	NATO	NORTH ATLANTIC COUNCIL
	OTAN	CONSEIL DE L'ATLANTIQUE NORD

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20 December 2017

DOCUMENT
C-M(2017)0065-AS1

**IBAN AUDIT ON THE 2016 FINANCIAL STATEMENTS OF THE NATO DEFINED
CONTRIBUTION PENSION SCHEME**

ACTION SHEET

On 19 December 2017, under the silence procedure, the Council noted the IBAN report on the 2016 financial statements of the DCPS attached to C-M(2017)0065 and agreed to the public disclosure of this report, the IBAN audit and the associated 2016 financial statements.

(Signed) Jens Stoltenberg
Secretary General

NOTE: This Action Sheet is part of, and shall be attached to C-M(2017)0065.

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13 December 2017

DOCUMENT
C-M(2017)0065
Silence Procedure ends:
19 Dec 2017 17:30

**IBAN AUDIT ON THE 2016 FINANCIAL STATEMENTS OF THE NATO DEFINED
CONTRIBUTION PENSION SCHEME**

Note by the Secretary General

1. I attach the International Board of Auditors for NATO (IBAN) report on the audit of the 2016 financial statements of the Defined Contribution Pension Scheme (DCPS).
2. The IBAN report sets out an unqualified opinion on the financial statements and a qualified opinion on compliance for the financial year 2016.
3. The IBAN report has been reviewed by the Resource Policy and Planning Board (RPPB) (see Annex). I do not believe that this matter requires discussion in the Council. Consequently, **unless I hear to the contrary by 17:30 hours on Tuesday 19 December 2017**, I shall assume that the Council has noted the IBAN report on the 2016 financial statements of the DCPS and agreed to the public disclosure of this report, the IBAN audit and the associated 2016 financial statements

(Signed) Jens Stoltenberg

Annex 1: RPPB report
Enclosure 1: IBAN report
Enclosure 2: 2016 Financial Statements

1 Annex
2 Enclosures

Original: English

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**IBAN AUDIT ON THE 2016 FINANCIAL STATEMENTS OF THE NATO DEFINED
CONTRIBUTION PENSION SCHEME (DCPS)**

Report by the Resource Policy and Planning Board

Reference: IBA-AR(2017)30 (IBAN report)

INTRODUCTION

1. This report covers the audit of the 2016 financial statements of the NATO Defined Contribution Pension Scheme (DPCS).

DISCUSSION

2. The IBAN have issued an unqualified opinion on the financial statements and a qualified opinion on compliance for the financial year 2016. The IBAN found a number of issues (reconciliation of balances, disclosure notes, classification problems) that collectively represent material weaknesses in internal controls over financial reporting. The IBAN made a number of recommendations to address these weaknesses which have been agreed by the Financial Controller of the International Staff (IS) who is responsible for the preparation of the DCPS financial statements and he is confident that these issues will be resolved before the 2017 financial statements are issued in March 2018.

3. The second compliance issue addressed by the IBAN dealt with the need to enforce controls over the reconciliation of bank balances and the IBAN found that monthly checks to reconcile cash balances between the accounting system and bank statements had not been performed. The IS has agreed to add such reconciliations to the current reconciliation between bank statements and the accounting system's cash management module.

Prior years' observations

4. The IBAN also followed up on the status of observations from previous years' audits and found that two had been settled, three had been partially settled, three were superseded by current observations and one remained outstanding. The latter concerns the need to develop a comprehensive policy on the accounting and reporting of transactions stated in foreign currencies. The IBAN have maintained an observation since 2009 addressing weaknesses in the preparation of the pension benefit payments and chose this year to highlight the need for management focus to address it.

CONCLUSIONS

5. The RPPB is pleased to note that the number of audit observations has reduced from 8 that were made on the 2015 financial statements of the DCPS to just 2 in the latest audit on the 2016 financial statements. While noting that there is still a qualified audit opinion on compliance the Board is pleased that the basis is not the same indicating that corrective action has been taken to address audit observations suggesting that implementation of the new ERP system is having the desired effect. The RPPB recognises that further work is still needed to address weaknesses in internal controls on financial reporting and notes that these issues are expected to be resolved before the 2017 financial statements are issued in March 2018.

6. The RPPB notes the outstanding audit observation on the need for a policy on the accounting and reporting of transactions stated in foreign currencies. The RPPB accepts the reassurance from the IS that there is no foreign exchange risk to the organisation as all the risk is borne by the individual DCPS affiliates. The RPPB believes that Financial Controllers supported by the Head of Financial Reporting Policy should keep under review the requirement for an accounting policy for transactions stated in foreign currencies.

7. Action is currently on going to address the IBAN observation related to the preparation of the pension benefit payments. The DCPS Management Board proposed a set of recommendations which are still under discussion in the Deputy Permanent Representatives Committee.

RECOMMENDATIONS

8. The RPPB recommends that the Council note:

- a) the IBAN report (IBA-AR(2017)30);
- b) the conclusions at paragraphs 5-7; and
- c) approve the public disclosure of this report, the IBAN audit and the associated 2016 financial statements.

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ANNEX 1

**Summary Note for Council
by the International Board of Auditors for NATO
on the audit of the financial statements of the
NATO Defined Contribution Pension Scheme (DCPS)
for the year ended 31 December 2016**

The International Board of Auditors for NATO (Board) audited the NATO Defined Contribution Pension Scheme (DCPS), which is a money purchase pension scheme which includes contributions from staff recruited on or after 1 July 2005 as well as employer contributions from NATO. The value of the NATO DCPS's net assets available for benefits at 31 December 2016 was EUR 336.3 million. The DCPS had 3,419 members by the end of 2016.

The Board issued an unqualified opinion on the 2016 financial statements and a qualified opinion on compliance for the year ended 31 December 2016.

During the audit, the Board made two observations with recommendations which are summarised herein:

Two observations impact the audit opinion on compliance:

1. Insufficient controls over financial reporting.
2. Controls over the reconciliation of bank balances need to be enforced.

The Board also followed up on the status of observations from previous years' audit reports and found that two observations were settled, three observations were partially settled, three observations were superseded by current year observations and one observation was still outstanding.

The outstanding observation on weaknesses in the preparation of pension benefit payments has been outstanding since the Board's audit of the 2009 financial statements and needs management focus to address the weaknesses.

This status is summarised in the Letter of Observations and Recommendations (Annex 3).

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24 October 2017

INTERNATIONAL BOARD OF AUDITORS FOR NATO

AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF

THE NATO DEFINED CONTRIBUTION PENSION SCHEME

(NATO DCPS)

FOR THE YEAR ENDED 31 DECEMBER 2016

**AUDITOR'S REPORT TO THE NORTH ATLANTIC COUNCIL AND
STAFF MEMBERS AFFILIATED TO THE
NATO DEFINED CONTRIBUTION PENSION SCHEME (NATO DCPS)**

Report on the Financial Statements

The International Board of Auditors for NATO (Board) audited the attached financial statements of the NATO Defined Contribution Scheme (NATO DCPS) for the year ended 31 December 2016, which comprised the Statement of Net Assets Available for Benefits, the Statement of Changes in Net Assets Available for Benefits and the Explanatory Notes, including a summary of significant accounting policies.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Accounting Standard (IAS) 26 *Accounting and Reporting by Retirement Benefit Plans*¹ and the requirements of the NATO Financial Regulations as authorised by the North Atlantic Council (NAC). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit, which is conducted in accordance with our Charter and international standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, due to fraud or error. In making those risk assessments, internal control relevant to the entity's preparation and presentation of financial statements is considered in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control. An audit also includes evaluating the appropriateness of accounting policies used, the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on financial statements.

¹ As the NATO Accounting Framework does not have a standard specific to accounting and reporting by retirement plans, the NATO International Staff presents the DCPS Financial Statements in accordance with IAS 26.

Opinion on Financial Statements

In our opinion, the financial statements present fairly, in all material respects, the financial position of DCPS as of 31 December 2016, the changes in financial position thereof for the year then ended in accordance with IAS 26.

Report on Compliance

Management's Responsibility for Compliance

In addition to the responsibility for the preparation and presentation of the financial statements described above, management is also responsible for ensuring that the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations as authorised by the North Atlantic Council (NAC).

Auditor's Responsibility

In addition to the responsibility to express an opinion on the financial statements described above, our responsibility includes expressing an opinion on whether the financial transactions and information reflected in the financial statements are, in all material respects, in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations. This responsibility includes performing procedures to obtain reasonable assurance about whether the funds have been used for the settlement of authorised expenditure and whether their operations have been carried out in compliance with the financial and personnel regulations in force. Such procedures include the assessment of the risks of material non-compliance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion on compliance.

Basis for Qualified Opinion on Compliance

NATO Financial Regulations require the Financial Controller to establish and maintain comprehensive accounting records of all assets and liabilities. These internal control activities shall include, but not be limited to adequate audit trails and data confidentiality, integrity and availability in information systems. Furthermore, the NFRs require the establishment of a system of internal control.

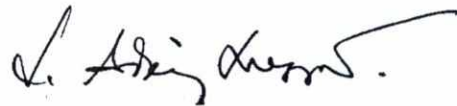
The Board identified a number of issues that collectively further represent material weaknesses in internal controls over financial reporting. The details are set out in the observation 1 in the Letter of Observations and Recommendations at Annex 2.

The Board found that bank balances were not being reconciled during 2016. These represent material weaknesses in internal control over financial reporting.

Qualified Opinion on Compliance

In our opinion, except for the effects of the matters described above in the *Basis for Qualified Opinion on Compliance* paragraph, in all material respects the financial transactions and information reflected in the financial statements are in compliance with the NATO Financial Regulations and the NATO Civilian Personnel Regulations.

Brussels, 24 October 2017

A handwritten signature in black ink, appearing to read 'H. Metzger', with a long horizontal stroke extending to the right.

Hervé-Adrien Metzger
Chairman

24 October 2017

INTERNATIONAL BOARD OF AUDITORS FOR NATO

LETTER OF OBSERVATIONS AND RECOMMENDATIONS

FOR THE NATO DEFINED CONTRIBUTION PENSION SCHEME

(NATO DCPS)

FOR THE YEAR ENDED 31 DECEMBER 2016

Introduction

The International Board of Auditors for NATO (Board) audited the NATO Defined Contribution Pension Scheme (DCPS) Financial Statements for the year ended 31 December 2016, and issued an unqualified opinion on the financial statements and qualified opinion on compliance.

Observations and Recommendations

During the audit, the Board made two observations with recommendations which are summarised herein:

Two observations impact the audit opinion on compliance:

1. Insufficient controls over financial reporting.
2. Controls over the reconciliation of bank balances need to be enforced.

The Board also followed up on the status of observations from previous years' audit reports and found that two observations were settled, three observations were partially settled, three observations were superseded by current year observations and one observation was still outstanding.

The outstanding observation on weaknesses in the preparation of pension benefit payments has been outstanding since the Board's audit of the 2009 financial statements and needs management focus to address the weaknesses.

OBSERVATIONS AND RECOMMENDATIONS**1. INSUFFICIENT CONTROLS OVER FINANCIAL REPORTING****Reasoning**

1.1 As set out in Article 12.2 part (c) of the NATO Financial Regulations (NFRs), in order to meet the desired internal control standards the Financial Controller shall establish and maintain comprehensive accounting records of all assets and liabilities.

1.2 According to Article 12.3 part (c) of the NFRs, the internal control activities shall include, but not be limited to adequate audit trails and data confidentiality, integrity and availability in information systems.

Observations

1.3 The Board found a number of issues that collectively represent material weaknesses in internal controls over financial reporting.

Financial Statements caption / Issue name	Issue description
Investments at market value EUR 331,800,415	<ul style="list-style-type: none"> Balances of investments, denominated in foreign currencies, have historically been revalued at year-end using the European Central Bank reference rates. According to Financial Controller of the IS, the investments denominated in foreign currencies at the end of 2016 were revalued using NATO year-end rates. The reason for the change was consistency amongst IS entities. This fact and the estimation of the effect from change in accounting policy was not properly disclosed in the financial statements. The amount of funds held by the investment manager, disclosed in Note 5 to the financial statements, did not reconcile to the face of financial statements as at 31 December 2016. The amount on the face of the financial statements was overstated by EUR 139 thousand.
Accounts closed (staff) EUR 19,057,932	<ul style="list-style-type: none"> 13 member accounts, closed in 2015, in the equivalent of EUR 962 thousand were recorded in 2016 decrease in net assets available for benefits.
Tax adjustment receivable (Retirement and Invalidity) EUR 264,878	<ul style="list-style-type: none"> The Board was unable to reconcile balances receivable from NATO Coordinated Pension Scheme with actual NATO Coordinated Pension Scheme data at year-end. While balances are immaterial, the accounting for both entities is done by the Office of Financial Control and discrepancies in inter-entity balances represent weaknesses in accounting controls.
Classification and presentation issues	<ul style="list-style-type: none"> The Annex 1 Statement of Net Assets Available for Benefits included two segments: Investment management and Retirement and Invalidity. The Statement of Changes in Net Assets Available

Financial Statements caption / Issue name	Issue description
	<p>for Benefits at Annex 2 was not split into segments, which is not consistent with Annex 1.</p> <ul style="list-style-type: none"> • "Other Payables" caption was split between receivable of EUR 55,364 (Investment management segment) and payable of EUR 135,014 (Retirement and Invalidity segment) on the face of financial statements. Presenting receivables in the payables captions is misleading. • NATO DCPS has a number of other income and expense accounts, such as bank charges, interest from deposits. The abovementioned positions were not clearly stated in the financial statements. They were combined with other balances instead.

1.4 The Board found that the process of preparing the financial statements involves a high number of manual adjustments, which are poorly supported by documentation and insufficiently explained. The number of financial statements captions does not directly reconcile to the balances in the new Enterprise Resource Planning (ERP) accounting system. In addition, the income and expense transactions, which are different by nature, are not recorded in separate accounts in ERP.

1.5 The Board also found that for a number of asset and liability accounts (for example, other payables, other receivables) in the accounting system there are no reports on balance details at period-end, showing the breakdown of the amount by counterparty. Lack of this functionality significantly reduces the transparency and makes it very difficult to follow-up the changes in individual balances.

Recommendations

1.6 The preparer of the financial statements should keep detailed supporting working papers in order to be able to support any balance presented or information disclosed in the financial statements. Moreover, the IS must be able to provide details for each ERP asset / liability account in order to allow proper follow-up of the balances.

1.7 The Board recommends recording income and expense transactions, different by nature, in separate accounts, such as:

- gain/loss from foreign currency purchases;
- bank charges;
- other types of income/expense.

1.8 The Board recommends improving the transparency and availability of the accounting data. Where technically possible and practicable, the Board recommends linking transactions in ERP to the specific counterparty in order to be able to trace changes in respective balances receivable and/or payable to these counterparties. Using standard ERP workflows instead of manual adjustments is encouraged. In situations

when aggregated data is entered in the accounting program, underlying supporting details (summaries, listings, calculations, etc.) should be available within the ERP and should be subject to proper verification and approval within the system.

1.9 The Board recommends strengthening the multi-level financial statements review process in order to improve the overall quality of the produced financial statements and their compliance with applicable reporting frameworks.

1.10 The Board recommends performing, at least annually, formal inter-entity balance confirmations between all entities who have financial statements prepared by the IS Office of Financial Control. This will also be aided the recommendation in paragraph 1.8.

1.11 The Board recommends implementing additional account dimensions in the ERP system for the Investment management and Retirement and Invalidity segments.

Formal Comment of the International Staff

The recommendations are agreed. We believe that the issues mentioned at paragraph 1.3 will be largely solved before the 2017 financial statements are issued and will be taken into account in the latter.

2. CONTROLS OVER THE RECONCILIATION OF BANK BALANCES NEED TO BE ENFORCED

Reasoning

2.1 According to paragraph VI 4) (c) of Financial Rules and Procedures (FRPs), the Financial Controller shall ensure that all accounts are reconciled and verified on a regular basis, and all activities with financial implications, including multinational and non-appropriated fund activities, controlled by periodic inspection.

Observation

2.2 The Board found that the IS did not perform monthly reconciliations of cash balances between the accounting system and bank statements during 2016. The IS provided the Board with a spreadsheet showing such a reconciliation as of 31 December 2016, although there was no evidence that this control was performed in a timely basis and it also was not signed by the preparer or reviewer.

Recommendation

2.3 The Board recommends performing and documenting monthly cash reconciliations between the bank balances and the amounts presented in the accounting system. This will help to identify misstatements (if any) on a timely basis. This should include signatures of the preparer and reviewer along with the dates.

Formal Comment of the International Staff

The recommendation is agreed. Such reconciliations will be added to the current reconciliations between bank statements and the accounting system's cash management module.

FOLLOW-UP OF A PREVIOUS YEARS' OBSERVATION

The Board reviewed the status of the observation and recommendation arising from a previous years' audit. The observation and its status are summarised in the table below.

STATUS OF PREVIOUS YEARS' OBSERVATION

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>Audit Report FY 2009 IBA-AR(2011)09, paragraph 5.1 Weaknesses in the preparation of pension benefit payments</p> <p>Board's recommendation The Board recommends that the IS ensures the proper preparation to deal with the expected increase in numbers of pension benefit payments of the DCPS, i.e., the application of the IT system for the DCPS benefit payments, the selection of the pension provider(s), the timely collection of amounts needed for the benefit payments from the insurance company and the pension provider(s), and to discontinue the borrowing from the Coordinated Pension Scheme.</p>	<p>The Board noted the following actions:</p> <ul style="list-style-type: none"> • the still small number of benefit payments allows sufficient control over the payments and the requirements of the future ERP system contain this function. • a procurement procedure of an annuity provider was completed but did not deliver the expected results. This issue is being addressed in the context of the on-going review study of the DCPS. • the DCPS paid back the amount borrowed from the Coordinated Pension Scheme and solved the liquidity problem with an internal transfer of money in the DCPS. Advances are now made from the IS accounts. 	<p>Observation Partially Settled.</p>
<p>Audit Report FY 2015 IBA-AR(2016)28, paragraph 1 Late issuance of the financial statements</p> <p>Board's recommendation The Board recommends that future financial statements be submitted to the Board by 31 March, respecting the</p>	<p>The financial statements for the year ended 31 December 2016, signed by the Secretary General and the Financial</p>	<p>Observation Settled.</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
deadline in the NFRs.	Controller, were issued with a small delay of 4 days - on 4 April 2017.	
Audit Report FY 2015 IBA-AR(2016)28, paragraph 2 No statement of internal control was issued Board's recommendation The Board recommends following the requirements of the NFRs to provide the Board with the signed Statement of Internal Control along with the signed Financial Statements, and in due time.	The Statement of Internal Control along with the signed Financial Statements for the year ended 31 December 2016, signed by the Secretary General and the Financial Controller, were issued with a small delay of 4 days - on 4 April 2017.	Observation Settled .
Audit Report FY 2015 IBA-AR(2016)28, paragraph 3 Insufficient evidence to support a receivable and provision in the financial statements Board's recommendation The Board recommends the Secretary General, responsible for the administration and management of the DCPS, review this situation as soon as possible in order to clarify NATO's agreement to this proposed compensation, which NATO reporting entity has the right to it, and, if received, who the funds should ultimately be returned to (e.g. nations, DCPS participants, etc.).	As of the date of the preparation of this report, no formal decision has been taken regarding which NATO reporting entity has the right to the abovementioned receivable, and, if received, who the funds should ultimately be returned to (e.g. nations, DCPS participants, etc.). The IS requested an independent review of insurance compensation by Belgian insurance broker. According to the document, the offer of the insurance provider to provide EUR 6 million on the DCPS Risk Benefits is a well-balanced outcome of the negotiations which took place in the course of 2015. On 22 June 2017, the Assistant Secretary General of the IS informed the insurance provider that the IS is now in a position to accept the proposed amount of EUR 6 million on the basis of a single payment to be made in 2018 at the latest.	Observation Partially Settled .
Audit Report FY 2015 IBA-AR(2016)28, paragraph 4 Inability to obtain sufficient appropriate audit evidence in a timely manner Board's recommendation The Board recommends that the IS provide the Board with the information that it needs for its audits in a timely manner so as to not	The Board found some improvements in the preparation of the information, requested by auditors, however not all	Observation Partially Settled .

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>cause unnecessary delays in the completion and reporting of its audits. This would be helped by ensuring adequate audit trails and data availability in the accounting system.</p>	<p>requested information was provided on timely basis.</p> <p>The Board would like to highlight the importance of providing all supporting information requested by auditors in the announcement letter by the requested dates.</p>	
<p>Audit Report FY 2015 IBA-AR(2016)28, paragraph 5 Insufficient data transparency and availability in the accounting system</p> <p>Board's recommendation The Board recommends improving the transparency and availability of the accounting data by recording all individual accounting transactions in the ERP system and using standard workflows for routine transactions. In situations when aggregated data is entered in the accounting program, underlying supporting details (summaries, listings, calculations, etc.) should be available within the ERP and should be subject to proper verification and approval within the system.</p> <p>The Board recommends using a trial balance, generated by the ERP, as a main source for the preparation of financial statements. The preparer of the financial statements should keep detailed supporting working papers in order to be able to support any information disclosed in the financial statements.</p>		<p>Observation Superseded by current year observation 1.</p>
<p>Audit Report FY 2015 IBA-AR(2016)28, paragraph 6 Misstatements in the financial statements</p> <p>Board's recommendation The Board recommends implementing the multi-level financial statements review process in order to ensure the mathematical accuracy and overall quality of the produced financial statements and supporting documentation.</p>		<p>Observation Superseded by current year observation 1.</p>

OBSERVATION / RECOMMENDATION	ACTION TAKEN	STATUS
<p>Audit Report FY 2015 IBA-AR(2016)28, paragraph 7 Unclear foreign currency conversion policy</p> <p>Board's recommendation The Board recommends developing and implementing a comprehensive policy on the accounting and reporting of transactions, stated in foreign currencies.</p>	No formal policy on the accounting and reporting of transactions, stated in foreign currencies, identified.	Observation Outstanding
<p>Audit Report FY 2015 IBA-AR(2016)28, paragraph 8 No regular reconciliation of bank balances</p> <p>Board's recommendation The Board recommends performing and documenting regular monthly cash reconciliations, which will help to identify misstatements (if any) on a timely basis. This should include signatures of the preparer and the reviewer.</p>		Observation Superseded by current year observation 2.

**NATO DEFINED CONTRIBUTION PENSION SCHEME
FINANCIAL STATEMENTS**

For the year ended
31 December 2016

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 Management	Retirement & Invalidity	Total	Investment Management	Retirement & Invalidity	Total
		31-Dec-16			31-Dec-15		
Assets							
Cash	4	4,499,604.26	176,754.41	4,676,358.67	4,421,707.50	137,139.32	4,558,846.82
Investments at market value	5	331,800,415.09		331,800,415.09	291,922,696.86		291,922,696.86
Accounts Receivable	6						
Billed revenue		6,011,255.71		6,011,255.71	6,039,894.39		6,039,894.39
Receivable from Insurance Company			1,333.29	1,333.29		1,333.29	1,333.29
Contributions receivable from NATO bodies		30,575.66		30,575.66	85,840.93	3,762.43	89,603.36
Tax Adjustment Receivable			264,878.00	264,878.00		109,377.92	109,377.92
Other receivables			16,083.77	16,083.77	7,465.87		7,465.87
Total Assets		342,341,850.72	459,049.47	342,800,900.19	302,477,605.55	251,612.96	302,729,218.51
Liabilities							
Provisions	17	(6,000,000.00)		(6,000,000.00)	(6,000,000.00)		(6,000,000.00)
Other Current Liabilities	7	(30,575.66)	(119,035.74)	(149,611.40)	(106,431.35)		(106,431.35)
Payable	7						
Payable to International Staff			(205,000.00)	(205,000.00)		(175,000.00)	(175,000.00)
Payable to staff members					1,267.93		1,267.93
Other payables		55,363.94	(135,013.73)	(79,649.79)	(2,378.39)	(76,612.96)	(78,991.35)
Surplus	8	(95,309.69)		(95,309.69)	(22,477.24)		(22,477.24)
Total Liabilities		(6,070,521.41)	(459,049.47)	(6,529,570.88)	-6,130,019.05	-251,612.96	-6,381,632.01
Net assets available for benefits		336,271,329.31	-	336,271,329.31	296,347,586.50	-	296,347,586.50

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-16	31-Dec-15
Increase in net assets			
Net unrealized gain in market value of investments	5	10,937,391.59	23,317,733.00
Contributions	9	47,867,448.63	44,183,345.17
Inward transfer of pension rights	10	1,542,465.87	370,829.89
Miscellaneous receipts	11	0.00	10,418.22
Total increase in net assets available for benefits		60,347,306.09	67,882,326.28
Decrease in net assets			
Net unrealized loss in market value of investments	5	0.00	
Accounts closed (Staff)	12	19,057,932.35	14,264,998.40
Outward transfer of pension rights	10	892,139.18	176,382.46
Transfers to insurance and DCPS retirement account	13	473,491.75	42,929.95
Transfer to NATO Bodies (amount due by member)	14		155,933.54
Miscellaneous payments	15		8,906.92
Other Liabilities (VAR)	16		-580,261.97
Total decrease in net assets available for benefits		20,423,563.28	14,068,889.30
Net increase for the year		39,923,742.81	53,813,436.98
Net assets available for benefits, beginning of year		296,347,586.50	242,534,149.52
Net assets available for benefits, end of year		336,271,329.31	296,347,586.50

**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 2016, there were 3,419 NATO DCPS affiliates (members) (3,172 as at 31 December 2015). Note 22 provides a summary of the evolution of the membership since inception.

Financing

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

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

Governance

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

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

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

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

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

Investment Policy

The Management Board oversees the investment policy of the Scheme.

Members of the NATO DCPS invest in their choice of several funds, consisting of equity, bond and cash funds. 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).

Management of the DCPS

Prevynet 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. Preynet 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.

Prevynet 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

None to report.

Reclassification of financial statements of previous years

None to report

Use of estimates

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

Foreign currency transactions

Contributions are made in the currency of the respective payroll centre. Investments are made in USD and in EUR as chosen by the scheme member. NATO Parity Rates do not apply 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.

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 31 December 2016 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 ratings⁷ February 2017:

ING Bank Credit Ratings as at 07/02/2017

	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.

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.

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 205,000 end 2016, EUR 175,000 end 2015).

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: PENSION BENEFITS PAYMENTS**Benefits**

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

Number of beneficiaries of annuities				
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

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

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

Contributions, depending on the degree of invalidity, are made to the DCPS and invested, until the beneficiary reaches retirement age.

Contributions for medical insurance are also paid as required.

Annuities paid per category of beneficiary				
(in EUR)	Retirement	Survivors	Invalidity	Total
2015	73,733.72	86,150.72	279,042.06	438,926.50
2016	93,465.39	125,625.37	357,166.22	576,256.98

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 in 2016 were EUR 58,253.45 (EUR 67,117.92 in 2015). There were 16 beneficiaries in 2016 (11 in 2015).

NOTE 4: 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 5: 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.

(in EUR)	2016	2015
Vanguard Global Stock Index EUR	11,679,620.78	7,641,619.53
BNY Mellon Global Equity Portfolio EUR C	174,732,350.41	160,859,881.48
Vanguard Global Stock Index USD	4,207,202.62	2,704,188.87
BNY Mellon Global Equity Portfolio USD C	16,110,502.22	14,407,166.66
BNY Mellon Global Bond Portfolio EUR C	20,325,524.69	17,432,968.10
Vanguard Euro Government Bond Index EUR	3,558,600.79	2,289,270.36
BNY Mellon Euroland Bond Portfolio EUR C	10,655,118.75	9,585,646.06
Vanguard Global Bond Index USD	1,131,177.41	499,089.13
BNY Mellon Global Bond Portfolio USD C	3,639,177.47	2,672,826.27
BNP Paribas InstiCash EUR	81,791,700.93	70,650,498.04
Universal Liquidity Funds - Liquidity Plus USD	3,829,850.64	3,179,542.36
TOTAL	331,660,826.71	291,922,696.86

Unrealized Gain/Loss in Market Value of Investments

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

Unit Price per Fund

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

Unit Price per Fund as of 31 December			
(in currency)	2016	2015	Annualized Income Per Unit
Vanguard Global Stock Index EUR	21.198300	19.175400	2.02
BNY Mellon Global Equity Portfolio EUR C	1.039100	1.776900	-0.74
Vanguard Global Stock Index USD	22.463000	20.927200	1.54
BNY Mellon Global Equity Portfolio USD C	0.975800	2.172900	-1.20
BNY Mellon Global Bond Portfolio EUR C	1.896600	1.803300	0.09
Vanguard Euro Government Bond Index EUR	222.171600	215.700700	6.47
BNY Mellon Euroland Bond Portfolio EUR C	2.006200	1.947300	0.06
Vanguard Global Bond Index USD	141.035100	135.731000	5.30
BNY Mellon Global Bond Portfolio USD C	2.231000	2.188000	0.04
BNP Paribas InstiCash EUR	140.526200	140.903700	-0.38
Universal Liquidity Funds - Liquidity Plus USD	1.196607	1.191471	0.01

NOTE 6: RECEIVABLES

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.

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.

NOTE 7: PAYABLES

Payables to the IS correspond to cash advances made by NATO International Staff to allow for the timely payment of pension and invalidity benefits.

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

NOTE 8: 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 has a claim on the proceeds of the redemption of the affected member's holdings in an amount equal to the lesser of the member's holdings on 31 October of the previous year or the insurer's previously established cost of that annuity. Up to now, holdings on the date of transfer to the insurance company have been higher than the amount recorded as of the preceding 31 October, and the corresponding amount of EUR 85,129.01 kept on a suspense account. There is also a surplus, resulting from cumulated interest earned on the custodial bank account, and from miscellaneous gains and losses on corrective investments effected by the third party administrator.

These two amounts could potentially be used to cover eventual future potential shortfalls of the sort described in Note 2 (Price Risk).

NOTE 9: CONTRIBUTIONS

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

The increase is due to the combined effect of increasing membership and salary adjustments.

NOTE 10: INWARD/OUTWARD TRANSFERS OF PENSION RIGHTS

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

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

NOTE 11: MISCELLANEOUS RECEIPTS

The composition of the miscellaneous receipts is essentially made of interest earned, foreign exchange gains and rebates.

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, or to the insurance company providing the annuity to the former staff member or his or her survivors.

NOTE 13: TRANSFERS TO INSURANCE AND RETIREMENT ACCOUNTS

Transfers are made to the insurance company in order to pay for the annuity for members who leave the DCPS and take a DCPS retirement pension, for staff who die in service and for staff who will receive an invalidity annuity.

NOTE 14: TRANSFERS TO NATO BODIES

These are amounts due by staff to their former NATO body employer, taken from their DCPS account.

NOTE 15: MISCELLANEOUS PAYMENTS

Miscellaneous payments are essentially made of foreign exchange losses and bank charges.

NOTE 16: OTHER NET CHANGES

This item is a match with the operations concerning the payment of annuities in 2015.

NOTE 17: PROVISION

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

NOTE 18: 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 19: CONTINGENT ASSETS

None to report.

NOTE 20: 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 290,000 per year reduces the contributions due from Nations to fund the NATO Civil Budget.

In 2016, an additional cash advance of EUR 30,000 were made by NATO International Staff to allow for the timely payment of pension and invalidity benefits, bringing the total amount advanced to EUR 205,000 at year-end.

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 4,356,154 in 2014; insurance premiums paid for invalidity benefits were EUR 3,728,917 in 2014.

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

NOTE 21: 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 22: 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