

**REPORT OF THE FINANCE AND ADMINISTRATION COMMITTEE  
SEPTEMBER 28, 2022**

Note: Specific recommendations from F&A to Governing Council are in blue:

The Finance and Administration (hereafter F&A) Committee met from 14:00-18:00 on September 27 2022 at the Paradise Hotel, Busan, Korea under the chairmanship of Dr. Mike Seki.

**FA AGENDA ITEM 1 - OPENING REMARKS**

The Chairman called the meeting to order, welcomed the participants and requested an introduction of members for each delegation. All Contracting Parties were present at the meeting (*F&A Endnote 1*).

**FA AGENDA ITEM 2 - ADOPTION OF AGENDA AND MEETING PROCEDURES**

The Committee reviewed the provisional agenda and agreed to adopt it. The agenda as adopted is included as *F&A Endnote 2*.

**FA AGENDA ITEM 3 - AUDITED ACCOUNTS FOR FY 2021**

The auditing process was completed in accordance with the PICES Financial Regulations. The FY 2021 financial statements were submitted to the external auditor *Hughesman, Morris and Liversedge* on Feb 18, and the audit was completed on March 31. The electronic copy of the Auditors' Report for FY 2021 was circulated to all Contracting Parties on Mar 29 (*F&A Endnote 3*). In the Auditors' opinion, ***“these financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2021, and the results of its operations and changes in fund balances for the year then ended”***.

Accepting the auditor's report was deferred to Agenda Item 10 allowing a more detailed review of accounts.

The F&A Committee reviewed a letter from the Auditors requesting amendments to the Financial Regulations to take into account recently updated practices. Updated portions are indicated in **bold** text below.

1. The Committee recommends that Regulation 10(iv)a be modified to read *“For all purchases and contracts for equipment and office supplies exceeding an amount set by the Council, currently \$10,000, the Executive Secretary shall solicit written proposals.....etc. This amount to be reviewed by Council as desired but no longer than every 5 years.”*
2. The Committee recommends modifying Financial Regulation 12 (v) so that the final sentence reads *“The amount which accrues from such assessments shall be credited to the Relocation and Home Leave Fund to defray expenses of the Organization”*.

The Committee further recommends modifying Financial Regulation 6 (vii) so that the third sentence now reads *“The Relocation and Home Leave Fund is to be financed first from the levy in lieu of taxes from Secretariat staff, and if the year-end balance is below \$0 then from the*

*General Fund surplus at year-end, then tax refunds, then the WCF reserve and then annual appropriations if necessary”*

3. The Committee recommends the addition of the following new Financial Regulation:

***Regulation 6(x) Accrued severance and unused vacation (beyond the current year) shall be listed as a liability against the Home Leave and Relocation Fund in the annual accounts of the Organization and a balance maintained in this Fund at or above \$0 at year end. When an individual’s employment ends the amount owing for severance (for employees that began their term prior to 2017) and unused vacation beyond the current year will be paid from the HLRF. Unused vacation days for the current year will be paid from the General Fund.***

4. The Committee recommends amending the wording of Staff Rule 16 to refer to Financial **Regulation 12 (i)** and not Regulation 11 (i)

#### **FA AGENDA ITEM 4 - ANNUAL CONTRIBUTIONS**

As stated in *Regulation 5(ii)* of the PICES Financial Regulations, all national contributions to PICES “*shall be considered due as of the first day of the financial year (January 1) to which they relate*”. A request for payment of the 2022 annual fees was sent to all Contracting Parties on December 13 2021 in accordance with Decision 2021/A/1/i. All Contracting Parties met their financial obligations for FY 2022 (*F&A Endnote 4*).

Decision 2021/A/1/ii further requested that “*to address the pension plan liability, Council recommends that each Contracting Party make an additional \$8000 Extraordinary Contribution for FY2022 and that the Extraordinary Contribution shall continue until pension plan liability is extinguished*”.

All Contracting parties included the Extraordinary Payment with their Annual dues according to the dates in *F&A Endnote 4*.

The Committee reiterated (1) the importance for all Contracting Parties to pay the Annual Fee by the January 1 deadline and (2) that for planning of their funding requests for annual contributions, Contracting Parties continue to use the guideline generally accepted at PICES-1999 (Decision 1999/A/2(ii)), which states that the annual contributions will increase at the rate of inflation in Canada.

The Committee recommends that Council instruct the Executive Secretary to send letters to all Contracting Parties requesting payments of Annual Fees as soon as practical following the Annual Meeting.

#### **FA AGENDA ITEM 5 – VOLUNTARY CONTRIBUTIONS AND FUND-RAISING ACTIVITIES**

The Committee reviewed the recent voluntary contributions.

The Committee recommends instructing the Executive Secretary to invite Contracting Parties to provide voluntary contributions to the Trust Fund to support the Intern Program and capacity building activities in 2023 and beyond.

### **FA AGENDA ITEM 6 – GENERAL FUND – IN 2021**

The Committee reviewed the budget and expenditures in the General Fund for FY2021, noting that expenditures were within the budget tolerance for all categories and the budget was underspent owing to a lack of travel caused by the COVID-19 pandemic.

### **FA AGENDA ITEM 7 – WORKING CAPITAL FUND - IN 2021 AND 2022**

The Executive Secretary provided information on the amount of funds in the Working Capital Fund designated for specific purposes (encumbered funds) for FY2021 and the estimated amount of the encumbered funds for the fiscal year end FY2022.

The Executive Secretary provided an update on the progress of the NPAFC/PICES UNDOS-endorsed project BECI (Basin Events to Coastal Impacts). The Committee recommends:

That when funds to support the BECI project are submitted to PICES they be identified in an encumbered “BECI Project Fund” within the WCF.

### **FA AGENDA ITEM 8 – TRUST FUND**

The Committee reviewed the status of the Trust Fund.

The Committee recommends that a year-end transfer from the Working Capital Fund to the Trust Fund to restore it the level of \$110,000 is made (the regular practice). This is *estimated* to be \$10,000.

### **FA AGENDA ITEM 9 – RELOCATION AND HOME LEAVE FUND - IN 2020**

The Committee reviewed the status of the Relocation and Home Leave Fund noting that in accordance with Decision 2020/A/5 the liability for excess vacation and severance pay is now captured as a liability of this Fund and it must therefore maintain a balance at, or above, \$0 at year-end. A transfer of \$26,220 from the General Fund was therefore made at the FY 2021 year-end to achieve this (Auditor’s note 3 in F&A Endnote 3).

### **FA AGENDA ITEM 10 – SPECIAL PROJECT FUNDS IN 2021 – DETAILS**

The Committee reviewed the Special Projects noting that:

- a. The KIOST SEAturtle project has made progress in 2021 and 2022. There have been some delays owing to the COVID-19 pandemic but the Project Science Team were able to meet at PICES-2022.
- b. The MAFF Ciguatera project has made good progress in 2021 and 2022. It has also experienced challenges owing to the COVID-19 pandemic but held a successful PST meeting at PICES-2022.

This marked the end of the review of financial matters in FY 2021.

The Committee recommends accepting the audited accounts. The FY 2021 financial statements were submitted to the external auditor Hughesman, Morris and Liversedge on February 18, 2022 and the audit was completed on March 31, 2022. The electronic copy of the Auditors' Report for FY 2021 was circulated to all Contracting Parties on April 8, 2022. In the Auditors' opinion, "these financial statements present fairly, in all material respects, the financial position of the North Pacific Marine Science Organization as at December 31, 2021, and the results of its operations and changes in fund balances for the year then ended".

### **FA AGENDA ITEM 11 – ESTIMATED ACCOUNTS FOR 2022**

The Committee reviewed the material presented and noted that Finances for 2022 are projected to be sound.

### **FA AGENDA ITEM 12 – UNFUNDED PENSION LIABILITY**

The Committee noted that the next review is expected in January 2023.

The Committee recommends that Council requests that each Contracting Party make an additional \$8000 Extraordinary Contribution for FY2022 and that the Extraordinary Contribution shall continue until the pension plan liability is extinguished. Parties are requested to confirm their intention to provide this contribution in 2022 no later than the end of February 2023 to complete budget planning.

### **FA AGENDA ITEM 13 – FINANCIAL RESERVE PLANNING INCLUDING A REPORT TO ADDRESS DECISION 2021/A/5**

The Committee reviewed the report presented by the Executive Secretary and discussed the required level of a reserve and options for reviewing and maintaining it. The Committee recommends that:

- I. The reserve should be maintained at a level equal to twice a contracting party's annual fee.
- II. It should be reviewed annually by the F&A Committee to ensure that the reserve available at the prior fiscal year end is within an acceptable margin of the level set in I) above, and if it is not then to recommend an appropriate amount for restoring the reserve.

The Committee discussed the mechanisms for restoring the reserve. At this time the Committee does not recommend one strategy - it would discuss and make a recommendation as the need arises - but would like to note that two options were discussed:

- a. The reserve could be restored by the addition of a temporary supplemental fee added to the annual fee. This approach was preferred by Canada, Korea and the USA.
- b. The reserve could be restored by a temporary increase to annual meeting registration fees. This approach was preferred by China, Japan and Russia.

The Committee also recommends that the conditional lump-sum pension plan payment for 2021 is not made, since efforts to pay the deficit down are proceeding well and the funds are better left in the reserve.

**FA AGENDA ITEM 14 – PROPOSED BUDGET FOR FY 2023 AND FORECAST BUDGET ESTIMATES FOR FY 2024**

The Committee reviewed the proposed FY 2023 budget of \$1,156,000 and recommends its approval by Council.

The Committee recommends that annual fees be set at \$156,700. This total is composed of the Regular Annual Fee of \$148,700 and an additional temporary Extraordinary Contribution of \$8,000 to address the pension plan liability. The temporary fee portion will not be subject to inflation adjustment in subsequent years and will terminate when the pension plan liability is discharged. A transfer of \$215,800 from the Working Capital Fund at the beginning of 2023 will be required to balance the budget.

The Committee reviewed the forecast budget for FY 2024 and submits it to Council for information only.

**FA AGENDA ITEM 15 - SCHEDULE, STRUCTURE AND FINANCING OF FUTURE ANNUAL MEETINGS, [DECISION 2021/A/6] AND INCLUDING A RESPONSE TO DECISION 2021/S/7: PARTICIPATION AT EXPO2025**

The Committee noted that owing to ICES withdrawal from a joint meeting in 2023 the USA will host the meeting as PICES-2023.

The Committee recommends that up to \$40,000 from the PICES budget be made available to the USA to help defray the costs of PICES-2023.

The Committee reviewed the progress on an event to be held in conjunction with EXPO-2025 and noted that an exhibit for the duration of the event would be prohibitively costly but a one-day public symposium in conjunction with the annual meeting may be feasible.

The Committee recommends that Council invites Japan to explore the possibility of hosting the 2025 Annual Meeting, and inform the Secretariat on this matter by March 31, 2023.

The Committee discussed the current registration fee structure. It was felt that regular fees could be increased from \$325 to \$350 but early fees and student/guest fees would remain the same. This would encourage early registration. There could be an additional “absentee presenter” fee to cover those presenters who have had abstracts accepted but have travel cancelled at the last minute, to enable their digital presentation to be included (this would be waived for students). The Committee noted that the level of any hybrid component would need to be discussed and planned with the host since costs and capability vary by venue, but that virtual registration fees should be the same as in-person fees to encourage attendance in-person.

The Committee recommends the following fee structure for 2023:

Type of registration fee	CDN \$
Regular	350
Early	250
Student	50

Spousal/guest	50
Absentee Presenter	75
Absentee student presenter	0

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The Committee recommends a virtual Intersessional Science Board meeting in 2023

**FA AGENDA ITEM 16 - UPTAKE/IMPACT OF SCIENCE ACTIVITIES [DECISION 2020/A/9]  
INCLUDING A REPORT TO ADDRESS DECISION 2021/A/11.**

The Committee reviewed the material provided. As already laid out in Decision 2020/A/9 the Executive Secretary is directed to continue monitoring the science uptake and impacts.

The Committee reviewed the report on Science Products.

The Committee recommends that Council direct the Executive Secretary to provide a follow-up report to F&A at PICES-2023 which determines whether the needs for science products are being sufficiently met taking into account:

- The products of the AP-SciCom workshop and business meeting at PICES-2022
- The activities and outputs of the AP-ECOP
- The outcome of the UNDOS intern proposal at PICES-2022
- The range of science product preferences within PICES member countries determined by follow-up discussions with GC members.

**FA AGENDA ITEM 17 - ADMINISTRATIVE MATTERS:**

A. Tracking the activity of the PICES Secretariat

The Committee reviewed the graphical representation of the activity metrics provided in response to Decision 2019/A/8/ii. This decision already instructs the Executive Secretary to track them indefinitely, particularly to assess the impacts of COVID-19 on productivity beyond 2022.

B. Staffing in the PICES Secretariat

Staffing of the PICES Secretariat was reviewed. The Committee noted that the Deputy on Administration will be retiring at the end of 2022.

C. International Fisheries Commission Pension Plan status

This item was previously reviewed under Agenda Item 12 and there was no further comment.

D. Hosting of the PICES Secretariat

The hosting of the Secretariat was reviewed.

E. PICES Intern Program and Capacity Building

Capacity Building activities and the Intern program were reviewed. The Committee noted and reiterated the need for ongoing support for the Intern Program through voluntary contributions to the Trust Fund as expressed under Agenda Item 5.

**FA AGENDA ITEM 18 - SCHEDULE FOR APPOINTMENT OF F&A COMMITTEE CHAIR AND ELECTION OF NEW CHAIR**

The Committee recommends that Council appoint Dr Mike Seki for a second term as F&A Committee Chair, to begin at the conclusion of PICES-2022

**FA AGENDA ITEM 21. OTHER BUSINESS**

There was no other business

**FA AGENDA ITEM 22. 2021 F&A REPORT AND RECOMMENDATIONS TO GOVERNING COUNCIL**

The F&A Chair and Executive Secretary have prepared this draft report for circulation.

**F&A ENDNOTE 1**

## 2022 F&amp;A Participation list

<u>Canada</u> Andrew Thomson Bernard Vigneault	<u>Russian Federation</u> Igor Shevchenko
<u>Japan</u> Tatsuki Oshima Shota Sato	<u>USA</u> Kristen Koch Tia Brown (Advisor)
<u>People's Republic of China</u> Rui Zheng (Alternate for Yafeng Yang) Li Li (Advisor)	<u>Other</u> Enrique Curchitser (Chair) Mike Seki (F&A Chair) Jack Barth (USA GC member) Sonia Batten (Executive Secretary)
<u>Republic of Korea</u> Ji In Kim Jun Hyung Kim	



## **F&A ENDNOTE 2**

### **Agenda as Adopted**

1. Welcome and opening remarks
2. Adoption of agenda and meeting procedures
3. Audited accounts for FY 2021 and letter to F&A from the Auditors
4. Annual contributions
5. Voluntary Contributions and Fund-raising activities
6. General Fund in 2021 – Details
7. Working Capital Fund in 2021–Details
  - a. Includes decisions on moving money within the WCF
8. Trust Fund in 2021 – Details
9. Relocation and Home Leave Fund in 2021 – Details and planning for upcoming retirements.
10. Special Project Funds in 2021 – Details
  - a. Korea SEATurtle Fund in 2021
  - b. MAFF Ciguatera Fund in 2021
11. Estimated accounts for 2022
12. Unfunded Pension Liability
13. Financial Reserve Planning – Including a report to address Decision 2021/A/5
14. Proposed budget for FY 2023 and forecast budget estimates for FY 2024
15. Schedule, structure and financing of future Annual Meetings [Decision 2021/A/6] and including a response to Decision 2021/S/7: Participation at EXPO2025
16. Uptake/impact of science activities [Decision 2020/A/9] including a report to address Decision 2021/A/11
17. Administrative matters:
  - a. Tracking the activity of the PICES Secretariat [Decision 2020/A/7]
  - b. Staffing in the PICES Secretariat, including replacement of Deputy of Administration
  - c. International Fisheries Commission Pension Plan status
  - d. Hosting of the PICES Secretariat
  - e. PICES Intern Program and Capacity Building
18. Schedule for Appointment of F&A Committee Chair and Election of Chair
19. Other business
20. 2022 F&A report and recommendations to Governing Council

## **F&A ENDNOTE 3 FINANCIAL STATEMENTS FOR 2021**

Provided as a separate PDF document as prepared by the Auditors

**F&A ENDNOTE 4**

## Payment Schedule for Annual Fees 2005–2022

	<i>Canada</i>	<i>China</i>	<i>Japan</i>	<i>Korea</i>	<i>Russia</i>	<i>USA</i>
2005	Dec 24, 04	<b>Sept 22, 05</b> <sup>2</sup>	Mar 2, 05	Mar 30, 05	<b>Mar 31, 05</b> <sup>3</sup>	Jan 10, 05
2006	Dec 28, 05	<b>Aug 1, 06</b>	Dec 15, 05	Feb 8, 06	Feb 28, 06	Jan 30, 06
2007	Jan 23, 07	<b>Jul 3, 07</b>	Dec 5, 06	Apr 3, 07	Feb 13, 07	Jan 10, 07
2008	Jan 16, 08	<b>May 15, 08</b>	Dec 20, 07	Feb 15, 08	Feb 13, 08	<b>Jan 7, 08</b> <sup>4</sup>
2009	Jan 5, 09	<b>Jun 3, 09</b>	Dec 11, 08	Apr 1, 09	Mar 27, 09	Dec 24, 08
2010	Apr 1, 10	<b>Aug 5, 10</b>	Dec 14, 09	Mar 2, 10	Mar 26, 10	Dec 11, 09
2011	Feb 8, 11	<b>Jun 30, 11</b>	Dec 3, 10	<b>Mar 25, 11</b> <sup>5</sup>	Feb 9, 11	Dec 7, 10
2012	Jan 3, 12	<b>Aug 31, 12</b>	Nov 22, 11	<b>Oct 11, 12</b>	Mar 29, 12	Nov 16, 11
2013	Jan 7, 13	<b>Oct 11, 13</b>	Nov 21, 12	<b>May 14, 13</b>	<b>Apr 12, 13</b>	Dec 17, 12
2014	Feb 18, 14	<b>Jul 11, 14</b>	Dec 6, 13	<b>Apr 11, 14</b>	Mar 5, 14	Dec 20, 13
2015	Feb 16, 15	Nov 26, 14	Dec 8, 14	<b>Mar 25, 15</b>	<b>May 1, 15</b> <sup>6</sup>	Dec 31, 14
2016	Mar 30, 16	Nov 13, 15	Dec 4, 15	<b>Jul 8, 16</b>	<b>Apr 8, 16</b>	<b>May 5, 16</b>
2017	Mar 14, 17	Dec 15, 16	Dec 16, 16	<b>Jul 5, 17</b>	<b>May 4, 17</b>	Jan 9, 17
2018	Mar 28, 18	<b>Aug 30, 17</b>	Nov 21, 17	<b>Jul 30, 18</b>	<b>Oct 24, 18</b>	Apr 11, 18
2019	<b>Apr 24, 19</b>	Jul 19, 18	Jan 31, 19	Jan 17, 19	<b>May 15, 19</b>	Feb 28, 19
2020	<b>May 22, 20</b>	Dec 18, 19	Mar 11, 20	Mar 17, 20	<b>Aug 28, 20</b>	<b>Jun 1, 20</b>
2021	Feb 26, 21	Sep 27, 20	Mar 5, 21	<b>May 31, 21</b>	Mar 17, 21	<b>Apr 20, 21</b>
2022	<b>April 12, 22</b>	Aug 31, 21	Mar 10, 22	Jan 11, 22	Feb 10, 22	<b>June 7, 22</b>

## Notes:

- 1 Late (after March 31) or partial payments are indicated in **bold**
- 2 Partial (86%) payment, remainder paid December 30, 2005
- 3 Partial (96.6%) payment, remainder paid April 25, 2005
- 4 Partial (92.3%) payment, remainder paid on May 22, 2009
- 5 Partial (88.1%) payment, remainder paid on September 20, 2011
- 6 Partial (62%) payment, remainder paid on July 24, 2015