une obligation actuarielle de 2,3 milliard d'euros incombant au FCMR. Les auteurs expliquent que cette évaluation est basée sur les chiffres de 2016 parce que l'étude d'évaluation actuarielle se fondant sur les chiffres de 2017 n'était pas encore disponible au moment de la publication des états financiers. À la date du présent rapport, cette étude ne l'était toujours pas. Cette question ne justifie pas une opinion modifiée de la part du Collège.

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 27 août 2018

Hervé-Adrien Metzger
Président

ANNEXE 3
IBA-AR(2018)0014

27 août 2018

COLLÈGE INTERNATIONAL DES COMMISSAIRES AUX COMPTES DE L'OTAN

LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS

CONCERNANT

LE FONDS DE COUVERTURE MÉDICALE DES AGENTS À LA RETRAITE

(FCMR)

POUR L'EXERCICE CLOS LE 31 DÉCEMBRE 2017

Introduction

Le Collège international des commissaires aux comptes de l'OTAN a procédé à la vérification des états financiers du fonds de couverture médicale des agents à la retraite (FCMR) pour l'exercice clos le 31 décembre 2017, 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 à l'issue de l'audit.

Par ailleurs, le Collège a fait le point sur la suite donnée aux observations formulées lors de précédents audits, et il a constaté que quatre questions avaient été réglées, qu'une autre l'avait été partiellement et qu'il en restait une à régler.

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Le Collège a fait le point sur la suite donnée aux observations et recommandations formulées à l'issue des audits précédents. On en trouvera un récapitulatif dans le tableau ci-dessous.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
(1) FCMR – Exercice 2016 **IBA-AR(2017)25, paragraphe 1** **ABSENCE DE MENTION DES RÉSULTATS DE L'ÉVALUATION ACTUARIELLE BASÉE SUR LES CHIFFRES DE 2016** **Recommandation du Collège** Le Collège recommande de faire en sorte que les résultats de l'évaluation actuarielle par le SIRP de l'obligation relative aux soins médicaux postérieurs à la période d'emploi soient disponibles suffisamment tôt pour pouvoir être intégrés dans les états financiers à établir pour l'exercice considéré.	Les résultats de l'évaluation actuarielle 2017 n'étaient pas disponibles au moment de la publication des états financiers de l'exercice. Le SI devrait faire en sorte de recevoir les chiffres de 2018 avant la publication des états financiers de cet exercice, afin de pouvoir les y intégrer.	Question **restant à régler.**
(2) FCMR – Exercice 2016 **IBA-AR(2017)25, paragraphe 2** **ABSENCE DE RÉUNION DU COMITÉ DE SURVEILLANCE EN 2016** **Recommandation du Collège** En règle générale, le Collège recommande de se conformer au RPC. Si le Comité juge superflu ou inutilement coûteux de se réunir, il convient que la présidence en consigne clairement les raisons dans un document, qu'elle soumette celui-ci à tous les membres du Comité, que ceux-ci marquent leur accord par écrit, et que ce document et les réponses des membres soient dûment classés, afin que le Comité puisse apporter la preuve qu'il a honoré ses obligations pour ce qui est du FCMR.	Le Comité de surveillance s'est réuni deux fois en 2017.	Question **réglée.**
(3) FCMR – Exercice 2016 **IBA-AR(2017)25, paragraphe 3** **NÉCESSITÉ DE METTRE EN PLACE DES CONTRÔLES EN MATIÈRE DE RAPPROCHEMENT DES SOLDES BANCAIRES**		

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
Recommandation du Collège Le Collège recommande de procéder au rapprochement mensuel des soldes du système comptable et des relevés bancaires et d'en conserver une trace écrite. Il sera ainsi plus facile de repérer à temps les éventuelles inexactitudes. Le résultat de ce travail devra être signé par la personne qui l'aura effectué et par celle qui l'aura examiné, avec mention de la date dans chaque cas.	Des justificatifs ont été fournis qui attestent que les soldes ont fait l'objet de rapprochements mensuels.	Question **réglée.**
(4) FCMR – Exercice 2015 **IBA-AR(2016)24, paragraphes 3.8 et 3.9** **MANQUE DE TRANSPARENCE DÉCOULANT DU CARACTÈRE INCOMPLET DES DONNÉES DANS LE SYSTÈME COMPTABLE** **Recommandation du Collège** Le Collège recommande d'accroître la transparence et la disponibilité des données comptables en enregistrant individuellement chaque opération comptable dans l'ERP et en appliquant des procédures normalisées pour les opérations courantes. Lorsque des données globales sont introduites dans l'ERP, les justificatifs correspondants (récapitulatifs, listes, calculs, etc.) doivent être disponibles dans l'ERP et faire l'objet d'une vérification et d'une validation dans le système. Le Collège recommande d'établir une balance, générée dans l'ERP, comme base pour la préparation des états financiers. Il faudrait que les personnes responsables de l'établissement des états financiers conservent leurs documents de travail détaillés afin de pouvoir justifier toute information figurant dans les états financiers.	Le Collège a constaté que la transparence et la disponibilité des données dans le système comptable s'étaient sensiblement améliorées. La plupart des opérations correspondant à des produits et des opérations correspondant à des charges, par nature différentes, ont été constatées dans des comptes ERP distincts. Les opérations correspondant à des profits non réalisés ont été constatées non pas dans un compte distinct mais dans le compte global « Actif net disponible pour le service des prestations ». Toutefois, le Collège s'est vu présenter des calculs complémentaires (rapprochement) qui justifient le montant comptabilisé.	Question **réglée.**
(5) FCMR – Exercice 2012 **IBA-AR(2013)25, paragraphe 5.1** **INADÉQUATION DE L'ACTIF NET DU FCMR POUR LE SERVICE DES PRESTATIONS ESCOMPTÉES** **Recommandation du Collège** Le Collège appelle l'attention du Conseil sur le fait que les ressources prévues actuellement ne suffiront pas pour permettre à l'OTAN de faire face à ses obligations, alors que c'est là l'objet même du fonds, et il recommande que, comme proposé dans le	Le SIRP a présenté l'étude de la gestion des actifs et des passifs au Comité de surveillance. Cette étude actuarielle avait pour objet d'estimer à combien s'élèvera	Question **partiellement réglée**.

OBSERVATION/RECOMMANDATION	MESURES PRISES	ÉTAT DE LA QUESTION
SG(2009)0302, le SI fournisse une estimation du montant minimal qu'il faudra injecter dans le FCMR pour assurer sa viabilité. Cette estimation devra être basée sur les résultats de l'étude de la gestion des actifs et des passifs communiqués à la réunion tenue en décembre 2012 par le Comité de surveillance, ainsi que sur le rapport final relatif à cette étude, daté du 30 avril 2013. Le Collège recommande également que le SI fournisse toutes les informations nécessaires et qu'il présente toute mesure corrective mise en œuvre pour limiter le niveau des obligations. Le tout devrait être présenté aux pays dans les meilleurs délais afin de leur permettre de prendre, si c'est encore possible, les mesures correctives supplémentaires qui s'imposent.	le montant des dépenses médicales futures des retraités âgés de 65 ans ou plus qui devra être supporté par le FCMR. Il s'agissait également, à partir de cette estimation, d'évaluer si l'actif du fonds sera suffisant pour que les obligations puissent être remplies. Plusieurs scénarios de rendement ont ainsi été étudiés. Le Comité de surveillance doit encore décider de mesures correctives visant à limiter le niveau des obligations.	
(6) Exercices 2010 et 2011 **IBA-AR(2013)06, paragraphe 5.3** **FAIBLESSE DES CONTRÔLES INTERNES RELATIFS AU VERSEMENT DES COTISATIONS** **Recommandation du Collège** Le Collège recommande au SI de continuer à mettre au point des procédures de contrôle qui lui permettent de vérifier, en temps voulu et de manière systématique, que les organismes se sont acquittés correctement et intégralement des cotisations mensuelles dues au titre du FCMR.	Des contrôles complémentaires ayant été mis en place, le Collège a été en mesure de parvenir à une assurance raisonnable quant à l'exactitude et à l'exhaustivité des cotisations.	Question **réglée.**

**COMMENTAIRES OFFICIELS
DU SECRÉTARIAT INTERNATIONAL
SUR LA LETTRE D'OBSERVATIONS ET DE RECOMMANDATIONS**

Commentaires officiels du Secrétariat international

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

SUITES DONNÉES AUX OBSERVATIONS ANTÉRIEURES

Observation 1 :
FCMR – Exercice 2016
IBA-AR(2017)25, paragraphe 1
ABSENCE DE MENTION DES RÉSULTATS DE L'ÉVALUATION ACTUARIELLE BASÉE SUR LES CHIFFRES DE 2016

Commentaires officiels du Secrétariat international

Le SI souscrit à la recommandation.

L'OFC négociera avec le SIRP un raccourcissement du délai de livraison du rapport actuariel. Il convient toutefois de noter que ce rapport repose sur une grande quantité de données relatives aux divers organismes OTAN qui doivent être communiquées par les Ressources humaines du SI et qui, découlant elles-mêmes d'informations produites par la compagnie d'assurance, ne sont pas toujours disponibles en temps voulu.

Il y aurait peut-être un autre moyen de faire en sorte que les résultats de l'évaluation actuarielle soient intégrés dans les états financiers : en général, la version définitive du rapport actuariel est mise à disposition au moment du travail de vérification sur le terrain ; une version révisée des états financiers soumis à l'IBAN pourrait ainsi être établie par l'OFC sur la base de la version définitive de l'étude actuarielle. Cette approche offrirait une certaine souplesse pour la réalisation de l'étude tout en permettant quand même la communication au public d'informations complètes et à jour.

Position du Collège

Selon l'article 35 du Règlement financier de l'OTAN, les organismes OTAN doivent soumettre leurs états financiers annuels au plus tard le 31 mars qui suit la fin de l'exercice visé dans les états financiers. Ceux-ci doivent donner une image fidèle des activités financières menées au cours de l'exercice. Le Collège est d'avis qu'il faut éviter de devoir réviser les états financiers. Il recommande une fois encore au SI de faire en sorte que les résultats de l'évaluation actuarielle par le SIRP de l'obligation relative aux soins médicaux postérieurs à la période d'emploi soient disponibles suffisamment tôt pour pouvoir être intégrés dans les états financiers à établir pour l'exercice considéré.

Observation 5 :
FCMR – Exercice 2012
IBA-AR(2013)25, paragraphe 5.1
Inadéquation de l'actif net du FCMR pour le service des prestations escomptées

Commentaires officiels du Secrétariat international

Le SI a soumis au Comité des budgets, pour examen, un document intitulé « Point sur la situation financière du fonds de couverture médicale des agents à la retraite » (BC-D(2017)0287).

**NATO RETIREES MEDICAL CLAIMS FUND
FINANCIAL STATEMENTS**

For the year ended
31 December 2017

Annexes

1	Statement of Net Assets Available for Benefits
2	Statement of Changes in Net Assets Available for Benefits
3	Notes to the Financial Statements

Jens STOLTENBERG
Secretary General

Stephane CHAGNOT
Financial Controller

NATO RETIREES MEDICAL CLAIMS FUND
Statement of Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year 31-Dec-17	Prior Year 31-Dec-16
Assets			
Cash and cash equivalent	4	3,007,418.90	1,173,366.51
Investments at market value	5	323,158,097.85	306,932,758.14
Accounts Receivable	6	860,707.96	930,224.63
Total Assets		**327,026,224.71**	**309,036,349.28**
Liabilities			
Accounts Payable	7	1,943,748.82	0.00
Total Liabilities		**1,943,748.82**	**0.00**
Net assets available for benefits		**325,082,475.89**	**309,036,349.28**

NATO RETIREES MEDICAL CLAIMS FUND

Statement of Changes in Net Assets Available for Benefits

(All amounts in EUR)	Notes	Current Year 31-Dec-17	Prior Year 31-Dec-16
Increase in net assets			
Net unrealized gain in market value of investments	5	14,223,598.81	14,550,426.62
Contributions for current year	8	23,905,937.44	23,063,297.88
Profit sharing per agreement with insurer	9	0.00	0.00
Fund rebates	5	501,740.90	456,221.74
Interest income	10	0.00	0.00
Miscellaneous	12	0.00	3,868.76
Total increase in net assets available for benefits		**38,631,277.15**	**38,073,815.00**
Decrease in net assets			
Insurance premiums	11	21,178,700.00	19,602,102.00
Insurance management fee	11	1,398,625.86	1,299,069.96
Fund purchase fees/financial costs	10	4,226.26	-342.49
Miscellaneous	12	3,598.42	0.00
Total decrease in net assets available for benefits		**22,585,150.54**	**20,900,829.47**
Net increase for the year		16,046,126.61	17,172,985.53
Net assets available for benefits, beginning of year		309,036,349.28	291,863,363.75
Net assets available for benefits, end of year		**325,082,475.89**	**309,036,349.28**

EXPLANATORY NOTES TO THE 2017 FINANCIAL STATEMENTS OF THE NATO RETIREES' MEDICAL CLAIMS FUND

NOTE 1: GENERAL INFORMATION

The Retirees' Medical Claims Fund (RMCF) was set up with effect from 1 January 2001 pursuant to Council approval of PO(2000)123. The purpose was to establish a reserve to ensure that sufficient funds are available for the years to come to enable NATO to meet its obligations to pay the medical expenses of eligible retired staff members and their recognised dependants.

Description of the Fund

Staff leaving the Organization after 10 consecutive years of service and having reached the age of 55 are eligible to reimbursement of medical costs for themselves and their recognized dependants (Article 51.2 of the Civilian Personnel Regulations (CPR)).

Until 31 December 2000, any staff who had at least 10 years consecutive service and reached 65, was covered for life for their medical expenses through Organization's insurers. However, with the rise in the number of retirees and the increasing medical costs, the insurers were no longer able to cover the expenses. Accordingly, the Organization assumed this responsibility as from 1 January 2001.

For this purpose, the Retirees' Medical Claims Fund was set up with effect from 1 January 2001 pursuant to Council approval of PO(2000)123. The Council agreed to the establishment of a reserve to ensure that sufficient funds are available for the years to come to enable NATO to meet its obligations.

However, on the date of the creation of the RMCF there existed a potential liability towards staff who filled the age and service conditions mentioned above but had not yet retired. No asset was provided to fund this initial liability; therefore, from its inception the RMCF was underfunded.

The Fund only finances retirees from the age of 65. Former staff between the ages of 55 and 65 are insured under a different financing scheme.

The RMCF is maintained primarily by the annual premiums paid as continuing insurance. The surplus funds collected are invested with the Investment Manager.

Financing

The Fund receives the following contributions:

- 4.5% of the active agents' emoluments (1/3 borne by the staff, 2/3 by NATO).
- 5% of the last basic salary of the retirees who are required to contribute (1/3 borne by the staff, 2/3 by NATO). This rate was increased, from 3%, as from 1 January 2013.

In 2015, changes to the Civilian Personnel Regulations were introduced to put an end to situations that enabled staff recruited before 1 January 2001 and having contributed at least 25 years not to pay a premium after the age of 65.

Governance

The rules and principles governing the RMCF are provided at Annex XIII of the NATO CPRs. A consultative committee, called the Supervisory Committee, oversees the management of the RMCF with the object of ensuring that sufficient funds will always be available to cover medical costs until the last NATO pensioner or his/her dependants die. It acts as advisor to the NATO Secretary General.

The composition of the Supervisory Committee is as follows: a Chair appointed by the Secretary General (Director of Economics or Financial Controller, NATO-IS - the Chair shall be neutral); one representative of the International Staff (Director of Economics or Financial Controller, NATO-IS); two representatives for the NATO Production and Logistics Organisations; one representative for bodies governed by the Paris Protocol; two staff representatives appointed by the Liaison Committee of NATO Staff Associations; two representatives appointed by the Confederation of Retired Civilian Staff Associations.

The Fund, held in the name of NATO, is entrusted to an independent investment manager.

The Supervisory Committee determines the investment strategy and decides in which funds to invest. The Investment Manager executes purchases and sells according to instructions received from NATO-IS Treasury, which are in accordance with Supervisory Committee decisions.

The Investment Manager keeps the Supervisory Committee informed of all matters relating to the composition and performance of the funds through regular meetings with the Committee members.

Members of the RMCF Supervisory Committee do not receive any additional remuneration or benefits in return for their responsibilities.

Investment strategy

For 2017, as since 2009, the Supervisory Committee left unchanged the strategy of investing in index funds and maintaining holdings approximately as follows:

50% in European government (sovereign) bonds
25% in global equities
25% in European equities

Vanguard Investment Series plc, a prominent index-fund manager, buys and sells bonds and equities on behalf of the Fund within the objectives and restrictions set out in the contract signed with the Organisation. Investments are in Euro.

Management of the RMCF

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the RMCF. Financial services are provided by the Office of Financial Control, NATO-IS. Administrative services and secretarial support are provided by Human Resources, Personnel Support.

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 in accordance with the NATO Financial Regulations and International Accounting Standard 26, "Accounting and Reporting by Retirement Benefit Plans". The NATO Accounting Framework, which is an adapted version of the International Public Sector Accounting Standards (IPSAS), does not have a specific standard for accounting and reporting for post-employment benefits.

The accounting system currently used by the NATO RMCF is accrual based.

The financial statements summarize the transactions and net assets of the Fund. The statements do not take into account the liability to pay benefits that fall due after the year end of the reporting period. The actuarial position of the NATO RMCF, which takes these liabilities into account, is presented in Note 3.

Basis of presentation

The financial statements have been prepared on a going-concern basis: the RMCF 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.

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. Estimates include, but are not limited to: the long term obligation of the continued medical coverage and contingent assets.

Foreign currency transactions

The insurance premiums are calculated and paid in EUR and the accounting is in EUR. Since mid-2009, contributions are made in EUR; consequently, foreign currency transactions are not material. Realized gains and losses resulting from such transactions appear in the cash flow statement.

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 RMCF financial statements consist of equities and government bonds in indexed investment funds. These investments are reported as non-current assets reflecting the long term financial strategy of the RMCF.

An index fund is a collective investment scheme that aims to replicate the movements of an index of a specific financial market, regardless of market conditions. It does not aim to out-perform the market. Index funds are commonly composed of a representative sample rather than all the securities in a given market, in appropriate weights. They are subject to a form of passive management rather than active management.

At the end of each reporting period a valuation is made by the investment manager at fair value by reference to official prices quoted on the day of valuation. The Account Statement received from Vanguard's transfer agent uses the Generally Accepted Accounting Principles (GAAP) methodology to calculate the Daily Net Asset Value (Daily NAV), a tradable, realisable value on the last trading day of the month. These are the values generally reported in financial statements by fund investors.

Amounts are net of purchase costs and increased by rebates.

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 goods received or services provided that remain unpaid. This includes, as required, an estimate of accrued obligation for goods received or services provided but not yet invoiced.

Net Assets

The net assets available at year-end correspond essentially to the surplus contributions that were not used to pay the insurance premiums and were invested with the Investment Manager or awaiting transfer.

Financial Risks

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

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

The RMCF is exposed to a variety of financial risks, including credit risk, market (price) risk and liquidity risk. The maximum exposure as at 31 December 2017 is equal to the total amount of bank balances, short term deposits, investment funds, and receivables.

Credit risk

The RMCF 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 RMCF 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 as of 7 February 2017:

ING Bank   Credit Ratings as at 22/02/2018

	Fitch	Moody's	S&P
Short term	F1	NA	A2

Concerning receivables, the credit risk is managed by maintaining control procedures over receivables. These consist essentially of contributions due by NATO agency payroll centres and the NATO Coordinated Pension Scheme. This risk is considered limited since these entities are funded by member nations which are considered credit worthy.

Price risk

The RMCF is exposed to equity securities market risk.

The two index equity funds in which RMCF funds are invested are not rated. The European Government Bond Index Fund is comprised of bonds with ratings as indicated below:

Rating	AAA	AA	A	BBB	<BBB	Not rated	Cash
At 31.12.2017	24.3%	36.9%	3.5%	35.0%	0.0%	0.3%	0.0%

Credit ratings are derived from Moody's, S&P and Fitch. When ratings from all three are available, the median rating is used. When ratings are available from two of the agencies, the lower rating is used. When one rating is available, that rating is used.

Currency risk

Since mid-2009, RMCF is not exposed to foreign currency exchange risk arising from fluctuations in currency rates. The scheme receives contributions only in EUR. As explained above, funds are invested in EUR and insurance premiums are due in EUR.

Liquidity risk

A liquidity risk could arise from a short term liquidity requirement. There is a very limited exposure to liquidity risk because contributions from NATO payroll centres are received on a monthly basis, are higher than the insurance premiums and are paid by NATO bodies; the NATO bodies receive either contributions from their member states or income from their customers, generally are other NATO bodies funded through their approved budgets. It is only the excess funds (after payment of insurance premiums) that are invested with Vanguard Investment Series plc with the aim of increasing the assets available for benefits over time.

Interest rate risk

The RMCF is restricted from entering into borrowings.

A portion of RMCF is invested in bonds. The market value of bonds fluctuates according to market perception of the issuer's creditworthiness and to projected interest rates. The value of assets available for benefits is therefore subject to some interest rate risk.

NOTE 3: ACTUARIAL VALUATION

At the date of submission of these financial statements, the updated actuarial study was not yet available. The information below concerns the evaluation as of end of 2016.

An actuarial study was conducted in 2017 by the OECD International Service for Remunerations and Pensions (ISRP) to assess the value of the long term NATO post employment medical care obligation.

The evaluation of the situation end 2016, further to the study conducted in 2017, results in an overall present value of MEUR 2,298 of which MEUR 2,236 for the obligation related to the continued medical coverage of retirees funded through the RMCF and MEUR 62 for the obligation related to the specific category of staff called "bridgers" (see below).

The methodology is based on the Projected Unit Credit Approach, the method recognised by the IFRS/IPSAS standards.

Endogenous assumptions taken into account are:

- Probability that a staff member leaves the Organisation, retires, or becomes invalid.
- Annual salary increase and impact due to career progression (0.27% above inflation)

Exogenous assumptions taken into account are:

- Discount rate in nominal value for post-employment medical care: 0.98%
- Price inflation in the long run: 2%
- Rates of mortality for both active staff and pensioners (mortality table International Civil Servant Life Table 2013 – ICSLT2013, source ISRP/EUROSTAT).
- Medical inflation in the long run: 4% annually (based on an analysis of medical expenses data for the period 2008-2013).
- Long term expected return on plan assets: 5% annually.

The previous actuarial study dated from 2016 estimated that the value of the obligation for post-employment medical care at the end of 2015 was MEUR 1,801. The current projection of this liability at the end of 2016 can be obtained as follows:

(amounts in MEUR)

Evaluation of the obligation at year end 2015	**(a)**	**1,801**
Benefits paid	(b)	19
Interest cost	(c)	29
Current service cost	(d)	129
Obligation at year end 2015 projected into 2016	(e)=(a-b+c+d)	1,939
Actuarial loss (gain) on obligation	(f-e)	359
Evaluation of obligation at year end 2016	**(f)**	**2,298**

The value of the obligation includes an amount of MEUR 62.2 corresponding to a specific category of staff referred to as "bridgers" (see below). The obligation corresponding to continued medical coverage of retirees funded through the RMCF is therefore MEUR 2,236.

The actuarial loss (i.e. the positive difference between the obligation of 2015 projected into 2016 resulting from the previous study and the obligation estimated at year end 2016 by the new study) is MEUR 359. The actuarial loss represents 19% of the obligation projected in 2016. The decrease of the discount rate used for the calculations explains most of this actuarial loss.

Assumptions taken into account in the previous actuarial study were:

Discount rate: 1.60%
Price inflation: 2%
Future salary increase: 0.27% above inflation
Medical inflation: 4%

By definition actuarial valuations are largely dependent on the endogenous and exogenous parameters. Therefore any changes to the latter can result in material changes to the final evaluation of the obligation. In this case, the discount rate was decreased, by 62 basis points, from 1.60% to 0.98%. Sensitivity tests were conducted for the purposes of the study showing that a discount rate of 1.98% (i.e. an increase of 100 basis points) would result in a decrease of the actuarial liability of MEUR 556 and that a discount rate of 0.00% (i.e. a decrease of 98 basis points) would result in an increase of the actuarial liability of MEUR 777.

The discount rate refers to market yields on high quality corporate bonds. For the purpose of this actuarial study, in the absence of a market for Eurozone corporate bonds with maturities longer than 18 years, the Euro area government bond yield curve was used instead as a reference to discount the liabilities of the RMCF. This resulted in the discount rate of 0.98%, compared to the previous 1.60% (and before: 1.41% and 2.84%).

Use of the ever-changing market value reference discount rate is likely to result in substantial changes of the actuarial valuations. Considering that the present interest rates used for the actuarial study are historically low, the use of a higher discount rate in the future would result in a decrease in the valuation of the liability.

Sensitivity tests were conducted for the purposes of the study showing that an increase of 100 basis points of the medical inflation rate to 5% would result in an increase of the actuarial liability of MEUR 760 and that a decrease of 100 basis points of the medical inflation rate to 3% would result in a decrease of the actuarial liability of MEUR 547.

The present actuarial study has used a new mortality table developed jointly by ISRP and EUROSTAT (ICSLT2013). It is based on data covering several international organizations in Europe, including NATO and the European Union.

It should be noted that medical claims for eligible former staff between the ages of 55 and 65 (referred to as "bridgers") are not funded through the RMCF. They are insured under the terms of the "bridging-cover" whereby the related annual contributions and reimbursements are included in the medical claims insurance system of active staff. Contributions based on the "bridgers" last salary (5% since 2013 (3% previously), on a 1/3 "bridger" to 2/3 employer proportion) are made to the medical claim insurance company. No specific fund was set up to resource these requirements; they are handled on an annual basis. No payments to the RMCF are required from "bridgers" in the intervening years between their retirement from the organization and their reaching the age of 65, at which point they benefit from RMCF insurance coverage and contribute to its funding.

Based on the same actuarial study as above, the potential liability relating to medical coverage for staff pertaining to the "bridging cover" was estimated EUR 62.2 million at year end 2015 (EUR 54.0 million at year end 2015).

NOTE 4: CASH AND CASH EQUIVALENTS

The various NATO entities and pensioners pay their contributions into a suspense account. This account serves to pay insurance premiums and effect the transfers of funds to be invested by the Investment Manager. Short term investments are made as required.

NOTE 5: FUNDS HELD BY THE INVESTMENT MANAGER

Distribution of Assets as of 31 December

	2017		2016	
	EUR	%	EUR	%
Euro Gov't Bond Index Fund ISIN IE0007472990	150,967,660.72	46.72%	144,331,309.39	47.02%
Europe Stock Index Fund ISIN IE0007987708	86,673,147.79	26.82%	78,353,240.30	25.53%
Global Stock Index Fund ISIN IE00B03HD191	85,517,289.34	26.46%	84,248,208.45	27.45%
TOTAL	323,158,097.85	100.00%	306,932,758.14	100.00%

Details of the changes in investment fund balances available for benefits over the past two year are as follow:

in EUR	Euro Govt Bond Index Fund 281010	Europe Stock Index Fund 280030	Global Stock Index Fund 280000	TOTAL
31 Dec 2015 balance	**135,096,566.69**	**73,103,626.05**	**80,725,917.04**	**288,926,109.78**
Purchases before purchase fees	5,000,000.00	3,000,000.00	0.00	8,000,000.00
Withdrawals	0.00	0.00	-5,000,000.00	-5,000,000.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	167,612.37	153,423.39	135,185.98	456,221.74
Purchase Fees	0.00	0.00	0.00	0.00
2016 net transactions	5,167,612.37	3,153,423.39	-4,864,814.02	3,456,221.74
Sum of 31 Dec 2015 balance and 2016 net transactions	140,264,179.06	76,257,049.44	75,861,103.02	292,382,331.52
Gain/loss in market value excluding 2016 net transactions	4,067,130.33	2,096,190.86	8,387,105.43	14,550,426.62
31 Dec 2016 balance	**144,331,309.39**	**78,353,240.30**	**84,248,208.45**	**306,932,758.14**
Purchases before purchase fees	1,500,000.00	5,000,000.00	0.00	6,500,000.00
Withdrawals	0.00	0.00	-5,000,000.00	-5,000,000.00
Distributions	0.00	0.00	0.00	0.00
Rebates received	177,114.40	182,966.43	141,660.07	501,740.90
Purchase Fees	0.00	0.00	0.00	0.00
2017 net transactions	1,677,114.40	5,182,966.43	-4,858,339.93	2,001,740.90
Sum of 31 Dec 2016 balance and 2017 net transactions	146,008,423.79	83,536,206.73	79,389,868.52	308,934,499.04
Gain/loss in market value excluding 2017 net transactions	4,959,236.93	3,136,941.06	6,127,420.82	14,223,598.81
31 Dec 2017 balance	**150,967,660.72**	**86,673,147.79**	**85,517,289.34**	**323,158,097.85**

Fund's Overall Performance

In 2017, Vanguard Investment Series plc index funds tracked their respective benchmarks during the period. Their returns, net of expenses and including the effect of reinvested dividends, are compared below to that of the corresponding benchmarks for the past two years:

Returns in %					
Vanguard index fund			Benchmark		
	2017	**2016**		**2017**	**2016**
Euro Gov't Bond ISIN IE0007472990	0.04	3.12	Spliced Euro Gov Bond Float Adj Index	0.20	3.13
Europe Stock ISIN IE0007987708	10.62	2.76	MSCI Europe	10.24	2.58
Global Stock ISIN IE00B03HD191	7.54	10.74	MSCI World	7.51	10.73

The number of units and Daily NAV per unit for the RMCF at year end, together with the resulting year-end market values, were as follows:

RMCF Investment Fund Units and NAVs at of 31 December			
		2017	
	Units	NAV in EUR	Market Value in EUR
Euro Govt Bond Index Fund	680,056.87	221.9927	150,967,660.72
Europe Stock Index Fund	4,306,569.07	20.1258	86,673,147.79
Global Stock Index Fund	3,757,548.26	22.7588	85,517,289.34
TOTAL			**323,158,097.85**
		2016	
	Units	NAV in EUR	Market Value in EUR
Euro Govt Bond Index Fund	649,638.88	222.1716	144,331,309.39
Europe Stock Index Fund	4,297,189.82	18.2336	78,353,240.30
Global Stock Index Fund	3,974,290.79	21.1983	84,248,208.45
TOTAL			**306,932,758.15**

NOTE 6: ACCOUNTS RECEIVABLE

Contributions are paid on a monthly basis. Receivables at year-end were as follows:

(amounts in EUR)	2017	2016
Contributions	787,600.38	311,037.65
Receivable from insurer	73,107.58	619,186.98
Total accounts receivable	860,707.96	930,224.63

At the date of issuance of these financial statements, no contributions were a year or more past due.

Amounts receivable from the insurance company and the third party administrator relate to the final assessment of the premium and of the management fee, which are paid in monthly advances during the year.

A profit sharing agreement is in place for the period 2012-2016, and is considered under the contingent asset note.

NOTE 7: ACCOUNTS PAYABLE

Payables end 2017 relate to a monthly instalment due to the insurer in December. There were no payables end 2016.

NOTE 8: CONTRIBUTIONS RECEIVED

Contributions received in the course of the year were as follows:
(amounts in EUR)

Contributions from	2017	2016
Active Staff and NATO Employer	23,410,740.13	22,660,164.69
Retired Staff	495,197.31	403,133.19
Total	23,905,937.44	23,063,297.88

NOTE 9: PROFIT SHARING AGREEMENT WITH INSURER

A profit-sharing arrangement has been entered into, covering the period 2012-1016, whereby NATO would be refunded the totality of the difference Premiums X 97% – Reimbursements, if it is positive. The final settlement was done during the first quarter of 2018 and resulted in no profit to be shared. There is therefore no revenue for the RMCF.

NOTE 10: INTEREST

Interest is earned on the bank account for the period during which cash holdings are pending investment. Amounts presented are netted of bank charges.

NOTE 11: INSURANCE PREMIUMS AND MANAGEMENT FEES

The insurance premium to cover the medical expenses of the retirees is paid monthly to the third party administrator on the basis agreed under the NATO Group Insurance Policy.

The value of the insurance premium paid to the insurance company is essentially based on the number and age of the beneficiaries. The premium includes a management fee of EUR 1,398,625.86 (EUR 1,299,069.96 for 2016).

NOTE 12: MISCELLANEOUS

Corresponds to miscellaneous transactions essentially net financial results (including negative interests paid on the current bank account) and foreign exchange results.

NOTE 13: CONTINGENT ASSETS

As indicated above, there is a profit-sharing agreement with the insurer. The arrangement covers the period 2012-1016, whereby NATO would be refunded the totality of the difference Premiums X 97% – Reimbursements, if it is positive. The final settlement was done during the first quarter of 2018 and resulted in no profit to be shared. There is therefore no revenue for the RMCF.

NOTE 14: CONTINGENT LIABILITIES

There are no material contingent liabilities arising from legal actions and claims that are likely to result in significant liability to the RMCF. A series of claims were introduced in relation to the deletion of the Civil Personnel Regulation provision concerning staff obtaining free medical coverage after 25 years of contributions. These cases have not yet been addressed by the NATO Administrative Tribunal. The related risk is not considered as having a material impact on these financial statements.

NOTE 15: RELATED PARTY TRANSACTIONS

The following related party transactions took place during the year ended 31 December 2017.

NATO International Staff, in particular Executive Management – Human Resources and the Office of Financial Control, are responsible for the day-to-day management of the RMCF. None of the costs related to the administrative services provided by NATO International Staff are charged to the RMCF.

NOTE 16: KEY MANAGEMENT PERSONNEL

For the purpose of these financial statements, key management personnel are considered to be the Assistant Secretary General for Executive Management and the Financial Controller of the International Staff. Their remuneration is entirely covered by the International Staff.

Members of the RMCF Supervisory Committee do not receive any additional remuneration or benefits in return for their responsibilities. The International Staff Financial Controller was appointed Chairperson of the Supervisory Committee end 2010.

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

NOTE 17: STATISTICAL INFORMATION

Evolution of RMCF membership (number of affiliates)			
year-end	2000	Affiliates	0
	2001	Joined	166
	2001	Exited	0
year-end	2001	Affiliates	166
	2002	Joined	250
	2002	Exited	-1
year-end	2002	Affiliates	415
	2003	Joined	229
	2003	Exited	-4
year-end	2003	Affiliates	640
	2004	Joined	242
	2004	Exited	-14
year-end	2004	Affiliates	868
	2005	Joined	328
	2005	Exited	-15
year-end	2005	Affiliates	1,181
	2006	Joined	258
	2006	Exited	-27
year-end	2006	Affiliates	1,412
	2007	Joined	259
	2007	Exited	-25
year-end	2007	Affiliates	1,646
	2008	Joined	333
	2008	Exited	-37
year-end	2008	Affiliates	1,942
	2009	Joined	330
	2009	Exited	-32
year-end	2009	Affiliates	2,240
	2010	Joined	316
	2010	Exited	-37
year-end	2010	Affiliates	2,519
	2011	Joined	401
	2011	Exited	-39
year-end	2011	Affiliates	2,881
	2012	Joined	265
	2012	Exited	-27
year-end	2012	Affiliates	3,119
	2013	Joined	268
	2013	Exited	-63
year-end	2013	Affiliates	3,324
	2014	Joined	533
	2014	Exited	-62
year-end	2014	Affiliates	3,795
	2015	Joined	386
	2015	Exited	-187
year-end	2015	Affiliates	3,994
	2016	Joined	729
	2016	Exited	-112
year-end	2016	Affiliates	4,611
	2017	Joined	286
	2017	Exited	-211
year-end	2017	Affiliates	4,686

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