COLLEGES OF APPLIED ARTS AND TECHNOLOGY PENSION PLAN (CAATPP)

ISSUE

The Colleges of Applied Arts and Technology Pension Plan (CAATPP) expected 2016-17 expense of $202M represents an increase of $15M from the projected 2016-17 expense of $187M included in the 2016 Budget.

The expected 2016-17 CAATPP expense of $202M is a increase of $12M from the $190M actual expense reported for 2015-16.

Reference: Chapter VI, Section B, Table 6.15 Total Expense

KEY FACTS

2016-17 Interim

Budget to Budget

- The $15M increase in the interim 2016-17 CAATPP expense ($202M) compared to the 2016-17 expense projected in the 2016 Budget ($187M) is primarily due to the valuation allowance against (or write-off of) the net pension asset forecasted in 2016-17.

Year-over-Year

- The $12M increase in the interim 2016-17 CAATPP expense ($202M) compared to the reported 2015-16 actual expense ($190M) is mainly due the $14M valuation allowance against (or write-off of) the net pension asset forecasted in 2016-17. There was no net pension asset in the plan in 2015-16. Excluding the increase in expense due to the valuation allowance of $14M, 2016-17 CAATPP expenses would have been forecasted at $188M, a $1M increase from the 2016 Budget.

2017-18 Plan

Budget to Budget

- The $60M increase in the forecasted 2017-18 CAATPP expense ($232M) compared to the expense projected in the 2016 Budget ($172M) is mainly due to an increase in current service cost as a result of an increase in the salary growth assumption and increase in interest expense on increased plan obligations resulting from a reduction in the discount rate. Forecasted expense is further increased over 2016 Budget due to the valuation allowance (or write-off) taken for the net pension asset forecasted in 2017-18.

Year-over-Year

- The $30M increase in the forecasted 2017-18 CAATPP expense ($232M) compared to the expected expense for 2016-17 ($202M) is mainly due to increases in current service cost due to an increase in the salary growth rate assumption in 2017-18 and forecasted increases in active membership. 2017-18 expense is further increased due to the valuation allowance against (or write-off of) the net pension asset forecasted in 2017-18.

BACKGROUND

CAATPP Expense — **Table 1 ($ Millions)**

	Actual 2014-15	Actual 2015-16	Interim 2016-17	Plan 2017-18
2017 Budget	209	190	202	232
2016 Budget			187	172
Increase (Decrease) in Fiscal Plan			15	60

Pension expense reported in both the Province's consolidated financial statements and the Budget are determined in accordance with the Public Sector Accounting Standards (PSAS) of the Chartered Professional Accountants of Canada (CPA).

PSAS based calculations of pension expense reflect the government's share of the annual cost of pension benefits earned by employees during the year with adjustments for the government's share of gains or losses experienced by the plan, interest on the net pension liability or surplus, one-time cost of plan amendments made during the year and other applicable adjustments, including any valuation allowance taken against a net pension asset evaluated as not recoverable..

The employer's cash contribution to a pension plan in a particular period does not represent pension expense for financial reporting purposes which are calculated on a PSAS basis. Rather, contributions are calculated based on actuarial valuations conducted for funding purposes which are intended to ensure that a pension plan has sufficient money to pay for its obligations when they become due.

Under the Province's accounting policies, any actuarial gains or losses in a given calendar year are reflected in pension expense over the expected average remaining service life of the employees (12.9 years for CAATPP), starting in the subsequent fiscal year.

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