



45th ANNUAL MEETING – SEPTEMBER 2023

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 Inter-American Tropical Tuna Commission (IATTC) 25-27 April 2023 in San Diego, USA, with an option to join 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 Brynhildur Benediktsdóttir, 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:

Investment Returns

2022 was a challenging year for capital markets across the globe with most traditional asset classes underperforming relative to expectations. The continued effects of COVID, such as supply chain issues, and the macroeconomic responses to COVID, ultimately drove inflation to higher and more persistent levels than policymakers had anticipated. In an effort to curb these high levels of inflation, most central banks raised interest rates at a pace not seen in decades. This led to a challenging environment for both equities and fixed income securities.

The IFCPS Pension Plan's assets returned negative 9.03% (before fees) during the calendar year. Although the return number for the year is well below the long-term target, given the challenges seen in markets, the Society was generally pleased with the portfolio. The Fund outperformed the policy benchmark of negative 9.87% on a gross basis.

Plan Investment Return (before fees)	2022	2021	2020	3 Year Average
IFCPS Portfolio Plan Investment Performance	-9.03%	10.8%	10.1%	3.96%
Market Benchmark	-9.87%	9.8%	10.4%	3.44%

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 2023** 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 2023 mid-year conference call.

Summary of the preliminary valuation results for NAFO:

NAFO's Pension Fund Asset Summary	January 01 2023	January 01 2020
Market Value of Assets	\$7,611,000	\$6,863,000
Total Liabilities	\$10,404,000	\$9,965,000
Deficit	(\$2,793,000)	(\$3,102,000)
Funded Ratio (Going Concern)	73%	69%
Reduction in Deficit		
• Special deficit payments		
• Increase in discount rate		
Increase in Deficit		
• Interest on prior deficit		
• 3-year average investment return below discount rate		
• Losses on indexation 10% compared to 6% expected over 3 years		

Increase to discount rate:

Net Discount Rate	January 01 2023	January 01 2020
Net discount rate	5.9%	5.1%
The net discount rate assumption used in the 2023 valuation has been increased to 5.9%		
• Higher investment returns anticipated in long term		
• Higher increases in inflation and salary reflected in short term		

Annual Deficit Payments:

Additional Funding to Cover Deficit	January 01 2023	January 01 2020
Deficit	(\$2,793,000)	(\$3,102,000)
Annual funding of deficit	\$279,300 (Divided equally over 10 years)	\$310,260

Employer Current Service Costs:

Employer Current Service Costs	2024	2023
Employer contributions based on % of salaries	11.0%	12.0%

In accordance with the results from the January 2023 preliminary valuation, the **2024 budget estimate includes a provision for the following costs within the Superannuation and Annuities budget line item.**

Deficit Payment	\$279,300
Employer Current Service and Admin Costs	\$170,700
Total	\$450,000

Administration

A working group was formed during the year to develop a process on how to handle pensioners who do not respond to Mercer's annual confirmation of existence. The Society agreed on various actions that must be followed prior to resorting to the suspension of pension payments. Commissions have the option of performing some or all of the tasks or it may be left to Mercer to complete for an additional fee.

A working group was formed during the year to review and update the Statement of Investment Policy and Procedures which was adopted at the meeting.

Following the recent turnover of directors and members, an investment fundamentals training session was provided at the beginning of the meeting. It was agreed that training would be an ongoing process and topics for the next annual meeting would be discussed at the mid-year conference call.

2024 Annual Meeting

The next annual meeting of the IFCPS will be hosted by the Government of Canada during the week of 15 April 2024 in Ottawa, Canada. It was agreed that the meeting would provide a virtual/hybrid option for those not able to attend in person.

**Quick Facts about NAFO's Pension Plan
As of December 31, 2022**

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	\$7,629,442 (2021 - \$8,436,535)	
Funding Status	The latest draft actuarial valuation as of January 1, 2023, indicated a deficiency in NAFO's pension fund of \$2,793,000 (2020 - \$3,102,000)	
Plan Solvency Ratio	In accordance with the latest draft actuarial valuation as of January 1, 2023, the solvency ratio of the Plan was approximately 73% (2020 - 69%). 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, 2023.	
Deficit Funding	Annual funding required to reduce plan deficit: Deficit ÷ 10 years \$2,793,000 ÷ 10 = \$279,300 per year	
Future Valuation Date	The next actuarial valuation is scheduled for January 1, 2026	