RE: Fiscal Impact if Policy is to write off Pension Assets for joint plans.xlsx

From: "Killoch, Alex (MOF)" <alex.killoch@ontario.ca>
To: "Orencsak, Greg (TBS)" <greg.orencsak@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Cc: "Thompson, Scott (MOF)" <scott.thompson@ontario.ca>, "Hughes, Karen (TBS)" <karen.hughes@ontario.ca>, "MacIntyre, Kyle (TBS)" <kyle.macintyre@ontario.ca>, "Talwar, Garima (MOF)" <garima.talwar@ontario.ca>
Date: Thu, 15 Sep 2016 08:55:27 -0400

Good morning

I will leave the question of whether we could use the funding valuation to establish an accounting asset to OPCD to consider.

I will note that there is not a $13.2 billion surplus in the plan. That was a preliminary number only.
$13.2 billion preliminary funding valuation was as of January 1, 2016. The partners decided to use $8.6 billion of this amount to restore inflation protection.
The $8.6 billion cost of moving to 90% conditional inflation protection is made up primarily of two parts:

1. Approximately $4.3 billion increase in future payments to members, to provide inflation protection at 90% instead of 70%
2. Approximately $4.3 billion reduction in future "share the pain" payments by the Province to the Plan

That would leave $4.6 billion in the plan for contingencies. That would be split 50/50 with the OTF, so the value that could be attributed to government is $2.3 billion.

Hope that helps

Alex

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Alex Killoch
Director, Broader Public Sector Pensions Branch
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From: Orencsak, Greg (TBS)
Sent: Thursday, September 15, 2016 8:09 AM
To: Veinot, Cindy (TBS); Killoch, Alex (MOF); Petsche, Nadine (TBS)
Cc: Thompson, Scott (MOF); Hughes, Karen (TBS); MacIntyre, Kyle (TBS)
Subject: Fwd: Fiscal Impact if Policy is to write off Pension Assets for joint plans.xlsx

See below, for your advice and consideration. I think this may be as much of a pension policy as an accounting issue.

Greg

Begin forwarded message:

From: "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>
Date: September 15, 2016 at 8:05:57 AM EDT
To: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Davidson, Steven (CAB)" <Steven.Davidson@ontario.ca>, "Betzner, Lynn (CAB)" <Lynn.Betzner@ontario.ca>
Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>
Subject: RE: Fiscal Impact if Policy is to write off Pension Assets for joint plans.xlsx

Among the options to look at, can you see if there is a rationale could justify freezing any additional incremental pension assets under the regulation pending a full review? It is one thing to prevent the reporting of new assets compared to reversing what has been accumulated. Also, what if we were to match the reported surplus TPP is filing with FSCO. It could maintain at least a $13B surplus.

From: Orencsak, Greg (TBS)
Sent: September-14-16 7:47 PM
To: Orsini, Steve (CAB); Thompson, Scott (MOF); Davidson, Steven (CAB); Betzner, Lynn (CAB)
Cc: MacIntyre, Kyle (TBS); Bromm, William (CAB)
Subject: FW: Fiscal Impact if Policy is to write off Pension Assets for joint plans.xlsx

Steve, here is a table that shows the estimate of the annual impact of not having pension assets on our books from any of the JSPPs. This is based on the pension expense numbers from the 2016 Budget. We are having this checked with our actuaries as well to confirm.

Accepting the AG's interpretation could add over $3.2B to the deficit in 17-18, and $3.9B in 19-20.

On another note, Scott and I are meeting with the AG again tomorrow to put all the issues, other than pensions, to bed with regard to the Public Accounts audit. If that's done, we will just be fighting a battle on one front. A big one.

Greg

Greg Orencsak

Deputy Minister, Treasury Board
Secretary of Treasury Board and Management Board of Cabinet
416.325.1607 | greg.orencsak@ontario.ca
Treasury Board Secretariat

Title: TBS logo

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
Date: Wednesday, September 14, 2016 at 5:52 PM
To: "Orencsak, Greg (TBS)" <greg.orencsak@ontario.ca>, Karen Hughes <Karen.Hughes@ontario.ca>
Cc: "Chen, Raymond (TBS)" <Raymond.Chen@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "Coulter,

Travis (TBS)" <Travis.Coulter@ontario.ca>
Subject: Fw: Fiscal Impact if Policy is to write off Pension Assets for joint plans.xlsx

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Fong, Pauline (TBS) <Pauline.Fong@ontario.ca>
Sent: Wednesday, September 14, 2016 17:40
To: Veinot, Cindy (TBS)
Cc: Patel, Bharat (TBS)
Subject: Fiscal Impact if Policy is to write off Pension Assets for joint plans.xlsx

Revised for minor wording edits. I will print the copies.

Pauline