RE: Pension Assets

From: "Keates, James (TBS)" <james.keates@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Thu, 16 Mar 2017 11:33:36 -0400
Attachments: Exert from Osler September 20 2016 Letter Surplus Utilization OTPP.docx (16.55 kB)

Cindy, attached is the surplus utilization for OTPP subsequent to 2002 (i.e. when the Funding Management Policy for OTPP came into effect). The information is per a summary table provided in a letter from Osler dated September 20, 2016.
Jim

Jim Keates, MBA, CPA, CA
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From: Veinot, Cindy (TBS)
Sent: Thursday, March 16, 2017 10:59 AM
To: Keates, James (TBS)
Subject: RE: Pension Assets

App G only goes to 2002 – where is the balance?

From: Keates, James (TBS)
Sent: March-16-17 10:56 AM
To: Veinot, Cindy (TBS)
Cc: Hosick, Sarah (TBS); Tam, Nelson (TBS); Killoch, Alex (MOF); Pomykacz, Rob (MOF)
Subject: RE: Pension Assets

Hello Cindy,

For OTPP, a summary of surplus utilization is included as Appendix G of the Position Paper that you are going to provide to FAO. See below for reference.

We are still following up as to who might have similar information for OPSEUPP.

Jim

Appendix G – History of Surplus Utilization for OTPP

The history of OTPP surplus utilization from the time the OTPP became a jointly sponsored pension plan to the date that the FMP was established (in March 2003) demonstrates a past practice of the sponsors equally sharing (in the aggregate) the benefits of surplus utilization:

Valuation Date	Surplus/(Deficit)	OTF	Ontario Government	Surplus Remaining

1993	$1.5 billion	$325 million to offset social contract days	Eliminated special payments for $1.2 billion saving	$0
1996	$0.7 billion	$0.6 billion for benefit improvements and RCA contributions	N/A	$0.1 billion
1998	$6.8 billion	$2.2 billion for benefit improvements	$4.6 billion to reduce the value of remaining special payments	$0
1999	$3.5 billion	N/A	$3.5 billion to reduce the value of remaining special payments	$0
2001	$6.8 billion	$6.2 billion for benefit improvements	N/A	$0.6 billion
2002	$1.9 billion	Sponsors agreed not to make any changes to benefits or contributions		$1.9 billion
Total		$9.3 Billion	$9.3 Billion	

Although surplus utilization prior to 2003 may not have been 50/50 each time, from 1993 to 2002 the aggregate value obtained by each of the sponsors was equal. In certain instances where the Province received a disproportionate share of the financial benefits from surplus utilization, a commitment was made to the OTF that they would receive future surplus available for utilization. In 1998, $6.8 billion in surplus was utilized to cause a $2.2 billion benefit improvement and to provide the Province with a $4.6 billion reduction in the value of special payments owed by the Province. As part of this negotiation, the OTF and the Province agreed to allow future surplus to be utilized to eliminate the Province's remaining special payments (which resulted in $3.5 billion surplus being utilized in 1999 to reduce the value of the Province's remaining special payments) and a commitment was made for the next $6.2 billion in surplus to be available to OTF for benefit improvements (such surplus being utilized for benefit improvements in 2001).

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TBS

From: Veinot, Cindy (TBS)
Sent: Wednesday, March 15, 2017 7:09 PM
To: Hosick, Sarah (TBS); Tam, Nelson (TBS); Keates, James (TBS); Killoch, Alex (MOF); Pomykacz, Rob (MOF)
Subject: FW: Pension Assets

Hi everyone -- We have a meeting with the FAO on Friday re: pension accounting.

Re the questions in the email below:

Alex/Rob – do you have the data that shows the percentage of the OTPP contributions as a percentage of salary on a historical basis – there is a comment below that it has never gone down – not sure I've seen that data.

Nelson/Jim – we have all the data re: past uses of surpluses for OTPP and OPSEU – can you pull together what we need to show the FAO how past surpluses have been used (e.g. may not have reduced future contributions, but has been used to eliminate extra payments, etc.)

Sarah – see the request re: updated pension information – can you check with Patrick re: whether this is something we will share at this point? If so, we'll need slide – expect there may be one in the pension deck that Pauline had prepared that was shared upstairs while I was away.

Thanks all,

Cindy

From: Hughes, Karen (TBS)
Sent: March-13-17 3:03 PM
To: Veinot, Cindy (TBS)
Cc: Laughton, Patrick (TBS)
Subject: Fw: Pension Assets

Further to our conversation.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: David West <dwest@fao-on.org>
Sent: Monday, March 13, 2017 2:25 PM
To: Hughes, Karen (TBS)
Cc: Laughton, Patrick (TBS); Peter Harrison; Schuurman, Tim (MOF)
Subject: Pension Assets

Hello Karen,

Following our telephone call last week and your offer of assistance (I think you offered! ☺), there are two areas that we are hoping your staff could provide some assistance.

Specifically,

- Are there any precedents (perhaps with OPSEUPP) where the government benefited from a contribution holiday? If so, what agreement existed in these circumstances?
  Our understanding is that the government has never taken a contribution holiday with the OTPP and in fact the government's OTPP contribution rates have only ever increased.

- Can the FAO obtain updated values for the impact of the pension adjustment on expense and net debt over the next four years – as was provided on page 141 of the 2016 FES?
  We haven't determined (yet) how we will reflect the debate on the appropriate accounting treatment of net pension assets in the budget projections included in the FAO's next Economic and Fiscal Outlook report. However, it seems likely that we will want to present the budget balance both with and without the valuation allowance that was used in the 2016 FES presentation – which would require this updated information. (By the way, we plan to release our next EFO post Budget.)

As always, we greatly appreciate your assistance.

Cheers,
David

David West
Chief Economist

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