FW: Pensions

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>
Date: Mon, 15 May 2017 11:53:59 -0400
Attachments: FW_ New Model Output.msg (268.8 kB)

Hi Kyle – what are you referring to when you noted that we had provided this analysis to the AG previously?

Thanks,

From: Petsche, Nadine (TBS)
Sent: May-12-17 7:42 PM
To: Veinot, Cindy (TBS)
Cc: Hosick, Sarah (TBS); MacIntyre, Kyle (TBS)
Subject: RE: Pensions

Cindy,
I don't think that we ever ran the model reflecting perpetual contributions, but the attached reflects an output with perpetual service costs. Please advise if we will require that the AG's requested version of the run will be accommodated and I will advise EY.
Thanks and have a good weekend.
Nadine
P.S. I sent you the working version (v1) of the accounting paper on FHP. If I can get feedback by Sunday afternoon, may be able to address before Monday.

From: Veinot, Cindy (TBS)
Sent: May-12-17 5:18 PM
To: Petsche, Nadine (TBS)
Cc: Hosick, Sarah (TBS); MacIntyre, Kyle (TBS)
Subject: Pensions

Nadine – as a follow up to the letter from the AG received this afternoon, did we ever run the model assuming the contributions continue in perpetuity? I know that Deloitte ran a sensitivity analysis, but I don't recall ever seeing an asset ceiling test done on that basis. Attached below is the excerpt from our final paper re: the models that we ran.

Copying in Kyle as we had a chat this afternoon about this topic.

Thanks,

Cindy

Table 1: Summary of Asset Ceiling Models performed for OTPP

Model Assumptions	Expected Future Benefit or Asset Ceiling ($ Billions)	Results
There is no minimum employer	$44.6	The expected future benefit (EFB)

contribution under the plan/legislation that is required even if a surplus is present.		as at March 31, 2016 exceeds the Adjusted benefit asset. There is no valuation allowance created and no reduction in the balance sheet asset position.
The employer minimum contribution considers the most recent funding valuation dated January 1, 2015 for the period covered by the current funding report. Contribution requirements are therefore $1.7B per year for 2015, 2016 and 2017.	$41.8	The minimum contribution requirement applies to the period covered by the funding report until a new report is completed. We do not know the minimum funding requirement after that date. EFB is reduced as of March 31, 2016 by the present value of the minimum contributions of $1.3B in 2016 (9 months left) and $1.7B in 2017. Still EFB exceeds the Adjusted benefit asset.
The employer minimum contribution considers the most recent funding valuation dated January 1, 2015 for the period of expected special contribution requirement (i.e. 11 years through 2026) .	$29.3	Uses a period to 2026 (11 year period) based on the funding report special contribution requirement. When special contribution is present, the basic contribution cannot be reduced either. Once special contribution ends (2026) expected situation is surplus using the Province accounting best estimate assumption for asset return. The EFB at March 31, 2016 is reduced by $15.3B. Still EFB exceeds the Adjusted benefit asset.
The surplus is never used until the time it reaches the Income Tax Act (ITA) threshold. Once attained, the excess surplus above the threshold is used at 50% for employees in benefit improvement and 50% for the Province to reduce contributions in the following years.	$23.2	The ITA surplus limit is reached at the end of 2024, leading to forced contribution reductions from 2025. The EFB is reduced by $21.4B at March 31, 2016. Still EFB exceeds the Adjusted benefit asset.
Every year, 50% of current year surplus is applied to improve member benefits and the remaining 50% of the current year surplus is retained and continues to accrue unused. Once the unused portion attains the ITA threshold, the	$ 14.2	The ITA surplus limit is reached at the end of 2041 leading to forced contribution reductions from 2042. The EFB is reduced by $30.4B at March 31, 2016. Still EFB exceeds the Adjusted benefit asset.

excess surplus is used 50%-50% to reduce contributions by employees and the Province.			

Note: Models above made no assumption on any value of the surplus withdrawal.

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