

Report of the Treasurer on the financial situation of the Association

Report submitted to the Council by the Treasurer
on behalf of the Bureau

INTRODUCTION

In accordance with *Articles 16.(2)(b)* and *37.(4)* of the *Constitution* of the International Social Security Association (ISSA), the Treasurer hereby submits to the ISSA Council the triennial report on the financial situation of the ISSA for the period 2017-2019 on behalf of the ISSA Bureau.

This report consists of two parts:

- **Part A:**
The report on the financial situation of the Association during 2017-2019 including the balance sheet, the income statement and the extra-budgetary project accounts.
- **Part B:**
The report on the budgetary situation of the Association during 2017-2019 detailing income by sources and expenditures on the various programmed activities included in the Programme and Budget for 2017-2019.

The results for 2019, which is the third and last year of the triennium, are not available as the year has not yet ended:

- The report on the financial situation therefore outlines the ISSA's financial situation at the end of 2018, the second year of the triennial period, and compares it with the results at the end of 2017.
- The report on the budgetary situation 2017-2019 includes the budgetary results for 2017 and 2018, and the Treasurer's projections for 2019.

The actual financial and budgetary results for 2017 and 2018 were duly audited and approved by the ISSA Control Commission and the ISSA Bureau. The actual figures for the entire triennium will be available after closure of the accounts on 31 December 2019.

The Treasurer will therefore provide a report on the financial and budgetary situation of the Association for the triennium 2017-2019 including the actual results for 2019 to the ISSA Bureau at its first meeting in 2020.

Part A:

**Report on the financial situation of the
Association 2017-2019**

Report on the financial situation of the Association 2017-2019

The report sets out the ISSA's financial situation at 31 December 2018 and compares it to that of 31 December 2017. It covers the entire assets and liabilities of the Association including the reserve fund and extra-budgetary activities (Annexes). It provides a detailed balance sheet as well as an income statement and explains major developments and variations compared to the previous period. Supplementary information is added to explain deviations exceeding 25 per cent in the Notes.

The balance sheet, the income statement and the disclosure notes which form an integral part of the financial statements have been fully audited and approved by the ISSA Control Commission as well as by the external auditing company RSM Audit Switzerland SA.

BALANCE SHEET
as at 31 December 2018 (in thousand CHF)

	Notes	2018	2017	Diff. (>25%)
Assets				
<i>Current assets</i>				
Cash and cash equivalents	2	5 939.7	6 021.3	
Contributions due from affiliate members	3	679.6	398.4	71 %
Contributions due from associate members	3	78.5	89.3	
Other receivables	4	346.2	305.6	
Prepaid expenses and accrued income	5	364.8	16.5	>100 %
Total current assets		7 408.8	6 831.1	
<i>Non-current assets</i>				
Financial assets	6	5 669.5	6 012.3	
Fixed assets	7	33.5	38.6	
Total non-current assets		5 703.0	6 050.9	
Total assets		13 111.8	12 882.0	
Liabilities and funds				
<i>Current liabilities</i>				
Accounts payable	8	97.5	483.8	(79)%
Other current liabilities (*)	9	1 055.2	1 168.2	
Deferred income and accrued expenses (*)	10	1 814.9	1 165.8	56 %
Total current liabilities		2 967.6	2 817.8	
<i>Funds</i>				
Reserve fund		5 205.7	5 205.7	
Working capital fund		3 397.9	3 849.2	
Reported surplus for the current triennium		1 540.6	1 009.2	
<i>Surplus carried forward from prior periods</i>		<i>1 009.2</i>	—	
<i>Surplus/(deficit) for the current period</i>		<i>531.4</i>	<i>1 009.2</i>	
Total funds	11	10 144.2	10 064.2	
Total liabilities and funds		13 111.8	12 882.0	

INCOME STATEMENT
for the period ended 31 December 2018 (in thousand CHF)

	Notes	2018	2017	Diff. (>25%)
Revenue				
Contribution from affiliate members		9 233.4	9 249.2	
Contributions from associate members		697.5	793.1	
Other income (*)		809.2	792.5	
Total operating income	12	10 740.1	10 834.8	
Operating expenses				
Salaries and other staff costs (*)	13	7 398.4	7 994.1	
ASHI contributions	14	52.3	-	100 %
External contractors	15	291.0	305.9	
Linguistic collaboration	16	367.5	363.6	
Mission travel/Daily subsistence allowance	17	410.0	390.2	
Promotion, public relations and representations	18	205.4	488.8	(58)%
Maintenance and IT costs	19	148.7	141.8	
Staff training and development	20	41.6	20.4	>100%
Other operating expenses (*)	21	254.6	255.2	
Rental cost	22	522.9	522.5	
Dissolution of provision for rental cost	22	(71.6)	(522.5)	(86)%
Creation/(dissolution) of provisions (*)	23	216.8	342.9	(37)%
Depreciation on fixed assets		28.7	30.1	
Total operating expenses		9 866.3	10 333.0	
Operating result		873.8	501.8	
Non-operating income/(expenses) (*)				
Financial income/(expenses)		(343.2)	508.5	>(100)%
Exceptional items — unique or off period		0.8	(1.1)	>100%
Total non-operating income/(expenses)	24	(342.4)	507.4	
Net result for the year		531.4	1 009.2	

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Basis of preparation and presentation

The financial statements of the ISSA have been prepared in accordance with the principles of Swiss law (CO), particularly with the articles on commercial accounting and the presentation of the financial statements (art. 957 to 962 CO) and comply with the ISSA Financial Regulations.

The Association's financial period for budgetary purposes is a triennium consisting of three consecutive calendar years. The financial statements are prepared annually on an accrual basis.

The Association is exempt from federal, cantonal and communal taxes in Switzerland. The tax exemption had been granted to the ISSA until 2020 and renewed as follows.

The Association's operating currency is the Swiss franc (CHF); the budget and the financial statements are denominated in that currency. The financial statements are expressed in thousands of CHF unless otherwise indicated.

Assets and liabilities recorded in foreign currencies are converted into Swiss francs at the exchange rate prevailing at the date of the financial statements. Income and expenses recorded in foreign currencies are converted in Swiss francs at the exchange rate prevailing at the date of the transaction. Any realized foreign exchange gains, as well as realized and unrealized foreign exchange losses are included in the income statement for the year.

Prior year balances reclassified for consistency purposes are indicated with (*) in the financial statements or following notes.

Note 2 – Cash and cash equivalents and current assets with a stock exchange price

Cash, cash equivalent and current assets with a stock exchange price item include cash holdings, bank deposits and short-term money market investments with maturity less than 90 days from the date of acquisition and are readily convertible to known amounts of cash. They are recorded at their nominal value.

(thousand CHF)	2018	2017
of which in CHF	5 536.5	5 458.8
of which in USD	87.9	134.1
of which in EUR	315.3	428.4
Cash and cash equivalents	5 939.7	6 021.3

Note 3 – Receivables from members

Accounts receivable are recorded at their original net invoice amount. Value adjustments are carried out for receivables, which are more than 12 months overdue or for which specific risks have been identified.

(thousand CHF)	2018	2017	Diff.
Contributions due from affiliate members			
Contributions receivable	841.6	526.4	60%
Provision on contributions receivable	(162.0)	(128.0)	27%
Contribution receivable from suspended members	1 197.9	1 093.1	
Provision on suspended member contributions receivable	(1 197.9)	(1 093.1)	
Net receivable due from affiliate members	679.6	398.4	

(thousand CHF)	2018	2017
Contributions due from associate members		
Contributions receivable	88.8	92.1
Provision on contributions receivable	(10.3)	(2.8)
Contribution receivable from suspended members	604.2	570.5
Provision on suspended member contributions receivable	(604.2)	(570.5)
Net receivable due from associate members	78.5	89.3

While contributions receivable from associate members have slightly decreased, those from affiliate members have increased by an amount of CHF 315.2 thousand. To respond to this development, increased efforts are being undertaken to encourage the payment of these outstanding contributions from member institutions.

Note 4 – Other receivables

(thousand CHF)	2018	2017
Contribution: <i>Social Security Programs Throughout the World</i> <i>“SSPTW” –USA (Note 12)</i>	275.8	264.6
Withholding tax receivable	66.9	61.9
Other receivables	3.5	2.5
Provision on WSSF	—	(23.4)
Total other receivables	346.2	305.6

The Social Security Administration of the United States of Americas agreed to finance partially the SSPTW programme until the end of the 2017–2019 triennium for a contribution of USD 275 thousand per year as part of the transition phase. This contribution will end in 2019.

Rebilled expenses related to WSSF in Panama were provided for at 50 per cent in 2016 and the additional 50 per cent in 2017; the remaining balance in 2017 related to the exchange rate effect has been written off in 2018 and recognized as an exchange rate result.

Note 5 – Prepaid expenses and accrued income

(thousand CHF)	2018	2017	Diff.
Prepaid expenses to third parties	34.2	16.5	52 %
Prepaid expenses to the ILO	330.6	-	<100%
Total prepaid expenses and accrued income	364.8	16.5	

The prepaid expenses to third parties such as external suppliers and contractors or staff members relates to subscription and licenses fees or staff-home leave fees paid in advance. The increase of the balance as of 31 December 2018 as compared to 31 December 2017 is mainly due to a timing difference related to the new IT-CRM licenses.

The increase of “Prepaid expenses” in 2018 is mainly due to the balance in the account with the International Labour Office (ILO). In addition to preparation of the regular payroll, the ILO provides additional services which are reimbursed by the Association. The services include postage, procurement of fixed assets (mobile phone and computers), couriers, telephone and fax and interpreters. A monthly amount is transferred to the ILO from the Association to cover the monthly payrolls (general service and professional) plus an amount sufficient to cover any additional invoices received. At year end, depending on the timing of the payment made to the ILO, the account ILO-ISSA could be presented as a payables or receivables.

Note 6 – Financial assets

Investments are designated as financial assets at fair value through surplus or deficit and measured at fair value as at the reporting date. Realized and unrealized gains or losses arising from the change of market value of investments and revenue from interest and dividends are recognized in the income statement in the period in which they arise. Investments are classified as non-current assets according to the time horizon of the investment objectives which is more than one year.

ISSA has funds invested with financial institutions such as UBS, and BCGE (*Banque Cantonale de Genève*). The assets in the investment portfolio are re-valued based upon market value information provided by the bank showing the purchase price and current value of each asset in the portfolio.

These investments are made up of units in mutual funds denoted CHF and USD. Guidelines have been retained with respect to the investment of the Reserve Fund's assets.

(thousand CHF)	2018	2017
Investment funds		
Bond funds – CHF	2 853.6	2 896.6
Equity funds – USD	354.6	395.7
Equity funds – CHF	1 634.8	1 867.2
Real estate funds - CHF	489.2	519.4
Other funds for future rent – CHF	317.4	313.5
Sub-total investment funds	5 649.6	5 992.4
Rent guarantee deposits	19.9	19.9
Total financial assets	5 669.5	6 012.3

As of 31 December 2018, the value of the portfolio had decreased by 6 per cent reflecting the financial market situation at that date. During 2019, the financial market situation changed back and the value of the portfolio increased to CHF 6,203 thousand as of 30 June 2019.

In accordance with Article 14.(2) of the Financial Regulations, each year the Bureau is required to establish guidelines for the investment of the assets in the Association's Reserve Fund based on the Treasurer's recommendation.

The Treasurer's Recommendations on Investment

Guidelines applicable to the investment of the Reserve Fund's assets adopted by the Bureau at its 106th Meeting on 16 and 17 January 2013:

1. The Treasurer shall invest the assets of the Reserve Fund with a view to securing optimal returns, without risk of excessive loss, account being taken of factors that might affect the Association's other sources of budgetary income and of the Association's capacity to meet its financial obligations.
2. The Treasurer shall ensure that the assets of the Reserve Fund respect the strategic allocation and tactical fluctuation margins defined in Annex I adopted by the Bureau on 16(17) January 2013.
3. The Treasurer shall ensure that at least 70 per cent of the assets of the Reserve Fund are invested in instruments denominated in Swiss francs.
4. Investments in equity shares, real estate and alternative investments shall be made through the purchase of shares in mutual funds.
5. Investments in bonds and loans shall be made through the purchase of shares in mutual funds comprised of bonds and money markets instruments rated BBB+ category and higher.

Limits on authorized investments

Asset category	Lower limit	Strategy	Upper limit
Cash and short term	0%	5%	15%
Bonds in CHF – CH debtors	15%	20%	25%
Bonds in CHF – foreign debtors	15%	20%	25%
Bonds in foreign denominations –foreign debtors	5%	10%	15%
Subtotal bonds	40%	50%	60%
Equity shares Switzerland	10%	15%	20%
Equity shares worldwide	5%	10%	15%
Subtotal equity shares	15%	25%	25%
Real estate in CH	5%	10%	10%
Alternative investments	0%	10%	10%
		100%	

The Treasurer recommends maintaining the current guidelines for the investment of the funds in the Association's Reserve Fund.

The Association's assets were held as follows on 31 December 2018:

Asset category	Investments held on 31 December 2018	Strategy	Upper limit
Cash	1 %	5 %	15 %
Bonds	50 %	50 %	60 %
Equities	35 %	25 %	35 %
Real estate funds	8 %	10 %	10 %
Alternative investments	6 %	10 %	10 %
	100 %	100 %	

More than 90 per cent of the assets were denominated in CHF. The higher percentage of equities is mainly due to the high performance of many of the funds since their acquisition.

Note 7 – Fixed assets

Fixed assets comprise furniture, IT equipment and purchased software. Fixed assets are recognized at historical cost and amortized over their useful life of three to five years, depending on their nature, using the straight line method. Some equipment were written off following the physical inventory.

(thousand CHF)	2018	2017
Furniture and equipment		
Furniture and equipment	794.5	812.6
Accumulated depreciation furniture and equipment	(763.2)	(777.5)
Sub-total furniture and equipment net	31.3	35.1
 Computers and hardware	 87.7	 87.3
Accumulated depreciation computers and hardware	(85.5)	(83.8)
Sub-total computers and hardware	2.2	3.5
Total fixed assets	33.5	38.6

Note 8 – Accounts payable

(thousand CHF)	2018	2017	Diff.
Payable to third parties (*)	97.5	56.7	72 %
Payable to the ILO	-	427.1	<(100)%
Total accounts payable	97.5	483.8	

The payables to third parties such as translators, external suppliers and contractors, staff members (for mission reimbursements) were higher in 2018 as compared to 2017. This is mainly due to the fact that compared to 2017, more invoices for services delivered in the financial year 2018 arrived in 2019.

At year end, depending on the timing of the payment made to the ILO, the current account ILO-ISSA could be presented as a payables or as prepaid expenses (Note 5).

Note 9 – Other current liabilities

(thousand CHF)	2018	2017
Extra – budgetary funds		
Extraordinary project fund – Côte d'Ivoire	2.7	-
Extraordinary project fund – Japan	87.8	82.0
Extraordinary project fund – Republic of Korea	41.6	35.1
Extraordinary project fund - PERKESO Malaysia	20.0	-
Extraordinary project fund – Recognition Programme	5.0	5.0
Extraordinary project fund - Robert Sauvé	167.4	161.0
Sub-total extra-budgetary funds	324.5	283.1
Accrued accumulated leave (ref. Note 13)	606.7	763.5
Provision for future rent (ref. Note 22)	-	71.6
Other provisions (ref. Note 23)	124.0	50.0
Sub-total provision	730.7	885.1
Total other current liabilities	1 055.2	1 168.2

Note 10 – Deferred income and accrued expenses

Members contributions received in advance represent amounts received from member for contributions related to future financial periods and are classified as deferred revenue. (*) For consistency purposes, the 2017 figures have been reclassified from “Other current liabilities” (Note 9) to “Deferred income”.

(thousand CHF)	2018	2017	Diff.
Accrued expenses	242.4	202.5	
Prepaid contributions for the following year - affiliate members (*)	1 448.0	848.2	71%
Prepaid contributions for the following year -associate members (*)	124.5	115.1	
Total deferred income and accrued expenses	1 814.9	1 165.8	

The accrued expenses have increased due to amounts of which the ISSA has not received the invoices as of 31 December 2018. Most of them related to the continuing expenses like the web portal development, the staffs' leave/separation, the member satisfaction survey and the audit fees.

Prepaid contributions by members have increased significantly compared to the previous year, which suggests a positive development in terms of collection of contributions for the year 2019.

Note 11 – Reserve and working capital funds

Reserve fund

The financial assets of the Association, other than those required for its day-to-day functioning as well as those in the working capital fund, are held in the reserve fund. Each year Treasurer establishes guidelines for the investment of the assets constituting the reserve fund, to be approved by the Bureau.

Working capital fund

The working capital fund is used exclusively for the purpose of ensuring the ongoing functioning of the Association in periods in which there are short-term differences between the income received by the Association and the expenditures incurred.

Based on the financial regulations, which were established by and can be amended by the ISSA Bureau, the fund should not exceed five per cent of the total budget for the three year period approved by the Council. In adopting the ISSA budget 2017–2019, the Council has, however, decided that an amount exceeding five per cent may be retained in the fund to ensure the Association is able to deal with extraordinary situation. The movements of the working capital fund for the triennium 2017–2019 are as follows:

(thousand CHF)	2018	2017
Working capital as of 1 January	3 849.2	1 348.4
Reported surplus for the previous triennium 2014–2016	-	2 948.7
Working capital transfer to current year operations	(451.3)	(447.9)
Sub-total working capital as of 31 December	3 397.9	3 849.2
Reported surplus for the triennium – first year	1 009.2	1 009.2
Reported surplus for the triennium – second year	531.4	–
Sub-total reported surplus for the triennium	1 540.6	1 009.2

Note 12 – Revenue

Member fee revenues concerning the year under review are recorded as income. Subsequent year fees are also invoiced during the year under review, but not recognized in the income statement.

(thousand CHF)	2018	2017
Contributions from affiliate members	9 233.4	9 249.2
Contributions from associate members	697.6	793.1
Income from extra budgetary projects (Annexes)	82.0	62.0
Contribution SSPTW –USA (Note 4)	275.8	264.6
Income from working capital fund (Note 11, 22)	451.3	447.9
Miscellaneous other income	–	18.0
Total revenue	10 740.1	10 834.8

The transfer of CHF 451.3 thousand from the working capital has been used to fund the shortfall for rent.

Note 13 – Salaries and other staff costs

All regular members of the staff of the Association General Secretariat are employed under contracts issued by the International Labour Office (ILO) and receive entitlements calculated in accordance with the policies established by the ILO and the International Civil Service Commission (ICSC). Regular staff are also eligible for pension benefits from the United Nations Joint Service Pension Fund (UNJSPF) and are entitled to Health Benefits from the Staff Health Insurance Fund (SHIF) administered by the ILO. Temporary staff and staff engaged for short-term assignments may be also employed under contracts issued by the ILO. Staff are employed under two different types of ILO contract:

- General Service – for locally recruited staff members levels G1 to G7;
- Professional – for internationally recruited staff levels P1 to D2.

Salaries and other staff costs covers all entitlements for active officials of all grades as authorized by the ILO Staff Regulations. Staff costs include short-term employee benefits such as first-time employee benefits (for example moving costs, subsidies at the beginning of appointment), regular monthly benefits (for example salaries and allowances), compensated absences, other short-term benefits (for example education grant and home leave) and the employer participation to SHIF and UNJSPF.

The average number of full time staff is less than 50 employees per year. An expense is recognized when employees render service to the Association and a liability is recognized for any entitlement that has not been settled at the reporting date.

(thousand CHF)	2018	2017
Salaries and other short term benefits	7 555.2	7 982.0
Leave accruals (Note 9)	(156.8)	12.1
Total salaries and other staff costs	7 398.4	7 994.1

The decrease of “Salaries and other short term benefits” reflects the reduction in spring 2018 in the cost of living as determined by the ICSC and reflected in the post adjustment for the salaries of professional category.

In accordance with ILO Staff Regulations, ISSA officials may accumulate annual leave of up to 60 working days. The liability accrued at year end is calculated based on the last salary. The vacation accruals have been decreased by CHF 156.8 thousand in 2018 compared to an increase of CHF 12.1 thousand in 2017. The vacation accrual provision as per 31 December 2018 amounts to CHF 606.7 thousand as compared to the amount of CHF 763.5 thousand as of 31 December 2017 (Note 9).

Note 14 – After service health insurance (ASHI) costs

ISSA staff members retiring from service at the age of 55 or later are eligible for subsidized health-care coverage if they have at least ten years of service with an agency of the UN system and have been a participant in SHIF for the five years immediately preceding separation from service. The same benefit applies to former staff members receiving compensation for disability from the UNJSPF. The ISSA’s liability is recorded in the ILO financial statements.

Starting from January 2018, the ISSA will reimburse the ILO for the employer’s share, in respect of ISSA’s retirees, on a pay as you go basis. In accordance with a phased model previously agreed with the ILO, the ISSA will reimburse 25 per cent of the costs in 2018, 50 per cent in 2019, 75 per cent in 2020 and 100 per cent of the costs starting from 01 January 2021.

(thousand CHF)	2018	2017
ASHI contributions	52.3	-

Note 15 – External contractors

The ISSA utilizes external contractors for short term specific missions. The external contractor costs include expenditures related to seminars, workshops and other training delivered covering the costs of consultants and subsistence payments.

(thousand CHF)	2018	2017
External contractors	291.0	305.9

Note 16 – Linguistic collaboration

The ISSA uses independent translators and interpreters for the translation services. The costs of interpretation, translations, revision of documents as well as translations services during ISSA events and conferences are presented under linguistic collaboration.

(thousand CHF)	2018	2017
Linguistic collaboration	367.5	363.6

Note 17 – Mission travel /Daily subsistence allowance

Travel and mission includes expenses related to official travel for staff and experts. Daily subsistence allowance (DSA) is a daily allowance defined by the United Nations payable by the Association for living expenses incurred by staff members or experts while they are in mission.

(thousand CHF)	2018	2017
Travel/DSA Expert	69.6	58.7
Travel/DSA Staff	340.4	331.5
Total mission travel/daily subsistence allowance	410.0	390.2

Note 18 – Promotion, public relations and representation

(thousand CHF)	2018	2017	Diff.
Promotion and public relations	163.8	379.4	57%
Representation costs, conferences and manifestation	41.6	109.4	62%
Total promotion, public relations and representation	205.4	488.8	

Both “Promotion and public relations costs” and “Representation costs, conferences and manifestations” have significantly decreased in 2018. The 2017 figures were exceptionally higher reflecting the campaign “Vision Zero” developed by the ISSA and its Special Commission on Prevention, and the expenses related to the World Congress on Safety and Health at Work and the celebration of the ISSA’s 90th anniversary. The 2018 figures reflects the level the ISSA had in the past for such expenditures.

Note 19 – Maintenance and IT Costs

(thousand CHF)	2018	2017
SugarCRM and Website development	111.0	102.2
Software and licenses	31.8	33.7
Other IT related expenses	5.9	5.9
Total maintenance and IT costs	148.7	141.8

The CRM development was completed in 2017. In 2018, the ISSA has developed the new ISSA website launched in December 2018. Further developments of the website are ongoing and will be terminated in 2019.

Note 20 – Staff training and development

(thousand CHF)	2018	2017
Staff training and development	41.6	20.4

The increase in staff training and development costs results from increased training activities, among other related to new IT developments, as well as the exceptionally low level of training activities during the year 2017 due to the high workload during this year.

Note 21 – Other operating expenses

(thousand CHF)	2018	2017
External accounting and auditing fees	61.4	57.1
General administration costs	26.9	25.7
Mailing	24.7	21.0
Office supplies/stationary	8.2	8.3
Photocopiers/printing	11.9	11.6
Printing	104.6	110.3
Telephone/Fax	16.9	21.2
Total other operating expenses	254.6	255.2

The general administration costs have slightly decreased remaining almost at a similar levels as the year before.

Note 22 – Rental costs

Prior to May 2014, there were no rental costs for ISSA through the ILO. Since May 2014, it was agreed that ISSA would assume the rental costs which have been included in the budget. Following this change, a provision to cover the future rental costs was created, and invested separately in financial assets. The 2015 provision of CHF 1,123.9 thousand has been decreased to CHF 594.1 thousand as of December 2016 following the payment of the 2016 rent expense. This has been further reduced to CHF 71.6 thousand as of December 2017 following the payment of the 2017 rent expense. In 2018, a special allocation was made from the Working Capital Fund in line with the decision of the Council (Note 11 and Note 12). The ISSA will use the working capital to fund the 2019 rental expenditures.

Note 23 – Creation/(dissolution) of provisions

Movements on provisions	2018	2017	Diff.
Affiliate member			
Provision on prior year related contributions	15.2	14.3	
Provision on contribution receivables	160.4	145.5	
Release of provisions	(51.6)	(29.2)	77%
Sub-total affiliate members	124.0	130.6	
Associate member			
Provision on prior year related contributions	–	–	
Provision on contribution receivables	21.6	101.2	(79%)
Release of provisions	(2.8)	(13.9)	(80%)
Sub-total associate members	18.8	87.3	
Release of provision on WSSF Panama (Note 4)	–	75.0	(100)%
Other provisions	74.0	50.0	48%
Total creation/(dissolution) of provisions	216.8	342.9	

Note 24 – Non-operating income/(expense)

(thousand CHF)	2018	2017
Financial income/(expenses)		
Bank charges and handling fees	(44.1)	(41.8)
Foreign exchange gain/(loss) – net	1.3	87.7
Investment portfolio gain/(loss) (*)	(300.4)	462.6
Sub-total financial income/(expenses)	(343.2)	508.5
Exceptional items – unique or off period	0.8	(1.1)
Total non-operating income/(expenses)	(342.4)	507.4

(*) Investment portfolio gain/loss was previously presented as an operating activity. However, this relates to the investment of funds and is not part of the ISSA operating activities. As such, it was reclassified in the non-operating activities section.

ANNEXES: EXTRA-BUDGETARY PROJECTS

**ANNEX 1. Secondment from the Social Insurance Institute - National
Social Insurance Fund, Côte d'Ivoire**

Situation as of 31 December 2018

Name of Project: Social Insurance Institute - National Social Insurance Fund, Côte d'Ivoire (*Institution de Prévoyance Sociale - Caisse Nationale de Prévoyance Sociale – CNPS*)

Objective: Detachment of one official of the CNPS to be trained in the field of social security and participate in certain specific activities

Duration: On-going project

Total amount: CHF 20,000 per year

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	—
Income 2018	20 000
Expenditure 2018	(17 326)
Balance in favour of the project as of 31 December 2018	2 674

ANNEX 2.

Secondment from the Japan Pension Service

Situation at 31 December 2018

Name of Project:	Japan Pension Service (JPS)
Objective:	Detachment of one official of the JPS to be trained in the field of social security and participate in certain specific activities
Duration:	On-going project
Total amount:	CHF 30,000 per year
Overhead:	CHF 20,000 per year included in the total expenses amount

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	81 995
Income 2018	30 000
Expenditure 2018	(27 873)
Balance in favour of the project as of 31 December 2018	84 122

**ANNEX 3. Secondment from the Pension Bureau of the Ministry of
Health, Labour and Welfare of Japan**

Situation at 31 December 2018

Name of Project: Pension Bureau of the Ministry of Health, Labour and Welfare (MHLW) of Japan

Objective: Detachment of one official of the MHLW to be trained in the field of social security and participate in certain specific activities

Duration: On-going project

Total amount: CHF 30,000 per year

Overhead: CHF 20,000 per year included in the total expenses amount

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	—
Income 2018	30 000
Expenditure 2018	(26 327)
Balance in favour of the project as of 31 December 2018	3 673

**ANNEX 4. Secondment from the National Health Insurance Service of the
Republic of Korea**

Situation at 31 December 2018

Name of Project: National Health Insurance Service of the Republic of Korea (NHIS)

Objective: Detachment of one official of the NHIS to be trained in ISSA activities and participate in a number of activities

Duration: On-going project

Total amount: CHF 30,000 per year

Overhead: CHF 20,000 per year included in the total expenses amount

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	35 060
Income 2018	30 000
Expenditure 2018	(23 451)
Balance in favour of the project as of 31 December 2018	41 609

ANNEX 5. Secondment from National Pension Service of the Republic of Korea

Situation at 31 December 2018

Name of Project:	National Pension Service of the Republic of Korea (NPS)
Objective:	Detachment of one official of the NPS to be trained in ISSA activities and participate in a number of activities
Duration:	On-going project
Total amount:	CHF 20,000 per year
Overhead:	CHF 20,000 per year included in the total expenses amount

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	—
Income 2018	20 000
Expenditure 2018	(20 000)
Balance in favour of the project as of 31 December 2018	-

ANNEX 6. Secondment from the Social Security Organisation of Malaysia

Situation at 31 December 2018

Name of Project: Social Security Organisation (*Pertubuhan Keselamatan Sosial – PERKESO*)

Objective: Detachment of one official of the PERKESO to be trained in ISSA activities and participate in a number of activities

Duration: On-going project

Total amount: CHF 20,000 per year

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	—
Income 2018	20 000
Expenditure 2018	—
Balance in favour of the project as of 31 December 2018	20 000

ANNEX 7.

ISSA Recognition Assessments

Situation at 31 December 2018

Name of Project:	ISSA Recognition Programme
Objective:	Allow the ISSA to meet a growing interest for recognition among member institutions
Duration:	On-going project
Total amount:	CHF 5,000 per recognition request
Overhead:	None, as programme management costs covered by the ISSA budget

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	5 000
Income 2018	—
Expenditure 2018	—
Balance in favour of the project as of 31 December 2018	5 000

ANNEX 8. International Section of the ISSA on Education and Training for Prevention

Situation at 31 December 2018

Name of Project:	International Section of the ISSA on Education and Training for Prevention (ISETP)
Objective:	Financial administration of funds for the International Section of the ISSA on Education and Training for Prevention
Duration:	On-going project
Total amount:	No further income is expected for this project. The additional income relates to the revaluation of the Euro currency against the Swiss franc
Overhead:	CHF 2,000 per year for financial administration of the funds included in the total expensed amount

Balance and movements of the funds:

	CHF
Balance as of 1 January 2018	161 017
Income 2018 (revaluation EUR vs CHF impact)	8 379
Expenditure 2018 (administrative fees)	2 000
Balance in favour of the project as of 31 December 2018	167 395

Part B:

**Report on the budgetary situation
of the Association 2017-2019**

Report on the budgetary situation of the Association 2017-2019

This report covers the budgetary situation of the Association during 2017-2019.

It provides detailed information on the expenditures charged to the various budget lines representing programmed activities included in the Programme and Budget 2017–2019 as well as on budgeted income actually received.

The overall result on income of CHF 10,453.8 thousand over expenditures of CHF 9,469.9 thousand for the year 2018 has been positive.

This result deviates from the usual budget cycle of the Association that includes a surplus in the first year, a balanced budget result in the second year and a deficit during the third year of the triennium.

This positive deviation results from savings in staff costs due to the implementation of a salary reduction of more than 5 per cent for professional staff in the ISSA General Secretariat in line with UN and ILO rules as well as to open positions caused by delays in recruitment processes. As regards non-staff costs, expenditures related to promotion and communication were lower in 2018 in view of significant investments during 2017 in the Vision Zero programme, the development of a member engagement strategy and the development of the new ISSA web portal. A stable income development as regards member contributions has supported the positive budgetary result of the year 2018.

EXPENDITURE FOR THE YEAR 2018

It is recalled that the ISSA Council, at its 36th Session in Panama in November 2016, approved a total budget expenditure of CHF 30,987.6 thousand for the 2017–2019 triennium. In addition, the Council approved an extraordinary rental expenditure of CHF 1,590.0 thousand for the triennium, totalling an approved expenditure budget of CHF 32,577.6 thousand.

The total expenditures in 2018 amounted to CHF 9,469.9 thousand. This amount consists of CHF 8,947.0 thousand for programmed activities and CHF 522.9 thousand for the temporary rental of office space for the ISSA General Secretariat and related contractual services. The breakdown of the expenditure in 2018 by programmed activity as well as the total budgeted expenditure by activity for the triennium is shown in Table 1.

The following explanations cover those variations between allocations and actual expenditures that differed 25 per cent. While the Association has a triennial budget almost equally distributed over the three years of the triennium, some individual activities are concentrated in one or two years of the triennium. Many of the variations explained below are due to this triennial project and activity cycle.

ISSA Guidelines and Self-Assessment Tools: The over expense deviation corresponds to staff costs and is due to the concentration of Guidelines preparation and review work during 2018, as they have to be delivered between November 2018 and April 2019. These higher expenditures will be compensated during 2019 with the finalization of the Guidelines preparation by May 2019.

ISSA Guidelines Knowledge Base: The under expense deviation corresponds to staff costs and is due to a limited work on tasks related to Guidelines references during 2018, as the focus was on the preparation and review of Guidelines. In line with the ISSA Guidelines production process, this deviation will be compensated during 2019 by a focus on the identification of references once the Guidelines will have been finalized.

ISSA Technical Advice and Support: An increasing number of member institutions consult the ISSA regarding technical advice and support, which is a positive result of the ISSA to better promote services and engage members but has also led to higher than forecasted spending on technical advice and support.

ISSA Benchmarking: The under expense deviation in ISSA benchmarking is due to restructuring of the project as reported in the mid-term report on programme implementation approved by the Bureau in August 2018.

ISSA Recognition: While the number of member institutions undergoing the recognition process is increasing, the member survey has shown the need for increased promotion activities in order to achieve objectives. The ISSA recognition activity has therefore taken less resources than initially planned.

ISSA Member Engagement: Member engagement has been a major focus for the organization, and as it is a new activity the exact budgeting is being refined. The new communications strategy and member centric website will be rolled out in 2019, moving some expenditure to the final year.

World Social Security Forum: The main expenditure for the WSSF takes place in the final year of the triennium, and the good progress made with the hosts has not required the full budget anticipated in 2018.

ISSA International Conferences for Social Security Professionals: The under expense deviation corresponds to staff costs and is due to the cancellation of one of the international conferences.

Partnership Development: Expenditures for partnership development have been lower than foreseen due mainly to lower than budgeted staff costs. While partnerships have been developed positively during 2018, many partnership activities have been implemented back-to-back to other ISSA activities and focussed on the identification of partnership opportunities rather than implementation.

ISSA Communications Coordination: The communications focus for 2018 was to develop a new member centric communications strategy, which is being progressively rolled out. As such investment in materials was lower in 2018. Efforts were also made to limit expenditure in 2018 to remain within the overall budget for the triennium.

ISSA Web Portal: A major focus of the member centric communications strategy is the new ISSA website, the first elements of which were launched in December 2018. The related development costs have resulted in higher than budgeted expenditures.

ISSA Publications Coordination: The publications for the major events in 2018 such as the Regional Forums were produced mainly in one language in line with the language policy of these events, which limited investment required.

General Management: The higher than forecasted spending is due to staff costs resulting from the compensation of a long-term absence of a staff member through an additional temporary recruitment, as well as to a higher than foreseen number of missions undertaken by the Secretary General.

Statutory Bodies and Institutional Relations with Members: The extraordinarily high expenditures were due to the election process of the new ISSA Secretary General, which had not been foreseen for the second year of the triennium and involved the organization of an extraordinary Session of the ISSA Council in Geneva.

Staff Training and Development: As in 2017, the costs have been lower due to a lower amount of external staff training. A number of internal courses were carried out, however, and were mostly related to the development of new ICT tools.

Internal Services: Costs have been lower than budgeted for telephone/fax/internet as well as for mail, transport, paper and stationary. As in 2017, these expenditures are being closely monitored for the purpose of necessary adjustments and savings.

Table 1. *ISSA budgeted and actual expenditures 2017–2019 by activities in Thousand Swiss Francs*

Project/Activity	2018 Expenditure Budget Thousand CHF	2018 Expenditure Actual Thousand CHF	2018 Actual to Budget > 25%	Budget 2017–2019 Thousand CHF	2018 Exp. Budget 2017–2019 %
Products and Services					
ISSA Guidelines and Guidelines Knowledge Base	1 077.5	932.4		4 018.7	23%
ISSA Guidelines and Self-Assessment Tools	371.0	474.6	128%	1 486.5	32%
ISSA Guidelines Knowledge Base	706.5	457.8	65%	2 532.2	18%
ISSA Centre for Excellence Services	1 014.0	767.0		3 949.2	19%
ISSA Technical Advice and Support	136.2	176.9	130%	779.9	23%
ISSA Academy	605.9	497.9		1 882.5	26%
ISSA Benchmarking	75.6	27.1	36%	498.9	5%
ISSA Recognition	196.3	65.1	33%	787.9	8%
ISSA Research and Innovation	718.6	835.6		1 902.7	44%
ISSA Research and Innovation	718.6	835.6		1 902.7	44%
ISSA Member Engagement	711.8	521.8		2 324.8	22%
ISSA Member Engagement	711.8	521.8	73%	2 324.8	22%
ISSA Country Profiles	547.9	434.1		1 145.4	38%
ISSA Country Profiles	547.9	434.1		1 145.4	38%
ISSA International Conferences and Platforms	1 030.3	750.1		2 989.4	25%
ISSA World Social Security Forum	79.9	39.8	50%	858.7	5%
ISSA Regional Social Security Forums	343.9	304.7		1 147.1	27%
ISSA International Conferences for Social Security Professionals	606.5	405.6	67%	983.6	41%
ISSA Partnership Development	117.5	45.0		502.4	9%
Partnership Development	117.5	45.0	38%	502.4	9%
Sub-total	5 217.6	4 286.0	82%	16 832.6	25%
Communication, Management and Governance					
Communication and Publication Coordination	1 371.6	1 130.5		4 485.1	25%
ISSA Communications Coordination	519.9	269.5	52%	1 949.6	14%
ISSA Web Portal	448.8	616.4	137%	1 528.9	40%
ISSA Publications Coordination	402.9	244.6	61%	1 006.6	24%
General Management, Programme Coordination and Official Relations	1 730.6	2 097.6		4 549.9	46%
General Management	528.0	688.2	130%	1 840.1	37%
Programme, Regional Structures and Technical Commissions Coordination	703.4	743.1		1 958.9	38%
Statutory Bodies and Institutional Relations with Members	499.2	666.3	133%	750.9	89%
Sub-total	3 102.2	3 228.1	104%	9 035.0	36%
Internal Services					
HR, Finance and Logistics	873.8	810.8		2 701.0	30%
External Accounting, Audit	55.0	61.4		235.8	26%
Staff Training and Development	80.0	45.9	57%	275.0	17%
Information Technology and Office Equipment	446.6	444.4		1 608.2	28%
Telephone/Fax/Internet	25.0	16.9	68%	90.0	19%
Mail and Transport	30.0	24.7		105.0	24%
Paper and Stationery	20.0	7.8	39%	75.0	10%
Photocopiers	10.0	11.9		30.0	40%
Rent and Contractual Services	541.0	532.0		1 590.0	33%
Sub-total	2 081.4	1 955.8	94%	6 710.0	29%
Total Expenditures	10 401.2	9 469.9	91%	32 577.6	29%

INCOME FOR THE YEAR 2018

The budget approved by the Council for the 2017–2019 triennium was based on projections of a budget income totalling CHF 30,987.6 thousand. This projected budget income consists of income from contributions of affiliate and associate members of CHF 29,643.7 thousand and of a transfer from the Working Capital Fund of CHF 1,343.9 thousand to cover the gap between planned expenditures and contribution income resulting from the decision to continue the extraordinary reduction of the contribution point value to CHF 1 500 throughout the triennium 2017–2019. These projections were based on the most reliable information available at the time the budget was drawn up.

In addition, the Council approved additional income to cover the rental expenditures at the amount of CHF 1,590.0 thousand through the dissolution of the rental provision and transfers from the Working Capital Fund.

As it can be seen in Table 2, the actual contribution income from affiliate members during the year 2018 has been slightly higher than expected while income from associate members has been as budgeted.

In 2018, there was no transfer from the Working Capital Fund for the purpose of operating deficit financing. Rental expenses of CHF 522.9 thousand were financed through the use of the balance in the rental provision for an amount of CHF 71.6 thousand and a transfer from the working capital for the remaining CHF 451.3 thousand.

Table 2. *Annual income, expenditures and surplus/deficit, by source in thousand Swiss Francs*

Source	Actual 2018 thousand CHF	Budget 2018 thousand CHF	Difference thousand CHF	Budget 2017–2019 thousand CHF	2018 Budget 2017–2019 %
Contributions - affiliate members	9 233.4	8 900.0	333.4	27 450.0	34%
Contributions - associate members	<u>697.5</u>	<u>697.5</u>	<u>0</u>	<u>2 193.7</u>	32%
Total Contributions	9 930.9	9 597.5	333.4	29 643.7	
Transfer from WCF for operations	-	447.9	(447.9)	1 343.9	0%
Provision and WCF transfer for rent	<u>522.9</u>	<u>530.0</u>	<u>(7.1)</u>	<u>1 590.0</u>	33%
Total income	10 453.8	10 575.4	(121.6)	32 577.6	
Expenditure rent	522.9	530.0	(7.1)	1 590.0	33%
Expenditure programme	<u>8 947.0</u>	<u>9 922.6</u>	<u>(975.6)</u>	<u>30 987.6</u>	29%
Total expenditure	9 469.9	10 452.6	(982.7)	32 577.6	
Surplus/deficit	983.9	122.8	861.1	-	

OUTLOOK FOR THE TRIENNIUM 2017–2019

The budgetary forecast for 2019 and therefore the overall forecast for the triennium takes into account the triennial cycle of implementation of ISSA projects and activities for which expenditures in the third year of the triennium are higher than in the first two years. This pattern is explained in particular by the organization of the biggest and most important ISSA event, the World Social Security Forum, as well as costs related to the translation, production and promotion of the results of ISSA projects that are finalized during the third year of the triennium.

For 2019, however, additional factors must be taken into account to explain the expected budgetary result. First, as a court decision was pending as regards the validity of the salary reductions implemented during 2018 and for reasons of prudence, staff cost projections for 2019 did not take into account the salary reduction included in the actual costs for 2018. Further, vacancies that have significantly contributed to lower staff costs during 2018 had been filled by the end of 2018. Finally, additional costs will occur due to the increasing share of the ISSA financing of after service health insurance for ISSA retirees as well as related to the move of the ISSA General Secretariat back to the ILO building in the second semester.

At the same time, membership developments have led to a slight reduction in the number of contribution points of affiliate members and in the number of associate members. The income projections for member contributions have therefore been adjusted for the year 2019.

In line with the request of the ISSA Bureau, the General Secretariat continues to identify any possible areas for savings with the objective to contribute to solutions for the sustainable financing of the Association during the triennium 2020–2022. Despite the forecasted deficit for the third triennium, planned expenditures are therefore expected to be significantly lower than programmed expenditures for the triennium. As can be seen in Table 3, if planned expenditures and projected income realize as forecasted, the expected budgetary result of the triennium would be a surplus of CHF 1,141.5 thousand.

Table 3. *Projected income, expenditures, surplus/deficit, by source, 2017–2019
in Thousand Swiss Francs*

Source	Actual 2017 thousand CHF	Actual 2018 thousand CHF	Projected 2019 thousand CHF	Projected 2017–2019 thousand CHF	Budget 2017–2019 thousand CHF
Contributions - affiliate members	9 249.3	9 233.4	9 000.0	27 482.7	27 450.0
Contributions - associate members	<u>793.1</u>	<u>697.5</u>	<u>675.0</u>	<u>2 165.6</u>	<u>2 193.7</u>
Total Contributions	10 042.4	9 930.9	9 675.0	29 648.3	29 643.7
Transfer from WCF for operating	447.9	0.0	0.0	447.9	1 343.9
Provision and WCF transfer for rental	522.5	522.9	530.0	1 575.4	1 590.0
Miscellaneous income	<u>18.0</u>	<u>0.0</u>	<u>0.0</u>	<u>18.0</u>	<u>0.0</u>
Total income	11 030.8	10 453.8	10 205.0	31 689.6	32 577.6
Expenditure rent	522.5	522.9	530.0	1 575.5	1 590.0
Expenditure programme	<u>9 685.7</u>	<u>8 947.0</u>	<u>10 340.0</u>	<u>28 972.7</u>	<u>30 987.6</u>
Total expenditure	10 208.2	9 469.9	10 870.0	30 548.2	32 577.6
% of Total	33%	31%	36%		
Surplus/deficit	822.6	983.9	(665.0)	1 141.5	-

VOLUNTARY CONTRIBUTIONS AND EXTRA-BUDGETARY RESOURCES

In 2018, as in previous years, the income received from all forms of voluntary contributions was highly appreciated. Particular mention should be made of the extraordinary efforts undertaken by the many organizations who host ISSA conferences, seminars and workshops. These organizations not only meet the costs of accommodation for officials from the ISSA General Secretariat but also costs associated with providing interpretation services, meeting rooms and speakers.

The ISSA would like to offer its sincere gratitude to the member institutions that have agreed to host regional structures.

The Association would also like to express its deep gratitude to the following organizations, who seconded staff to the General Secretariat during the year 2018:

- Social Insurance Institute - National Social Insurance Fund, Côte d'Ivoire (Institution de Prévoyance Sociale - Caisse Nationale de Prévoyance Sociale - CNPS);
- The Japan Pension Service (JPS);
- Pension Bureau of the Ministry of Health, Labour and Welfare (MHLW) of Japan
- The National Health Insurance Service of the Republic of Korea (NHIS);
- The National Pension Service of the Republic of Korea (NPS)
- The Social Security Organisation (PERKESO) of Malaysia.

The Association thanks the Social Security Administration of the United States (SSA) for its collaboration with the ISSA for the production of the national tables contained in the compendium *Social Security Programs Throughout the World* (SSPTW).

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