

ORGANISATION EUROPÉENNE POUR LA RECHERCHE NUCLÉAIRE
CERN EUROPEAN ORGANIZATION FOR NUCLEAR RESEARCH

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Procédure de vote

PRENDRE NOTE	COMITÉ DES FINANCES 330 ^e réunion 16 juin 2010	-
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CAISSE DE PENSIONS

**RAPPORT DES COMMISSAIRES AUX COMPTES SUR LES ÉTATS
FINANCIERS DE LA CAISSE DE PENSIONS DU CERN
POUR L'EXERCICE 2009**

**COMMENTAIRES DE L'UNITÉ DE GESTION
DE LA CAISSE DE PENSIONS**

Le rapport relatif à la vérification des comptes de la Caisse de pensions pour l'exercice 2009 figure dans le document CERN/FC/5444-CERN/2911. Le présent document contient les commentaires de l'Unité de gestion de la Caisse des pensions.

RAPPORT DES COMMISSAIRES AUX COMPTES SUR LES ÉTATS FINANCIERS DE LA CAISSE DE PENSIONS DU CERN POUR L'EXERCICE 2009

COMMENTAIRES DE L'UNITÉ DE GESTION DE LA CAISSE DE PENSIONS

INTRODUCTION

L'Unité de gestion de la Caisse de pensions a examiné le rapport des commissaires aux comptes sur les comptes de la Caisse de pensions du CERN pour l'exercice 2009.

Les commentaires de l'Unité de gestion se limitent aux éclaircissements présentés ci-dessous. Il a été pris dûment note des autres points du rapport n'appelant aucun commentaire (la numérotation est conforme à celle du rapport des commissaires aux comptes).

Lors de sa réunion du 18 février 2010, le Conseil d'administration de la Caisse de pensions a approuvé une proposition visant à rationaliser la présentation du rapport annuel, de sorte qu'il comprenne à l'avenir principalement les États financiers, à approuver par le Conseil, et une lettre du Président attirant l'attention du Conseil sur les faits marquants qui y sont présentés. La fonction de communication au sens large qui était auparavant dévolue au rapport annuel, et notamment la publication des statistiques sur les membres et les pensionnés ou le rapport de l'actuaire-conseil, sera assurée par d'autres canaux plus adaptés, à savoir notamment des réunions, le site internet de la Caisse ou des bulletins d'information sous forme électronique ou papier, adaptés à leur public cible.

CHAPITRE 2 - ATTESTATION DES COMMISSAIRES AUX COMPTES

2.2. Opinion

Dans ce chapitre, les commissaires aux comptes émettent le commentaire suivant :

« Nous estimons que la sous-capitalisation de la Caisse de pensions du CERN est critique et que des réformes immédiates sont indispensables pour rétablir la pleine capitalisation. Nous sommes donc favorables à la mise en place d'un Groupe consultatif ».

L'Unité de gestion de la Caisse de pensions prend acte des initiatives prises pour trouver des capitaux supplémentaires et se tient prête à apporter toute l'aide administrative et technique nécessaire.

CHAPITRE 3 - PAS DE COMMENTAIRE

CHAPITRE 4 - STATUT JURIDIQUE DE LA CAISSE DE PENSIONS AU SEIN DE L'ORGANISATION

4.1. Modifications des Statuts et Règlements de la Caisse de pensions

Dans ce chapitre, ainsi que dans plusieurs autres passages de leur rapport, les commissaires aux comptes se réfèrent au projet de modification du chapitre I des Statuts et Règlement de la Caisse de pensions du CERN, qui doit être présenté au Comité des finances lors de sa réunion du 16 juin 2010.

Les commentaires des commissaires aux comptes à propos de ce document seraient particulièrement bienvenus.

CHAPITRE 5 - L'ENVIRONNEMENT DE CONTRÔLE AU SEIN DE LA CAISSE DE PENSIONS DU CERN

5.1. Environnement de contrôle interne

Dans sa lettre à la Direction de 2009, le cabinet PricewaterhouseCoopers fait le point sur son avis, exprimé en 2008, sur l'environnement de contrôle interne au chapitre « SCI (Internal Control System) – Monitoring – independent controller », auquel il avait attribué une priorité élevée. L'Unité de gestion de la Caisse de pensions a répondu qu'un système de contrôle interne entièrement documenté serait soumis à l'approbation du Conseil d'administration de la Caisse de pensions d'ici septembre 2010.

Quant au déficit de financement, le document intitulé « Rapport du Conseil d'administration de la Caisse de pensions sur les principes et politiques de financement et sur les mesures destinées à rétablir la pleine capitalisation de la Caisse de pensions du CERN » (CERN/FC/5432/AR-CERN/2897/AR) a été présenté au Comité des finances et au Conseil du CERN pour examen lors de leurs réunions de mars 2010. Comme l'ont noté les commissaires aux comptes, un Groupe consultatif a été créé depuis lors en vue d'étudier les problèmes qui ont été soulevés.

5.1.1 Dépendance élevée à l'égard du «Chief Operating Officer»

Comme l'indiquent les commissaires aux comptes dans leur rapport, le Conseil d'administration de la Caisse de pensions a souscrit au document intitulé « CERN Pension Fund 2010-2012-Strategic Plan », lequel notait la nécessité d'engager un comptable qualifié supplémentaire en réponse à ce problème. Le recrutement d'un comptable est prévu dans un proche avenir.

5.1.2 Cloisonnement des tâches dans les systèmes informatiques et au niveau comptable

Le Conseil d'administration de la Caisse de pensions a pris acte de la situation informatique lors de sa réunion du 30 mars 2010. Le système actuel a été adapté et renforcé afin de réduire les risques. La question sera prise en compte lors de la mise en œuvre de solutions nouvelles dans ce domaine.

S'agissant de l'approbation des ajustements de fin d'année et des écritures comptables journalières, la Caisse de pensions entend mettre en œuvre un système de contrôle basé sur des plafonds d'approbation qui améliorera le contrôle et la transparence de ces interventions comptables.

5.1.3 Absence de rapports de gestion mensuels

Le document « CERN Pension Fund 2010-2012 Strategic Plan » établit une liste claire des améliorations à apporter dans le domaine des rapports de gestion ; l'Unité de gestion de la Caisse de pensions travaille actuellement à leur mise en œuvre. Il est prévu d'élaborer à l'avenir un rapport de gestion mensuel où figureront :

- les indicateurs-clé de performance ;
- les indicateurs de risque ;
- l'attribution des performances ;
- les estimations du taux de couverture ;
- le commentaire de l'Unité de gestion de la Caisse de pensions.

Pour le rapport relatif au capital investissement (« private equity »), l'Unité de gestion de la Caisse de pensions précisera en interne les documents et le format nécessaires pour satisfaire aux exigences de cette recommandation.

Quant à l'utilisation de fichiers Excel, la Caisse a entrepris d'analyser ses exigences en matière de traitement et de communication de données complexes. Quelle que soit la solution retenue, il est prévu d'y intégrer un système de gestion de portefeuille.

5.1.4 Gestion des risques – décisions stratégiques

Comme l'a indiqué l'Unité de gestion de la Caisse de pensions l'an dernier, en réponse à la recommandation formulée par PwC pour ce chapitre, la Caisse a recours à l'analyse quantitative pour l'étude de ses décisions stratégiques et pour l'évaluation du risque. Elle a fait appel à des consultants experts en allocation d'actifs pour élaborer l'Allocation stratégique d'actifs (ASA), ainsi qu'aux services du dépositaire de la Caisse pour l'analyse Value at Risk (VaR). Il est prévu de recourir davantage encore aux outils d'évaluation quantitative, en particulier pour l'identification et l'analyse détaillée des risques auxquels la Caisse est exposée.

Eu égard à la sous-pondération relative du portefeuille en actifs alternatifs au 31.12.2009 par rapport à l'allocation prévue d'après l'ASA, comme l'ont indiqué les commissaires aux comptes dans leur rapport, l'Unité de gestion de la Caisse de pensions établit actuellement une liste de possibilités d'investissement dans cette catégorie d'actifs, à soumettre pour examen et approbation au Comité de placement de la Caisse de pensions.

5.2. Audit

Le chapitre 5 de ce document contient plusieurs projets de proposition en matière d'audit, à savoir :

Article I 5.01 : les commissaires aux comptes

Les comptes et les États financiers de la Caisse feront l'objet d'une vérification par les commissaires aux comptes désignés par le Conseil en vertu de l'article 8 du Protocole financier, lesquels présenteront leur rapport au Conseil.

Article I 5.02 : le commissaire aux comptes spécialisé

Le Conseil d'administration désignera un commissaire aux comptes spécialisé dans les questions relatives aux fonds de pension pour effectuer une vérification annuelle supplémentaire des comptes et des États financiers de la Caisse, ainsi que toutes les autres vérifications exigées par le Conseil d'administration. Il présentera son rapport au Conseil d'administration.

Article I 5.03 : l'audit interne du CERN

Conformément à l'article I 4.05, paragraphe 2 des Statuts, le service d'audit interne du CERN est compétent pour effectuer les vérifications relatives à la bonne application des Statut et Règlement du personnel du CERN au personnel de l'Unité de gestion.

Moyennant l'accord du Directeur Général, le Conseil d'administration peut demander au service d'audit interne du CERN d'effectuer toute autre vérification relative à la Caisse.

Article I 5.04 : Obligation de renseigner

L'Administrateur fournit aux commissaires aux comptes visés aux articles I 5.01 à I 5.03 des Statuts toutes les informations dont il dispose et leur offre l'assistance dont ils peuvent avoir besoin dans l'accomplissement de leurs tâches.

5.2.1. Vérification externe

L'Unité de gestion de la Caisse de pensions souscrit intégralement à l'interprétation faite par les commissaires aux comptes de la Norme internationale d'audit 600 (ISA 600) et en particulier à ses dispositions mentionnant un auditeur « principal » et un « autre » auditeur. Toutefois, s'il est vrai que « l'autre » auditeur s'exprime sur la « composante », ce concept de « composante » s'applique à la Caisse de pensions du CERN, puisqu'elle fait partie intégrante de l'entité CERN au sens large et qu'en vertu de l'article I 4.02 des Statuts de la Caisse de pensions, « les comptes de la Caisse sont tenus indépendamment de ceux du CERN ».

Soulignons que l'exercice 2008 a été le premier exercice du mandat de vérification des comptes de la Caisse de pensions attribué à PwC. Le Conseil d'administration de la Caisse de pensions avait retenu PwC au terme d'une procédure d'appel d'offres à laquelle ont participé deux autres cabinets d'audit.

S'agissant du délai ferme de présentation du rapport de PwC, le plan d'audit 2009 de PwC prévoyait un calendrier et une date définitive de remise de ce rapport au Conseil d'administration de la Caisse de pensions. Le Conseil d'administration de la Caisse de pensions a approuvé ce plan d'audit et son calendrier de présentation lors de sa réunion de septembre 2009. Le plan d'audit a été ensuite mis à la disposition des commissaires aux comptes.

S'agissant du contrat conclu avec PwC, la Caisse est disposée à examiner tout modèle visant à apporter des modifications là où celles-ci seraient perçues comme servant mieux les intérêts du CERN et de la Caisse de pensions. En outre, le contrat actuel avec PwC est résiliable à tout moment par simple avis écrit.

5.2.2. Audit interne

Cf. nos remarques au paragraphe 5.2 Audit.

6. Résultats financiers de l'exercice

Concernant la recommandation des commissaires aux comptes relative au rapport de l'actuaire-conseil, un canal de communication sur les questions actuarielles a été mis en place, passant par le Conseil d'administration de la Caisse de pensions à destination du Groupe consultatif du Conseil du CERN. En outre, le projet de modification du chapitre I des Statuts de la Caisse de pensions propose la création d'un comité actuariel et technique rendant compte au Conseil d'administration de la Caisse de pensions.

6.1. Risques financiers et performance

Comme l'indiquent les commissaires aux comptes dans leur rapport, le chapitre « Gestion du risque financier » des États financiers de la Caisse détaille les risques auxquels la Caisse est exposée du fait de ses activités et quantifie les montants concernés à la date de clôture du bilan. Les commissaires aux comptes recommandent d'améliorer encore le niveau de l'information contenue dans ce chapitre des États financiers en indiquant comment ces risques « pourraient interagir entre eux et quelle pourrait être leur incidence dans des conditions de marché anormales ». Si elle est convaincue de la nécessité d'analyser et de commenter davantage la nature de ces risques, l'Unité de gestion de la Caisse de pensions estime préférable de les analyser à la lumière des rapports mensuels de gestion prévus, plus prospectifs, qu'avec l'éclairage historique et factuel des États financiers.

Quant aux montants notionnels des instruments dérivés de la Caisse, leur importance fait l'objet d'une explication dans les annexes aux États financiers. Il faut cependant se souvenir que l'exposition de la Caisse aux instruments dérivés est intégralement garantie par ses liquidités. En outre, le Comité de placement de la Caisse de pensions reçoit des rapports réguliers sur les positions de la Caisse en instruments dérivés.

Dans ce même chapitre, les commissaires aux comptes formulent également des recommandations en vue d'établir des comparaisons historiques de performance et de risque sur une période de 30 ans. L'Unité de gestion de la Caisse de pensions exprime des réserves quant à la faisabilité de telles études et quant à la valeur ajoutée de telles analyses. En outre, la Caisse, eu égard à sa situation déficitaire actuelle, a déjà engagé lourdement ses ressources limitées en vue de répondre aux questions des différentes parties concernées par la Caisse.

7. Résultats de l'audit

7.1. Comptes courants et dépôts

L'Unité de gestion de la Caisse de pensions entend vérifier formellement les ajustements et les écritures comptables de fin d'exercice relatives aux données en provenance de son dépositaire global State Street. Cf. nos remarques au paragraphe 5.1.2 ci-dessus.

S'agissant des taux de change utilisés par la Caisse à la date de clôture, l'Unité de gestion de la Caisse de pensions a fourni l'année dernière, dans le document intitulé « Commentaires de l'Administration de la Caisse » (CERN/FC/5342 - CERN/2845), une explication détaillée des difficultés pratiques et comptables que la Caisse rencontrerait si elle modifiait la source de ses taux de change de fin d'année dans le sens suggéré par les commissaires aux comptes. Ces difficultés n'ont pas disparu.

La Caisse se conforme aux meilleures pratiques du secteur pour déterminer ses taux de change de clôture ; en l'occurrence, sa source est une référence de marché de classe mondiale. En outre, cette année, l'Unité de gestion de la Caisse de pensions a préparé un tableau comparatif de ses principales devises, présentant les taux de clôture de Reuters World Market et ceux de la Banque centrale européenne. Il faut se souvenir que la Caisse détient des actifs en devises non seulement sous forme de trésorerie en « comptes courants et dépôts », mais également sous forme d'actions, d'obligations, de fonds d'investissement, d'instruments dérivés et d'immobilier. Aller au-delà, à savoir calculer des valeurs d'actifs basées sur deux taux de change différents, reviendrait à tenir deux comptabilités.

En outre, comme elle l'a indiqué lors de l'exercice précédent, l'Unité de gestion de la Caisse de pensions n'est pas convaincue de l'utilité d'assurer la comparabilité entre les États financiers d'un laboratoire de recherche scientifique et ceux d'une caisse de pension.

7.2. Vérificateurs locaux chargés des immeubles de placement

Quant aux instructions données aux vérificateurs locaux chargés des immeubles de placement, l'Unité de gestion de la Caisse de pensions estime qu'il s'agit d'un problème entre les commissaires aux comptes en qualité d'auditeur principal et PwC. En effet, le calendrier prévu par le Plan d'audit 2009 de PwC, approuvé par le Conseil d'administration de la Caisse de pensions, prévoyait la possibilité d'un débat approfondi sur n'importe quel aspect des activités de vérification des comptes prévues avec les commissaires aux comptes, à tout moment de leur choix. Pour l'avenir, l'Unité de gestion de la Caisse de pensions est toute disposée à faciliter le dialogue dans ce domaine entre les commissaires aux comptes et PwC.

8. Suivi des recommandations 2004 – 2008

Les commentaires de la Direction relatifs à ce chapitre figurent en regard de chaque recommandation.

L'Administration de la Caisse de pensions tient à remercier chaleureusement les commissaires aux comptes pour leurs travaux de vérification des comptes de la Caisse et pour leurs recommandations relatives à son activité.

Follow-up of audit items raised by the external auditors relating to the Financial Years 2004 - 2008			
AR	Recommendation raised	Comments received from CERN PF Administration at the time of the issuance of the report	Comments by PFMU
2004	<p><u>Organizational matters of the Pension Fund</u></p> <p>With reference to a Working Group established in 2004 on the procedures for council appointments to the Governing Board of the Pension Fund and on the Term of Office of Members and Alternates the external auditors recommended that efforts should continue to be made to implement an efficient organizational structure for the Pension Fund with clearly defined and separate roles and responsibilities of all members of the Pension Fund's bodies.</p>	No comment.	New Governance structure implemented by PFGB through Working Groups 1, 2, 3 and 4. Closed
2005 and 2006	<p><u>IT – Management of the Fund</u></p> <p>The External auditors recommended that the Administration of the Fund should continue its efforts with respect to the</p>	In order to address this issue and to improve the logistics backup, an IT project was launched in 2005 with the following objectives:	Acquisition of proposed software cancelled by PFGB at its meeting of 5 May 2010. Current system has been enhanced and reinforced to

	<p>organizational improvement of the Fund's IT system both on the technical side as well as on the personnel resources. This could also include considerations with respect to the availability of "off-the-shelf "IT-modules for retirement benefit programmes" as well as the option for out-sourcing parts of the Fund's administration to specialized service providers.</p>	<ul style="list-style-type: none"> • Migrate the in-house built computing systems of the Fund towards Organizational standards (Oracle HR); • Review and improve available functionality by evaluating standard existing products available on the market. <p>Amongst other things, successful implementation of the project will ensure improved operational efficiency in the recurrent functional areas of the Fund and lead to an improvement in data security and quality.</p>	<p>reduce risk. New initiative on benefits management and member communication to be launched. Ongoing</p>
<p>2005</p>	<p><u>Decision taken by the Finance Committee – Package of Equilibration Measures)</u></p> <p>The external auditors noted that the decision of the Finance Committee, not to support recommendation 5 of the "Package of Equilibration Measures", has an impact on the numerical content of recommendation 6. In the Auditors' view, this decision jeopardises the target of achieving a fully funded situation by end of</p>	<p>No comment.</p>	<p>Report by the PFGB on Funding Principles and policy and measures to restore full funding of the CERN Pension Fund (CERN/FC/5432/RA - CERN/2897/RA). Advisory Group set up by CERN Council. Closed</p>

	<p>2033 (as decided by Council at its 131st Session in December 2004).</p> <p>The external auditors recommended that the "Package of Equilibration Measures" should be revised to take into account the impact of not supporting the original recommendation 5.</p> <p>Also, the external auditors advise, that the financial consequences of limiting the non-indexation of pensions to the year 2005 as set out in recommendation 4, should be reconsidered in the light of the decision of Finance Committee.</p>		
2005	<p><u>Rules and Regulation of the Pension Fund – Pension Policy</u></p> <p>The external auditors noted the absence of the Pension Policy as foreseen in the Rules. The external auditors recommended that having a sound pension policy is vital and should be considered together with the overall review of the Rules and Regulations of the Pension Fund.</p>	<p>As stated by the Chairman of the Governing Board in his letter of 12 December 2005, “we feel that the Rules and Regulations regarding the Pension Fund clearly establish the existence of a capitalized fund, with carefully described rights and obligations for both the Sponsors and the participants in the Fund”. Nevertheless, to meet the requirements of</p>	<p>Report by the PFGB on Funding Principles and policy and measures to restore full funding of the CERN Pension Fund (CERN/FC/5432/RA - CERN/2897/RA). Advisory Group set up by CERN Council. Closed</p>

		the Auditors, a statement on Pension Policy will be included in an appropriate form in the next revision of the Rules and Regulations of the Fund.	
2005 and 2006	<p><u>Rules and Regulation of the Pension Fund – Investment Policy</u></p> <p>The external auditors noted the lack of a comprehensive document on investment policy as such, although guidelines exist in a number of various sources. The external auditors recommended that having a sound investment policy is vital and all existing guidelines should be consolidated for better understanding in one document.</p>	<p>It is envisaged that a definitive document that takes into consideration all valid contributions towards an optimal Investment Policy for the Fund will be submitted to the Governing Board via the Investment Committee for implementation within the timescale for the introduction of the new Pension Fund governance. Such a document is of high importance for all bodies involved in supervising the Fund’s investment policy.</p>	<p>Statement of Investment principles policy and guidelines will be submitted to the PFIC by the PFMU in 2010. Pending</p>
2005	<p><u>External Audit</u></p> <p>The external auditors recommended including the basic audit principles in any review of the Pension Fund rules and regulations based on internationally accepted standards. The audit tasks (e.g. legality and regularity of financial management and accounting as well as the</p>	<p>In line with the recommendation of the Auditors, the review of the Rules and Regulations of the Fund (see point 10.2.1) will formalise the audit tasks, including audit of the financial status and the management of the Pension Fund,</p>	<p>Amendment to Chapter 1, Section 5- Audit, of the Fund's Rules was approved by the PFGB at its meeting of 5 May 2010. Recommended to CERN Council for approval at its June session. Ongoing</p>

	<p>performance, economy, efficiency and effectiveness of the Fund's administration) should be determined accordingly. The revised rules and regulations should ensure, that the external auditors are appointed by and responsible only to Council and fully independent from the management of the Fund.</p>	<p>compliance with the Fund's investment and funding policy and other relevant regulations and guidelines. These formalised audit tasks will be based on fundamental audit principles and international auditing standards to be executed by fully independent auditors who are appointed by, and responsible only to, Council.</p>	
2005	<p><u>Internal Audit</u></p> <p>The external auditors note that internal audit is an essential part of the overall internal control system of the Organization. Therefore the external auditors recommended formalising the internal audit function in any review of the Pension Fund rules and regulations. Based on the principles of independence and objectivity, the responsibilities and competencies of the internal audit function should be determined according to internationally accepted standards.</p>	<p>The Administration recognises the important role played by the Internal Audit service as part of the overall control system of the Pension Fund. The formalisation of this role, based on the principles of independence and objectivity, will be considered in the review of the Rules and Regulations of the Fund within the general audit context.</p>	<p>Amendment to Chapter 1, Section 5- Audit, of the Fund's Rules was approved by the PFGB at its meeting of 5 May 2010. Recommended to CERN Council for approval at its June session.</p> <p>Ongoing</p>

<p>2006</p>	<p><u>Special regulations and provisions</u></p> <p>The external auditors noted that occasionally special regulations and provisions are put in force by the governing bodies for implementation by the Administration of the Pension Fund. These special regulations and provision date back to past decades. We noted that currently no comprehensive document exists indicating the special regulations and provisions granted including their validity and duration.</p> <p>We recommend that following an evaluation process all limits, special regulations and provisions put in place for the management of the Fund should be properly documented and periodically reviewed.</p>	<p>There is merit in the production of a document that reiterates and reviews these special regulations and provisions and consistent with the Auditors' recommendations the Administration will prepare once a year an appropriate format for approval by the Investment Committee in order to update systematically decisions which may have been taken.</p>	<p>The issue of Special regulations and provisions will be subsumed in the Statement of Investment principles policy and guidelines to be submitted to the PFIC by the PFMU in 2010. Pending</p>
<p>2006</p>	<p><u>Liabilities of Internal Managers</u></p> <p>The external auditors would like to draw the attention to the fact that in case of fraud</p>	<p>The Fund will explore, as recommended by the Auditors, initiatives to further address</p>	<p>The following measures have been introduced:</p>

	<p>and errors occurring in funds handled by external managers the liabilities for compensation for damages lies with the external manager while in cases of fraud and errors arising in funds handled internally the risk lies with CERN and ultimately the member countries.</p> <p>The external auditors recommended considering strategies to address this potential risk.</p>	<p>this issue, which among others, could entail daily compliance monitoring and liability insurance cover.</p>	<ul style="list-style-type: none"> • Daily compliance reporting for internal funds • list of authorized brokers established • list of internal persons authorized to trade with limits established • system to record telephone investment deals being installed. <p style="text-align: center;">Closed</p>
2006	<p><u>Fluctuation Reserve</u></p> <p>The external auditor recommended considering the implementation of a fluctuation reserve to be able to react on market fluctuations and to avoid short-term adaptations of the contributions.</p>	<p>The question of fluctuation reserve will be raised with the ALM expert in order to comply with standard practice in other European countries.</p>	<p>The PFGB, at its meeting of 5 May 2010, concluded that, given the deficit situation of the Fund, this measure had no immediate relevance and that efforts should therefore be focussed on issues such as, asset allocation, risk parameters and management reporting. Closed</p>

<p>2006</p>	<p><u>International Public Sector Accounting Standards (IPSAS)</u></p> <p>The adoption of IPSAS can be seen as one of the greatest challenges the Pension Fund has to face in the coming years.</p> <p>The external auditors recommended that:</p> <ul style="list-style-type: none"> • a roadmap for the implementation of IPSAS should be established; • cooperation with the responsible department for the implementation of IPSAS at CERN should be initiated to ensure a coordinated approach. <p>The Financial Rules and Regulations should be updated accordingly to reflect the compulsory application of IPSAS.</p>	<p>The Pension Fund accounting policy is in line with International Accounting Standards (IAS) by having adopted a mark to market policy. Nevertheless, on the Liabilities' side of the balance sheet, regarding IPSAS, IAS 19 will be one of the major issues for actuarial valuation of the liabilities. In addition to traditional actuarial valuation based on long-term hypothesis as determined by the Council, the Pension Fund will provide the financial position based on IAS 19 for information purposes. With respect to the other items, the Pension Fund will address them by consulting other international Pension Funds.</p>	<p>International Public Sector Accounting Standards were adopted by the Fund for its 2008 Financial Statements.</p> <p>Amendment to Chapter 1, Section 4-Article I.4.02, of the Fund's Rules was approved by the PFGB at its meeting of 5 May 2010. It stipulates that 'The Fund's accounts shall be prepared and presented by the Chief Executive Officer in accordance with the International Public Sector Accounting Standards, hereinafter referred to as IPSAS". Recommended to CERN Council for approval at its June session. Ongoing</p>
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<p>2007 (refer also to 2005)</p>	<p><u>External Audit</u></p> <p>The external auditors recommend that Terms of Reference for the newly established Working Group should be defined in order to meet the expectations of the Governing Board at its best.</p> <p>The terms of reference should inter alia refer to the issue of two external auditors and address this issue to be in line with international accepted standards.</p>	<p>The Terms of Reference of the Working Group will be established with respect to the recommendations concerning External and Internal Audit.</p>	<p>Amendment to Chapter 1, Section 5- Audit, of the Fund's Rules was approved by the PFGB at its meeting of 5 May 2010. Recommended to CERN Council for approval at its June session.</p> <p>Ongoing</p>
<p>2007 (refer also to 2005)</p>	<p><u>Internal Audit</u></p> <p>The external auditors recommend that the terms of reference of the newly established Working Group should include the task to clarify the roles and responsibilities as well as the reporting line of the CERN internal audit with respect to the Pension Fund. This includes the determination of the internal audit in the Rules and Regulations of the Pension Fund.</p>	<p>The Terms of Reference of the Working Group will be established with respect to the recommendations concerning External and Internal Audit.</p>	<p>Amendment to Chapter 1, Section 5- Audit, of the Fund's Rules was approved by the PFGB at its meeting of 5 May 2010. Recommended to CERN Council for approval at its June session.</p> <p>Ongoing</p>

<p>2008</p>	<p><u>Internal Control Environment</u></p> <p>In PWC’s Management Letter, while recognizing, on the one hand, that the PFGB has actively assumed its leadership function to identify appropriate investment strategies considered by them as adequate for the Fund’s current risk capacity, they, on the other hand, considered that the PFGB has to develop a clear strategy and define measures to remedy the funding gap, in spite of the fact that CERN and ESO guarantee the benefits acquired under the provisions of the Rules.</p> <p>“With respect to the internal control system, controls are in place however some organizational and administrative procedures are not always documented although controls are in performed”.</p>	<p>The management responded that ‘The document ‘Report of the Study Group on Pension Fund Governance’ (CERN/2733/Rev.) affirms that ‘the extent and legal status of CERN and ESO guarantee for pension entitlements and benefits (in proportion to their respective members and beneficiaries)’ as well as ‘the enforcement of the guarantees’ must be specified in the Fund Rules and/or policy statements and decisions. This issue as well as measures to remedy the funding gap fall within the remit of Working Group 2 which will report to the PFGB.</p> <p>The Management responded that “The documentation of all organizational and administrative procedures will be addressed as a matter of priority as part of the self-assessment process to be recommended to the PFGB by Working Group1”.</p>	<p>Ongoing</p> <p>Internal Control System to be presented to the PFGB at its meeting in September 2010.</p>
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<p>2008</p>	<p><u>Current accounts and Deposits</u></p> <p>As also specified in the Report on the Accounts of CERN for 2008, we found that the exchange rates for certain foreign currencies at the closing date used by CERN differed from those same currencies utilized by the Pension Fund and, what is more, in some cases they both differed from the Swiss National Bank’s official exchange rates. Since IPSAS have the objective to enhance, among other issues, Comparability of financial statements and considering the fact that the two Financial Statements are interrelated, we thus recommend employing the same foreign exchange rates for both Entities. We consider that for a public funded International Organization a generally world-wide rate accepted as official, published by public institutions such as, for example, the Swiss National Bank or the European</p>	<p>Please refer to the document CERN/FC/5342 – CERN/2845 – “Report by the External Auditors on the Accounts of the CERN Pension Fund for the Financial YEAR 2008 - Comments by the Administration of the Fund.</p>	<p>A detailed response to this recommendation is given in the document CERN/FC/5342 – CERN/2845 – “Report by the External Auditors on the Accounts of the CERN Pension Fund for the Financial YEAR 2008 - Comments by the Administration of the Fund”</p> <p>Briefly;</p> <ul style="list-style-type: none"> • the Fund uses the foreign exchange rates supplied by its global custodian – this is considered best practice in the pension fund industry • the source of these rates is Reuters World Markets, a recognized market standard • use of the Swiss National Bank or European Central Bank would create problems in terms of timing and availability of rates quoted. • use of different sources of exchange
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	<p>Central Bank could be more appropriate.</p>		<p>rates for year- end valuation and the valuation of foreign exchange contracts, used for currency hedging, would generate artificial gains or losses.</p> <ul style="list-style-type: none">• Comparison of the Fund’s financial statements under IPSAS, are best made with other pension funds who share the same activities and goals. <p>In addition, in the Fund’s Financial Statements for the year 2009 under the heading “Critical Accounting estimated and judgements” a table is provided indicating the exchange rates used by the Fund at the year-end and also the rates from the European Central Bank.</p> <p>Closed</p>
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2008	<p><u>Program access management</u></p> <p>We recommend to implement personalised user accounts to restrict system access and secure data. Such a measure will decrease the risk of a non-authorized access and also ensure a traceability of changes.</p> <p>Besides, a password change every three months is further recommended.</p>	<p>Consultation with the suppliers of the accounting system ‘Winway’ has confirmed that it is not technically possible to implement personalised user accounts within this application. Given the access controls which exist currently in respect of each workstation (system enforced personalised login and password changes) and the small number of people using the system (three staff members) it is considered that the probability of an undetected, unauthorized intervention is low. Nevertheless if and when a new version of the application becomes available that permits personalized user accounts this option will be taken up by the Fund.</p> <p>The existing benefits application, although requiring a personalised password to access the system, cannot enforce a periodic password change. The feasibility of this recommendation will be considered on installation of the new benefits computing system.</p>	<p>Situation endorsed by the PFGB at its meeting held on 30 March 2010. The current system has been enhanced and reinforced to reduce risk This issue will be taken into account when implementing any new solutions in this domain.</p> <p>Ongoing</p>
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<p>2008</p>	<p><u>Segregation of Duties in the IT Systems. Development – go live</u></p> <p>There is no segregation of duties since an external consultant performs the development and go live of applications. The CERN Pension Fund IT is fully dependant on an external consultant.</p> <p>We recommended to reduce dependence towards IT external consultancies and to implement effective segregation of duties.</p>	<p>The present solution, which has been endorsed by the Pension Fund Governing Board (PFGB), has worked satisfactorily over the years. The external consultant, being independent of the Fund, cannot personally benefit from any unauthorized modification of an application.</p> <p>Nevertheless the new computing system will reduce dependence on the consultant and will effectively ensure a segregation of duties between development and implementation phases and will in general substantially reduce risk in this area.</p> <p>Acquisition of proposed software cancelled by PFGB at its meeting of 5 May 2010.</p>	<p>Situation endorsed by the PFGB at its meeting held on 30 March 2010. The current system has been enhanced and reinforced to reduce risk. This issue will be taken into account when implementing any new solutions in this domain and in the development of the Internal Control System.</p> <p>Ongoing</p>
<p>2008</p>	<p><u>Assumptions used to calculate the actuarial present value of retirement</u></p> <p>We are of the opinion and we consequently recommend that the actuarial assumptions to be employed should be based on realistic economic</p>	<p>Please refer to the document CERN/FC/5342 – CERN/2845 – “Report by the External Auditors on the Accounts of the CERN Pension</p>	<p>The PFGB at its meeting on 18 February 2010 approved the use of two sets of actuarial assumptions for depicting the Pension Fund’s liabilities in the 2009 financial statements: a</p>

	<p>assumptions calculated on market values.</p> <p>Had these assumptions been used, the cover ratio would have been decreased. This would have entailed that the “underfunding” - already considered “significant” in the Actuary’s Report – would have been assessed even more negatively.</p>	<p>Fund for the Financial YEAR 2008 - Comments by the Administration of the Fund.</p>	<p>market-based set of assumptions as proposed in the agenda document, and the set of assumptions used in the report by Working Group 2, reflecting a long-term view.</p>
2008	<p><u>SCI- Monitoring –Independent controller</u></p>	<p>Following a thorough review of the Internal Control System (ICS) Working Group 1 will shortly make a recommendation to the PFGB that high priority be given to a self-assessment process within the Fund covering all aspects of internal procedures including transactions and cash movements validity.</p> <p>Furthermore, in the course of setting the Investment Principles of the Fund the IC will address the question of limits and restrictions.</p>	<p>Ongoing</p> <p>Internal Control System to be presented to the PFGB at its meeting in September 2010.</p>

<p>2008</p>	<p><u>Review of your portfolio valuation</u></p>	<p>Management response</p> <p>The Fund has retained these securities within its portfolio in order to benefit from possible future claims and distributions. The Fund’s global custodian, State Street Bank GmbH, who monitor corporate actions on behalf of the Fund have advised us that to remove these titles from our portfolio would mean that Fund waives the aforesaid claims and distributions as the titles would no longer be effectively held in State Street’s custody. Indeed in such a scenario the custodian would require the Fund to sign a waiver to this effect. The Fund will discuss this issue further with the custodian with a view to finding a solution which will satisfy valuation requirements while at the same time retaining rights to possible future economic benefits.</p> <p>Given that the Fund invests in private</p>	<p>Valuation of private equity investments disclosed under “Critical accounting estimates and judgements”.</p> <p>Closed</p>
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		<p>equity funds whose financial reporting dates are the same as that of the Fund it is unlikely that valuations based on audited financial statements as at 31 December will be always be available. This issue is dealt with under ‘Critical Accounting Estimates and Judgements’ in the Annual Report where the basis for the Fund’s valuation of private equity investments and the nature of the uncertainty with regard to these values is stated. It is likely that similar disclosure will be required in future in respect of these investments. However, it should be noted that the valuations based on the latest audited financial statements are reported to the IC at the earliest opportunity.</p>	
<p>2008</p>	<p><u>Investment properties local auditors selection</u></p> <p>Real estate is managed locally by experts and, on a yearly basis, audited by local auditors.</p>	<p>Henceforth the Fund will request an annual engagement letter from the local auditors and will ensure that the content is consistent with the requirements of International</p>	<p>All real estate auditors were obliged to supply a formal engagement letter in respect of the 2009 audit. The content was consistent with the requirements of International Auditing Standards and made specific reference to the auditors’</p>

	<p>We observed, as also reported by PriceWaterhouse-Coopers, that some local auditors were re-elected without any formal engagement letter and no criteria were defined by the management regarding their selection.</p>	<p>Standards of Auditing and that reference is made to the independence and qualifications of the auditors.</p> <p>Furthermore the Fund will write to all local auditors reminding them of the necessity to meeting reporting deadlines in the future.</p>	<p>independence and qualifications. Closed in 2009</p>
2008	<p><u>Investment Properties Valuation expert selection</u></p> <p>No formal engagement letter is annually requested and no criteria are defined by the management regarding the selection of experts.</p> <p>Request an annual engagement letter which requires compliance with IPSAS criteria and defines quality criteria for expert designation (independence, qualifications ...).</p>	<p>Henceforth the Fund will request an annual engagement letter from the valuation experts specifying compliance with IPSAS and attesting to their independence and qualifications.</p>	<p>Engagement letters meeting the required criteria were received from all valuation experts. Closed in 2009</p>
2008	<p><u>Investment Property Valuation</u></p> <p>With regard to the valuation of the investment property, PWC, by sampling the valuation methods, found</p>	<p>The Fund will write to each valuation expert imposing the valuation methods consistent with the provisions of IPSAS 16.</p>	<p>Instructions were issued to all external real estate experts in order to have a consistent valuation approach compatible with the requirements of IPSAS 16. Closed</p>

	<p>that each expert applies the valuation method used in his respective country. Valuation principles consequently differ between countries, and, according to IPSAS 16, current prices on an active market are the best evidence of fair value. In the absence of current market prices and prices on less active markets, discounted cash flow projections should be used. The management responded that “The Fund will write to each valuation expert imposing the valuation methods consistent with the provisions of IPSAS 16.” We share the PWC’s recommendation and we will follow-up whether the Management implement this issue correctly.</p>		
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2008	<p><u>Risk management – strategic decision</u></p>	<p>Quantitative analysis is performed with regard to strategic asset allocation where the Fund uses the consultants Ortec who are recognized as having wide expertise in the quantitative field as applied to pension funds. The Fund is considering setting up tactical margins based on tracking error constraints. With regard to investment drivers the Fund has access to external research and analysis that include quantitative aspects.</p> <p>The Fund already obtains regular VaR reports from its custodian. Additionally the Fund is working on introducing additional and deeper analysis with the use of the product Algorisk proposed by State Street. Steps have already been taken in this direction.</p> <p>Implementation should be effective in 2009 Q2 and should enable stress-tests and what-if analysis to be carried out.</p>	<p>Implementation of quantitative measurement in progress. Ongoing</p>
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