



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	9,154
Write down of assets based on regulation (AG's interpretation)	-9,154
Revised net asset value based on regulation	0
Pension expense in fiscal 2015-16	-298
Contributions to plans in fiscal 2015-16	1,812
Pension asset prior to valuation allowance	
31-Mar-16	1,514
Valuation allowance, based on regulation (AG's interpretation)	-1,514
Revised net asset value based on regulation	0
Pension recovery estimated for fiscal 2016-17	317
Contributions to plans in fiscal 2016-17	1,901
Impact of HOOPP plan (not included elsewhere as immaterial)	22
Pension asset prior to valuation allowance	
31-Mar-17	2,240
Valuation allowance based on AG's interpretation (no regulation)	-2,240
Revised net asset value based on regulation	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

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

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