

	Finance and Administration Committee <i>Report of the Inter-Sessional Meeting of the Finance and Administration Committee of the North Atlantic Salmon Conservation Organization</i>	FACIS(22)06 (Duplicated as FAC(22)03)
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Report of the Inter-Sessional Meeting of the Finance and Administration Committee of the North Atlantic Salmon Conservation Organization

By Video Conference

25 and 26 January 2022

1. Opening of the Meeting

- 1.1 The Chair, Clemens Fieseler (European Union), opened the meeting and welcomed members of the Finance and Administration Committee (FAC) to the Inter-Sessional Meeting.
- 1.2 A list of participants is contained in Annex 1.

2. Adoption of the Agenda

- 2.1 The Committee adopted its Agenda, [FACIS\(22\)04](#) (Annex 2).

3. Discussion of the Current Staff Fund Rules and Staff Rules as They Relate to Staff Members Leaving NASCO’s Employment

- 3.1 The Chair reminded participants that in 2017, the FAC considered and advised the Council on several issues related to providing lump sum payments required under Staff Fund Rule 3.2 and Staff Rule 8.2(b) to two retiring staff members, [CNL\(17\)5](#). In its meeting in 2019, the FAC asked the Secretary to liaise with other relevant Regional Fisheries Management Organizations (RFMOs) to seek information on their approaches to retirement benefits for their staff and prepare a paper comparing and contrasting those approaches to NASCO’s staff benefits package. The intention was that this matter would be discussed during the 2020 FAC meeting. However, the move to a virtual format, due to Covid-19 for both 2020 and 2021, meant that discussion on this was postponed.

- 3.2 During the inter-sessional correspondence prior to the 2021 Annual Meeting, the representative of the United States requested discussion of the ‘Need for Clarification of, or Amendment to, NASCO’s Rules Relating to Finance and Administration Matters,’ FAC(21)09Arev (Agenda Item 7). Additionally, Norway submitted a statement for the record regarding the payment of lump sums to retiring Secretariat staff, during the 2021 Annual Meeting, Annex 5 of [FAC\(21\)12](#), which stated:

‘As stated in the correspondence FAC(21)09A rev, it is Norway’s understanding that a lump sum is only payable ‘Prior to a Secretariat Member retiring from full-time employment with NASCO’, and that the percentage payable is decided by the Heads of Delegations. Therefore, and in accordance with current staff rules, no lump sum is payable to staff members resigning from a position, regardless of what might have been the case since the last full-time staff member did retire.’

- 3.3 The Chair reminded participants that, as requested, the Secretariat had circulated a private paper ‘NASCO Staff Benefits Discussion Paper’, FACIS(22)02, on 20

December 2021. The Chair also referred participants to NASCO's 'Staff Fund Rules', CNL(14)62, and 'Staff Rules', CNL(14)63. He thanked Norway for the private paper it had tabled, FACIS(22)03. The Chair invited the Secretary to provide additional information on the current Staff Fund Rules and Staff Rules as they relate to staff members leaving NASCO's employment.

- 3.4 The Secretary noted that NASCO does not operate a pension scheme for its former staff but has a Deferred Salary Scheme for its full-time current staff members to which both the Organization and employee contribute. The present arrangements were put in place in 2001 following the collapse of Equitable Life (where the then three Secretariat staff members had pension policies under a NASCO pension scheme), to (amongst other things) benefit from the tax arrangements in the [Headquarters Agreement](#). At that time, the Council considered it important that the Staff Fund should deliver protection from UK tax for the Secretariat staff, as per the Headquarters Agreement. The last review of the Staff Fund, including the Staff Rules and Staff Fund Rules, was carried out in 2013 / 2014, by the accountancy firm Chiene + Tait (the auditors at that time) and Davidson Chalmers, an Edinburgh-based legal firm with expertise in employment law. Following this review, the Staff Fund Rules and Staff Rules were revised and agreed by Council, as documents [CNL\(14\)62](#) and [CNL\(14\)63](#) respectively.
- 3.5 The Secretary noted that two issues have arisen since 2018 relating to the payment of the staff member's lump sum under Staff Fund Rule 3.2. and Staff Rule 8.2(b). This rule states that:
- 'Prior to a Secretariat Member retiring from full-time employment with NASCO, a lump sum payment will be made into that Secretariat Member's deferred salary account of not less than one twelfth after tax of the final year's gross salary and allowances for each year of service with NASCO, fractions of a year to count pro-rata.'* (underline added)
- 3.6 The first issue was that there is no definition of '*...retiring from full-time employment with NASCO*'. The Secretary noted that prior to 2018 Council awarded the lump sum to three staff when they 'retired' from NASCO. Since 2018, two members of staff that resigned from NASCO received the lump sum and, subsequently, moved to alternative employment.
- 3.7 The second issue related to the lack of guidance on which to base a decision of any additional fraction to be awarded, above the '*not less than one twelfth...*' specified in the rules. The Secretary noted that, currently, it is not possible to budget accurately for the Contractual Obligation Fund given that there is no agreed fraction paid out to staff leaving NASCO's full time employment. The Contractual Obligation Fund, part of NASCO's accounts, has a cap, currently, of £250,000 and was established to ensure sufficient funds are available to pay lump sums, and death in service benefits. In previous discussions, several Parties have noted their wish to develop a transparent, consistent process that would guide the Council in making decisions concerning benefits for Secretariat staff. This would mean that outcomes would be predictable and cost-effective for NASCO, and objective, predictable and fair to staff.
- 3.8 The representative of Canada asked a general question about how the NASCO tax scheme works. The Secretary replied that the Staff Fund Rules and the Staff Rules are designed to work with the Headquarters Agreement. The Headquarters Agreement allows NASCO to have its own tax scheme. Full-time staff members pay NASCO tax (effectively into NASCO's General Fund). Both the staff member and NASCO contribute to a staff member's Deferred Salary Scheme. When a full-time staff member

draws down funds from their deferred salary, it is not subject to UK tax, although subsequent income it earns may be. Part-time staff members are taxed under the UK tax scheme and not the NASCO tax scheme.

- 3.9 The representative of Denmark (in respect of the Faroe Islands and Greenland) noted that clarity was needed in the rules and that expert employment and tax lawyers may need to be consulted if the rules were to be changed.

Discussion about ‘...retiring from full-time employment with NASCO’

- 3.10 The representative of Norway referred to the paper Norway had tabled and noted that when a previous member of staff left NASCO (in 2008), she did not retire from working life and was not awarded a lump sum. The Secretary noted that in the previous version of the Staff Fund Rules, [CNL\(12\)17](#), there was no lump sum element. However, she indicated that she was not certain if there was a lump sum element in the Staff Rules at that time¹.
- 3.11 The FAC was informed that former members of staff (subsequent to 2012) did get a lump sum and it was noted that one former staff member who had received a lump sum went on to work in another job. It was acknowledged that the Staff Fund Rules and Staff Rules have no requirement for departing NASCO Secretariat members to declare their intentions in this regard.
- 3.12 The representative of the United Kingdom asked about Staff Rule 8.2(b), which states that:

‘A Secretariat member aged 55 years or over may request the Secretary to transfer to the Staff Fund up to 20% per annum of the estimated current value of his or her lump sum entitlement. Thereafter, the balance of the lump sum entitlement will be transferred on an annual basis.’

She noted that if a staff member can access the lump sum when it is not known whether they will ‘retire’ or ‘resign’, this may be relevant to how ‘retirement’ is defined. She also noted that whether a member of staff is retiring from the workforce altogether is outside of NASCO’s control, and the rules would be most effective if they related to elements within NASCO’s control.

- 3.13 The representative of the United States noted her understanding that ‘...retiring from full-time employment with NASCO’ would not preclude future employment.

Discussion about the fraction that should determine the lump sum

- 3.14 As noted above, Staff Fund Rule 3.2. and Staff Rule 8.2(b) refer to ‘*a lump sum payment ... of not less than one twelfth ...*’. The FAC discussed this fraction. The representative of the United States noted that in recent years the lump sum fraction has usually been around 1/8th and even as high as 1/6th. She noted that this leads to uncertainty.
- 3.15 The representative of Norway asked about the implications different fractions might have on NASCO’s budgetary position. The Secretary referred to paper [FAC\(19\)07](#), which presents illustrative calculations on the possible financial impact of increasing the lump sum fraction. A number of calculations are set out that look at building the Contractual Obligation Fund to various levels under differing scenarios. The different fractions of lump sum evaluated are: 1/12th; 1/10th; 1/8th and 1/6th, which encompass the

¹ Immediately following the meeting, the Secretary confirmed that the lump sum element was included in the Staff Rules prior to the 2014 update but was not added to the Staff Fund Rules until their update in 2014. The previous version of the Staff Rules was circulated to the Committee at this time.

known range of lump sums paid out to retiring Secretariat staff thus far, as well as the minimum fraction provided for in Staff Rule 8.2(b).

3.16 The representative of the United Kingdom asked about the purpose of the lump sum and how competitive NASCO's benefits were relative to other similar organizations. The Secretary referred to the private paper circulated, FACIS(22)02, which provided detailed information about similar organizations.

3.17 In summary, the FAC acknowledged that:

- the lump sum payments are very important to staff 'retiring from full-time employment with NASCO' for whom NASCO has no responsibility after retirement;
- there is no definition of the term '...retiring from full-time employment with NASCO'; and
- the lump sum provisions would be more effectively applied if they were understood to relate to elements within NASCO's control, i.e. while staff are still employed by NASCO.

4. Consideration of Whether to Update / Clarify the Rules

4.1 In light of the discussion under Agenda item 3 above, the FAC agreed to recommend to Council to revise the Staff Fund Rules and, where needed, the Staff Rules, to clarify the rules around 'retirement'.

4.2 The FAC agreed a two-pronged approach in consideration of whether to update / clarify the rules around the fraction that should be used to determine the lump sum. First, it agreed that if the lump sum element is retained, the lump sum should be based on a fixed fraction. A number of points were discussed in consideration of what the fixed fraction should be:

- that, since the change to the lump sum provision in the rules specifying that 1/12th was a minimum and not a maximum fraction to be awarded when a staff member retires from full-time employment with NASCO, the Organization has always awarded staff a lump sum above the 1/12th minimum. For the payments to the two Secretaries that departed (2012 and 2017) and one Personal Assistant to the Secretary (2017), the amount of the lump sum above the required 1/12th was discussed at length by the Heads of Delegations. Important considerations for determining the percentage above 1/12th to be provided included, *inter alia*, the very long periods of service to NASCO, especially as regards the Secretaries, and the significant financial losses incurred by some staff due to the failure of Equitable Life;
- that there is a large difference between salaries of different members of the Secretariat and, in the past, higher fractions have been awarded to those with a lower salary;
- what fixed fraction for the lump sum would mean that NASCO's employee benefits were, appropriately, competitive;
- that a cap on the total amount of the lump sum payment could be considered, if appropriate; and
- a number of FAC members felt that one month's salary per year of service (i.e. equivalent to 1/12th) was reasonable and in line with the approach taken in other countries.

- 4.3 The FAC did not agree upon what the fixed fraction should be. The FAC requested that the Secretary seek additional information to assist them in agreeing the recommendation to Council. Specifically, it asked the Secretary to engage with NASCO's senior auditor about the feasibility of conducting a benchmarking exercise to allow a comparison of the NASCO lump sum benefits against the benefits provided by other UK organizations.
- 4.4 Second, the FAC agreed, concurrently, to consider a revision to the current system: that instead of being eligible for a lump sum when a person retires from full-time employment with NASCO, NASCO could increase the contribution it makes into a person's Deferred Salary Scheme throughout that person's time as a full-time employee. The representative of Norway noted that this may have the benefit of creating a smoother budgeting system for NASCO and a similar or better scheme for employees. However, it was also noted that a person may not be awarded the lump sum in certain circumstances (for example, if their employment was terminated for cause per paragraph 10.4 of the Staff Rules), but if payment were made into the Deferred Salary Scheme, this penalty would not be available.
- 4.5 The FAC agreed to request that the Secretary provide illustrative calculations based on this 'increased Deferred Salary' approach. It requested information on what increase to the amount NASCO pays into the Deferred Salary Scheme would be needed to be comparable to a 1/12th, 1/10th and 1/8th fraction used to determine the lump sum. The FAC also requested that the Secretary provide a basic analysis of expected advantages and disadvantages of such an approach to both the Secretariat staff and NASCO's budget.
- 4.6 The Chair noted that at the 2021 Annual Meeting, the FAC agreed that 'discussions from the 2022 inter-sessional meeting would be taken forward for further consideration and decision at the FAC Meeting in 2022'. Those elements for potential recommendation to the Council at the FAC meeting in 2022 are:

- to clarify the rules around 'retirement' as follows:
 - the term 'retirement' should be clarified as being when a person ceases to be a full-time employee with NASCO, except in case of termination for cause per paragraph 10.4 of the Staff Rules;
 - full-time employees be given a lump sum when they cease to be a full-time employee; and
 - if a Secretariat staff member moves from full-time to part-time employment with NASCO, the lump sum associated with their years as a full-time employee should be paid in accordance with Staff Fund Rule 3.2 and Staff Rule 8.2(b). Should that person eventually return to full-time status, the lump sum benefit will be calculated from the date the full-time employment recommences.
- that if the lump sum element is retained, the lump sum should be based on a fixed fraction.

- 4.7 The FAC considered 'next steps' and agreed that:
- the Agenda item 'Consideration of Whether to Update / Clarify the Rules' will be included on the FAC Annual Meeting agenda in June for discussion of the additional information from the Secretariat and development of final recommendations to the Council;

- prior to the June meeting, the Secretary would seek the information requested in paragraph 4.3 above on the feasibility of conducting a benchmarking exercise regarding the lump sum, and the ‘increased Deferred Salary’ approach discussed in paragraph 4.5 above; and
- a paper would be provided with all the requested information and analysis, prior to the FAC Annual Meeting.

4.8 Additionally, the FAC requested that the Staff Rules prior to 2014 be circulated. The Staff Fund Rules prior to 2014 are on the website, CNL(12)17.

4.9 Finally under this Agenda item, the FAC considered whether the rules as they related to part-time staff were still appropriate. It was noted that the workplace had changed considerably since the Staff Rules and the Staff Fund Rules were established. The FAC considered that these rules may need to be revised to better accommodate the contemporary working environment. It was acknowledged that this may be challenging given the provisions in the Headquarters Agreement, and in the current rules and payment mechanisms (i.e. Deferred Salary Scheme). The FAC considered that this was an issue that it would return to once agreement had been reached on the rules for full-time staff. The FAC considered that once the full-time rules were clarified, it could then recommend to Council that the Secretariat seek advice to ensure that part-time staff were treated in line with full-time members, within the rules of the tax system, the Headquarters Agreement, the Staff Rules, etc.

5. Consideration of Whether An Entirely New System Should Be Introduced

5.1 The FAC agreed not to consider an entirely new system.

6. Other Business

6.1 There was no other business.

7. Report of the Meeting

7.1 The FAC agreed the Report of the Inter-Sessional Meeting by correspondence.

8. Close of the Meeting

8.1 The Chair thanked the Secretariat for the excellent meeting support and the Committee for the progress achieved on a difficult issue and closed the meeting.

***January 2022 Inter-Sessional Meeting of the
Finance and Administration Committee – List of Participants***

Canada

Doug Bliss
Natalie Her
Dale Marsden

Denmark (In respect of the Faroe Islands and Greenland)

Sissel Fredsgaard

European Union

Ignacio Granell
Clemens Fieseler (Chair)
Seamus Howard

Norway

Heidi Hansen (Vice-Chair)

Russian Federation

Alexander Khatuntsov
Maria Amelina
Larisa Khachirova
Nikolai Mochalov

UK

Ruth Allin
Charlotte Gildersleve

USA

Rebecca Wintering
Kim Blankenbeker
Erika L Carlsen

Secretariat

Emma Hatfield
Wendy Kenyon

FACIS(22)04

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Agenda

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