



**40<sup>th</sup> ANNUAL MEETING – SEPTEMBER 2018**

**Annual Meeting of the International Fisheries Commissions Pension Society  
Information Paper and Highlights  
(Prepared by the NAFO Secretariat)**

The annual meeting of the International Fisheries Commissions Pension Society (IFCPS) was hosted by the Great Lakes Fishery Commission during 17-19 April 2018 in Ann Arbor, Michigan, USA. The meeting was attended by the Executive Directors and Finance Officers of the seven International Fisheries Commissions with headquarters located in Canada and the United States of America. NAFO was represented by Fred Kingston, Executive Secretary, and Stan Goodick, Deputy Executive Secretary/Senior Finance and Staff Administrator. Also attending the meeting were the IFCPS directors appointed by the Governments of Canada and the United States of America.

**Pension Administrative Support**

Bryce Peacock is a Canadian appointed director and serves an alternating role each year as President or Vice-President. He also performs a substantial number of administrative tasks for the Society. For the past few years, the Society has been discussing the importance of a succession plan for the Society's administrative support as it is currently depending too heavily on one person. To accomplish this, the Society formed a Committee in 2016 to look at options and the possibility of a having an external firm perform these services. In 2016, three consulting firms submitted proposals to provide pension administrative services for the IFCPS as well as options to provide other services such as investment consulting, money management services and actuarial work. After reviewing the proposals, Mercer (Canada) Limited was considered to be the best based on fees, robust investment consulting capabilities, including the ability to provide delegated investment consulting services for both the Canadian and U.S. pension plans, and the firm's strong knowledge of government organizations' plans.

Mercer took over the pension administrative tasks from Eckler Limited in June 2016 and performed the triennial valuation as of 1 January 2017.

The transition of other administrative tasks from Bryce Peacock to Mercer continues and is expected to be completed prior to the 2019 Annual Meeting of the IFCPS.

**Delegated Investment Solution**

The Society adopted the recommendation of the investment committee to adopt the Mercer delegated investment approach whereby Mercer would be responsible for distributing the funds of both the Canadian and U.S. Commissions' Plans amongst money managers chosen by Mercer. The funds will be invested in accordance with the Society's statement of investment policies.

The recommendation to adopt the delegated investment solution approach was based on such factors as - access to a range of top tier money managers as well as alternative investment vehicles, enhanced governance, potential modest cost savings, the transition of some duties from Bryce to Mercer and one more step to one stop shopping. It was felt that concerns over possible conflicts of interest have

been addressed and it was noted that the delegated solution is acceptable to Canadian federal and provincial pension standards authorities since Mercer does it for other plans in Canada.

For the Canadian Plan, a change in custodian (currently Sun life) will be required since the money managers in the Mercer universe of funds are not covered by the Sun Life platform. A letter to affected pensioners will be drafted to explain the change.

### **Annual Statements to Pensioners and Deferred Annuitants**

It was agreed to have Mercer revise the annual statements to existing pensioners and deferred annuitants to resemble the updated employee benefits statements issued last year.

### **IFCPS Plan Document and Employee Pension Plan Booklets**

It was agreed to have Mercer update the current IFCPS Plan document to incorporate plan amendments and changes that have been adopted and are not reflected in the current document.

The current Employee Pension Plan Booklet has not been updated since the late 1990's. The Society will work with Mercer to update the employee booklet and convert the new pension booklet to a clickable PDF to improve the functionality and usability of the document for online access and viewing by members.

### **Investment Performance**

<b>Plan Investment Returns</b>	<b>2017</b>	<b>4 Years 2014-17</b>
IFCPS Portfolio Plan Investment Performance (before fees)	7.4%	8.3%

<b>Plan Objectives</b>	<b>4 years 2014-17</b>
IFCPS Plan Real Return Objective (CPI + 4%)	5.6%
Actuarial Objective	6.0%
Market Benchmark	8.4%

### **Employer/Employee Contributions**

Employer contribution rates for current service costs are calculated on the basis of the actuarial assumptions and methods set out in the actuarial valuation, for a three-year period, until the next valuation is performed.

The January 1, 2017 draft valuation noted that the revised employer contribution, as a percentage of employee pensionable earnings, was set at 12.8%.

At the 2012 Pension Society Meeting, a decision was made to gradually increase employee contributions over a five-year period, or until such time that a 50:50 cost sharing ratio for current service costs was reached. This decision mirrored a change in the Government of Canada's Public Service Plan.

Based on the revised employer contribution of 12.8%, as noted in the 2017 draft valuation report, the Society once again proposed to increase employee contribution rates over a three-year period, to bring the employer paid value of the Plan in line with the 2012 decision. It was noted that increases in employee contributions will serve to lower the required contributions by each Canadian based Commission. The employer contribution rates for current service, as adopted by the IFCPS, are therefore set as follows:

January 1, 2018	12.1%
January 1, 2019	11.4%
January 1, 2020	10.6%

### **2019 Annual Meeting**

The next annual meeting of the IFCPS will be hosted by the Northwest Atlantic Fisheries Organization during 15-17 April 2019 in Halifax, Nova Scotia, Canada.

**Quick Facts about NAFO's Pension Plan  
As at December 31, 2017**

Plan	The Pension Plan of the International Fisheries Commissions Pension Society for Employees of Participating Commissions with Headquarters in Canada
Participating Commissions	Northwest Atlantic Fisheries Commission (NAFO) North Pacific Anadromous Fish Commission (NPAFC) North Pacific Marine Science Organization (PICES) Pacific Salmon Commission (PSC)
Plan Type	Defined Benefit Pension Plan
Fund Managers	MFS Investment Management (Canadian bonds and equities, International equities) Sun Life Financial (Money Market) BlackRock. (US equities)
<u>NAFO</u>	
Employees	11
Pensioners	14
Deferred Pensioners	2
Asset Market Value	\$5,791,754 (Canadian) (2016 - \$5, 512,140)
Funding Status	The latest actuarial valuation as of January 1, 2017 indicated a deficiency in NAFO's pension fund of \$3,206,000
Plan Solvency Ratio	In accordance with the latest actuarial valuation as of January 1, 2017, the solvency ratio of the Plan was approximately 73%. This means that if the Plan had been terminated on that date, the Plan assets would not have been sufficient to meet the estimated cost of all the benefits accumulated up to January 1, 2017.
Deficit Funding	Annual funding required to reduce plan deficit: Deficit ÷ 10 years \$3,206,000 ÷ 10 = \$320,600 per year
Future Valuation Date	The next actuarial valuation is scheduled for January 1, 2020