# RE: OPSEU: Pension Asset Ceiling (please note)

**From:** "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
**To:** "Smithies, Roger (TBS)" <roger.smithies@ontario.ca>
**Cc:** "Elstone, Karen (TBS)" <karen.elstone@ontario.ca>, "Jozefacki, Janette (TBS)" <janette.jozefacki@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
**Date:** Tue, 06 Sep 2016 16:25:03 -0400

Thanks Roger. Your response is very helpful.
Regards,
Nadine

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**From:** Smithies, Roger (TBS)
**Sent:** September 6, 2016 3:43 PM
**To:** Petsche, Nadine (TBS)
**Cc:** Elstone, Karen (TBS); Jozefacki, Janette (TBS); Veinot, Cindy (TBS)
**Subject:** RE: OPSEU: Pension Asset Ceiling (please note)

Nadine –

Thank you for your email.

I have no experience with public sector pension plans in BC, but the OPSEU Pension Plan is a jointly-sponsored, defined benefit plan that is registered under the ***Pension Benefits Act*** (PBA). It does not "operate effectively like a DC plan with target benefit like contribution provisions" and the plan documents would not permit this.

Because the plan is jointly sponsored, the PBA requires that it provide defined benefits and the PBA does not currently permit target benefit pension plans to be registered in Ontario.

Your BC contact made reference to "joint trust agreements" between "employer partners". The OPSEU Pension Plan does not work like that. It is a single employer, jointly sponsored plan, there are no employer partners and one of the joint sponsors" is OPSEU. I think it's reasonable to suppose that the dynamic here is very different than in BC.

Roger

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**From:** Petsche, Nadine (TBS)
**Sent:** September 6, 2016 12:40 PM
**To:** Smithies, Roger (TBS)
**Cc:** Elstone, Karen (TBS); Vannelli, Michael (TBS); Jozefacki, Janette (TBS); Veinot, Cindy (TBS)
**Subject:** RE: OPSEU: Pension Asset Ceiling (please note)
**Importance:** High

Thanks so much Roger.

I have another favour to ask. As you'll recall from our discussion with the OAG staff last week, BC does not recognize any assets on their books. I've asked my colleagues in BC Controllership for additional context and received the following:

Hi Nadine, we do not include the surplus position of any of our plans because the employer partners give up any right to surplus in the Joint Trust Agreements. So it is an explicit contractual provision, and that means the participating organizations do not have a right to any asset - so no asset to report. That provision was established because it is critical to establishing the independence of the four plan boards. For accounting purposes it means that as long as the plans are in a surplus position, for the GRE they operate effectively like a DC plan with target benefit like contribution provisions.

With respect to the OPSEUPP, I was hoping that you could confirm whether similar terms/conditions apply to the OPSEUPP. I do not believe so based on what I've read and heard, but it would be helpful to receive positive confirmation from you nonetheless as we prepare for another meeting with the AG tomorrow (on various items including the pension ceiling item).

Thanks in advance.
Nadine

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**From:** Smithies, Roger (TBS)
**Sent:** September 6, 2016 10:43 AM
**To:** Petsche, Nadine (TBS)
**Cc:** Elstone, Karen (TBS); Vannelli, Michael (TBS); Jozefacki, Janette (TBS)
**Subject:** RE: OPSEU: Pension Asset Ceiling (please note)

Nadine –

Please find attached a copy of the Sponsorship Agreement between Ontario and OPSEU that was finalized in 1994.

As I said last Friday, the Sponsorship Agreement is not generally considered a public document. It is felt to be a collective bargaining document as well as a pension document, so there is some sensitivity about its distribution. Please ask Deloitte to treat it accordingly.

Subsections Deloitte may find relevant include 20(b), 20(f) and 38(f).

Thank you.

Roger

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**From:** Petsche, Nadine (TBS)
**Sent:** September 2, 2016 4:21 PM
**To:** Smithies, Roger (TBS)
**Cc:** Elstone, Karen (TBS); Vannelli, Michael (TBS)
**Subject:** RE: OPSEU: Pension Asset Ceiling (please note)

Hi Roger.
We're wondering if it would be possible to get a copy of the sponsorship agreement?
Thanks.
Nadine

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**From:** Smithies, Roger (TBS)
**Sent:** September-02-16 2:09 PM
**To:** Petsche, Nadine (TBS)
**Cc:** Elstone, Karen (TBS); Vannelli, Michael (TBS)
**Subject:** FW: OPSEU: Pension Asset Ceiling (please note)

Nadine –

The plan text "overrides" the funding policy. The text was created in accordance with the ***OPSEU Pension Act, 1994***, and the Sponsorship Agreement between OPSEU and Ontario. It was subsequently tabled in the Legislative Assembly as a sessional document.

The Trustee Agreement signed by OPSEU and Ontario in 1994 is also a primary document. It requires the Board of Trustees "to administer the Plan for the benefit of the Members … subject to the terms of … the Plan Text".

The Sponsorship Agreement between OPSEU and Ontario that was signed in 1994 is another primary document. With respect to surplus, it notes that "no agreement or amendment shall … provide for or permit any payment of surplus out of the Fund to Ontario, or any employer participating in the plan. For greater certainty, the use of actuarial gains to offset Employer Contributions and any going concern unfunded liability or solvency deficiency does not constitute the payment of surplus out of the Fund".

The funding policy, on the other hand, is a subordinate document and I don't understand why Deloitte is describing it as an "agreement between the parties". The copy I have was approved in 2014 by the Board of Trustees of the OPSEU Pension Plan and its surplus provisions are only “recommended principles” prepared for the Sponsors’ consideration.

I hope this helps.

Roger

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**From:** Vannelli, Michael (TBS)
**Sent:** September 1, 2016 2:03 PM
**To:** Elstone, Karen (TBS); Smithies, Roger (TBS)
**Subject:** FW: OPSEU: Pension Asset Ceiling (please note)

Hi - See below from Nadine.

Mike

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**From:** Petsche, Nadine (TBS)
**Sent:** September-01-16 12:35 PM
**To:** Vannelli, Michael (TBS)
**Subject:** FW: OPSEU: Pension Asset Ceiling (please note)

Michael,
Just forwarding the attached note that was received from Deloitte. It might be helpful if someone on your team could look into the matter a bit more based on his feedback. Thanks. Nadine

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**From:** Raymond, Martin (CA - Montreal) [mailto:maraymond@deloitte.ca]
**Sent:** September 1, 2016 9:30 AM
**To:** Petsche, Nadine (TBS); Gary, Trevor (CA - Toronto)
**Subject:** RE: OPSEU: Pension Asset Ceiling (please note)

Nadine
We see this in the plan text, which seems to go back to quite some time.
Whereas the agreement (the policy) between the parties is quite recent.
So if needed to justify the use of surplus in the test (which is not the case since the current service cost is sufficient to validate the asset position), I would think the government would need to identify which came first and whether the policy is clear enough to “override” this.
This is the reason why we were not including a strong wording around surplus withdrawal in any documents – although the new version we have will have some notion of it being maybe a possibility through the policy wording.

**Martin Raymond, FSA, FCIA**
Partner – Audit – Actuarial services
Deloitte
1190 Avenue des Canadiens-de-Montréal, Montréal, H3B 0M7, Canada
Tel / Direct : 514-393-7367
Fax : 514-390-4104
maraymond@deloitte.ca | www.deloitte.ca

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**De :** Petsche, Nadine (TBS) [ mailto:Nadine.Petsche@ontario.ca ]
**Envoyé :** 1 septembre 2016 08:50
**À :** Raymond, Martin (CA - Montreal) < maraymond@deloitte.ca >; Gary, Trevor (CA - Toronto) < tgary@deloitte.ca >
**Objet :** OPSEU: Pension Asset Ceiling (please note)

We were provided with the following excerpt from the OPSEUPP -

*Ontario Public Service Employees Union Pension Plan* :
Section 6.4 of the Plan text states "No surplus shall be paid out of the Fund to any employer".


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