FW: Please confirm

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Mon, 15 May 2017 12:23:25 -0400

fyi

From: Petsche, Nadine (TBS)
Sent: May 15, 2017 12:01 PM
To: 'Uros Karadzic'
Cc: Christina Chan; Shayan Jafrani
Subject: RE: Please confirm

Thanks Uros.
Since we aren't required to make minimum contributions regardless of surplus, I'm not sure that I understand how a run with perpetual minimum contributions would comply with the requirements of PSAB as noted. Please help me to understand. Thanks in advance. Nadine

.056 A government determines its expected future benefit as the sum of:

(a) the present value of its expected future accruals for service for the current number of active employees, **less the present value of required employee contributions and minimum contributions the government is required to make regardless of any surplus**; and

(b) the amount of the plan surplus that can be withdrawn in accordance with the existing plan and any applicable laws and regulations.

.057 A government's expected future accruals for service for the current number of active employees are determined on a basis consistent with that used to determine its accrued benefit obligation. These expected future accruals for service, **less required employee contributions and minimum contributions the government is required to make regardless of any surplus**, are then discounted back to the current period to determine the present value. The interest rate used to calculate this present value is the expected rate of return on plan assets used to determine the benefit expense in the period.

From: Uros Karadzic [mailto:uros.karadzic@ca.ey.com]
Sent: May 15, 2017 11:49 AM
To: Petsche, Nadine (TBS); Shayan Jafrani
Cc: Christina Chan
Subject: RE: Please confirm

Good morning, Nadine,

Thank you for sharing this request. The analysis requested is available and it is contained in the two documents we had prepared for you (attached here for your reference). The documents are still draft, since as we discussed they will need to be finalized once the decisions have been made regarding the year-end adjustments.

These documents contain complete PSAB asset ceiling test analysis for OTPP and OPSEUPP respectively. They include the perpetuity assumption for both Service Cost and for Contributions. As noted in the memos (section 3.2 in each of the documents), the present value, in perpetuity, of future service cost was $100.1B for OTPP and $13.88B for OPSEUPP. The present value, in perpetuity, of future contributions that are required to be made regardless of any surplus is Nil for both OTPP and OPSEUPP. The analysis is based on our understanding of PSAS asset ceiling requirements; it is also consistent with how these rules are applied in Canadian practice, and it is consistent with the conclusions of the Expert Panel report.

Regarding the source of OTPP and OPSEUPP contribution requirements, those can be found in the most recently filed actuarial reports for funding purposes. I trust your office has a copy of these for each plan. Please note that these reports, and the overall governance and contribution framework for OTPP and OPSEUPP, do not require either of the plan sponsors to make contributions even in the event that the plan is in a surplus position.

Please let me know if you need any further detail or if you'd like to discuss.

Uros

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From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Monday, May 15, 2017 10:08 AM
To: Shayan Jafrani <Shayan.Jafrani@ca.ey.com>
Cc: Uros Karadzic <uros.karadzic@ca.ey.com>
Subject: Please confirm

Good morning Shayan.
Further to our recent conversation, can you please confirm that E&Y's asset ceiling analysis for OTPP and OPSEUPP did not include the 'perpetual' analysis as referenced by the OAG in the attached, and the reason therefore.
Also, can you please identify the specific pieces of information that the OAG would need to be able to allow her to complete the additional analysis. We had advised her staff during an audit status meeting last Thursday that they would already have it in their possession, but we will want to include specific reference to the docs in our response to the AG memo.
Thanks in advance.
Nadine