FW: Financial Satement disclosures

From:	"Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>
To:	"Li, Wendy (TBS)" <wendy.li@ontario.ca>, "Zhang, Sarah (TBS)" <sarah.zhang@ontario.ca>
Cc:	"Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Donaldson, Mark (MOHLTC)" <som.mark.donaldson@ontario.ca>
Date:	Thu, 27 Jul 2017 16:40:22 -0400
Attachments:	MIN322 - Prov of Ontario 2017 Public Account - June 7 2017 (final signed....pdf (545.09 kB)

See suggested edits/response from Marc's group. In respect of item#2 we need to follow up with Pauline on Tuesday when she come back from her vacation.

From: Brown, Nicola (TBS)
Sent: July-27-17 4:32 PM
To: Patel, Bharat (TBS)
Cc: Tsirtsimpis, Katerina (TBS); Cooper, Fran (TBS)
Subject: FW: Financial Satement disclosures

Hi Bharat,

Please see our response below in red.

Thank you,

Nicola Brown
Executive Assistant, Director's Office | Total Compensation Strategies Branch | Centre for Public Sector Labour Relations and Compensation | Treasury Board Secretariat

Tel:(416) 212-1495 | Fax: (416) 327-8402 | nicola.brown@ontario.ca |

From: Patel, Bharat (TBS)
Sent: July 27, 2017 12:40 PM
To: Tsirtsimpis, Katerina (TBS)
Cc: Brown, Nicola (TBS); Cooper, Fran (TBS); Stewart, Craig (TBS)
Subject: RE: Financial Satement disclosures

Thank you Katerina!

From: Tsirtsimpis, Katerina (TBS)
Sent: July-27-17 12:32 PM
To: Patel, Bharat (TBS)
Cc: Brown, Nicola (TBS); Cooper, Fran (TBS); Stewart, Craig (TBS)
Subject: RE: Financial Satement disclosures

Hi Bharat,

I am copying both Nicola Brown and Fran Cooper on this email who are in the Total Compensation Strategies Branch.

They can assist with this request.

Thanks,
Katerina

From: Patel, Bharat (TBS)
Sent: July-27-17 12:29 PM
To: Tsirtsimpis, Katerina (TBS)
Subject: FW: Financial Satement disclosures

In absence of Marc, can you please help on below request?

From: Patel, Bharat (TBS)
Sent: July-27-17 12:26 PM
To: Rondeau, Marc (TBS)
Cc: Pauline FONG (Pauline.Fong@ontario.ca); Petsche, Nadine (TBS); Donaldson, Mark (MOHLTC)
Subject: Financial Satement disclosures

Hi Marc,

Cindy asked me to connect to you to address some of her comments (highlighted yellow) on non-pension retirement benefits and Post-Employment Benefits, Compensated Absences and Termination Benefits disclosures in Public Accounts. Can you please advise who in your group can help?

Thank you,

Bharat

TCSB RESPONSES PROVIDED BELOW AFTER EACH ITEM

ITEM 1

Non-Pension Retirement Benefits

The Province provides dental, basic life insurance, supplementary health and hospital benefits to retired employees through a self-insured, unfunded defined benefit plan. Certain Public Service

Pension Plan members, and OPSEU Pension Plan members who did not meet the 10-year eligibility criteria on January 1, 2017, are required to have 20 years of pension service and retire to an immediate unreduced pension to be eligible to receive the post-retirement insured benefits [VC(1]. Further, any eligible members who commenced receipt of a pension on or after January 1, 2017, is required to pay 50 per cent of the premium costs in order to participate in the post-retirement insured benefits plan.

Response:

The first sentence spells out the eligibility requirements. The second sentence describes the premium payment terms announced in 2014, but does not explain the optional plan participation and premium payment terms offered under amendments announced in November 2016, as follows:

Optional Enrolment – Legacy Plan OR new Retiree-Focused Retiree Plan

- Eligible persons hired before January 1, 2017 and who commence pension on/after that date will have the option to access:
  - The current legacy post- retirement benefits plan provided they pay 50% of the premium costs; 0r
  - A new retiree-focused post-retirement benefits plan, at no cost

  Note: Eligible persons here will include persons who had accrued the at least ten years pension credit before January 1, 2017, and persons who did not have the ten years credit before 1/1/17, but who then commence pension after meeting the new eligibility criteria.

Optional Enrolment – New Retiree Focused Plan – at 100% retiree cost.

- Individuals hired on or after January 1, 2017 are eligible to enrol in the new retiree-focused plan at retirement in the future, provided they meet the new eligibility criteria, and pay 100% of the premium costs.

- Individuals hired before January 1, 2017, are also eligible to enrol in the retiree-focused plan if they have at least ten years of pension credit and retire to an immediate unreduced pension, and provided they pay 100% of the premium costs.

A description of the 2016 changes terms is set out in the June 7, 2017 Valuation Report prepared by Mercer Ltd., on page 62

In response to the specific question/comment in the email i.e. *"Should this read "…at no cost". If you have 20 years or pension service and retire to an immediate unreduced pension do you still have to pay 50% of the costs to participate in the post-retirement benefits plan."* Yes, if you were hire before January 1, 2017 and elect to enroll in the legacy plan at retirement/commencement of pension. Otherwise, participation in the retiree focused plan would be at no cost.

ITEM 2

During the previous year, an arbitration decision resulting from the Association of Law Officers of the Crown/Ontario Crown Attorneys Associations (ALOC/OCAA) policy grievance precluded the application of these announced changes to associations' members for the balance of the term of the current collective agreement. The Province also updated the OPSEU retiree's supplementary health benefits to align with changes negotiated for active OPSEU members. These two amendments resulted in a $30 million past service cost that was included in the 2015–16 fiscal year [VC(2]   .

The liability for non-pension retirement benefits of $8.1 billion as at March 31, 2017 (2016, $8.3 billion), is included in the Other Employee Future Benefits Liability. The expense for 2016–17 of $279 million (2015–16, $422 million) is included in the Other Employee Future Benefits Expense.

The discount rate used in the non-pension retirement benefits calculation for 2016–17 is 3.25 per cent (2015–16, 3.40 per cent). The discount rate used by BPS organizations in the non-pension retirement benefits calculation for 2016–17 ranges from 2.00 per cent to 6.00 per cent (2015–16, 2.35 per cent to 5.75 per cent).

RESPONSE: I'm not aware of any plan design related changes that would have affected the PRB valuation for 16/17. The amendments announced in November 2016 did not have a valuation impact, given the care taken to ensure that the $1B+ liability reduction flowing from the 2014 announcement was preserved. The Mercer Valuation report mentions impacts associated with assumptions relative to discount/lending rates etc. (Page 11). This question may be best validated by OPCD. TCSB coordinates collection and delivery of employee census data, plan design changes and other information to the external actuary (Mercer) to enable development of the annual PSAB Valuation Report (Non-Pension Post Retirement, Severance Pay and Other Post Employment benefits Valuation Report). Thereafter fiscal reporting of the data in the Mercer report is handled by our MOF and OPCD partners in the annual initiative.

ITEM 3.

Post-Employment Benefits, Compensated Absences and Termination Benefits

The Province provides, on a self-insured basis, workers' compensation benefits, long-term disability benefits and regular benefits to employees who are on long-term disability.

For all other employees subject to terms set out in collective agreements, and in the Management Board of Cabinet Compensation Directive as applicable, ~~with the exception of management-excluded staff who have completed~~ [VC(3] ~~five years of service,~~ the Province provides termination pay equal to one week's salary for each year of service up to a maximum of 50 per cent of their annual salary. Employees who have completed one year of service but less than five years are also entitled to termination pay in the event of death, retirement or release from employment. All employees who resign are not eligible for any severance pay in respect to service after December 2011.

Response:

The text inserted in red font above, along with the strikeout, comprise suggested edits. For all groups, the minimum requirements to qualify for termination payments are as follows:

- **Upon termination due to death, retirement to a disability pension, or lay-off/surplus:**

one year continuous service

- In all other cases, upon termination for reasons other than dismissal for cause or job abandonment: five years continuous service.
    - o Calculation of the entitlement will be subject to terms set out in collective agreements and in the MBC Compensation Directive that limit payment based on the reason for termination (specifically, resignation or retirement), and in respect of service accrual/salary in effect as of a specified date.

BHARAT PATEL, CPA
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TBS

Should this read "…at no cost". If you have 20 years or pension service and retire to an immediate unreduced pension do you still have to pay 50% of the costs to participate in the post-retirement benefits plan.

I thought there was a subsequent update in fiscal 16-17 – please confirm with Marc Rondeau's area.

Should this be "completed less than five years"?