FW: New Model Output

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Orencsak, Greg (TBS)" <greg.orencsak@ontario.ca>, "Hughes, Karen (TBS)" <karen.hughes@ontario.ca>
Cc: "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>, "Laughton, Patrick (TBS)" <patrick.laughton@ontario.ca>
Date: Sun, 25 Sep 2016 12:55:31 -0400

Fyi only – I sent the message below to help us understand what limits exist, if any, on improving the benefits in the OTPP. I don't know if there are limits on what the benefits can be in order for the plan to qualify under the ITA etc. (e.g. when does the need for a SERP kick in).

I'll let you know what we hear back.

Cindy

From: Veinot, Cindy (TBS)
Sent: September-25-16 11:55 AM
To: Killoch, Alex (MOF); Pomykacz, Rob (MOF); Paul, Joshua (EDU); Sekaly, Gabriel (EDU)
Cc: Petsche, Nadine (TBS)
Subject: RE: New Model Output

Hi all,

One more question for you on OTPP. We have been asked to run an actuarial model to assess the impact on the need for a valuation allowance on the asset should 50% of the surplus in the plan be used to improve benefits. This is simply scenario modelling and not indicative of any plans re: use of surplus.

However, I would like to better understand what limits, if any, exist on improving benefits under the plan (e.g. does the income tax act set limits on what type of benefits can be provided in a plan?)

Setting aside the conditional indexation improvements, are there other benefits that have been requested by the OTF in the past? Or are there benefit improvements that one would expect could be contemplated if you compared to the benefits under the OTPP to other plans.

This is all getting to is there a limit on how much of the surplus could be used for benefit improvements.

Thanks all

Cindy

From: Veinot, Cindy (TBS)
Sent: September-25-16 10:49 AM
To: Killoch, Alex (MOF)
Cc: Petsche, Nadine (TBS)
Subject: FW: New Model Output

Alex – have you heard back from Allan? Could you follow up with him?

From: Veinot, Cindy (TBS)
Sent: September-24-16 2:00 PM
To: Allan Shapira

Cc: Killoch, Alex (MOF); Petsche, Nadine (TBS); Pomykacz, Rob (MOF)
Subject: RE: New Model Output

Thanks Allan – re: the first statement, I don't think we need to know whether it would be in the temporary or permanent.

With respect to the modelling that Martin has done re: when the plan would be expected to hit the CRA limit, have you had a chance to review and are you in agreement with the output (e.g. that based on the assumptions used, the plan would be expected to hit the CRA limit in 15 years)?

Thanks again,

Cindy

From: Allan Shapira [mailto:allan.shapira@aonhewitt.com]
Sent: September-24-16 10:15 AM
To: Veinot, Cindy (TBS)
Cc: Killoch, Alex (MOF); Petsche, Nadine (TBS); Pomykacz, Rob (MOF)
Subject: Re: New Model Output

It would definitely be in the temporary zone and may even be in the permanent zone. I would have to take some time today to figure that out if that is important.

It seems like the AG is hung up on the fact that the government needs agreement of another party, the other joint sponsor to use surplus. That is the essence of a joint plan and it plays out in both increasing contributions when necessary and reducing then when there is an opportunity to do so. I should remind everyone that the temporary zone was introduced in response to the concerns of the member sponsor that with what they view as conservative funding the surplus would grow very large with only a permanent zone and they would not get access to it early enough. Clearly that reflects their desire to use the surplus and they can only do so if the government gets its 50% share.

Allan

Sent from my iPhone

On Sep 24, 2016, at 9:01 AM, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca> wrote:

> Thanks everyone for looking at this so quickly.
>
> One question on #3 – does the math work such that the plan would be in permanent zone when it is estimated to hit the ITA limit? In other words, based on one of the scenarios provided by Martin Raymond, does this mean that based on continued expected returns, one model suggests that the plan would be in the permanent zone in 15 years?
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> ---
>
> **From:** Killoch, Alex (MOF)
> **Sent:** September-24-16 8:57 AM
> **To:** Petsche, Nadine (TBS); Pomykacz, Rob (MOF)
> **Cc:** allan.shapira@aonhewitt.com; Veinot, Cindy (TBS)
> **Subject:** Re: New Model Output
>
> I talked to Allan last night.
>
> The answer to number 1 is that the rule applies to joint plans.
>
> Number 2 is that the rule applies to the employer only. But under the terms of the

plan it would be both parties that need to determine how to to reduce surplus.

There is no rule other than the FMP for dealing with surplus. And Raymond is correct that the plan would never get to the ITA maximum. The otf would never allow it to get through the temp and permanent zones, (and I doubt gov't would either)

Alex

From: Petsche, Nadine (TBS)
Sent: Saturday, September 24, 2016 8:35 AM
To: Killoch, Alex (MOF); Pomykacz, Rob (MOF)
Cc: allan.shapira@aonhewitt.com; Veinot, Cindy (TBS)
Subject: RE: New Model Output

Alex/Rob,
Just wondering what the plan is w.r.t. the questions posed below? Thx. n

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From: Raymond, Martin (CA - Montreal) [mailto:maraymond@deloitte.ca]
Sent: September-23-16 4:44 PM
To: Petsche, Nadine (TBS)
Cc: allan.shapira@aonhewitt.com; Killoch, Alex (MOF); Pomykacz, Rob (MOF); Colley, Matthew (CA - Toronto)
Subject: RE: New Model Output

After a discussion with Matthew, find enclosed the following questions that might be needed to review with the use of Income Tax Act excess surplus for contribution reduction.

1- Is the Income Tax Act excess surplus still applicable to a joint plan? I believe it does since the idea is to avoid excess use of pension plans as tax free deferral vehicles and therefore should apply to all types of employer provided pension plans

2- Is the Income Tax Act only requiring the employer to reduce contribution even in a joint plan ? if so, our estimate of using 50% of the excess surplus would move to 100%. However, we have used 50% of the excess surplus as a benefit to the employer knowing that under the plan, the sharing principle would lead to employees and employer reducing both their contributions to meet the requirement of the Income Tax Act

3- Finally, is there a plan provision (I did not see if one applies) that would force the employer to modify the plan benefits and therefore prevent of taking a contribution reduction that is otherwise applicable as per the Income Tax Act. I did not see one, and this is likely to be logic that the plan does not need one since the idea would generally be to deal with surplus through the Temporary and Permanent zones in the sharing of surplus and therefore not getting into the excess surplus position. However, for our illustration we assume that no surplus is used through the Temporary and Permanent zones, considering no agreement and therefore we end up dealing with the excess surplus situation.

Regards

Martin Raymond, FSA, FCIA
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<image001.png>

De : Raymond, Martin (CA - Montreal)
Envoyé : 23 septembre 2016 15:13
À : 'Petsche, Nadine (TBS)' < Nadine.Petsche@ontario.ca >
Cc : allan.shapira@aonhewitt.com ; Killoch, Alex (MOF) < Alex.Killoch@ontario.ca >; Pomykacz, Rob (MOF) < Robert.Pomykacz@ontario.ca >; Colley, Matthew (CA - Toronto) < mcolley@deloitte.ca >
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Here are the 2 files

One for projection of plan situation
One for the expected future benefit and asset ceiling test

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<image001.png>

De : Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Envoyé : 23 septembre 2016 15:10
À : Raymond, Martin (CA - Montreal) < maraymond@deloitte.ca >
Cc : allan.shapira@aonhewitt.com ; Killoch, Alex (MOF) < Alex.Killoch@ontario.ca >; Pomykacz, Rob (MOF) < Robert.Pomykacz@ontario.ca >; Colley, Matthew (CA - Toronto) < mcolley@deloitte.ca >
Objet : New Model Output
Importance : Haute

Martin,
We are on a call with Matt and he is describing your most recent model run for the OTPP. Can you please share that with Allan Shapira and cc. Alex Killoch and Rob Pomykacz as soon as possible.
Thanks.
Nadine

Confidentiality Warning: