FW: New Model Output

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Fri, 12 May 2017 19:31:00 -0400
Attachments: OTPP_going_concern_projection_ITA_surplus.docx (20.29 kB); Valuation_allowance_projection_scen1_and_scen2.xlsx (107 kB); calculation_EFB_estimate_Sept_26_2016.xlsx (44.92 kB)

From: Raymond, Martin (CA - Montreal) [mailto:maraymond@deloitte.ca]
Sent: September-26-16 3:18 PM
To: Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS); Colley, Matthew (CA - Toronto); Danyluk, Kerry (CA - Toronto)
Subject: RE: New Model Output

Cindy and Nadine

To follow up on recent emails, we have prepared a summary word document that describes the approach used to make the extrapolation and determine the effect of the ITA limit.

Note the document is in bullet form mostly for ease of reading and really describes the step-by-step of the work performed.
It also includes a short summary at the end that is just factual observations of the results obtained.

There are also the 2 excel files that were used (same files as last time for 1- projection and 2- expected future benefit calculation by applying reduction % to Government contributions coming from the projection).

There are 2 scenarios:

1- Similar to last time, no use of surplus before attainment of the ITA limit and then 50% / 50% share to the employees and Government contribution reduction. The % reduction in Government contribution may differ a little from the previous set of results due to some refinements in calculation but only minor difference if any

2- I was not sure about your scenario Cindy about benefit improvement. If your question was about using in scenario 1- above the 50% of employee to improve benefit instead of reducing their contribution, then the results are similar to 1- as only a small difference in interest on obligation (4.85%) vs return on asset (6.25%) would affect the results and really small impact. However, as it was not so clear if you were referring to the surplus above ITA, we also looked at what would happen if the surplus before reaching ITA limit was spent at 50% to improve employee benefits. The remaining 50% would be maintained unused until reaching the ITA limit when the 50% / 50% contribution reduction would apply. This scenario is like saying that we always use the 50% share of the employees for their benefit and we leave the Government share in the plan not to be spent. Even in this scenario, we reach ITA limit in year 2041 and we do have expected future benefit that supports the accrued benefit asset, although much closer. So either your question is easy and only related to the surplus above ITA limit to be used for benefit improvement – answer is same or almost results as 1- or your question was also targeting surplus before ITA limit and the Scenario 2 covers this.

Note that the Scenario 2 is found in excel calculation but also described in the word document on the approach. So if this was not the intended scenario, it can be taken out easily.

Also note that the excel file on projection also includes the data input sheet from the Government accounting spreadsheet that was provided to us for calculation purposes. Just wanted you to know in case some information in it were not meant to be distributed afterward.

Regards

Martin Raymond, FSA, FCIA
Partner – Audit – Actuarial services
D eloitte
1190 Avenue des Canadiens-de-Montréal, Montréal, H3B 0M7, Canada
Tel / Direct : 514-393-7367
Fax : 514-390-4104
maraymond@deloitte.ca | www.deloitte.ca

De : Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]
Envoyé : 25 septembre 2016 09:50
À : Raymond, Martin (CA - Montreal) < maraymond@deloitte.ca >
Cc : Petsche, Nadine (TBS) < Nadine.Petsche@ontario.ca >; Colley, Matthew (CA - Toronto) < mcolley@deloitte.ca >; Danyluk, Kerry (CA - Toronto) < kdanyluk@deloitte.ca >
Objet : RE: New Model Output

Re: the additional modelling, I will try to explain in a bit more detail We have an internal call at 10 am (so in 10 minutes) and then another at noon so maybe we can connect live between those or after the noon update.

As I understand it, both the initial model from August and the ITA model from Friday both assume that benefits will not increase (other than the cost of the benefits that are currently being provided). In other words there will not be a decision by the sponsors to improve the benefits provided

We have been asked to determine the outcome of the pension ceiling test on the assumption that 50% of the surplus is used to improve benefits for the teachers. So instead of assuming that the level of benefits remains constant, we're assuming that for 50% of the surplus, instead of using the surplus to reduce contributions, the sponsors agree the benefits for the teachers will be improved.

I'm not sure how this scenario is modeled, but I think the question would then be how many years of contributions would be made before the asset ceiling would be reached.

I'm testing my understanding of the actuarial model here, but would the service cost in the model increase (e.g. part 1 of 56(a)) as well as the level of contributions required to support the increased benefits (part 2 of 56(a)) ?

Thanks all for your assistance,

Cindy

From: Raymond, Martin (CA - Montreal) [mailto:maraymond@deloitte.ca]
Sent: September-25-16 9:28 AM
To: Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS)
Subject: Re: New Model Output

Cindy

Will work today but will need review by Matt on the wording

For question 2 - just to clarify your thought - are you saying that 50% of surplus is always used or if the government 50% share always remain unused until this government share reaches 125%
If we always use 50% of the entire surplus you will end up that the 50% government share gets recycled to the employee benefits and you will likely never get to 125% ...

Envoyé de mon iPhone

Le 24 sept. 2016 à 16:51, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca> a écrit :

> Hi Martin,
>
> Thanks for continuing to think about this issue and putting together this analysis – it is extremely helpful.
>
> Two questions for you:
>
> 1) Could you or someone on your team draft a description of the models – not a Deloitte report – just a white paper that we would be able to share with the AG with the output of the model to consider.
> 2) We've been asked whether you could run one additional model that assumes that 50% of the surplus is used for benefit improvements during the period leading up to the meeting the ITA. Would that mean that the ITA is met years later?
>
> Thanks again,
>
> Cindy
>
> ---
>
> **From:** Petsche, Nadine (TBS)
> **Sent**: September-24-16 8:30 AM
> **To**: Veinot, Cindy (TBS)
> **Subject**: FW: New Model Output
>
> ---
>
> **From:** Raymond, Martin (CA - Montreal) [mailto:maraymond@deloitte.ca]
> **Sent**: September-23-16 3:13 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
>
> Here are the 2 files
>
> One for projection of plan situation
> One for the expected future benefit and asset ceiling test

Martin Raymond, FSA, FCIA
Partner – Audit – Actuarial services
Deloitte
1190 Avenue des Canadiens-de-Montréal, Montréal, H3B 0M7, Canada
Tel / Direct : 514-393-7367
Fax : 514-390-4104
maraymond@deloitte.ca | www.deloitte.ca

<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

<calculation_EFB_estimate_Sept_23_2016.xlsx>

<Valuation_allowance_projection.xlsx>

Confidentiality Warning:

This message and any attachments are intended only for the use of the intended recipient(s), are confidential, and may be privileged. If you are not the intended recipient, you are hereby notified that any review, retransmission, conversion to hard copy, copying, circulation or other use of this message and any attachments is strictly prohibited. If you are not the intended recipient, please notify the sender immediately by return e-mail, and delete this message and any attachments from your system. Thank You

If you do not wish to receive future commercial electronic messages from Deloitte, forward this email to unsubscribe@deloitte.ca

Avertissement de confidentialité:

Ce message, ainsi que toutes ses pièces jointes, est destiné exclusivement au(x) destinataire(s) prévu(s), est confidentiel et peut contenir des renseignements privilégiés. Si vous n’êtes pas le destinataire prévu de ce message, nous vous avisons par la présente que la modification, la retransmission, la conversion en format papier, la reproduction, la diffusion ou toute autre utilisation de ce message et de ses pièces jointes sont strictement interdites. Si vous n’êtes pas le destinataire prévu, veuillez en aviser immédiatement l’expéditeur en répondant à ce courriel et supprimez ce message et toutes ses pièces jointes de votre système. Merci.

Si vous ne voulez pas recevoir d’autres messages électroniques commerciaux de Deloitte à l’avenir, veuillez envoyer ce courriel à l’adresse unsubscribe@deloitte.ca