RE: Pension discount rates -- Teachers

From: "Fong, Pauline (TBS)" <pauline.fong@ontario.ca>
To: "Pomykacz, Rob (MOF)" <robert.pomykacz@ontario.ca>, "Tsang, Ingrid (MOF)" <ingrid.tsang@ontario.ca>
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Date: Thu, 08 Sep 2016 09:41:26 -0400

Hi Rob/Ingrid,

Would you be able to shed some light between the reason on the differences between the assumptions on the discount rate used for the accounting valuation versus the funding valuation?

Pauline

From: Veinot, Cindy (TBS)
Sent: September-07-16 5:29 PM
To: Petsche, Nadine (TBS); Fong, Pauline (TBS)
Subject: Pension discount rates -- Teachers

Hi – I was thinking about the difference in the discount rates that we spoke about earlier today. IAS 19 requires the use of a discount rate based on high quality corporate bonds. For funded plans, PSAB permits a discount rate using return on assets or cost of borrow. The Province notes that it uses a discount that is equal to the expected rate of return.

I think this is the reason for (part of) the difference between the surplus/benefit in the Teachers' f/s and the Provinces.

Questions:

- Has the province always used the expected return on assets for its discount rate?
- I still think we need to understand the reason for the difference between accounting and funding valuations for Teachers – hopefully we can find the right person internally to discuss that with.

Thanks,