

Fw: Track Changes Versions

From: "Thompson, Scott (MOF)" </o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=thompson, scott (mof)5d1">
To: "McLean, David (MOF)" <david.mclean@ontario.ca>
Date: Mon, 26 Sep 2016 17:27:23 -0400

Per your question - yes

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>
Sent: Monday, September 26, 2016 2:17 PM
To: Petsche, Nadine (TBS); Orencsak, Greg (TBS); Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: MacIntyre, Kyle (TBS); Sun, Alicia (TBS)
Subject: Re: Track Changes Versions

See below for suggested edits

18. Valuation of Pension Assets

The Province is a joint sponsor of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP). Both of these plans are jointly sponsored defined benefit plans and the Province accounts for its portion of each plan in accordance with the Public Sector Accounting Standards for defined benefit pension plans. Recording its portion of each of these plans has resulted in pension assets for OTPP and OPSUEPP for all years since fiscal 2001-2002. These plans are the only pension plans for which a pension asset is recorded.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan.

When a pension asset arises, under Public Sector Accounting Standards, additional analysis is required to determine whether the government is entitled to fully benefit from the pension asset. ~~If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.~~ Generally, a sponsor would be able to benefit from an accounting surplus over time by reducing contributions to the plan. **If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.**

Historically, the Province reported the full asset value on the consolidated financial statements as reflecting management's best estimate of expected future benefit from the accounting surplus. In the current year, the Province has revisited its evaluation of the recoverability of the pension assets. Based on the actuarial modelling completed, the Province continues to believe that the

assets are recoverable; however, it believes that additional modelling is required to either confirm its view or record an additional valuation allowance. The impact of recording an additional valuation allowance in the future could be material to the financial statements.

In light of the additional modelling that the Province is in the process of completing, the Province has not changed the value of the pension assets recorded at the end of the prior year and has recorded a valuation allowance during 2015-16 which is equivalent to the amount of the increase in the pension assets that otherwise would have been recorded. In other words, the value of the pension assets related to OTPP and OPSEUPP are recorded at the same amount in both fiscal 2014-15 and fiscal 2015-16. The 2015-16 reported asset amount is net of a valuation allowance of \$1.5 Billion. Recording a valuation allowance of \$1.5 Billion in fiscal 2015-16 resulted in an increase in the annual deficit and net debt that would have otherwise been reported by \$1.5 Billion.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Petsche, Nadine (TBS)
Sent: Monday, September 26, 2016 2:08 PM
To: Orencsak, Greg (TBS); Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: MacIntyre, Kyle (TBS); Thompson, Scott (MOF); Sun, Alicia (TBS)
Subject: RE: Track Changes Versions

Thanks Greg.

From: Orencsak, Greg (TBS)
Sent: September 26, 2016 2:08 PM
To: Petsche, Nadine (TBS); Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: MacIntyre, Kyle (TBS); Thompson, Scott (MOF)
Subject: Re: Track Changes Versions

Thanks very much Nadine - will leave to the home team to review. My only suggestion is that we not include the language in the versions we share with the AG tonight that suggests that the statements are qualified (ie make sure that's drafted, but hold that back). We can insert those tomorrow as necessary when we meet with her. But for tonight, our position remains that both the \$3.5b and the \$5.0b deficit could be signed off on without a qualification, which is supported by the Deloitte opinion.

Greg

On Sep 26, 2016, at 2:00 PM, Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca> wrote:

Greg,

Attached are the track change copies of the 2 versions for your review. Hardcopies are being printed for internal review here at Frost and at Whitney.
Nadine

<FSDA (Qualified 3 5)_Tracked Changes.docx>

<FSDA (Qualified 5.0)_Track Changes.docx>