July 12/16

Shyrose,
As requested.
Attached is the analysis for your files.
As a reminder, PwC chose not to respond to our invitation to quote.
Nadine.

Column1	Column2	Column3	Column4	Column5	Column6	Col	Column8
			Deloitte		E & Y		Comments
Price - Appendix C	30	30	One (1) Senior Consultant / Project Lead shall provide 20 working days of effort over the term of the agreement. The consultant shall provide all deliverable as described in Section 1.5 Client Requirements. – Martin Raymond $ 60,200 • One (1) Intermediate Consultant / Sr. Analyst shall provide up to 20 working days of effort over the term of the agreement. The consultant shall provide all deliverable as described in Section 1.5 Client Requirements. – Trevor Gary $ 31,200 (per diem 1,560) Total Fixed Price: $ 91,400 HST (if applicable):$ 11,882 Maximum Price (Subtotal Price + HST): $ 103,282 (Pricing = lowest price 103/103 = 100% x 30 = 30pts)	25	One (1) Senior Consultant / Project Lead shall provide 25 working days of effort over the term of the agreement. The consultant shall provide all deliverable as described in Section 1.5 Client Requirements. $ 60,000 • One (1) Intermediate Consultant / Sr. Analyst shall provide up to 20 working days of effort over the term of the agreement. The consultant shall provide all deliverable as described in Section 1.5 Client Requirements. – Trevor Gary $ 48,000 (per diem $2400) Total Fixed Price: $ 108,000 HST (if applicable):$ 14,040 Maximum Price (Subtotal Price + HST): $ 122,040 (Pricing = 103/122 = 84.4x30 = 25 pts)		Both firms provided a good mix of staff at various levels. The Deloitte senior level position was not priced as low as the E&Y bid, but the lower intermediate per diem placed Deloitte's bid ahead of E&Y in terms of pricing. Even if the E&Y bid were normalized to take into account the 5 extra days at senior parter time included in the bid, it would still exceed the cost of the Deloitte bid.

Experience and Qualifications	70	65	Martin Raymond Project Lead (Partner at Deloitte): over 20 years of experience Trevor Gary Senior Analyst (Senior at Deloitte) : 3 years of experience Matt Colley Subject Matter Expert (Senior Manager at Deloitte) : 11 years of experience Clair Grindley Subject Matter Expert (Partner at Deloitte) : over 20 years of experience Max Bazile Backup for Actuarial team (Senior Manager at Deloitte) : 13 years of experience	60	Uros Kardzic, Partner. Pension audit experience; advisor to 200+ audit teams on accounting for benefit plan obligations; member of CIA task force for setting discount rates, member of Soeicty of Actuaries Project Oversight Group for the Pension Assumption and Methods; member of PSAB's employee benefit task force; works closely with E&Y's professional practices in setting audit rules and accounting interpretations for pension plans. Provided support to OAGs: Federal, PEI, NS in relation to public accounts; as well as the OAG (Fed) w.r.t. consultations with the National Professional Practice Group (NPPG). Ivan Chittenden: extensive experience addressing accounting and reporting issues for clients with large employee benefit plans. Suzie Gignac: Experience in Federal Comptroller's Office working on Accounting Policies. Lee Anne Probert - Project Lead: previous member of E&Y's National Professional Practice group, currently member of E&Y's Financial Accounting Advisoryt Services group; aptitude for applying accounting and reporting concepts to complex accounting situations. Daniel Mortimer - worked with AG of Ontario on large audits of government owned orgs. Michael Austin - actuarial manager focusing on pension and benefits plans f/s audit (experience working with various OAGs Fed, PEI, NS, NB). Blake Langill (experience transitioning to US GAAP from IFRS).		Deloitte submission included extensive details and examples of relevant experience with regards to pension related experience, especially as related to the asset ceiling test. Both RFS respnoses included good depth of experience in dealing with complex public sector reporting and audit issues, but the Deloitte response is superior in terms of breadth and depth of expeirence for the area required.
	100	95		85			
			Fixed Price for each Core Deliverable Per Diem Amount • One (1) Senior Consultant / Project Lead Partner (Martin Raymond, Clair Grindley) $ 3,010 • One (1) Intermediate Consultant / Senior Analyst Senior (Trevor) $ 1,560 • Other possible consultants Senior Manager (Matt Colley, Max Bazile) $ 2,425		Fixed Price for each Core Deliverable Per Diem Amount • One (1) Senior Consultant / Project Lead $ 2,400 • One (1) Intermediate Consultant / Senior Analyst $ 2,400		

Proposed Team (Deloitte) - copied & pasted from submission

As you will see from this section, our proposed team does have the necessary qualification, skills and experience to deliver the needed activities related to this mandate. Considering that the focus of the work will be highly related to complex pension issues and technical application of elements such as **asset ceiling**, we have included 2 actuaries in the Submission form that have both deep actuarial and accounting knowledge, experience and expertise. One member is fully qualified Fellow.

They have been exposed to working in large actuarial consulting firms and also have been within Deloitte gaining the deep key accounting knowledge that provide them with the overall skills to deliver the accounting work that the OPCD is looking for.

The Project Lead that will handle OPCD work is Martin Raymond (partner), the leading consulting actuary for pension at Deloitte. In his work, Martin will be supported by Trevor Gary (senior). Martin has joined Deloitte in October 2011 to lead the actuarial pension and benefit practice. Since then, his group has been supporting Deloitte auditors with all regards related to pension and benefits. He is also responsible for any specific consulting pension and benefit services on non-audit Deloitte clients.

In their work, Martin and Trevor will also have access to some specific personnel of Deloitte that may be involved to limited extent depending on the needs. If required, their involvement is likely to be more for sound-boarding support or validation of approach. Clair Grindley and Matt Colley will be the 2 main subject matter experts that may have some implication. Matt is already involved in some other advice support to the Ontario government and as such will likely participate in some of the meetings in the course of the project. His understanding of the OPCD environment, structure and strategy will ensure that we always provide the optimal approach in working with the OPCD.

Finally, Max Bazile, another actuarial resource is identified just as a support should a very large workload come in a short period of time and OPCD needing some urgent support. He is a fully qualified actuary that could help in those extreme situations to mitigate the impact and ensure delivery as expected.

Since Martin and Trevor are identified as the 2 main members of the team to work on Core deliverables (Project Lead and Senior Analyst) we have provided more details for experience and references for these 2.

Shown expertise of the proposed team

Within the resumes of the proposed team, you will find more specific expertise for both Martin and Trevor. The following paragraphs are meant to show the extent of the work that both Martin and Trevor are involved on a regular basis. The proposed team works significantly with PS3250 and PS3255 annually as well as other pension accounting standards. The team has worked in all aspects of a valuation required for accounting purposes, namely:

• Review of membership data and sufficient information to support extrapolation purposes
• Selection and review of management best estimate assumptions for economic and demographic factors
• Prepare models needed for selection of assumptions
• Determine the approach to define the accounting discount rate
• Prepare the asset (liability) on the balance sheet and reconcile year change, explaining gains and losses
• Prepare the year expense and reconcile year change
• Apply asset ceiling test when asset shown on the balance sheet
• Prepare sensitivity analysis to key parameters
• Prepare actuarial report with the required content for accounting disclosures
• Answer auditor questions, including Auditor Generals

The pension actuarial group do perform annually more than 150 audits on different standard basis. Among these we are involved in 15 to 20 audit reviews of public sectors and are very familiar with the requirements of PS3250 and PS3255. Sitting in an accounting firm and being employee benefit accounting specialists, we are always searching through the applicable accounting standards to assess if work is performed in accordance with the requirements of those standards. This is definitively one key advantage that our professionals do have to support our clients in that we know the details of the standards. We also do have access internally to very highly specialized experts (accountants) that are very familiar with how a standard has been developed. Sometimes it is important to understand the spirit of the standard to determine what is acceptable or not and not just the wording of a paragraph of the standard.

As you will see from some experiences we have detailed, our team has been involved in very complex key accounting issues, such as application of public sector to Shared risk plan model in New Brunswick. In performing this work, our team demonstrated a high-level of knowledge of the accounting standards to define how it would apply to the specific plan model. This is one proof of the high familiarity that we do have with the standards and not only the public sector but also with other standards.

Our position in accounting firm also gives us a good view of where the market trends are going for various elements of the accounting work. As such, we do get exposed to best practices and that makes us very familiar with the evolution of the public standards and the work performed.

Our team is really connected to future public sector changes as Martin Raymond is involved in the CPA Task Force on PS 3250 and PS 3255 review. We also have connections with auditor generals around Canada. We therefore know how to communicate appropriately and prepare a file that will be complete

Martin Raymond (extract from CV) Member of the CIA (Canadian Institute of Actuaries) Task Force on Pension and Post-retirement Benefit Accounting Discount Rates (2009 to the present)

• Speaker at the Canadian Institute of Actuaries' pension seminar in 2012.
• Member of the CPA Task force on review of Public Sector accounting standards (2016 and forward). Of particular interest for this specific mandate, we note that Martin has been selected part of the CPA Task Force on employee benefits that will review the standards (PS3250 and PS3255) in upcoming years to determine if and to what extent changes are to be made to these standards to reflect the evolution in accounting practice since their initial implementation. Some issues that are to be looked at include deferral of actuarial gains and losses, discount rate selection, shared risk plan (SRP) treatment and multi-employer plans. Since a number of these elements are of interest to public sector entities, having someone that is involved in the discussions will provide great insight for the OPCD to understand the issues, the discussion elements and the possible outcomes.

Provide expertise on asset ceiling

This activity covers a very specific area of the pension accounting standards. It is an element that needs some judgment and also that needs a comprehensive analysis to document appropriately the position taken. The asset ceiling test will be required when the plan presents a surplus and shows an asset on the balance sheet. This is done on a plan by plan basis. It does encompass a notion of future economic benefit (FEB) that requires the Government to define what it believes can represent a benefit in form of either surplus withdrawal or future reduction in the Government contribution through contribution holiday. The asset ceiling is important since based on the accounting standards, it does have an immediate impact on the annual expense of the Government and thus may be a very volatile component when the asset ceiling applies. Here are the steps we think could be taken to provide expertise to the specific situation of the Government.

Step

Description

Initial discussion with the OPCD

Identify the plans that are affected by a surplus position

Identify if any issue has been raised by the Auditor General

Determine the extent to which this has been defined as of now by OPCD

Discuss for the affected plans the initial view on whether the Government could take some contribution holiday, if so on what circumstances

Identify if one approach applies to all plans or if different situations exist (ex a closed plan)

Obtain the necessary documents

Accounting results for the affected plans

Supporting plan text for contribution holiday judgment

Initial analysis that exists at OPCD

Determine the steps that come into the asset ceiling calculation

Define the key elements to form a procedure to be applied

Prepare an analysis of the situation for the plans

Based on the elements defined above, calculate the FEB for the affected plans

Prepare an analysis document

Summary of the situation

Identification of the issue

Main paragraphs referred and included in appendix

FEB calculation basis

View on the contribution holiday for the affected plans

Impact of the asset ceiling

Discuss the analysis with OPCD

Send the analysis document to OPCD

Run through the main elements of the analysis performed and the conclusion

Agree to the appropriate approach to use

Prepare formal communication

Depending on the needs, could take the form of a revised analysis or more formal document to be used with Auditor General or other external stakeholders

Some key elements are really important to look at when preparing this analysis:

- Valuation basis used for plan assets (market-related value?)
- Possibility of Contribution holiday – what supports this and what are the constraints
- Well-defined process to calculate this since it is a very complex element of accounting that not all stakeholders fully understand and can appreciate the accounting requirements
- Although this is not as complex as under IFRS, there are still different views that apply to the FEB calculation and depending on the Auditor General view, some may be seen as acceptable and others not acceptable

(extract)Under IFRS, for 3 main clients of Deloitte, we did have asset ceiling consideration this year due mainly to the plans being closed to new entrants. Asset ceiling is a very complex application under IFRS that encompass minimum funding requirement calculations and determination of economic future benefits. Letters of credit could also be used to avoid minimum funding requirement effect. So a large number of pieces come into play in the calculations performed. Success of our work was measured by raising issues around the asset presented on the balance sheet, making the clients aware of the complexity of this and getting them understanding our approach and therefore limits on balance sheet asset. The main challenge we had was to get the actuaries to view the arguments we had on this issue and have them agree at least to some extent to our views. In order to overcome this challenge, we held some calls with the actuarial firm and we did have the client also listening to these calls, and provide their inputs. Having all interested parties included in the discussion proved to be a good way to mitigate that and avoid simple back and forth emails from actuary to actuary. We also did validate some of our position elements with other colleagues in various firms (actuarial and accounting) to understand the practice for some components of asset ceiling and get a broader view of the flexibility that exists and boundaries applied

Through the implication with the Québec municipalities Ministry Deloitte has provided a number of recommendations on accounting treatment of some events / issues that are closely looked at by the Auditor Generals. We have been involved in thetreatment of special events like asset ceiling and the accounting treatment. PS3250 has extreme volatility consequence for as [illegible] while IAS19 has some self-correcting mechanisms that help alleviate this extreme fluctuation. At some point, this element did become a sensitive issue for some municipalities' pension plans. We were involved with the Ministry to define a possible recommendation of how this would be applied and eventually determine some recommendation to mitigate the taxation impact for municipalities. Similar element came up in recent years when mortality study of the Canadian Institute of Actuaries (CIA) came up and shown improvement in life expectancy. The Public sector table became a guidance for many municipalities but looking more into the components in the study, it was found out that it was not necessarily adequate to apply directly to all municipal employees. We had discussions with the Ministry on different approaches that were used by the entities (and their actuaries) to prepare their financial statements. We looked at what seemed to be acceptable approach to set up the assumptions, including a separate study performed on the experience of the specific Québec municipal sector into different classes of employees.
Finally, recently, a recent change in pension legislation for municipal pension plans lead to some reduction of past service benefits, share of future service cost with employees and period of negotiation to determine the appropriate changes to apply. Deloitte was involved with the Ministry to identify recommendation on key issues to consider from this legislation change, how to apply it, what the accounting consequence is and how to disclose in financial statements. We ended up providing advice and recommendations and even worked on the disclosure notes that were provided by the Ministry as templates for all municipalities to use. All this work ended up ensuring that auditors and Auditor Generals were comfortable with the treatment proposed and the disclosures