FOR INFORMATION

RP/CP/15/9

August 6, 2015

To: Members of the Pension Committee

From: Calvin McDonald, Committee Secretary

Subject: **FY 2015 Report on the Operations of the Staff Retirement Plan (SRP) and the FY 2015 Report on the Operations of the Retired Staff Benefits Investment Account (RSBIA)**

Committee Action:	Committee Members **information.**
Additional Information:	A copy of the SRP report will be posted on HR Web. As the RSBIA does not affect staff directly, that report will not be posted on HR Web.
Questions:	Ms. Marzouk, HRD (ext. 39522)
Additional Distribution:	Members of the Executive Board Members of the Investment Committee Member of the Administration Committee

INTERNATIONAL MONETARY FUND

August 5, 2015

FY 2015 REPORT ON THE OPERATIONS OF THE STAFF RETIREMENT PLAN

EXECUTIVE SUMMARY

This report is approved by the Administration Committee (AC) to give participants a summary of the operations of the Staff Retirement Plan (SRP) and the Supplemental Retirement Benefits Plan (SRBP), together, "the Plan," administered by the IMF.[1] The report covers the year ended April 30, 2015; the most current actuarial valuation information is as of April 30, 2014.

[1] Pensions payable from the SRP are limited to comply with U.S. laws affecting qualified plans. The SRBP pays the benefits, if any, that exceed these limitations on the SRP.

Approved By
Administration Committee

Prepared by Andrea Koranteng and Deborah Marzouk of the Human Resources Department

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GENERAL OPERATIONS OF THE PLAN

1. Three Committees are charged with carrying out the functions of the Plan. The Pension Committee has the overall responsibility for carrying out the provisions of the Plan, and appoints the AC and the Investment Committee. The AC is responsible for administering the Plan for participants, former participants, and persons claiming benefits through the Plan. The Investment Committee determines and directs the management and investment of the assets of the Staff Retirement Fund. The activities of the AC during the reporting period are summarized below. The members of the three committees, as of April 30, 2015, are listed in Appendix I.

A. Activities of the Administration Committee

Matters involving the Pension Committee

2. During FY 2015, the AC:

- Reviewed and contributed views to the draft paper on the Fund's recommended contribution to the Plan for FY 2016. The paper was subsequently endorsed by the Pension Committee, and the recommended contributions were incorporated in the Executive Board's decision on the budget.[2]
- Reviewed the draft paper on the pension transfer agreement with the European Central Bank. The paper was subsequently endorsed by the Pension Committee, and the agreement was signed by the Managing Director and went into effect April 23, 2015.
- Reviewed one application for a disability pension where the staff member was being separated from the Fund for medical reasons. The AC endorsed the medical advisor's recommendation that the staff member was eligible for a disability pension. The Pension Committee subsequently approved the participant's eligibility for a disability pension.

Matters not referred to the Pension Committee

3. During FY 2015, the AC:

- Asked its medical advisor to review the status of ten disability pensioners to determine whether the pensioners remained qualified for a disability pension. The periodic review of disability pensioners is a standard procedure carried out by the AC in accordance with Sections 4.3(c) and (d) of the SRP. In all ten cases, the medical advisor found that the pensioners were still eligible for the disability pension and recommended no change in their status. The AC concurred with the medical advisor's recommendations.

[2] *The Fund's Contribution to the Staff Retirement Plan in FY 2016* (EBAP/15/33, 4/10/2015).

- The AC reviewed one application for a disability pension where the staff member was being separated from the Fund for medical reasons. The AC approved the medical advisor's recommendation that the staff member was not eligible for a disability pension.

- Denied a request from a deferred pensioner for pension payments to be paid retroactively to a participant's earliest eligibility at age 50. It is the responsibility of deferred retirees to contact the Fund to initiate their SRP benefits, and participants are routinely notified upon separation as to their earliest retirement age.

- Approved three requests to relinquish the surviving spouse's pension under Section 4.9(f)(ii). The participants are now covered under Section 4.4 of the Plan as single participants, and their designated beneficiaries will receive a lump sum benefit upon the death of the participants.

- Approved a request to revoke the relinquishment of the surviving spouse's pension under Section 4.9(f)(ii). The participant is now covered again under Section 4.9 of the Plan as a married participant, and their eligible spouse will receive a surviving spouse's pension upon the death of the participant.

- Approved a request for the payment of a death benefit under Section 4.4 to be paid as a monthly annuity over a fixed period.

- Denied a request to revoke a local currency election after a participant's pension effective date.

- Approved payment of a child's benefit to a trust under Section 4.10. According to a decision of the AC in 1983, when a participant with an incapacitated child, who is eligible for children's benefits under Section 4.10, has established a trust in favor of the child, the AC may approve payment to the trustee provided that the AC is satisfied that the arrangement includes adequate safeguards against a conflict of interest between the trustee and the beneficiary.

- Adopted a revision to the AC's Rule for post-retirement elections of a survivor pension under SRP Section 4.6. The Rule had previously only addressed elections to cover a spouse of a post-retirement marriage and was extended to cover post-retirement domestic partnerships. The revised Rule clarifies that 4.6 elections must be made within the 12 months following a post-retirement marriage or domestic partnership.

- Took note of actuarial advice that the anticipated increase of about 120 staff positions in FY2016-17 following a review of the categories of employment would have a modest impact on the SRP contribution rate, given the SRP's current relatively strong financial position.

PLAN FUNDING

A. SRP Actuarial Contributions

4. The Plan is partly funded by participant contributions of 7 percent of gross remuneration. The Fund, pursuant to Section 6.2 of the Plan, is committed to contributing whatever amount is necessary in addition to participants' contributions to finance the benefits provided by the Plan. The level of the Employer's contribution is recommended by the Actuary each year in an actuarial valuation report.[3]

5. There is a one-year difference between the contribution rate derived from a valuation and the financial year in which the rate is applied. The Fund's contribution rate is established in April of the prior financial year, based on the results from the latest available actuarial valuation report. Therefore, the contribution rate for FY 2016 was approved in April 2015, based on the results provided in the April 30, 2014 actuarial valuation report.[4]

B. SRP Budgetary Framework

6. To better show the true, long-term cost of the SRP in the Administrative Budget, and to reduce year-to-year volatility in the Fund's annual payments from the budget, management proposed from 2004, and the Executive Board approved: (a) the "normalization" of the Fund's annual payment from the Administrative Budget at 14 percent of gross remuneration for at least the next two years; and (b) funding of the portion of the actuarially determined contributions exceeding 14 percent by drawing down the reserves accumulated through voluntary Fund contributions in excess of the required amount. In a year when the Fund's actuarially determined contribution rate is less than 14 percent, the difference between the 14 percent contribution and the actuarially determined contribution is used to replenish the reserves. In January 2008, the Pension Committee and the Executive Board reaffirmed the continued use of the funding framework and 14 percent annual contribution rate.[5] The funding framework will be reviewed again in 2015, also including a reflection on the appropriate long-term level of the reserves. The Fund's required contributions to the Plan, and the contributions to (or draw-downs from) the reserves are shown in Table 1.

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[3] Actuarial valuations are based on participant and plan asset data, provided by the Fund, and actuarial methods and assumptions approved by the Pension Committee (e.g., the assumed rate of return on the plan's investments, and assumed rates of retirement and separation, among many others). The actuarial valuation report details the SRP's benefit liabilities, assets, and resulting required employer contribution rate.

[4] The April 30, 2014 actuarial valuation was prepared as of April 30, 2014, for the year ending April 30, 2015.

[5] *Staff Paper on Reform of the Staff Retirement Plan* (RP/CP/08/5, 1/22/08 and Cor. 1, 1/25/08).

Table 1. Required and Voluntary Fund Contributions and Use of the Accumulated Reserves

(In U.S. dollars, unless otherwise indicated)

Financial Year	Fund Contribution Rate[1/]			SRP Reserves	
	Total	To Plan Assets (Required Contribution)	To Reserves	Annual Contributions/ Charges	Cumulative Contributions
1998	5.60	0.60	5.00	14,784,946	14,784,946
1999	5.60	0.60	5.00	15,873,558	30,658,503
2000	7.40	0.40	7.00	23,178,117	53,836,620
2001	5.70	0.70	5.00	18,874,109	72,710,729
2002	5.70	0.70	5.00	22,141,080	94,851,809
2003	5.90	0.90	5.00	24,259,747	119,111,556
2004	5.00	8.80	-3.80	-18,270,873	100,840,683
2005	14.00	15.20	-1.20	-8,587,094	92,253,589
2006	14.00	17.60	-3.60	-21,650,230	70,603,359
2007	14.00	20.10	-6.10	-33,338,454	37,264,905
2008	14.00	3.80	10.20	60,085,258	97,350,163
2009 [2/]	16.00	0.00	16.00	92,893,307	190,243,470
2010	14.00	0.00	14.00	82,909,551	273,153,019
2011	14.00	19.30	-5.29	-32,854,489	240,298,530
2012	14.00	0.00	14.00	82,224,065	322,522,596
2013	14.00	0.00	14.00	85,154,264	407,676,860
2014	14.00	4.32	9.68	61,412,165	469,089,025
2015 [3/]	14.00	9.11	4.89	31,000,000	500,089,025

1/As a percentage of Pensionable Gross Remuneration

2/ Includes a supplementary contribution of $12 million. See *Supplementary Contributions to the Staff Retirement Plan (SRP) and Retired Staff Benefits Investment Account (RSBIA) Within the Approved FY 2009 Budget Envelope* (EBAP/09/72, 5/14/09).

3/Estimated contributions shown

7. The April 30, 2013 actuarial valuation report, used as the basis for the FY 2015 contribution, indicated a required contribution rate of 9.11 percent. In accordance with the funding framework, the Fund contributed 4.89 percent of gross remuneration (about $31 million) to the SRP's reserves in FY 2015.

8. The April 30, 2014 actuarial valuation report indicates that the required contribution rate is 0 percent for FY 2016 and, therefore, the Fund has budgeted for a contribution of 14 percent of gross remuneration (about $97.5 million) to the SRP reserves.

ACTUARIAL VALUATION AND STATUS OF THE PLAN

9. The Fund's contribution and the Plan's financial status are determined by an actuarial valuation that is based on the Plan's asset value and projected benefit liabilities using certain actuarial methods and financial and demographic assumptions about the future. The actuarial methods and assumptions, which are approved by the Pension Committee, are reviewed at five-year intervals; the last review was completed in November 2010, with changes to several assumptions effective with the April 30, 2011 actuarial valuation.[6] The next review will take place in 2015, and any changes will become effective with the April 30, 2016 actuarial valuation.

10. Starting with the April 30, 1987 valuation, the assets in the Staff Retirement Fund have been valued on a five-year averaging method, the purpose of which is to smooth out year-to-year fluctuations in the value of the assets for funding valuation purposes. This method, in turn, tends to have a smoothing effect on the Employer's actuarially determined contribution from year to year. The asset valuation method was modified in 2006 to limit the asset value to no less than 90 percent and no more than 110 percent of the market value. In the April 30, 2014 valuation, the assets under the valuation method amounted to $8,028 million. This amount was within the 10 percent "corridor," around the market value of $8,546 million, which ranged from $7,691 million to $9,400 million.[7]

11. The salient features from the Actuary's latest report, as of April 30, 2014, are shown in Table 2.[8] The membership statistics are shown in Appendix II; a summary of the active participants by age and service, as of April 30, 2013 and 2014, is shown in Appendix III; and a summary of the normal and early retirement pensioners by age, as of April 30, 2013 and 2014, is shown in Appendix IV.

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[6] The Actuary may propose changes to the actuarial assumptions and/or methods in any year, if needed to reflect plan amendments or other significant changes during the prior year that would impact plan costs. There were no changes to the actuarial methods or assumptions used for the April 30, 2014 actuarial valuation.

[7] The market value of the assets as of April 30, 2014 and April 30, 2015 will be shown in the 2015 Financial Statements of the Staff Retirement Plans (see Financial Statements of the Plan, in this Operations Report).

[8] The participant and asset data used in the valuation are provided to the Actuary by the Fund as of January 31 and adjusted by the Actuary to April 30 of that financial year. This procedure is used in order to produce results in time for the Fund's financial reporting. The impact of this approach on the overall results of the funding valuation is minimal.

Table 2. Participation in Years Ended April 30, 2013 and 2014
(Used in Determining the Fund's Contribution for FY 2015 and FY 2016)

	As of April 30:	
	2013	2014
Number of participants:		
Active participants	2,743	2,800
Retirees and beneficiaries receiving benefits	2,472	2,517
Deferred pensioners 1/	383	405
Other data:		
Pension payments in prior year	220.7M	229.0M
Number of new normal and early retirements in prior year	73	60
Number of retiree deaths in prior year	42	31
Number of participants who withdrew before becoming eligible for a pension	92	97

1/ Deferred pensioners are former staff members who are eligible to receive a pension at a later date.

12. Developments during a certain financial year will typically differ from the assumptions made by the Actuary, giving rise to experience gains or losses. An experience gain (loss) arises when actual experience is more (less) favorable than predicted by the actuarial assumptions. Gains reduce and losses increase Plan costs and, therefore, the Fund's required contribution rate. The individual gains and losses for each experience item are shown in Table 3.

13. The April 30, 2014 actuarial valuation (for the Fund's FY16 contribution) showed a net experience gain resulting in a decrease in the Fund's required contribution rate. The net experience gain was mainly due to the return on investments; the return on the actuarial value of assets, which smoothes actual returns over the trailing 5 year period, was 12.76 percent, against the 6.50 percent assumed rate.[9] On the liability side, there was a small net actuarial loss due to the net effect of demographic experience factors, such as liabilities established for new participants, and differences in the actual and assumed dates and forms of benefit payments, partially offset by salary increases and cost-of-living increases to pensions being lower than assumed during FY 2014.

[9] The investment return on the market value of assets for FY 2014 was 11.30 percent. However, the funding valuation uses a smoothed asset value, which reflects only 20 percent of each year's asset gains/losses over the following 5 years. The yield on the smoothed asset value for FY 2014 was 12.76 percent; there is a net deferred gain (from prior years, which has not yet been recognized) of $518M, as of April 30, 2014.

Table 3. Experience Gains (Losses) in Year Ended April 30, 2014
Change in Contribution Rate (% of Future Remuneration)

	2014
Service retirement	-0.66
Disability retirement	0.00
Death before retirement	0.02
Other terminations	0.15
Post-retirement mortality	-0.08
Salary increases	2.07
Cost of living allowance on pensions less than expected	1.35
Form of payments different from expected	-0.49
New participants during year 1/	-3.45
Plan amendments	0.00
Assumption change	0.00
Transition to new actuary 2/	0.63
Other liability 3/	-0.03
Subtotal 4/	**-0.49**
Investment return	13.16
Changes due to timing and amount of contributions	0.26
Total experience gain (loss) 4/	**12.93**

1/ Since the Plan is valued on a closed-group basis (i.e., assuming no new participants after the valuation date), the pension liabilities for participants who joined the Plan during the prior year generate an experience loss.

2/ The Fund retained Towers Watson to provide actuarial consulting services, beginning with the April 30, 2014 actuarial valuation.

3/ The category 'Other' includes such things as timing differences when staff actually retire, terminate, or die during the year, beneficiaries' ages different than assumed, and currency adjustments. These are gains (or losses) due to events that are not easily attributable to a particular category and which would be difficult to isolate without significant effort.

4/ Represents the difference between the prior year's unadjusted contribution rate of 9.11 percent and this year's unadjusted rate of -3.82 percent. Items may not add exactly due to rounding.

14. The actuarial balance sheet for funding purposes for FY 2016 (balance sheet as of April 30, 2014), and the individual items constituting the actuarial assets and liabilities are shown in Table 4.

Table 4. Actuarial Balance Sheet as of April 30, 2014
(in millions of U.S. dollars)

Actuarial valuation results	As of April 30, 2014	
Actuarial assets		
Present actuarial assets	8,027.8	
Present value of prospective contributions of participants at 7 percent of gross remuneration	395.1	
Present value of prospective contributions required of Employer 1/	(129.0)	
Total actuarial assets	**8,293.9**	2/
Actuarial liabilities		
Present value of benefits payable to pensioners and other beneficiaries	3,679.5	
Present value of prospective benefits for active participants	4,614.4	
Total actuarial liabilities	**8,293.9**	2/

1/ Balancing item.

2/ Items may not add exactly due to rounding.

15. The present value of prospective contributions of the Employer is the balancing item and represents the Employer's commitment to pay all costs and expenses of the Plan in excess of those provided by the participants' contributions and Plan assets. This present value reflects prospective contributions on behalf of current participants only, based on the actuarial assumptions as of the valuation date. The Fund's budgetary contribution is 14 percent per year, with the difference between the required contribution and the 14 percent contribution being added to, or drawn from, the SRP reserves.

COST OF LIVING ADJUSTMENTS (COLA) ON PENSIONS

16. Section 4.11 of the Plan indicates that pensions payable in U.S. dollars will be augmented on May 1 of each year based on the yearly increase in the U.S. Consumer Price Index (CPI) for All Urban Consumers. Pensions payable in currencies other than U.S. dollars are augmented based on the yearly increase in the appropriate price index of the country of the currency of payment.[10] Under Section 4.11 of the Plan, the Employer has the authority to prospectively reduce (for good cause) the additional supplement to not less than 3 percent. Any additional supplement to pensions paid in other currencies can be reduced under uniform rules adopted by the Employer upon the recommendation of the AC. With the exception of 2009 and 2015, pensions paid in U.S. dollars have been increased, in accordance with the CPI. In 2009 and 2015, there was no COLA to U.S. dollar pensions because the CPI had decreased. Table 5 lists the COLA adjustments for the past five years.

Table 5. COLA on U.S. Dollar Pensions
(in percent)

May 1	COLA
2011	2.7
2012	2.7
2013	1.5
2014	1.5
2015	0.0 1/

1/ Actual change in CPI was -0.2 percent

AMENDMENTS TO THE PLAN

17. There were no amendments to the SRP during FY 2015.

FINANCIAL STATEMENTS OF THE PLAN

18. The financial statements of both the SRP and the SRBP are published annually and are available on HR Web. The audited financial statements of the Plan also appear on the IMF's

[10] The 2015 COLAs on Fund pensions in a few other countries where many Fund retirees reside were: France (0.0%), UK (0.0%), Australia (1.7%), India (6.3%), and Canada (1.2%).

external website.

19. The financial statements show the positive financial status of the Plan, comparing the net assets with the value of the benefit obligation that had accumulated to that date. As of April 30, 2014, the Plan, reflecting the SRP and SRBP, had a net surplus (current assets exceeding the value of benefits earned) of $2,045 million; the SRP had a surplus of $2,891 million, and the SRBP had a deficit of $846 million.[11] The financial statements for 2015 will be posted to HR Web in the July/August timeframe.

20. For financial accounting purposes, assets of the Plan are compared only to benefits earned to date. However, for funding the Plan, both benefits earned to date and projected future benefits (i.e., benefits not yet earned) for current participants are taken into account. Therefore, assets together with future contributions are needed to meet benefits already accrued and those accruing in the future.

21. The purpose of the financial statements, therefore, is to provide a picture of the Plan from year to year that shows how well the earned benefits are funded. In contrast, the primary purpose of the annual actuarial valuation, which is discussed earlier in this report, is to determine the level of the contributions necessary to finance present and future benefits payable under the Plan, for the current participants.

[11] The SRBP is funded only partially to avoid tax disadvantages to participants, and therefore deficits are expected. The SRBP is considered part of the SRP for funding and operational purposes.

Appendix I. Membership of Committees as of April 30, 2015

Pension Committee			
Members	(Term Ending)	**Alternates**	(Term Ending)
The Managing Director, Chairman	(ex-officio)	Deputy Managing Director	Acting Chair
Mr. Canakci	*	Mr. Just	*
Mr. Cottarelli	*	Mr. Psalidopoulos	*
Mr. Heller	*	Mr. Radziwill	*
Mr. Mikio Kajikawa	*	Mr. Hishikawa	*
Ms. Alonso-Gamo (appointed)	– –	Mr. Clements (appointed)	– –
Mr. Ghosh (elected)	10/31/2016	Ms. Richter Hume	10/31/2016
Mr. Calvin McDonald, Secretary			

* For Executive Directors, membership on the Committee is set by a Board decision following the biennial election of Executive Directors.

Administration Committee	
Members	(Term Ending)
Mr. Selassie, Chairman	3/18/2016
Mr. Horton, Vice Chairman	3/18/2016
Ms. Daseking	3/18/2016
Mr. Fleurence	9/16/2017
Mr. Frande	3/19/2017
Ms. Lester	3/18/2016
Ms. Lim	3/19/2017
Ms. La Fleur-Cephas, Secretary	

Investment Committee	
Members	(Term Ending)
Mr. Tiwari, Chairman	7/24/2018
Mr. Kammer, Vice Chairman	7/24/2018
Ms. Coorey	2/6/2018
Mr. Hagan	2/6/2018
Ms. Kodres	7/16/2018
Mr. Pradhan	5/14/2018
Ms. Swart	3/12/2016
Mr. Tweedie	9/16/2017
Mr. Werner	11/15/2016
Mr. Miranda, Secretary	

Appendix II. Membership Statistics Used for Valuation Purposes

Membership Statistics Used for Valuation Purposes
As of April 30, for the Years 2013 and 2014

	2013	2014
Active participants	2,743	2,800
Former participants receiving benefits		
Pensioners (normal and early retirement)	2,140	2,187
Pensioners retired for disability	39	41
Surviving spouses and other beneficiaries	245	249
Children	48	40
Subtotal	2,472	2,517
Former participants eligible for a deferred pension	383	405
Total former participants receiving benefits and deferred pensioners	2,855	2,922
Total	5,598	5,722

Appendix III. Number of Active Participants by Age and Years of Service

Number of Active Participants by Age Group

As April 30, 2013 and April 30, 2014

Age	Male		Female		Total	
	2013	2014	2013	2014	2013	2014
Under 25	0	0	2	0	2	0
25–29	15	20	20	39	35	59
30–34	106	124	115	131	221	255
35–39	225	225	166	172	391	397
40–44	298	295	215	223	513	518
45–49	304	300	238	230	542	530
50–54	282	286	222	226	504	512
55–59	230	226	150	145	380	371
60–61	55	59	24	25	79	84
62 & Over	43	45	33	29	76	74
Total	1,558	1,580	1,185	1,220	2,743	2,800
Average age	46.7	47.1	45.8	45.8	46.3	46.5

Number of Active Participants by Years of Service

As April 30, 2013 and April 30, 2014

Service	Male		Female		Total	
	2013	2014	2013	2014	2013	2014
0–4	483	517	323	348	806	865
5–9	287	293	180	205	467	498
10–14	306	287	307	293	613	580
15–19	218	223	168	165	386	388
20–24	174	177	137	130	311	307
25–29	67	64	52	62	119	126
30–34	20	18	17	16	37	34
35+	3	1	1	1	4	2
Total	1,558	1,580	1,185	1,220	2,743	2,800
Average service	10.7	10.9	11.3	11.5	11.0	11.2

Appendix IV. Number of Normal and Early Retirement Pensioners by Age Group

Number of Normal and Early Retirement Pensioners by Age Group
As of April 30, 2013 and April 30, 2014

Age	Male		Female		Total	
	2013	2014	2013	2014	2013	2014
50–54	35	37	27	29	62	66
55–59	108	123	110	110	218	233
60–64	227	227	206	198	433	425
65–69	289	281	245	267	534	548
70–74	207	222	169	162	376	384
75–79	142	136	87	101	229	237
80–84	88	99	51	52	139	151
85–89	62	60	34	28	96	88
90–94	19	19	26	27	45	46
95 & Over	1	2	7	7	8	9
Total	1,178	1,206	962	981	2,140	2,187
Average age	69.4	69.7	68.5	69.1	69.0	69.4

INTERNATIONAL MONETARY FUND

August 5, 2015

FY 2015 REPORT ON THE OPERATIONS OF THE RETIRED STAFF BENEFITS INVESTMENT ACCOUNT

EXECUTIVE SUMMARY

This report provides management and the Pension Committee a summary of the funding and operational issues related to the Retired Staff Benefits Investment Account (RSBIA, or the "Account"). The report covers the year ended April 30, 2015; the most current actuarial valuation information is as of April 30, 2014.

Approved By
RSBIA Committee

Prepared by Andrea Koranteng and Deborah Marzouk of the Human Resources Department, and Mark Henderson of the Office of Budget and Planning

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GOVERNANCE

1. **The oversight for the RSBIA is shared between management and the Pension Committee, with support provided by the RSBIA Committee.**[1] Management proposes benefit plans and policies with future liabilities to be added (or excluded) from the Account for Executive Board approval, while the Pension Committee provides oversight (i.e., general control and supervision of the Account) and advises management and the Executive Board on funding issues based on actuarial studies provided through the RSBIA Committee.[2] The Investment Committee determines and directs the management of the RSBIA assets, and reports on a regular basis to the Pension Committee on such management. The members of the three committees, as of April 30, 2015, are listed in Appendix I.

RSBIA FUNDING FRAMEWORK

2. **The Account's present funding framework, approved by the Executive Board in 2012, calls for annual contributions of 7 percent of pensionable gross remuneration (PGR), while allowing for an additional 2 percent of PGR at year end, if funding is needed and available from the administrative budget.** The contribution range approximates the long-term average contribution rate recommended by the Actuary in valuations of the Account and is expected to sufficiently finance the obligations arising in each year.[3] The funding framework will be reviewed in 2015, along with the actuarial assumptions used in the RSBIA actuarial valuations.[4]

3. **The RSBIA covers several different benefit plans and policies.** As shown in Figure 1, the liabilities for post-employment health benefits comprise the majority of the total liabilities for the benefits and policies covered by the RSBIA. Under U.S. tax law, prefunding non-health benefits for U.S. citizens, and retirees and beneficiaries who are U.S. residents for tax purposes, could be deemed a taxable event at the time the funds are contributed. For this reason, the Executive Board approved an amendment to the RSBIA in 2012, when the funding framework was established, to exclude the prefunding through the RSBIA trust of post-employment non-health benefits for U.S. staff. Thus, such benefits are paid to separating U.S. staff from the 7 percent contribution, before the remainder is sent to the trust.[5]

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[1] The governance framework for the Account was enhanced in February 2014, giving certain oversight responsibilities to the Pension Committee. *Proposed Governance Framework for the Retired Staff Benefits Investment Account* (EBAP/14/9, 1/30/14).

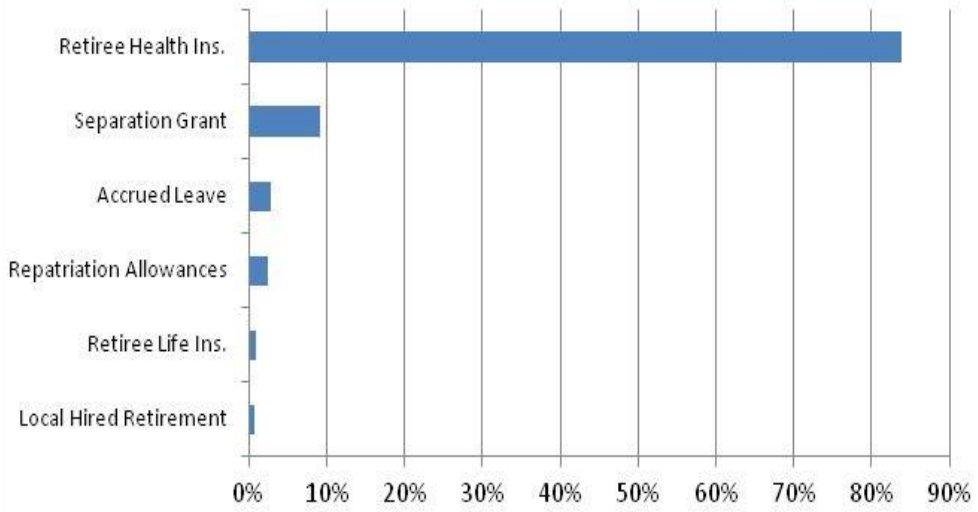
[2] Annual actuarial valuations are conducted, based on participant and asset data provided by the Fund, and certain actuarial methods and assumptions.

[3] *Proposed Changes to the Funding Framework of the Retired Staff Benefits Investment Account* (EBAP/12/72, 6/22/12).

[4] The funding framework and actuarial assumptions for the RSBIA are reviewed in conjunction with the 5-year reviews of the Staff Retirement Plan's funding framework and actuarial assumptions.

[5] Of the $43.9 million contribution for FY 2014 under the funding framework, about $4.7 million was paid to separated U.S. staff for non-health benefits and the remaining $39.2 million was sent to the trust.

Figure 1. Composition of RSBIA Benefit Liabilities



FUNDING STATUS AND CONTRIBUTIONS

4. **The funding levels in the RSBIA have improved significantly since 2012, and this has resulted in an actuarially determined contribution rate for FY 2016 of 0 percent.**[6] Table 1 shows the liabilities, assets, and actuarially determined contribution rates from the April 30, 2013 and 2014 actuarial valuations, respectively. The funding surplus of $119 million as of April 30, 2014 is primarily the result of continued favorable asset performance during FY 2014, notwithstanding slightly higher liabilities than expected.[7,8]

[6]The actuarially determined contribution rate for FY 2016 is based on the results from the April 30, 2014 actuarial valuation. The Fund's actual contributions to the RSBIA are determined by the funding framework.

[7] The investment return on the market value of assets for FY 2014 was 10.44 percent. However, the funding valuation uses a smoothed asset value, which reflects only 20 percent of each year's asset gains/losses over the following 5 years. The yield on the smoothed asset value for FY 2014 was 10.08 percent, against the 6.50 percent assumed rate. There is a net deferred gain (from prior years, which has not yet been recognized) of $88M, as of April 30, 2014.

[8] The financial status of the Account as of April 30, 2015 will be reported under the Revised International Accounting Standard 19, Employee Benefits (IAS19). For financial accounting purposes, assets of the Account are compared only to the liabilities for earned benefits, including the earned non-health benefits for U.S. staff. In contrast, the funding valuations reflect earned and projected benefits, and exclude the non-health benefit liabilities for U.S. staff.

Table 1. RSBIA Assets, Liabilities, and Contribution Rates, as of April 30, 2013 and 2014
(In thousands of U.S. dollars, unless otherwise indicated)

	April 30, 2013		April 30, 2014	
	Including All Liabilities[1/]	Excluding U.S. Non-Health Liabilities	Including All Liabilities[1/]	Excluding U.S. Non-Health Liabilities
A. Plan liabilities	1,709,000	1,618,000	1,780,000	1,704,000
B. Actuarial value of assets	1,651,000	1,651,000	1,823,000	1,823,000
C. Funding surplus (deficit) (B-A)	(58,000)	33,000	43,000	119,000
Contribution rate (in percent)	1.13	0.00	0.00	0.00

1/ The results including non-health liabilities for U.S. taxpayers are shown for comparison purposes only.

5. **The FY 2015 budgetary contribution under the RSBIA funding framework was kept at the minimum 7 percent contribution rate.** The funding framework allows for the possibility of an additional 2 percent contribution at the end of the financial year if needed and there are unspent funds in the personnel budget. The additional contribution was not made for FY 2015 because the Account is well funded and the actuarially determined contribution rates are projected to remain stable for the next several years, based on the current actuarial assumptions. Therefore, the Fund's contribution rate for FY 2015 remained 7 percent, resulting in contributions of approximately $45 million during the year.

6. **Projections of the Fund's actuarially determined contributions, shown in Table 2, indicate that the 7 percent contribution rate under the funding framework should be sufficient through 2034, based on the current actuarial assumptions.** The liabilities for U.S. taxpayers' post-employment non-health benefits have been included in the projections, since these benefits are paid from the 7 percent contribution before it is contributed to the Account. It should be noted that the projections are highly sensitive to changes in assets and liabilities, and can therefore result in wide variations from year to year. Furthermore, a decrease in the nominal interest rate coupled with a decrease in the long term rate of return on assets would directionally result in a growing asset liability imbalance, and a sharply rising contribution rate.

Table 2. Projected Actuarially Determined and Budgetary Contributions

Including Liabilities for U.S. Taxpayers' Post-Employment Non-Health Benefits

(Actuarial Valuation as of 4/30/2014)

Financial Year	Actuarially Determined Contribution Rate	Budgetary Contribution Rate
2015	0.00	7.00
2016	0.00	7.00
2017	0.00	7.00
2018	0.00	7.00
2019	0.00	7.00
2020	0.00	7.00
2021	0.17	7.00
2022	0.49	7.00
2023	0.83	7.00
2024	1.22	7.00
2025	1.62	7.00
2026	2.06	7.00
2027	2.52	7.00
2028	3.02	7.00
2029	3.58	7.00
2030	4.17	7.00
2031	4.82	7.00
2032	5.51	7.00
2033	6.23	7.00
2034	7.02	7.02
2035	7.87	7.87
2036	8.77	8.77

The projected contribution rates are based on the assumptions used in the April 30, 2014 actuarial valuation, including a 6.5 percent assumed rate of return on the actuarial value of assets.

Appendix I. Membership of Committees as of April 30, 2015

Pension Committee			
Members	(Term Ending)	**Alternates**	(Term Ending)
The Managing Director, Chairman	(ex-officio)	Deputy Managing Director	Acting Chair
Mr. Canakci	*	Mr. Just	*
Mr. Cottarelli	*	Mr. Psalidopoulos	*
Mr. Heller	*	Mr. Radziwill	*
Mr. Kajikawa	*	Mr. Hishikawa	*
Ms. Alonso-Gamo (appointed)	– –	Mr. Clements (appointed)	– –
Mr. Ghosh (elected)	10/31/2016	Ms. Richter Hume	10/31/2016
Mr. McDonald, Secretary			

* For Executive Directors, membership on the Committee is set by a Board decision following the biennial election of Executive Directors.

RSBIA Committee
Members
Mr. Plant, Chairman
Mr. Citrin, Alternate Chairman
Mr. Bradbury
Ms. Kodres
Mr. Selassie
Mr. Swain
Mr. El-Masry
Ms. Lester, Advisor
Mr. Miranda, Advisor
Ms. Marzouk, Secretary

Investment Committee	
Members	(Term Ending)
Mr. Tiwari, Chairman	7/24/2018
Mr. Kammer, Vice Chairman	7/24/2018
Ms. Coorey	2/6/2018
Mr. Hagan	2/6/2018
Ms. Kodres	7/16/2018
Mr. Pradhan	5/14/2018
Ms. Swart	3/12/2016
Mr. Tweedie	9/16/2017
Mr. Werner	11/15/2016
Mr. Miranda, Secretary	

Appendix II. Actuarial Valuations

1. The annual actuarial valuations are based on the Account's asset value and projected benefit liabilities, using certain actuarial methods and financial and demographic assumptions about the future. Most of the actuarial methods and assumptions used in the RSBIA actuarial valuations are the same as those used for the valuations of the Staff Retirement Plan (SRP), e.g., the economic rates of interest, salary increases and inflation, and demographic rates of retirement and mortality. Other assumptions are specific to the plans covered by the RSBIA, the most significant being health care trend rates that are used for valuing retiree medical benefits. A summary of the assumptions used in the April 30, 2014 RSBIA actuarial valuation is provided below.[1]

Key Actuarial Assumptions Used in April 30, 2014 Actuarial Valuation

Actuarial Assumption	Annual Rate	
Interest rate	6.5 percent	
Salary growth	9.0 percent at age 21, gradually decreasing to 4.6 percent at age 64	
Medical trend improvements	7.0 percent (in FY 2015), grading down to 5.0 percent in FY 2019 and future years	
Separation rates:	Rate (percent)	
Age	Men	Women
30	9.1	8.0
35	8.5	5.0
40	6.5	2.6
45	4.2	2.0
Retirement rates[1/]:		
Age	Rate (percent)	
50	5.0	
55	20.0	
60	25.0	
62	25.0	
64	55.0	

[1/]Retirement rates show the percentage of employees at each sample age which are expected to retire in a given year. Therefore the rates do not add to 100 percent.

[1] A comprehensive review of the RSBIA actuarial methods and assumptions will take place in 2015, at the time of the 5-yearly review of the SRP actuarial methods and assumptions. Any recommended changes will be proposed for the Pension Committee's review and adoption.

2. The assets in the RSBIA are valued on a five-year averaging method, the purpose of which is to smooth out year-to-year fluctuations in the value of the assets for funding valuation purposes. Similar to the asset valuation method used in the SRP actuarial valuation, the RSBIA assets are limited to no less than 90 percent and no more than 110 percent of the market value. In the April 30, 2014 valuation, the assets under the valuation method amounted to $1,823 million. This amount was within the 10 percent "corridor," around the market value of $1,911 million, which ranged from $1,720 million to $2,102 million.

3. As the RSBIA covers several different benefit plans and policies, the actuarial valuation establishes a liability for the employees who are (or will become) eligible for each benefit or allowance.