FW: Pension Accounting

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Hi Cindy and Nadine

As you may expect there is considerable interest on the part of the Rating Agencies in obtaining more detail on the Province's pension adjustment. We had a tele-conference yesterday with Fitch where the questions were very high level and since over the last couple of weeks I had access to most of OPCD's material on this issue I was able to respond, I believe to their satisfaction.

I do have a couple of questions though:

- Looking at the PP presentation from yesterday, based on the Province's interpretation of PSAB, for 2016-17 the TPP Pension Expenses are offset by $452M. My question; is this our share of the surplus with regard to this jointly sponsored plan or simply the PV of the reduction in future contributions because plan assets exceed liabilities, or a combination.

- Again, under the Province's accounting approach, the 2016 Budget on page 284 has a foot note indicating that that the cash payments related to the Province's contribution to the TPP are $1,664 million (revised to $1,672 in yesterday's presentation). What is the debit for this transaction, it is Pension assets?

- Finally, I understand that the AG contends that the Province cannot access surpluses on the TPP in the absence of an MOU. My question; I understand that the Province's contributions to the TPP is already reflected as a pension asset in the Province's Balance Sheet, if the AG is agreeable to these contributions being presented as an asset why distinguish the surplus. This is similar to an individual depositing $1000 in a savings account and at the year of the year seeing it grow to $1,050 and being told that he/she has access to only the original $1,000 and not the growth.

John and I will be happy to come meet with you if that is more useful. If there are any written questions from the Rating Agencies we will be sure to run our responses by you.

Thanks very much

Ken K
