

**42nd ANNUAL MEETING – SEPTEMBER 2020****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 scheduled to be hosted by the US Department of State during 15-17 April 2020 in Washington, DC, USA. As a result of travel restrictions due to Covid-19, the meeting was held by video-conference. 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.

Below are the highlights of the meeting and a copy of the meeting minutes can be made available upon request:

Pension Plan Audit

A discussion was held as to the need for an audit of the Pension Plan operations (plan contributions, benefit payments (cash flows) and actuarial results. It was agreed that a subgroup would investigate the implications, options, and cost considerations of having plan operations audited and report back to the Society at the November mid-year conference call.

Actuarial Valuation

The Commissions which are members of the Pension Plan of the IFCPS, rely on an actuarial valuation to ensure the Plan's sustainability and inter-generational equity as well as determining the required employee/employer current year service contributions and potential special deficit payments.

The latest funding valuation of the Plan's assets and liabilities was performed *as of 01 January 2020* by the actuarial firm, Mercer (Canada) Limited. The preliminary results of the valuation were presented at this year's meeting with an expectation that the final report will be received by the Fall for adoption at the November 2020 mid-year conference call. Below is summary of the preliminary valuation results for NAFO and the report can be made available from the Secretariat upon request.

Plan Investment Returns (Net)	2019	2018	2017	3 Year Average 2017-19	2017 Discount Rate Assumption
	17.4%	(1.6%)	6.7%	7.2%	5.4%

The three-year investment return average of 7.2% outperformed the 5.4% discount rate assumption used in the 2017 valuation.

Net Discount Rate	2020	2017
Net discount rate	5.1%	5.4%

The net discount rate assumption used in the 2020 valuation has been lowered to 5.1%

Future investment returns are anticipated to be lower over the next three years due to low interest rates

The decrease in the net discount rate has resulted in larger liabilities and higher employer current service costs

NAFO's Pension Fund Asset Summary	January 1, 2020	January 1, 2017
Market Value of Assets	\$6,863,000	\$5,512,000
Total Liabilities	\$9,965,000	\$8,718,000
Deficit	(\$3,102,000)	(\$3,206,000)
Funded Ratio (Going Concern)	69%	63%
Reduction in Deficit		
<ul style="list-style-type: none"> • Special Payments • Investment return outperforming discount rate assumption 		
Increase in Deficit		
<ul style="list-style-type: none"> • Interest on prior deficit • Decrease in discount rate • Retroactive salary increases granted since prior valuation • Losses on demographic experience (retirement, termination, pensioners living longer) The small size of the IFCPS plan membership makes it susceptible to minor changes in enrollment, retirement, deaths, etc. 		

Additional Funding to Cover Deficit	January 1, 2020	January 1, 2017
Deficit	(\$3,102,000)	(\$3,206,000)
Annual funding of deficit	\$310,260	\$320,600
	(Divided equally over 10 years)	

Employer Current Service Costs	2021	2020	2019	2018
Employer contributions based on % of salaries	12.8%	10.5%	11.4%	12.1%
Note: Employee contributions rates have been increasing since 2013 which results in lower employer contributions.				

In accordance with the results from the January 2020 preliminary valuation, the **2021 budget estimate includes a provision for the following costs within the Superannuation and Annuities budget line item.**

Deficit Payment	\$310,260
Employer Current Service and Admin Costs	\$178,740
Total	\$489,000

Electronic Files

The electronic files of the IFCPS have historically been stored on a secure SharePoint site housed by one of the Commissions. During the past year, the Society was informed the files could no longer be housed on the Commissions server. A subgroup was established to review options for a secure central hub for online file storage and file sharing for both current meeting and historical documentation. The subgroup was tasked to report back to the Society at its November conference call.

Governance of the Pension Society

A discussion was held on ways to strengthen the governance of Pension Society's and it was proposed to have a review of the roles of the membership, including the roles of the President and Vice-President positions, assignment of the position of the Chair, greater involvement by the Commission Members, etc. It was agreed to hire a third-party facilitator to work with the Commissions and Government appointed representative as well as provide training to better understand the role of the directors.

2021 Annual Meeting

The next annual meeting of the IFCPS will be hosted by the North Pacific Marine Science Organization (PICES) 13-15 April 2021 in Victoria, British Columbia, Canada.

**Quick Facts about NAFO's Pension Plan
As at December 31, 2019**

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	
Investment Funds	Investment Category	Fund Name
	Canadian Bonds	Mercer Universe Bond Fund
	Growth Fixed Income	Mercer Opportunistic Fixed Income Fund
	Canadian Equity	Mercer Canadian Equity Fund
	Global Equity	Mercer Global Equity Fund
		Mercer Global Low Volatility Equity Fund
		Mercer Global Small Cap Equity Fund
	Emerging Markets Equity	Mercer Emerging Markets Fund
NAFO		
Employees	11	
Pensioners	15	
Deferred Pensioners	1	
Asset Market Value	\$7,020,259 (2018 - \$6,018,891)	
Funding Status	The latest draft actuarial valuation as of January 1, 2020 indicated a deficiency in NAFO's pension fund of \$3,102,000 (2017 - \$3,206,000)	
Plan Solvency Ratio	In accordance with the latest draft actuarial valuation as of January 1, 2020, the solvency ratio of the Plan was approximately 79% (2017 - 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, 2020.	
Deficit Funding	Annual funding required to reduce plan deficit: Deficit ÷ 10 years \$3,102,000 ÷ 10 = \$310,200 per year	
Future Valuation Date	The next actuarial valuation is scheduled for January 1, 2023	