



NORTH ATLANTIC MARINE MAMMAL COMMISSION

Twenty Third Meeting of the Council
3-5 February 2015, Reykjavik, Iceland

NAMMCO/23/4 FINANCE AND ADMINISTRATION COMMITTEE

The Finance and Administration Committee has held one meeting in 2014:

- 14 January 2014 in Copenhagen

All appendices dealing with budgets and accounts are to be found in meeting documents NAMMCO/23/4.1 and 4.2.

Appendix 1 describes the revised pension scheme recommended by the Committee by correspondence on 26 June 2014 and put into force as of 1 July 2014.

In accordance with agenda item 3 in the report below, Council is asked to approve the following text regarding the signatory authority of the General Secretary:

The NAMMCO Council confirms that the General Secretary to NAMMCO has the signatory authority relating to financial matters like signing audits on behalf to the Commission.

REPORT OF THE NAMMCO FINANCE AND ADMINISTRATION COMMITTEE

Copenhagen 14 January 2015

The NAMMCO Finance and Administration Committee (FAC) met at the Greenland Representation, Copenhagen. Present were Ole-David Stenseth, Chair (NO), Ernst Olsen (FO), Ásta Einarsdóttir (IS) and Amalie Jessen (GR). Christina Lockyer and Charlotte Winsnes were present from the NAMMCO Secretariat and, in addition, Geneviève Desportes in her capacity as the incoming General Secretary.

1 & 2 Opening remarks and adoption of agenda

The Chair welcomed the participants and informed the meeting that Guri Breigutu (NO) had been hindered from participating at the last minute. The agenda was adopted with the inclusion of updates on various minor administrative issues

3. Accounts 2014

Document NAMMCO/FAC-January/2015/2 (NAMMCO/23/4.1) contained the accounts for 2014 including detailed itemized information on the various expenditure items. For comparison the approved budget 2014 had been included. The accounts for 2014 had not been audited, but it was anticipated that the auditor's report would be ready for the NAMMCO 23.

The Committee noted in particular that:

In addition to detailed information on budget items the Committee would also like to be presented with annotations depicting the Secretariats comments on all items.

Projects involving external funding should operate with itemized budgets within the general NAMMCO budget. For 2014 this pertains to the Hunting manuals, and for 2015 will encompass the project on marine mammals and food security.

Finalization of salaries for any given year is not possible before the earliest mid-January the following year. The UN-based salary system adopted by NAMMCO requires monthly calculations of salary with a post evaluation at the end of each year giving the final numbers.

Pension costs of NOK 613 166 represent more than what had been stipulated when introducing the new pension system in June 2014. In January 2014 the premium and costs of the first 6 months were paid according to the old system. When changing system as of 1 April, the extra premium advanced was not credited, but placed in NAMMCO's premium fund in Storebrand totalling NOK 230 000. With reference to the premium fund, the Secretariat was tasked to investigate what would be most beneficial, keeping the money in the premium fund or using it by meeting future pension costs.

Staff travel costs in 2014 represented an overspending of nearly 25%. The preferred budgeting principle is to budget based on known future activities and not on allocating a lump sum. Budgets are developed and approved the previous year, and are usually revised at the beginning of the budget year and also adjusted based on *de facto* costs in the middle of the budget year. Most meetings presumed to be attended by the Secretariat are known and budgeted for long in advance. However, often new additional meetings will be organized that are not budgeted for and hence overspending may occur. The Committee agreed that the situation requires a strengthened dialogue between the Secretariat and the Chair of FAC when allocated funds are insufficient or when unbudgeted meetings turn up during a given year. The Committee also asked the Secretariat to develop guidelines for staff travel that would aid decision-making regarding attendance of staff at external meetings.

Information and printing costs were approximately 25% less than budgeted for due to the postponement of printing of the Scientific Volume on Walrus. Only 1/3 of the cost had been incurred in 2014.

Price Waterhouse Cooper (PWC) – the auditors – increased their fee for 2014 substantially and the Secretariat was asked to bring this to the attention of PWC and ask for a clarification. Furthermore, the Secretariat should make a cost comparison with other auditor firms, such as Ernst and Young (as used by the Arctic Council). PWC has pointed out that the signatory authority of the General Secretary is still unsatisfactorily documented. After having reviewed the reports from Council it is in fact correct that there is no clear reference to the Council's decision. The Secretariat was therefore asked to prepare the necessary documentation for NAMMCO 23 in order to finally formalize the signatory authority of the General Secretary.

The Scientific Committee costs were approximately 67% less than budgeted for due to the postponement of two budgeted working group meetings.

The General Reserve is a contingency for unforeseen expenses and utilization and requires the approval of Council. NOK 100 000 had been allocated to the rebuilding of the General Reserve, and as of 31.12.2014 the General reserve is NOK 367 908.

Capacity building in the Secretariat should be an item in its own right under staff related costs. It was noted that some of the meetings attended by staff members more correctly should be placed under the capacity heading and not staff travel.

The Committee agreed to recommend to Council the accounts for 2014 which gave a positive balance (surplus) of NOK 337 358.

4. Budget 2015 and draft budget 2015

The document NAMMCO/FAC-January/2015/3 contained the approved budget for 2015 and the draft budget 2016.

Budget 2015

The Committee discussed the 2015 budget and agreed on the following – a detailed breakdown under each budget item is given in Appendix 2(NAMMCO/23/4.2), and only the major items are remarked upon here:

Income items:

Contributions include a 2 % increase to 2014.

Interest received set at NOK 40 000 in view of a decreasing interest rate in general.

Book sale set at NOK 5 000 in view of the Scientific publication on Walrus published this year.

Employers tax set at NOK 250 000 – set at same number as in the expenditure budget as this cost is covered by Norway and as such has no bearing on the operating result.

Employees' tax set at NOK 690 000 derived from the budget item salary.

Expenditure items:

Staff related costs set at NOK 3 480 000 taking into account staff salaries, social security, pension costs, home leave, relocation costs of out- and incoming General Secretaries, capacity building in the Secretariat as the main items. It was noted that staff job appraisals had been finalized and reported as satisfactory for all staff members and salary increments would be effective as of 1st January, after confirmation by Council at NAMMCO 23. It was noted however, that in future, satisfactory service may not always be rewarded with annual increments. Implementation of the UN-based salary system is not absolute and is used only as a guide.

Staff travel costs set at NOK 333 000 covering all scheduled NAMMCO meetings – 8 meetings total NOK 200 000. Other meetings – 7 meetings total NOK 133 000, attendance will depend on the agendas of the meetings.

It was noted that the NAMMCO Workshop on Disturbance would be seeking external funding and expenses paid by NAMMCO were mainly pertaining to time used by staff members and what was allocated over the Scientific Committee budget.

Meetings costs set at NOK 90 000 covering 6 meetings of which the costs pertaining to NAMMCO 23 were less than normal as the meeting room was supplied free of rental charge.

Communication and office supply costs set at NOK 100 000 as a lump sum based on previous years and the anticipation that there is no need for any major office equipment such as new computers in 2015.

Information and printing costs set at NOK 190 000. The scientific publication on walrus is the last volume that will be published as a hard copy (NOK 91 000). Having converted to online publishing of all reports/books/proceedings there is a need for expert help with layout design and NOK 14 000 was allocated. Furthermore acknowledging the importance of continued updating and refinement of the website, NOK 50 000 was allocated to web hosting including updating and expert help. Costs pertaining to internet is NOK 29 000 per year.

Accounts and auditing costs set at NOK 80 000.

Observation scheme costs set at NOK 200 000 covering two persons observing pilot whaling in the Faroe Islands in 2015.

Scientific Committee costs set to NOK 276 000 covering four working groups and one workshop on disturbance.

TNASS2015 allocation of NOK 100 000 for the coordination of the surveys in 2015.

Hunting Committee costs set at NOK 100 000 to cover the cost of a suggested expert group meeting with five invited experts and an internal seminar organized back to back.

Other expenses set at NOK 100 000.

Project on Marine mammals and food security (MMFS) costs set at NOK 150 000.

The Committee agreed to recommend the 2015 budget (NAMMCO/23/4.2) to Council with a yearly deficit of 141 626. The deficit is covered by the surplus from 2014 of NOK 237 358. The remaining NOK 95 732 of the 2014 (NOK 237 358 – 141 626) surplus was allocated to the rebuilding of the General reserve, resulting in a balanced budget (no surplus or loss) for 2015.

Draft budget 2016

The Committee took note of the draft 2016 budget as presented at NAMMCO 22, and agreed to return to this budget later in the year for a detailed discussion. The only revision made was to adjust the contributions with 2 % in accordance with the 2002 decision by NAMMCO (see Council report, agenda item 2.1.3, page 12). The allocation to rebuild the General reserve was also adjusted to NOK 100 000 in line with the 2014 and 2015 allocations. The detailed breakdown of budget items is given in NAMMCO/23/4.2.

The Committee agreed to recommend the draft budget 2016 (NAMMCO/23/4.2) to Council which shows a positive balance of NOK 494 000.

5. T-NASS 2015

Document [NAMMCO/FAC-January/2015/4](#) gave a short overview of the status of T-NASS 2015. Norway has funding for the national surveys but not for the extension area in Jan Mayen. Greenland lack confirmation on both the national and the extension parts. Iceland has secured $\frac{3}{4}$ of the costs of both the national and the extension surveys. The Faroe Islands has secured all necessary funding pertaining to the pilot whale survey.

Norway informed the Committee of a funding possibility under *Norområdesatsingen* in the Norwegian Ministry of Foreign Affairs. Application deadline is 15 February 2015 with notification of result in mid-March. Committee members welcomed this good news and agreed to send a proposal for funding on behalf of NAMMCO pertaining to the unsecured costs of the T-NASS 2015 including both national and extension surveys.

Through the discussion it became evident that there is a need for a clear dialogue between the FAC members and their respective scientists in order to overcome uncertainties and misunderstandings as to what is possible with whom and when. The unfortunate situation that funding has not been secured or confirmed has made planning of T-NASS especially difficult for the scientists. Mads Peter Heide Jørgensen participated under this agenda item and was asked to approach all members in T-NASS Steering Committee to investigate the feasibility of carrying out the surveys as planned if the funding application is successful in mid-March.

Furthermore it was agreed that all members should approach their respective scientists to seek clarity with respect to the *status quo* regarding the national surveys and the surveys covering the extension part of T-NASS 2105. Members should report back to the Secretariat as soon as possible and well within the deadline of 15 February.

6. Information from the Secretariat

Christina Lockyer presented the document [NAMMCO/FAC-January/2015/5](#) which is a compilation of activities and general performance in the Secretariat since the FAC meeting in Oslo, Norway, on 24 February 2014.

The main discussion evolved around the working of the Scientific Committee. Issues like rotation of chairmanship, the relation between the Secretariat and the SC, and factors affecting the competence and credibility of the SC were touched upon. The Committee asked the Secretariat to draft some guidelines/thoughts related to the above for the SC to comment on before presenting it to Council.

There are still unresolved issues with respect to the implementation of the Host Agreement. The present Scientific Secretary is the first and only staff member with a Diplomatic ID rather than a Norwegian person number. This is in line with the provisions of the Host Agreement but has proven to negatively affect personal status in several aspects, *e.g.* with respect to registering for health care, admission into the Schengen area, requirement to exit Norway immediately a work contract ends, *etc.* The Secretariat has been pursuing this matter with the foreign ministry and NAV. Furthermore, the Arctic Council Secretariat is encountering many of the same problems, and there is presently an informal cooperation between the two secretariats on these issues.

The General Secretary informed the Committee members that Staff Job Appraisals had been conducted for both Deputy and Scientific Secretaries. Both appraisals had concluded with a satisfactory performance. The Committee therefore recommended that Council approve new step increments for the employees' in question for this year.

The Secretariat reported that it has now upgraded the existing NAMMCO website in cooperation with Webcronize, and also incorporated information on Stock Status lists and databases. This has been done also in conjunction with the help of GDnatur as consulting company. It is hoped that the new website will be online in February 2015.

The Secretariat reported that there is no new information regarding relocation of the Secretariat to the Framsender.

In addition, Lockyer pointed out the importance for Council to bear in mind the timely communication of contract renewal for existing staff to ensure smooth continuation of work, especially with T-NASS 2015 and subsequent analyses in 2016, and the fact that the present Scientific Secretary has no right of abode in Norway once a work contract has ended.

The Committee took note of the report.

7. Rules of Procedures (RoP) for the Scientific Committee

At the Scientific Committee (SC) meeting in November 2014, the SC agreed to recommend a revision to the RoP of the SC. The recommendation from the SC was forwarded to Council on 17 November 2014.

The recommendation is to allow more than 3 members from each country at the meeting. Each country would still only have one vote.

Proposal by the NAMMCO SC for rewording of the ROP, item II on Membership:

Current wording:

II. Membership

1. Each Member Country shall nominate up to six scientists as members of the Scientific Committee with no more than three members present at any Scientific Committee meeting. The appointment is permanent or until the Member Country nominates new member(s) to the Committee. Each Member Country shall have one vote when procedural or organizational matters are being dealt with.

*Revised wording (changes are in **bold**):*

II. Membership

- 1. Each Member Country shall nominate up to six scientists as members of the Scientific Committee, **every one of whom may be present at any Scientific Committee meeting. The appointment is...***

The Committee discussed the proposed amendment and agreed to recommend the following rewording of the sentence, deleting all mentioning of participation in meetings:

Each Member Country shall nominate up to six scientists as members of the Scientific Committee. The appointment is

8. Follow up from the last FAC meeting

At the last meeting the Committee had agreed on the following priority tasks for the Secretariat, (update and comments are given under each item):

Clarify and review uncertainties in the Host Agreement related to international employees in the Secretariat.

This issue was discussed under agenda item 6. Above.

Look into the pension scheme and try to come up with solutions to reduce costs.

The Secretariat engaged into extensive correspondence with Storebrand (insurance supplier) in order to find solutions to reduce the costs. Based on these discussions the Committee was presented with a document (Appendix 1) describing the various systems and giving a recommendation for a solution.

On 26 June the Committee agreed by correspondence to substitute the existing pension scheme with the pension option proposed in the document.

Look into how audits are managed by the Arctic Council and other relevant international organisations in Norway.

This issue was discussed under agenda item 3 accounts 2014.

In general, update information on the webpage.

This issue was discussed under agenda item 6. Above.

9. Preparation for NAMMCO 23

The General Secretary informed the meeting that preparations are proceeding. New meeting facilities have been organized by the host, and this has been communicated to invited participants. The meeting will be held in a locality near the Ministry and comes without costs. Practical matters like microphones, IT equipment, *etc.* are taken care of in cooperation between the host and the Secretariat. The hotels are filling up and members were advised to do their booking as soon as possible.

As usual, preparatory meetings (FAC, HOD) will be held on Monday 2 February, preferably starting in the morning. The dinner hosted by Iceland will be on Tuesday evening 3 February.

10. Any other business

Employment contract for Geneviève Desportes

The contract had not been finalised yet, but from the point of view of NAMMCO it was ready to be signed now. GD pointed out that she had not seen the contract yet and would need time to consider it before signing.

Relocation claim from Mario Aquarone

NAMMCO has received no written response to the letter of 16 June 2014 and the Committee's understanding is therefore that Acquarone will not pursue the claim any further.

11. Adoption of report

The report was approved by correspondence 29 January 2015.

NAMMCO pension scheme
prepared by
Charlotte Winsnes and Christina Lockyer

At the FAC meeting at NAMMCO 22 in February the Secretariat was asked to review the pension scheme and try to come up with solutions to reduce costs. As an interim solution to reduce costs in 2014 the senior staff members had agreed to a non back-dating of pension contributions in 2014.

The Secretariat has had extensive correspondence with Storebrand (insurance supplier) and this document gives an overview of these discussions and also a recommendation from the Secretariat.

It is **important that the FAC makes a decision by 1 July** if the recommended changes with the implicated cost reductions pertaining to the present General Secretary are to be implemented.

The present situation is that the 10 months extension of the General Secretary's employment contract will cost NAMMCO NOK 270 000 in pension costs under the current existing pension scheme. When this came to our attention, we immediately took action and ventured into a dialogue with Storebrand and the present document is a result of these discussions. As the document will show changing to a different pension system – a combination of the present and introduction of a new system - will be cost beneficial to NAMMCO.

The immediate action required from the FAC is to decide if the General Secretary's extension of 10 months shall be within the current exiting pension scheme in NAMMCO "ytelses" pension – or if this extension shall be defined as a "innskudds" pension which has a saving effect of NOK 110 000 – see below. ("ytelses" and "innskudds" pensions described below).

The consequence of making the decision of an "innskudds" pension for the General Secretary's 10 months extension, is that the pension scheme "closes", requiring all new employees to get the "innskudds" pension.

In general, there are two main pension schemes available today: "ytelses" and "innskudds" pension schemes. From 1 January 2014 new regulations made "ytelses" pension more expensive due to longer life expectancy in general. Simultaneously the savings rates pertaining to "innskudds" pension increased and made the "innskudds" pension more attractive and under certain conditions compatible to the "ytelses" pension.

In Norway the trend within the private sector is to change from "ytelses" pension to "innskudds" pension due to its cost saving and cost predictability effects as seen from the employer's point of view. Within the public sector – "Statens pensjonskasse", the "ytelse" pension is the rule, and is life-long.

The quality of the pension schemes are different and it is important to take into account aspects like permanent versus term-contract positions, age of employee, years in service and years to retirement when assessing the pension systems and making a decision.

In the following, the two schemes are presented from two angles: the point of view of the employer and the employee.

From the point of view of the employer:

"Ytelses" pension: The costs will vary over time depending on salary level, age of employee, return rates etc. In general, it is more costly the older the employee and the higher the salary are. The cost of the administration and management of the scheme is more costly than the other option. However the manner in which the pension is build up includes a fund where the surplus on pension investments performed by Storebrand is transferred. This fund is for the benefit of the insurance holder (NAMMCO)

and may be used to pay the premium. For example, today this fund equals NOK 83 896 and this is an accumulation of investment results in Storebrand for the years 2012 and 2013.

“Innskudds” pension: The cost is a percentage of the salary level between 1 -12 G. The minimum percentage is 2% and max is 7% up to 7 G and 18.1 % from 7.1 G to 12 G. 1 G = NOK 88.370 per today. For example with a salary of NOK 750 000 a 2 % pension cost is NOK 15 000, a 7 % is NOK 52 500 and a 7% + 18.1% is NOK 74 686. The cost is less and is more predictable. However, due to the lower “quality” of the product for existing long term staff most employer’s compensate staff for their loss in estimated pension payment.

From the point of view of the employee:

“Ytelses” pension: the employee knows what he or she will receive in pension payment upon retirement (the total payment will be a certain % of the salary level at retirement age up to 12 G. The payment is lifelong or time restricted depending on the actual contract with the insurance company. The insurance company makes the investment decisions on behalf of the employee, and the risk of bad investments is included in the cost.

“Innskudds” pension: at the time of retirement the employee “owns” the total of what has been paid into the scheme plus return (pension capital) and this total is divided into an annual payment payable over a fixed number of years. The payment frame is 10 years with the possibility of lifelong depending on the amount of the pension capital at the time of retirement. The employee decides what kind of investment profile they want the pension capital managed by i.e. high risk, medium risk or low risk. This pension scheme is clearly not as good as the “ytelses” unless you start young to build into the pension capital and are fortunate with your investment choices.

The current existing pension scheme in NAMMCO is “ytelses” pension with retirement at age 67 yr and life-long. The total pension payable comprises the Norwegian state pension, and Storebrand contribution of 80% salary up to salary of 6 G, and 70% salary for salary between 6 and 12G where 1 G = 88 .370 NOK. The pension also includes pension payments should you become unable to work before retirement age. Reduced pension of 55% - also life-long - of the main beneficiary’s pension is payable to the dependent widow /widower on death of the main beneficiary.

The present staff situation at the Secretariat with a change of General Secretary as of 1 March 2015 and a Scientific Secretary who has worked just over 1 year, makes it opportune to review and adopt changes to the pension system in NAMMCO now.

Recommendation from the Secretariat

The cost of the General Secretary’s 10 months extension will under the existing scheme amount to NOK 270 000. By freezing her “ytelses” pension at 67 years and making the 10 extra months into “innskudds” NAMMCO will save money, the amount being dependent on which savings rate is being used – see above. The recommendation is to use the maximum savings rate equal approximately NOK 160 000.

The Scientific Secretary pension is recommended to change to “innskudds” pension with the maximum saving rates of 7% and 18.1 % according to the description above. In lieu of being employed for little over a year the stipulated loss in her pension capital equals NOK 8 000 for which she should be compensated. The underlying reasoning here is that when the present contract terminates in 2016 a possible renewal of the contract will involve a transition of pension schemes.

The present Deputy Secretary holds the only permanent position in the Secretariat. She has served NAMMCO for 14 years, is at the “end” of her carrier with 13 years left to retirement. To go from the current “ytelses” pension to “innskudds” pension will have great consequences for this staff member. The loss in pension payment is substantial and stipulated to approximately NOK 128 000 annually. The recommendation is to keep the “ytelses” pension for the present Deputy Secretary.

All new employees are offered “innskudds” pension with saving rates as described above.

The expenses (calculations are built upon an inflation rate of 1.75% and a salary increase rate of 3.5 %.) following the recommendations are:

“Ytelses” pension Deputy Secretary

	2014	2015	2016
Premium	205	214	219
Salary increment	0	13	88
Administration	58	56	58
	262	282	365

“Innskudds” pension Scientific Secretary and General Secretary

(Estimation based on the present GS for the new GS)

Pension	197	198	202
Administration	9	11	14
	206	209	216

Total pension costs – all staff members

Pension	402	412	421
Salary increment	0	13	88
Administration	67	67	102
	469	492	611