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THE FUND'S INCOME POSITION FOR FY 2024— ACTUAL OUTCOME

IMF staff regularly produces papers proposing new IMF policies, exploring options for reform, or reviewing existing IMF policies and operations. The following document has been released and are included in this package:

- The **Staff Report** prepared by IMF staff and completed on July 29, 2024 for the information of the Executive Board. The paper was prepared following completion of the IMF's FY 2024 external audit.

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THE FUND'S INCOME POSITION FOR FY 2024—ACTUAL OUTCOME

EXECUTIVE SUMMARY

This paper reports on the Fund's income position for FY 2024 following the closing of the Fund's accounts for the financial year and completion of the external audit. Overall net income of the General Department was SDR 4.7 billion, about SDR 0.2 billion higher than estimated in April, mainly reflecting an increase in the remeasurement gain reported under IAS 19 (the accounting standard for employee benefits).

GRA net income in FY 2024 increases the Fund's reserves and, in accordance with decisions taken by the Executive Board in April 2024, a net transfer of currencies of SDR 3.3 billion will be made from the GRA to the Investment Account during FY 2025. The Fund's precautionary balances, following the placement of net income to the Fund's reserves and the pension-related adjustments for the year, reached SDR 25.1 billion at the end of FY 2024, in line with the April projection.

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REVIEW OF THE INCOME POSITION FOR FY 2024

1. This paper presents the Fund's net income position for FY 2024. The actual outcome reported in this paper follows the closing of the Fund's accounts for the financial year and completion of the FY 2024 external audit.¹

2. The FY 2024 comprehensive net income of SDR 4,684 million was SDR 239 million higher than the April projection (Table 1).² The bulk of the increase was attributable to the pension-related remeasurement gain reported under IAS 19 exceeding earlier projections by SDR 286 million, offset partly by investment income from the Fixed-Income and Endowment Subaccounts being SDR 46 million lower-than-anticipated. The results are highlighted in Figure 1 and discussed below:

- **Lending income.** Lending income, comprising margin income, service charges, commitment fees, and surcharges, totaled SDR 2,682 million for the year, in line with the April estimates.
- **Income of the Investment Account.** The investment income from the Fixed-Income Subaccount was SDR 783 million for the year, marginally lower than the SDR 803 million gain anticipated in April, reflecting mainly an increase in US treasury yields during April that lowered mark-to-market gains. The investment income from the Endowment Subaccount of SDR 570 million was also marginally lower than the SDR 596 million gain projected in April, as financial markets remained volatile during the last two months of the financial year and bond yields increased.^{3,4}
- **Expenses.** Total expenses of SDR 1,185 million were broadly in line with the April estimates. The slightly higher administrative expenditures reflect the variance between projected and actual USD/SDR exchange rates. Table 3 provides a reconciliation between the net administrative budget outturn and the administrative expenses reported in the FY 2024 audited financial statements.⁵

¹ See [Audited Financial Statements for the Financial Years Ended April 30, 2024 and 2023](#).

² See [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#).

³ The assets of the Endowment Subaccount (EA) are invested in a globally diversified portfolio between global fixed-income and equity instruments. In the *Review of the Investment Account and Trust Assets Investment Strategy* in January 2022, the Board approved a new Strategic Asset Allocation (SAA) for the EA consisting of a 45/55 percent split between global fixed-income and equity instruments.

⁴ The performance of the Endowment Subaccount is measured in US dollars as the base currency and translated into SDRs for financial reporting.

⁵ The administrative expenses reported in the audited financial statements include non-operational costs, i.e., the pension cost accrual. Staff undertake a costing exercise each year to determine a reasonable estimate of gross expenses for the relevant operations, which forms the basis for GRA reimbursement, subject to adjustments based on differences between estimates and outturn for the prior year.

- **Pension-related remeasurement gain** (Table 2). The remeasurement gain was SDR 286 million higher than projected due mainly to the increase in the discount rate from the 5.19 percent estimated in April to the actual year-end rate of 5.53 percent,⁶ which increased the remeasurement gain by SDR 478 million. This was partly offset by a higher than estimated plan experience loss and other adjustments of about SDR 168 million, reflecting higher actual inflation and salary increase rates. It was further offset by weaker-than-anticipated plan asset returns, reducing portfolio gains from the earlier estimate by about SDR 24 million; as bond yields increased and global equity markets experienced slight declines for the last month of the financial year.

3. **Precautionary balances.**⁷ Precautionary balances amounted to SDR 25.1 billion at year end, in line with the earlier projection in April.

4. **No decisions are required at this time.** The Executive Board took all necessary decisions in April 2024 during the review of the Fund's income position for FY 2024 and FY 2025–2026.⁸ Income from the Endowment Subaccount of SDR 570 million is retained in the subaccount, while income from the Fixed-Income Subaccount of SDR 777 million, after offsetting the remaining retained loss of SDR 6 million from FY 2022, will be transferred to the GRA and used for meeting the administrative expenses of the Fund.⁹ A portion of the FY 2024 GRA net income equivalent to the pension-related remeasurement gain was placed to the Fund's special reserve, and the remainder of GRA net income was allocated equally between the Fund's general reserve and special reserve.^{10,11} A net transfer of currencies of SDR 3,331 million is scheduled to be made from the GRA to the Fixed-Income Subaccount during FY 2025 (see Table 4).

⁶ See page 31 of [Audited Financial Statements for the Financial Years Ended April 30, 2024 and 2023](#).

⁷ As of April 30, 2024, the GRA's precautionary balances consist of its reserves (excluding SDR 4.4 billion currently held in the special reserve, attributable to the profits from gold sales), adjusted to exclude the pension-related gains and losses included in accounting income.

⁸ Decisions No. 1 through No. 6, see [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#).

⁹ Decision No. 3, [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#), provides for the transfer to the GRA of the income of the Fixed-Income Subaccount, after offsetting the remaining retained loss of SDR 6 million to fully recoup the retained loss of SDR 222 million incurred in FY 2022, for meeting the Fund's FY 2024 administrative expenses. The income of the Endowment Subaccount is retained and invested according to the Rules and Regulations for the Investment Account.

¹⁰ See page 34 of [Audited Financial Statements for the Financial Years Ended April 30, 2024 and 2023](#). See also Decision No. 4, [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#).

¹¹ No decision to distribute GRA net income has been taken for FY 2024.

Table 1. Income and Expenditures for FY 2024
(in SDR millions)

	April Projections ¹	Actual Outcome	Difference
	(a)	(b)	(c=b-a)
A. Operational income	3,678	3,659	-19
Lending income	2,683	2,682	-1
Margin for the rate of charge	943	943	0
Service charges	85	85	0
Commitment fees	225	225	0
Surcharges	1,430	1,429	-1
Investment income	803	783	-20
Fixed-Income Subaccount investment income	803	783	-20
Endowment subaccount payout ²	0	0	0
Interest free resources ³	181	183	2
Reimbursements	11	11	0
SDR Department	5	5	0
PRG Trust	0	0	0
RST	6	6	0
B. Expenses ⁴	1,183	1,185	2
Net administrative expenditures	1,052	1,060	8
Capital budget items expensed	25	24	-1
Depreciation	67	65	-2
Net periodic pension cost after funding (IAS19)	39	36	-3
C. Net operational income before provision (A-B)	2,495	2,474	-21
Provision for loan impairment losses	0	0	0
D. Net operational income	2,495	2,474	-21
Pension-related (IAS19) remeasurement gain ⁵	1,354	1,640	286
E. Net operational income after IAS 19 gain	3,849	4,114	265
Endowment Subaccount investment income/(loss)	596	570	-26
Net income position ⁶	4,445	4,684	239
<u>Memorandum items:</u>			
Fund credit (average stock, SDR billions)	94.3	94.3	
SDR interest rate (average, in percent)	4.0	4.1	
US\$/SDR exchange rate (average)	1.34	1.33	
Precautionary balances (end of period, SDR billions)	25.1	25.1	

Sources: Finance Department and Office of Budget and Planning.

¹ See [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#).

² Based on staff's proposal to delay the decision initiating the EA payout in FY 2024 by one year.

³ Interest free resources reduce the Fund's costs and therefore provide implicit returns. Since the Fund invests its reserves in the Investment Account to earn a higher return, the interest free resources retained in the GRA are mainly attributable to unremunerated reserve tranche positions not represented by gold holdings and GRA income for the year not yet transferred to the Investment Account. These resources reduce members' reserve tranche positions and the Fund's remuneration expense or increase interest income if reflected in SDR holdings of the GRA, resulting in implicit income for the Fund.

⁴ See Table 3 for a reconciliation to the administrative expenses reported in the financial statements for FY 2024.

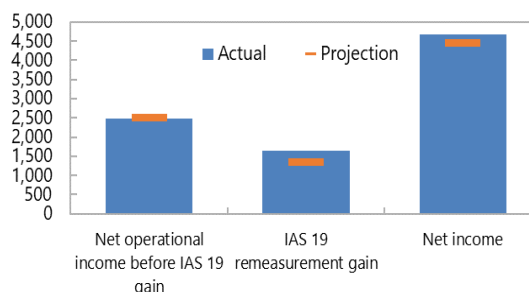
⁵ IAS 19 is the accounting standard that prescribes the accounting treatment of pensions and employee benefit expenses and involves actuarial valuations (see Table 2).

⁶ See "Total comprehensive income" reported in [Audited Financial Statements for the Financial Years Ended April 30, 2024 and 2023](#).

Figure 1. FY 2024 Highlights

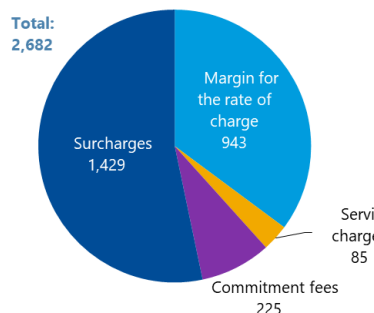
Actual vs. April Projections (in SDR millions)

	Actual	Projection	% Chg.
Lending income	2,682	2,683	0%
Investment income (FI)	783	803	-2%
Investment income (EA)	570	596	-4%
Interest free resources	183	181	1%
Reimbursements	11	11	0%
Expenses	1,185	1,183	0%
Net operational income before remeasurement gain	2,474	2,495	-1%
Pension-related remeasurement gain	1,640	1,354	21%
Net income	4,684	4,445	5%



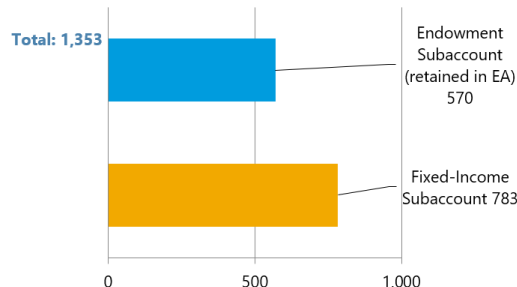
Lending Income (in SDR millions)

Lending Income (SDR millions)

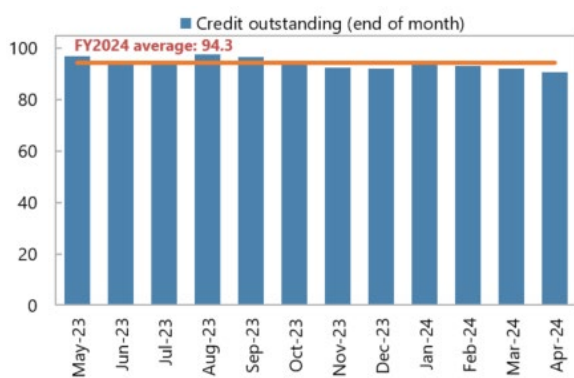


Investment Income (in SDR millions)

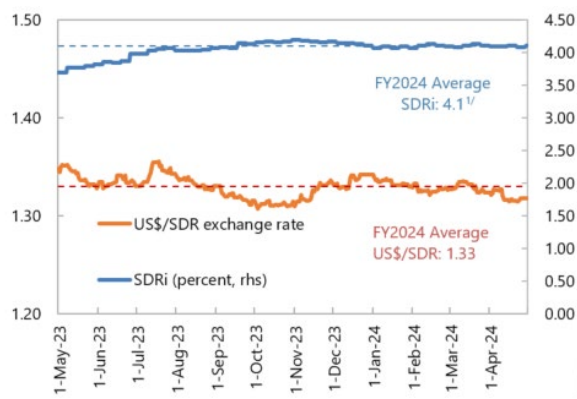
Investment Income (SDR millions)



Average Credit Outstanding (in SDR billions)



SDR Interest Rate and Exchange Rate



1/ Actual average is 4.06 percent rounded up to 4.1 percent

Table 2. Reconciliation of Pension-Related Gains/Losses—FY 2024
(in SDR millions)

	April Projections ¹	Actual Outcome	Difference
Net periodic pension cost	-39	-36	3
Pension cost accrual	-189	-189	0
Pension funding	150	153	3
Remeasurement (Actuarial) gain	1,354	1,640	286
Discount rate change	713	1,191	478
Excess return on assets	626	602	-24
Other ²	15	-153	-168
Total pension-related gains and losses	1,315	1,604	289
Discount rate at end of year (in percent)	5.19	5.53	0.34

Sources: Willis Towers Watson and IMF Finance Department.

Totals may not add up due to rounding differences.

¹ See [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#).

² The actual outcome incorporates a 5.2 percent salary increase adjustment approved in April 2024 and an actual experience Cost of Living Adjustment (COLA) of 3.5 percent.

Table 3. Reconciliation of Administrative Expenses—FY 2024
(in U.S. dollars millions, unless otherwise stated)

Net administrative budget outturn¹	1,410
Capital budget items expensed	32
Depreciation	86
Net periodic pension cost (SDR millions) ²	48
Total expenses in U.S. dollars millions	1,576
Total expenses in SDR millions (per Table 1)³	1,185
Reimbursements from RST Trust and SDR Department (SDR millions)	-11
Total administrative expenses per the audited financial statements (SDR millions)	1,174

Sources: Finance Department and Office of Budget and Planning.

Totals may not add up due to rounding differences.

¹ See [FY2024—Budget Outturn](#).

² Reflects the difference between the IAS 19 expense and the actual funding in FY 2024 (see Table 2, which shows the net periodic pension cost of SDR 36 million, equivalent to US\$48 million).

³ Based on the weighted average FY 2024 U.S. dollar/SDR exchange rate of 1.33 (rounded) for all expenses.

Table 4. Net Transfer of Currencies from the GRA to the Fixed-Income Subaccount for FY 2024
(in SDR millions)

Increase in GRA reserves¹	
GRA reserves at April 30, 2024	32,262
Less: GRA reserves at April 30, 2023	-28,154
	4,108
Less: Fixed-Income Subaccount net income	
FY 2024 income of the Fixed-Income Subaccount	783
FY 2022 retained loss of the Fixed-Income Subaccount	-6
	777
Net transfer from the GRA to Fixed-Income Subaccount²	3,331

Source: Finance Department.

Totals may not add up due to rounding differences.

¹ See page 9 "Statement of Changes in Reserves" of [Audited Financial Statements for the Financial Years Ended April 30, 2024 and 2023](#).

² Decisions No. 3 and No. 5, [Review of the Fund's Income Position for FY 2024 and FY 2025–2026](#).