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April 22, 2021

**Statement by Mr. Mozhin and Mr. Tolstikov on Review of the Fund's Income Position
for FY 2021 and FY 2022
(Preliminary)
Executive Board Meeting
April 27, 2021**

We thank staff for the informative report and helpful bilateral outreach.

Overall, the Fund's short-term financial prospects remain solid and broadly in line with the April 2020 projections. *Operational income* is considerably higher than expenses, reflecting a significant demand for Fund resources, which allows rapid accumulation of precautionary reserves. At the same time, projections of the Fund's *net income position* remain highly uncertain. This uncertainty results mostly from the volatility of the IAS-19 adjustments of the Fund's *retirement plan obligations*. As discussed during the previous Board meetings, to ensure appropriate communication of the Fund's operational soundness, the presentation of the Fund's income position should be adjusted to mitigate potential aberrations created by this volatility.

In this regard, we welcome the steps in improving the Fund's reporting of its income position. From FY 2021 the Fund's financial statements will include two separate statements: (i) a Statement of Income and (ii) a Statement of Comprehensive Income (where the IAS-19 adjustments will be localized). However, this reform will remain incomplete until we make a decision on the presentation of the IAS-19 remeasurement gains/losses in the Fund's reports of *general and special reserves*. We look forward to staff proposals on the options discussed during the recent informal meeting. We also believe that comments and analysis of the changes in the Fund's income position should focus primarily on *net operational income*, while movements of *net income position* should be regarded as supplementary information.

We take note of the changes in the reporting format that increased *expenses* by the amount of *net periodic pension cost after funding*. Without this change the end-year outcomes for the

operational income, expenses and net operational income would be quite close to initial projections.

We agree with the proposed decisions related to *disposition of income in FY 2021* (Decisions 3,4 and 5).

We agree that the factors relevant for the establishment of the *margin for the rate of charge* remain basically the same as a year ago, when this rate was set for FY 2021-2022 at 100 basis points. Therefore, we concur with staff recommendation to leave the rate unchanged (Decision 6).

We can support staff's proposal to delay the initiation of Endowment Account payouts by one year (Decision 3). This would allow us to make the payout decision based on the outcome of the Investment Account review in 2022. This delay will not have a meaningful impact on the Fund's net operational income and precautionary balances in FY 2021.

Finally, we support the proposal for a one-year suspension of the reimbursement of PRGT administrative expenses (Decision 2) for FY 2021.