RE: Please review

From: "Killoch, Alex (MOF)" <alex.killoch@ontario.ca>
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Pomykacz, Rob (MOF)" <robert.pomykacz@ontario.ca>
Cc: "Fong, Pauline (TBS)" <pauline.fong@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Talwar, Garima (MOF)" <garima.talwar@ontario.ca>
Date: Sat, 24 Sep 2016 12:57:57 -0400

Hi Nadine

Overall I only have one comment and maybe one edit. There is a reference in yellow that I am not sure is correct, I have highlighted my comments in green. Otherwise, it seems fine.

If I understand correctly, this text will be in the standard cover letter that will accompany the Public Accounts. Do we normally include information on the pension expense in that letter or is this special for this year?

Alex

Employee future benefit obligations, costs and assets are determined, accounted for and disclosed in accordance with the requirements of PS 3250, *Retirement Benefits* (PS 3250) and PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits* (PS 3255).

In particular:

- The Province is applying PS 3250 and PS 3255 accurately and completely in the consolidated financial statements.
- Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to the expected rate of return on pension assets based on the Government's best estimate.
- The economic assumptions included in the actuarial valuation are those that management provided to the pension plan boards (i.e. Ontario Pension Board, OPSEU Pension Trust, Ontario Teachers' Pension Plan Board, Healthcare of Ontario Pension Plan and Colleges of Applied Arts & Technology Pension Plan) in a letter requesting actuarial and financial information, to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with PS 3250.
- In arriving at these [economic??] assumptions, management has obtained the advice of the actuaries [ntd: is this a reference to the economic assumptions established by BPS Pensions? We do not consult actuaries on the assumptions that we provide to the plans in order to determine the cost of the pensions, we provide our assumptions to the plan actuaries who in turn provide the outcome of their work back to the government for conversion to a fiscal cost] but has retained the final responsibility for them The data provided to the actuaries for non-pension post-retirement benefits, severance pay and other post-employment benefits was sufficient for the purpose of the valuation.
  the actuarial assumptions were appropriate; and [not clear that the 'and' is in correct spot],
- the methods used were in accordance with sound actuarial principles.

- All significant changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuaries.
- The extrapolations are accurate and properly reflect the effects of significant changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.
- We agree with the findings of Mercer as management's expert in evaluating the valuation of employee future benefits and have adequately considered the qualifications of the expert in determining the amounts and disclosures used in the financial statements and underlying accounting records.

From: Petsche, Nadine (TBS)
Sent: September 23, 2016 8:57 PM
To: Killoch, Alex (MOF); Pomykacz, Rob (MOF)
Cc: Fong, Pauline (TBS); Veinot, Cindy (TBS)
Subject: Please review

Alex/Rob,

We haven't bothered you in at least an hour, so thought we'd send a request on this beautiful Friday night ☺
Below is an extract from the draft Management Letter of Representation that Greg, Scott and I will have to sign off on and provide the AG, possibly as early as Monday.

Please advise by Monday am if you have any comments or concerns with the scope and wording.
Thanks in advance for your feedback.
Nadine
P.s. wondering if you had any luck finding the additional details on the earlier indexation increases?

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In particular:

- The Province is applying PS 3250 and PS 3255 accurately and completely in the consolidated financial statements.
- Each of the best estimate assumptions used reflects management's judgment of the most likely outcomes of future events.
- The best estimate assumptions used are, as a whole, internally consistent, and consistent with the asset valuation method adopted.
- The discount rate used to determine the accrued benefit obligation was determined by reference to the expected rate of return on pension assets based on the Government's best estimate.
- The economic assumptions included in the actuarial valuation are those that management provided to the pension plan boards (i.e. Ontario Pension Board, OPSEU Pension Trust, Ontario Teachers' Pension Plan Board, Healthcare of Ontario Pension Plan and Colleges of Applied Arts & Technology Pension Plan) in a letter requesting actuarial and financial information, to use in computing amounts to be used by management in determining pension costs and obligations and in making required disclosures in the above-named financial statements, in accordance with PS 3250.
- In arriving at these assumptions, management has obtained the advice of the actuaries, but has retained the final responsibility for them The data provided to the actuaries for non-pension post-retirement benefits, severance pay and other post-employment benefits was sufficient for the purpose of the valuation,
  the actuarial assumptions were appropriate; and,
- the methods used were in accordance with sound actuarial principles.

- All significant changes to plan provisions or events occurring subsequent to the date of the actuarial valuation and up to the date of this letter have been considered in the determination of pension costs and obligations and as such have been communicated to you as well as to the actuaries.

- The extrapolations are accurate and properly reflect the effects of significant changes and events that occurred subsequent to the most recent valuation and that had a material effect on the extrapolation.
- We agree with the findings of Mercer as management's expert in evaluating the valuation of employee future benefits and have adequately considered the qualifications of the expert in determining the amounts and disclosures used in the financial statements and underlying accounting records.