



41st ANNUAL MEETING – SEPTEMBER 2019

**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 Northwest Atlantic Fisheries Organization during 15-17 April 2019 in Halifax, Nova Scotia, Canada. 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 Fund Custodian Change

In 2018, the Pension Society agreed to use Mercer's Delegated Investment Services whereby Mercer would be responsible for distributing funds amongst money managers in accordance with the Society's statement of investment policies. A change in custodian (currently Sun life) was thereby required since the money managers in the Mercer universe of funds are not covered by the Sun Life platform.

The Society noted that a Request for Proposal was sent to five custodians and Desjardins Group was awarded with a new contract to replace Sun Life. The changeover is expected to be completed by the end of 2018.

Investment Policy Review

In the context of reviewing the Pension Society's current investment policy, Mercer presented various investment strategies involving different options for fixed income and equity investments and for the split between fixed income and equities. The goal would be to improve the risk/reward profile of Plan investments by lowering risks (volatility) and possibly increasing returns which could lower and stabilize pension costs over time.

The Society agreed to revisit the various the investment strategies presented in the fall and to decide on adopting any new investment strategies before year end so that those strategies can be incorporated in the investment assumptions to be used in the 2020 actuarial reports.

IFCPS Employee Pension Plan Booklets

With the assistance of Mercer, the current Employee Pension Plan Booklet was updated and converted into a new electronic clickable PDF improving the functionality and usability of the document for online access and viewing by members. The new format has been well received by all staff members.

Investment Performance

Plan Investment Return (before fees)	2018	2017
IFCPS Portfolio Plan Investment Performance	-0.7%	7.4%
Market Benchmark	-2.3%	8.3%

Plan Investment Return vs. Actuarial Assumptions (net of fees)	2018	2017	2 Year Cumulative
IFCPS Portfolio Plan Investment Performance	-1.3%	7.1%	5.7%
Actuarial Objective	5.4%	5.4%	11.8%

Investment performance for 2018 was -0.7% (before fees). Trade and geopolitical concerns and central bank rate hikes resulted in a sharp market decline in the fourth quarter of 2018. Although a negative return for the year, the pension fund outperformed the market benchmark. Markets have rebounded strongly in the first quarter of 2019.

The actuarial objective is 5.4% (net of fees) per year. The 2017-2019 investment performance will be used in the next triennial actuarial valuation which is scheduled for January 1, 2020.

Employer/Employee Contributions

Employer contribution rates for current service costs are calculated based on 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 valuation noted that the revised employer contribution, as a percentage of employee pensionable earnings, was set at 12.8%.

In 2012, the Pension Society approved a decision that current service costs would be shared equally between the employer and employee. 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 agreed 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%

2020 Annual Meeting

The next annual meeting of the IFCPS will be hosted by the US Department of State during 15-17 April 2020 in Washington, DC, USA.

**Quick Facts about NAFO's Pension Plan
As at December 31, 2018**

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 Income Fund, Canadian Equity Fund, International Equity Fund) BlackRock (US Equity Index Fund)
<u>NAFO</u>	
Employees	11
Pensioners	15
Deferred Pensioners	1
Asset Market Value	\$6,018,891 (Canadian) (2017 - \$5, 791,754)
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