

	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(23)05 Duplicated as FAC(23)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

21, 22 and 23 March 2023

1. Opening of the Meeting

- 1.1 The Chair, Seamus Connor (United Kingdom), 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(23)03 (Annex 2).

3. Discussion of the Chair’s Proposal for a Policy Regarding the Interpretation and Application of NASCO’s Staff Fund Rule 3.2 and Staff Rule 8.2(b)

- 3.1 The Chair reminded participants of the background to the meeting. 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](#). Discussion of the issue continued in 2019 but was postponed in 2020 and 2021 due to Covid-19. In 2021, it was agreed that all FAC members would be invited to a virtual inter-sessional meeting in 2022 to discuss and progress the issue.
- 3.2 In January 2022, a virtual inter-sessional meeting of the FAC was held, [FAC\(22\)03](#). The issue was discussed further during the FAC Annual Meeting in June 2022 when an ‘Interim Policy on the Interpretation and Application of NASCO Staff Fund Rule 3.2 and Staff Rule 8.2(b) Concerning the Lump Sum Entitlement’, was proposed to Council and accepted, [CNL\(22\)44](#). The Interim Policy states that:

‘This interim policy applies through June 9, 2023, unless otherwise decided by the Council. In order to develop a longer term solution to the issues related to the lump sum and other staff benefit issues, the FAC will undertake an inter-sessional process to continue its consideration of these issues and recommend a way forward no later than at the 2023 NASCO Annual Meeting.’

- 3.3 The Chair informed participants that the purpose of this meeting was, therefore, to consider the interpretation and application of NASCO’s Staff Fund Rule 3.2 and Staff Rule 8.2(b) and recommend a way forward.
- 3.4 Staff Fund Rule 3.2, [CNL\(14\)62](#), states:

‘... 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.'

3.5 Staff Rule 8.2(b), [CNL\(14\)63](#), states:

'Prior to a Secretariat Member retiring from full-time employment with NASCO, a lump sum payment will be made into that Secretariat member's Staff Fund of not less than one-twelfth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata. 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.'

3.6 The Chair informed participants that he had reviewed all documents related to this issue. In light of this work he had developed FACIS(23)01, a 'Proposal for a Policy Regarding the Interpretation and Application of NASCO's Staff Fund Rule 3.2 and Staff Rule 8.2(b)'. This set out background to the issue and included a proposal for the Committee's consideration. The Chair also informed participants that he had held helpful bilateral meetings with some members of the FAC prior to the meeting to discuss the issues.

3.7 The Secretariat informed the FAC of the views of the current Secretariat staff. This included that they were extremely concerned about the adoption of the Interim Policy, [CNL\(22\)44](#). The current Secretariat staff felt that it reduced, considerably, the lump sum that they had reasonably expected to receive, and provided no time to plan for this significant change in their finances once they leave NASCO.

3.8 The Chair proposed that Agenda item 3 be addressed in three parts:

- agreement on the long-term interpretation and application of the phrase 'retiring from full-time employment with NASCO' as it is used in Staff Fund Rule 3.2 and Staff Rule 8.2(b);
- consideration of whether the lump sum payment made into a Secretariat member's Staff Fund should be based on a different fraction for different categories of staff, with a different fraction for new members of staff; and
- consideration of the fraction(s) of the final year's gross salary and allowances that the lump sum payment should be based on.

He proposed to leave all discussion relating to part-time staff until Agenda item 5. This included consideration of paragraph 2 in the Chair's Proposal.

Retiring from full-time employment with NASCO

3.9 The Chair noted that there appeared to be agreement on the interpretation of the phrase 'retiring from full-time employment with NASCO' based on previous FAC Meeting Reports, the Interim Policy and his bilateral meetings. Therefore, he asked whether the FAC was content to continue to apply the interpretation from the Interim Policy, [CNL\(22\)44](#), in the long-term, as follows:

'a) Any member of the Secretariat staff who voluntarily leaves full-time employment with NASCO after completing their probationary employment period is considered to be 'retiring from full-time employment with NASCO' as that phrase is used in Staff Fund Rule 3.2 and Staff Rule 8.2(b) and is eligible to receive a lump sum payment pursuant to those rules.'

- 3.10 Norway reminded the FAC that it had described the history of the deferred salary scheme in paper FAC(22)07, tabled at the Annual Meeting in June. This paper states that:

'NASCO originally established a pension scheme with Equitable Life for all its full-time staff. When that company did collapse Council established a NASCO Staff Fund, with advice from Auditors, to hold the pension funds. The new arrangement was called Deferred Salary Scheme. It was not called a pension scheme for tax reasons, but it is a pension-scheme except by name. It received the Equitable Life pension funds and has many features of a pension such as employer and employee contributions, favourable tax status and lump sum payment on retirement. It was reviewed, at considerable cost to NASCO, by Auditors and employment lawyers as recently as 2014.'

- 3.11 The paper also states that practice pre-2018 and post-2018 had changed. Since 2018, lump sum payments have been made to those full-time staff leaving voluntarily for another job, rather than just to those retiring from working life.
- 3.12 However, Norway stated that it would accept the interpretation in paragraph a) of the Interim Policy if this was the decision of the majority of FAC members. All other participants at the meeting agreed that the interpretation in paragraph a) should be used in the long-term.
- 3.13 The FAC agreed that the following text should be used in the interpretation and application of NASCO Staff Fund Rule 3.2 and Staff Rule 8.2(b) concerning the lump sum entitlement:

'Any member of the Secretariat staff who voluntarily leaves full-time employment with NASCO after completing their probationary employment period is considered to be 'retiring from full-time employment with NASCO' as that phrase is used in Staff Fund Rule 3.2 and Staff Rule 8.2(b) and is entitled to receive a lump sum payment pursuant to those rules.'

A differential lump sum fraction for different categories of Secretariat staff

- 3.14 The Chair asked the FAC to consider whether the lump sum payment made into a Secretariat member's Staff Fund should be a fixed fraction for all staff, or different depending on the categories of staff. The following possible approaches that could be used to support providing different fractions for different categories of staff were considered:
- for staff in the Professional Category compared to staff in the General Services Category (as defined in Staff Rule 4, [CNL\(14\)63](#));
 - for current staff compared to staff employed in the future; and
 - for long-serving staff compared to short-serving staff.
- 3.15 The FAC considered this question at length, discussing various issues, including: the precedent from previous practice; fairness, equity and potential discrimination; clarity, transparency and simplicity; incentivising retention; and the lump sum as part of a larger benefits package.
- 3.16 The FAC considered that the issue of differentiating the fraction for different categories of staff was bound with the issue of what fraction to use and agreed to consider both issues together.

What fraction of the final year's gross salary and allowances to use

- 3.17 The FAC considered several potential options to deal with the issue of the lump sum payment on leaving full-time employment with NASCO voluntarily. In addition to issues noted above, the affordability analyses conducted by the Secretary were raised (in [FAC\(19\)07](#) and FACIS(23)01), as were issues related to the recruitment of Secretariat staff.
- 3.18 The Chair noted that it was important that the FAC provide a definitive recommendation to Council for its deliberation in June. To enable consensus to be reached, FAC members were asked to rank five options in order of preference (Annex 3).
- 3.19 Following the ranking exercise, the FAC considered Option 1 in more detail, developing the following working draft.

'With regard to implementing Staff Fund Rule 3.2 and Staff Rule 8.2(b), prior to a Secretariat Member retiring from full-time employment with NASCO, a lump sum payment will be made into that Secretariat member's Staff Fund as follows:

- a fraction of one-twelfth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed for up to XX years;*
- a fraction of one-tenth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed between XX years and up to XX years;*
- a fraction of one-eighth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed over XX years.'*

- 3.20 This option was supported by the majority of the FAC members. With regard to the years of service required before moving to a new lump sum category, many FAC members considered three years was sufficient to move from one-twelfth to one-tenth but some preferred four. To move between one-tenth and one-eighth, again there was no agreement. Options of six, seven and eight years were discussed. To help evaluate the financial impact of the proposed approach, the Secretary was asked to provide an analysis of the affordability of the option (Annex 4). The United States noted that the funding for any lump sum was readily available within the Contractual Obligation Fund. Payment from the fund would not necessarily require a budget increase in the year a lump sum was paid out. Once a payment was made from the Contractual Obligation Fund, it would be rebuilt over a number of years (including from underspend) over a timescale agreed by the Council through the regular budget approval process. Norway noted that changing the practice, to provide a lump sum to all who resign from NASCO, is a more costly practice than the practice of providing a lump sum only to staff retiring from working life. Norway noted that this would increase the NASCO budget, since the Contractual Obligation Fund would need to be rebuilt more often, in line with more frequent payment of lump sum entitlements.
- 3.21 The FAC agreed that the following text should be considered by Council, concerning the lump sum entitlement:

'With regard to implementing Staff Fund Rule 3.2 and Staff Rule 8.2(b), prior

to a Secretariat Member retiring from full-time employment with NASCO, a lump sum payment will be made by the Secretary into that Secretariat member's Staff Fund as follows:

- a fraction of one-twelfth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed for up to [three] [four] years;*
- a fraction of one-tenth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed over [three] [four] years and up to [seven] [eight] years;*
- a fraction of one-eighth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed over [seven] [eight] years.'*

4. Agreement on what to refer to Council for its consideration at the 2023 Annual Meeting with respect to Agenda item 3.

4.1 The FAC recommends that the Council considers the Draft Policy in Annex 5 regarding the interpretation and application of NASCO's Staff Fund Rule 3.2 and Staff Rule 8.2(b).

5. Consideration of a recommendation to Council to seek appropriate legal advice to ensure equity for part-time staff

5.1 The Chair noted that it had become apparent during his preparation for the meeting that paragraph 2 of the Chair's Proposal, FACIS(23)01, could be unintentionally detrimental to part-time staff. Since part-time staff cannot participate in the Staff Fund, consistent with the Headquarters Agreement, and cannot be treated at a detriment to full time staff under UK law, he noted that this illustrated the need for professional advice with regard to part-time staff terms and conditions. He proposed, therefore, to omit paragraph 2 in the Chair's Proposal from the recommendation to Council. The FAC agreed.

5.2 The FAC recommends to Council that professional advice be sought, immediately, to ensure there would be no detriment to part-time staff in relation to the lump sum entitlement, in light of the recommendation in Paragraph 4.1.

Broader Modernisation of NASCO Staff Rules and Staff Fund Rules

5.3 The Chair asked the FAC to consider whether a more comprehensive review of the Staff Rules and the Staff Fund Rules was required. He noted that throughout consideration of the current issue, it had become apparent that the NASCO Staff Rules and Staff Fund Rules may no longer be completely fit for purpose, not only as regards part-time staff, but for the contemporary working environment. The last revision, which took place in 2014, was, mostly, restricted to consideration of taxation issues relating to the Deferred Salary payments. It appears that there has been no comprehensive review of the Staff Rules and Staff Fund Rules since they were first put in place in 1984 and 2002 respectively, [FAC\(22\)06](#). He sought the views of the FAC on whether a comprehensive review of the Staff Rules and Staff Fund Rules was required. A comprehensive review would not only seek to ensure that part-time staff were treated fairly, but would also consider whether other adjustments were required, to reflect modern working practices

appropriate for an Edinburgh-based Secretariat, within the rules of the tax system, the Headquarters Agreement, the Staff Rules, etc.

- 5.4 There was broad support for modernising the Staff Rules and Staff Fund Rules to better reflect today's society and working environment. It was proposed that the FAC may wish to develop a list of what needed to be addressed and that professional advice be sought based on the list, allowing some flexibility so that contemporary professional knowledge could be brought in.
- 5.5 The FAC discussed the last partial review of the rules which took place in 2013 / 14. It was determined that the cost of this review was £10,000 excluding VAT, FAC(14)4 paragraph 2. Council subsequently agreed to undertake the recommended second phase, for an additional £5,000 excluding VAT, FAC(14)4 paragraphs 9 & 10.
- 5.6 The FAC recommends to Council that the Staff Rules and Staff Fund Rules are reviewed in a timely way to ensure they are fit for purpose and commensurate with a modern working environment and good management practices. Council should note that, based on this review, adjustments to the Rules may be required to reflect modern working practices appropriate for staff based in Edinburgh within the rules of the NASCO tax system and the Headquarters Agreement.
- 5.7 Subject to the approval of Council, given the complexities involved, the Secretary should work with the Chair of FAC and interested FAC members (or nominees) to scope out the work required to bring the Staff Rules and Staff Fund Rules up to date, including identifying which elements require legal advice and / or the development of suitable policies and procedures for good governance and management of the Secretariat. The resulting scoping document would seek to outline and prioritise work streams and would be presented to the FAC for its consideration at the 2024 Annual Meeting.

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.

8. Close of the Meeting

- 8.1 The Chair thanked participants for their contributions and closed the meeting.

List of Participants – March 2023 FAC Inter-Sessional Meeting

Canada

Doug Bliss
Steve Hwang

Denmark (In respect of the Faroe Islands and Greenland)

Rebekka Jensen

European Union

Ignacio Granell
Seamus Howard

Norway

Heidi Hansen (Vice-Chair)
Heidi Ekstrøm

UK

Ruth Allin
Seamus Connor (Chair)
Charlotte Gildersleve

USA

Rebecca Wintering
Kim Blankenbeker
Mahvish Madad

Secretariat

Emma Hatfield
Wendy Kenyon

FACIS(23)03

Inter-Sessional Meeting of the Finance and Administration Committee

By Video Conference

21, 22 and 23 March 2023

Agenda

1. Opening of the Meeting
2. Adoption of the Agenda
3. Discussion of the Chair's Proposal for a Policy Regarding the Interpretation and Application of NASCO's Staff Fund Rule 3.2 and Staff Rule 8.2(b)
4. Agreement on what to refer to Council for its consideration at the 2023 Annual Meeting with respect to Agenda item 3.
5. Consideration of a recommendation to Council to seek appropriate legal advice to ensure equity for part-time staff
6. Other Business
7. Report of the Meeting
8. Close of the Meeting

Options for Consideration of the Lump Sum

Option 1

The lump sum fraction awarded should be:

- for up to three years full-time employment, a fraction at one twelfth after tax of the final year's gross salary and allowances for each year of service with NASCO;
- for more than three and up to eight years full-time employment, a fraction at one tenth after tax of the final year's gross salary and allowances for each year of service with NASCO; and
- after eight years full-time employment, a fraction at one eighth after tax of the final year's gross salary and allowances for each year of service with NASCO.

Option 2

- for full-time staff in the Professional Category, the lump sum fraction awarded should be a fixed fraction at one eighth after tax of the final year's gross salary and allowances for each year of service with NASCO; and
- for full-time staff in the General Services Category, the lump sum fraction awarded should be a fixed fraction at one sixth after tax of the final year's gross salary and allowances for each year of service with NASCO.

Option 3

- for full-time staff serving less than 10 years, the lump sum fraction awarded should be a fixed fraction at one twelfth after tax of the final year's gross salary and allowances for each year of service with NASCO; and
- for full-time serving 10 years or more, the lump sum fraction awarded should be a fixed fraction at one tenth after tax of the final year's gross salary and allowances for each year of service with NASCO.

Option 4

- for full-time staff, the lump sum fraction awarded should be a fixed fraction at one sixth after tax of the final year's gross salary and allowances for each year of service with NASCO.

Option 5

- for full-time staff, the lump sum fraction awarded should be a fixed fraction at one twelfth after tax of the final year's gross salary and allowances for each year of service with NASCO.

Affordability Analysis of the Policy Regarding the Interpretation and Application of NASCO's Staff Fund Rule 3.2 and Staff Rule 8.2(b).

Table 1: Worst case scenario lump sum liability modelling

Worst case scenario lump sum liability model								
Year	Baseline liability*	Liability from FAC proposal 3-7***	Additional liability resulting from proposal 3-7		Liability from FAC proposal 4-8***	Additional liability resulting from proposal 4-8		
2023	135,917	148,433	12,517	9%	143,683	7,767	6%	
2024	167,411	186,369	18,958	11%	180,366	12,955	8%	
2025**	200,944	231,331	30,387	15%	220,565	19,621	10%	
2026	110,964	125,747	14,783	13%	121,996	11,032	10%	
2027	144,492	165,769	21,277	15%	159,793	15,300	11%	
2028	180,231	208,439	28,208	16%	202,253	22,022	12%	
2029	218,295	257,375	39,080	18%	247,490	29,195	13%	
2030	258,803	310,277	51,474	20%	299,251	40,448	16%	
2031	301,878	366,567	64,688	21%	355,154	53,276	18%	
2032	347,652	426,417	78,764	23%	414,605	66,952	19%	

* For lump sum accrual rate see Table 2
 ** The Secretary is expected to leave in 2025 at the end of her second 4 year term
 *** See bullets in paragraph 3.21 of the FACIS March inter-sessional report for the different proposals

Table 2: Lump sum entitlement as proportion of final salary

Years service	Baseline liability		FAC proposal 3-7		FAC proposal 4-8	
	Cumulative entitlement	Annual entitlement accrued	Cumulative entitlement	Annual entitlement accrued	Cumulative entitlement	Annual entitlement accrued
1	0.083	1/12	0.083	1/12 p.a.	0.083	1/12 p.a.
2	0.167		0.167		0.167	
3	0.250		0.250		0.250	
4	0.333		0.350	1/10 p.a.	0.333	1/10 p.a.
5	0.417		0.450		0.433	
6	0.500		0.550		0.533	
7	0.583		0.650		0.633	
8	0.667		0.775	1/8 p.a.	0.733	1/8 p.a.
9	0.750		0.900		0.858	
10	0.833		1.025		0.983	
11	0.917		1.150		1.108	
12	1.000		1.275		1.233	
13	1.083		1.400		1.358	
14	1.167		1.525		1.483	
15	1.250		1.650		1.608	
16	1.333		1.775	1.733		

Explanatory Notes

Model basis

The lump sum liability model uses 2023 salary data and length of service information for NASCO's four full time Secretariat staff members to calculate maximum lump sum liability if all staff members were to leave within a given year. The maximum annual liability is shown in Table 1. All staff leaving at the same time is not considered

to be a realistic scenario. *This model is intended simply to give a sense of the size of the maximum (worst case) financial liability associated with various lump sum arrangements.*

Model Assumptions

- (1) Staff salaries will increase 3.5% year on year;
- (2) The Secretary will leave after completing her eight-year term and will immediately be replaced. There will be no further staff turnover;
- (3) Staff lump sum entitlement increases for each scenario, as shown in Table 2; and
- (4) Salaries have been rounded to nearest £1,000 and years of service have been rounded up. The non-eligibility to lump sum if staff members leave in their first year has not been reflected in the model, to create a broadbrush model.

**Draft Policy Regarding the Interpretation and Application of NASCO's
Staff Fund Rule 3.2 and Staff Rule 8.2(b).**

The Council decides the following policy regarding the interpretation and application of Staff Fund Rule 3.2 and Staff Rule 8.2(b) concerning the lump sum entitlement:

1. Any member of the Secretariat staff who voluntarily leaves full-time employment with NASCO after completing their probationary employment period is considered to be 'retiring from full-time employment with NASCO' as that phrase is used in Staff Fund Rule 3.2 and Staff Rule 8.2(b) and is entitled to receive a lump sum payment pursuant to those rules; and
2. With regard to implementing Staff Fund Rule 3.2 and Staff Rule 8.2(b), prior to a Secretariat Member retiring from full-time employment with NASCO, a lump sum payment will be made by the Secretary into that Secretariat member's Staff Fund as follows:
 - a fraction of one-twelfth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed for up to [three] [four] years¹;
 - a fraction of one-tenth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed over [three] [four] years and up to [seven] [eight] years;
 - a fraction of one-eighth after tax of the final year's gross salary and allowances for each year of service with the Organization, fractions of a year to count pro-rata, for full time staff employed over [seven] [eight] years.

¹ As calculated based on the staff member's anniversary date.