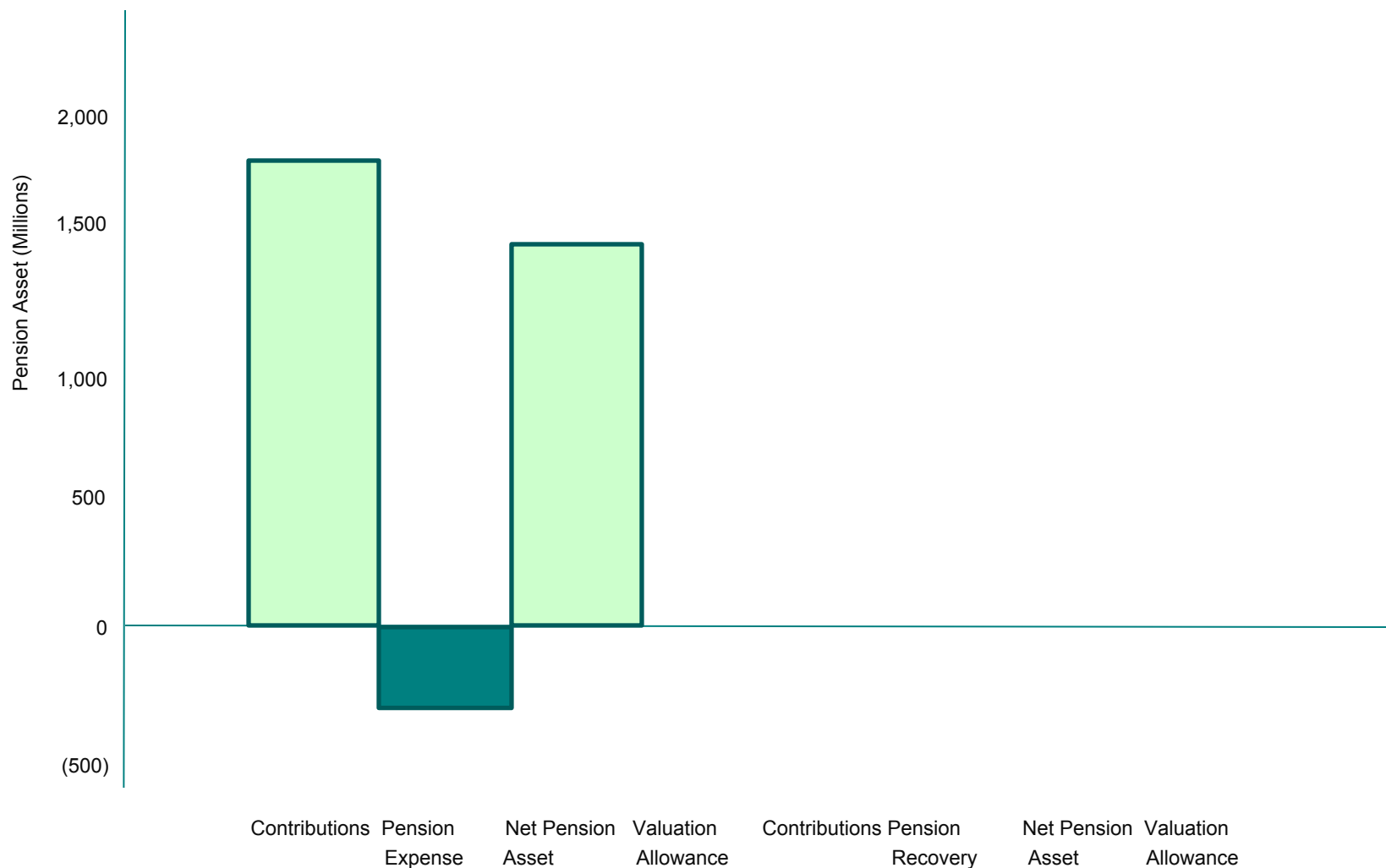




OPCD

Detailed analysis of pension accounting for FES

October 23, 2016



Explanation of Pension Asset

Balance of net assets before impact of regulation		
31-Mar-15	a	9,154
Write down of assets based on regulation (AG's interpretation)	b	(9,154)
Revised net asset value based on regulation	c=a+b	0
Pension expense in fiscal 2015-16	d	(298)
Contributions to plans in fiscal 2015-16	e	1,812
Pension asset prior to valuation allowance		
31-Mar-16	f=d+e	1,514
Valuation allowance, based on regulation (AG's interpretation)	g	(1,514)
Revised net asset value based on regulation	h=f+g	0
Pension recovery estimated for fiscal 2016-17	i	317
Contributions to plans in fiscal 2016-17	j	1,901
Impact of HOOPP plan (not included elsewhere as immaterial)	k	22
Pension asset prior to valuation allowance		
31-Mar-17	l=i+j+k	2,240
Valuation allowance based on AG's interpretation (no regulation)	m	(2,240)
Revised net asset value based on regulation	n=l+m	0

2015-16 Public Accounts

In 2015-16, the increase in the pension asset for OTPP and OPSEU resulted from the **net** of:

- 1) Pension **expense** (reduces net asset)
- 2) Contributions from the Province to the plan (increases net asset)

2015-16 actual fiscal impact of full valuation allowance

2016-17 FES

In 2016-17, the estimated increase in the pension asset for OTPP and OPSEU results from the **sum** of:

- 1) Pension **recovery** (increases net asset) – see next slide
- 2) Contributions from the Province to the plan (increases net asset)

2016-17 estimated fiscal impact of full valuation allowance

Why does pension expense become a recovery in 2016-17?



The pension recovery estimated for fiscal 2016-17 for OTPP and OPSEUPP is:

OTPP -- Pension recovery	(452)
OPSEUPP -- Pension expense	135
Analysis of pension recovery for OTPP	(317)

Why is OTPP in a recovery position?

The pension recovery is made up of:

Current period benefit cost	1,512
Expected interest on accumulated obligation (6.25%)	3,617
Expected return on assets (6.25%)	(4,871)
Amortization of net actuarial gains	(682)
Other adjustments	(27)
Pension recovery	(452)

Two key issues:

- The assets exceed the obligation in the plan (measured using a discount rate based on the long-term rate of return on assets -- 6.25%), therefore, the expected return on the assets exceeds the interest on the obligation
- The **actual** performance of the assets has exceeded the **expected** performance, therefore leading to net actuarial gains that are being amortized over time, also offsetting the benefit cost

Is there a net
pension asset?