RE: Fw: TTC Pension Accounting Inquiry

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: lucy.durocher@ca.pwc.com
Cc: "Virani, Shyrose (TBS)" <shyrose.virani@ontario.ca>
Date: Fri, 09 Jun 2017 15:06:54 -0400

Thanks Lucy.

We'll likely reach out next week, in advance of a call with Mike to discuss.

Have a great weekend.

Nadine

From: lucy.durocher@ca.pwc.com [mailto:lucy.durocher@ca.pwc.com]
Sent: June-09-17 1:34 PM
To: Petsche, Nadine (TBS)
Subject: Re: Fw: TTC Pension Accounting Inquiry

Hi Nadine,

Not much more information from Mike, although I have a few quick thoughts. There seems like an absence of expectation to benefit, regardless of the terms of the plan, which is informative as the basic definition of an asset still has to be based on an expectation of future benefit (and increasing benefits to employees is not a future benefit of the entity). It's not clear from his e-mail what he means by "ad hoc", but if the increases are one-offs with no mechanism to renegotiate or re-agree at any certain intervals then this could be a substantive difference between their plan and OTPP, as the in-place contributions levels might very well be considered to be minimum contributions in this case.

Happy to chat again in advance of any call if you would like.

Lucy

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From: "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>
To: Lucy Durocher/CA/ABAS/PwC@Americas-CA
Date: 06/08/2017 08:06 AM
Subject: Fw: TTC Pension Accounting Inquiry

Hi Lucy. Please see below. I've asked Cindy if she would like me to set up a call with Mike.   I assume she'll want one. Perhaps we can chat in advance. Thanks. N
From: Mike St. Amant <Mike.St.Amant@toronto.ca>
Sent: Wednesday, June 7, 2017 9:34 PM
To: Petsche, Nadine (TBS)
Subject: RE: TTC Pension Accounting Inquiry

Thanks Nadine.

The short answer is that it's complicated.

TTC
My understanding of the TTC's accounting for the surplus is that, as a jointly sponsored plan, the surplus is not available to the TTC and therefore is completely allowed for. The fund itself, is an anomaly as its jointly sponsored by the TTC and the union. However, as plan increases are ad hoc, any surplus will likely be used for future inflation, and unlikely to be used to decrease.
http://www.toronto.ca/legdocs/mmis/2016/au/bgrd/backgroundfile-94497.pdf

City 5 Legacy pension funds
The city has 5 pre-OMERS funds that each have surpluses for accounting purposes. Although some of the funds have documents that show that the City has access to the surplus, differing legal opinions, and funding requirements based on solvency valuations, have resulted in non-recognition of surpluses – although this year (statements to be released in about 2 weeks) we are considering reflecting that the City has a contingent asset, amount to be determined once mergers with OMERS are further along.

I had thought that the province restructured the plans from provincially sponsored, to jointly sponsored, in order to avoid responsibility for deficits, and that therefore surpluses would be treated similarly.

You may wish to contact someone from the Public Sector Accounting Discussion Group, who have carriage of this issue:
http://www.frascanada.ca/standards-for-public-sector-entities/public-sector-accounting-discussion-group/about-the-group/item74241.aspx

I'm back tomorrow, if you wish to discuss.

…Mike

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: June 6, 2017 2:30 PM
To: Mike St. Amant <Mike.St.Amant@toronto.ca>
Subject: TTC Pension Accounting Inquiry

Hi Mike.
It was good to see you again at the IIA event in April. I hope that this note finds you well.
At a recent CD Howe event, the topic of pension accounting came up and reference was made to the TTC's pension plan for which a pension allowance is recorded under PSAS. I was hoping to get some additional details on the accounting treatment, since the person who raised it appears to think that the facts related to the TTC accounting treatment are the same as Ontario's jointly sponsored pension plans (Ontario Teacher's Pension Plan and the Ontario Public Sector Employee Union Pension Plan).
I understand that you are away from the office for a couple of days. Hoping we might be able to touch base when you are back, or that you might be able to share some additional details in the meantime.
Thanks in advance.
Nadine Petsche
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