RE: OTPP opinion - revised Sept 12.

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Paul, Joshua (EDU)" <joshua.paul@ontario.ca>
Date: Tue, 13 Sep 2016 09:59:46 -0400

Thanks,

From: Paul, Joshua (EDU)
Sent: September-13-16 9:17 AM
To: Veinot, Cindy (TBS); Killoch, Alex (MOF); Hatzis, Len (TBS); Pomykacz, Rob (MOF)
Cc: Petsche, Nadine (TBS); Kaufman, Paul (TBS); Sekaly, Gabriel (EDU); Duffy, Paul (EDU)
Subject: Re: OTPP opinion - revised Sept 12.

Cindy,

I am in labour-related meetings, but will get back to you asap this morning.

The first answer (confirmed w OTPP actuary and the actuary Finance retains on pension issues) is that share the pain contributions were designed to be equivalent to inflation protection erosion (from 100 to 50 percent). So 8.6 = 4.3 lower contrib + 4.3 higher benefits.

My DM and MO are reviewing material that is responsive to Bonnie's request and we will send to you soon as well.

jp

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Veinot, Cindy (TBS)
Sent: Tuesday, September 13, 2016 8:09 AM
To: Killoch, Alex (MOF); Hatzis, Len (TBS); Pomykacz, Rob (MOF)
Cc: Petsche, Nadine (TBS); Kaufman, Paul (TBS); Paul, Joshua (EDU); Sekaly, Gabriel (EDU)
Subject: RE: OTPP opinion - revised Sept 12.

Hi Josh,

Could you confirm back the numbers that we discussed on the call yesterday.

We talked about the preliminary funding surplus in the plan for 2016 being $13.2 Billion. We also talked about the quantification of moving from 70% to 90% conditional inflation protection as $8.6B. Can you confirm back whether the benefit to the government is the full $8.6 billion or whether it is $4.3 billion. In other words if we agree that the value to the government is the present value of the "share the pain"payments that it will not have to make, is that value $8.6 or $4.3

Also, with respect to the 2015 funding valuation, the initial surplus was disclosed as $6.8 billion. The copy of the 2015 funding valuation I have (attached) shows a surplus of $3.1 billion. Is the difference between the two valuations ($3.7 billion) the quantification of the decision to move from 60% conditional inflation protection to 70% conditional inflation protection (e.g. a similar quantification as the $8.6 billion above?) If that is the case, can you confirm back the same the value to the Province – it is $3.7 billion or 50% of that – 1.85 billion.

Thanks,

Cindy

From: Killoch, Alex (MOF)
Sent: September-12-16 2:37 PM
To: Hatzis, Len (TBS); Pomykacz, Rob (MOF); Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS); Kaufman, Paul (TBS); Paul, Joshua (EDU); Sekaly, Gabriel (EDU)
Subject: RE: OTPP opinion - revised Sept 12.

Hi

We did a quick call with Allan. He is not in the office today and does not have the TPP valuations with him, so he was only able to speak in general to the value of the share the pain payments.

He did note that the share the pain payments are only applicable to the first 50% of inflation reduction. In other words, if funding was so poor that indexation was reduced to 40%, the government would match only to a 50% reduction, not 60%. His initial thought is that the present value of the future share the pain payments would approximate the loss of indexation (for the first 50% of inflation loss). Allan noted that the accounting valuation does assume 100% indexation.

Allan also noted that it is not necessary for the government to be able to access the asset in a particular year, so long as it can access it eventually, which would be the case if the plan meets the government's expected return.

He will take a closer look when he is back in the office.

Alex

From: Hatzis, Len (TBS)
Sent: Monday, September 12, 2016 11:42 AM
To: Pomykacz, Rob (MOF); Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS); Kaufman, Paul (TBS); Killoch, Alex (MOF); Paul, Joshua (EDU); Sekaly, Gabriel (EDU)
Subject: RE: OTPP opinion - revised Sept 12.

Thanks, change made – revised clean version attached

From: Pomykacz, Rob (MOF)
Sent: September 12, 2016 11:39 AM
To: Hatzis, Len (TBS); Veinot, Cindy (TBS)
Cc: Petsche, Nadine (TBS); Kaufman, Paul (TBS); Killoch, Alex (MOF); Paul, Joshua (EDU); Sekaly, Gabriel (EDU)
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I've confirmed that the initial unfunded liability was first reduced in 1998 and then eliminated in 1999. The memo as written only refers to the reduction in the special payments. We should say instead that surpluses in 1998 and 1999 were used to eliminate the special payments owed by Ontario.

Please let me know if you have any questions.

Rob

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Hatzis, Len (TBS)
Sent: Monday, September 12, 2016 10:59 AM
To: Veinot, Cindy (TBS)

Cc: Petsche, Nadine (TBS); Kaufman, Paul (TBS); Killoch, Alex (MOF); Pomykacz, Rob (MOF); Paul, Joshua (EDU); Sekaly, Gabriel (EDU)
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Deloitte's changes were minor and don't change the legal analysis – we incorporated them and attach a new revised clean copy.

Len Hatzis
Deputy Director
Legal Services Branch | Treasury Board Secretariat
77 Wellesley Street West, 9th Floor, Toronto ON M7A 1N3
416.327.6393