RE: Preliminary pension and other retirement benefit expenses

From: "Ma, Patricia (TBS)" <patricia.ma2@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Sun, Alicia (TBS)" <alicia.sun@ontario.ca>
Cc: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>, "Fong, Pauline (TBS)" <pauline.fong@ontario.ca>, "Li, Wendy (TBS)" <wendy.li@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Fri, 24 Feb 2017 17:38:25 -0500

Hi Cindy,

I'm not sure if this will help explain a bit further…

Per section 3250:

.035 When determining a government's retirement benefit liability and expense, plan assets would be valued at market-related values. Under this method, plan assets are recorded at market value or they are adjusted to market value over a period not to exceed five years. Values adjusted to market closely approximate current economic value in a manner that can minimize short-term fluctuations. Market-related values would be used because they are objective and verifiable. Once a basis of valuation is chosen it would be applied consistently.

For PSPP, the basis of obtaining the MRVA has been to smooth the total net realized/unrealized gain/loss. By changing to the recommended approach, we will be changing the basis on which we determine the MRVA, but per E&Y's recommendation, the proposed approach is the best practice.

But of course I/we can consult with E&Y further to provide further confirmation.

Thanks,

Patricia

From: Veinot, Cindy (TBS)
Sent: February-24-17 4:57 PM
To: Ma, Patricia (TBS); Sun, Alicia (TBS)
Cc: Hosick, Sarah (TBS); Fong, Pauline (TBS); Li, Wendy (TBS); Petsche, Nadine (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Thanks Patricia – I have to admit, I still don't understand the expected rate of return for PSPP – can you pop by and explain it to me – thanks,

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From: Ma, Patricia (TBS)
Sent: February-24-17 4:23 PM
To: Sun, Alicia (TBS); Veinot, Cindy (TBS)
Cc: Hosick, Sarah (TBS); Fong, Pauline (TBS); Li, Wendy (TBS); Petsche, Nadine (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Hi Cindy,

Please find attached an updated slide-deck on the MRVA approach.

Changes were made to slides 5,6,7 and 8 to address your comments.

Thanks,

Patricia

From: Sun, Alicia (TBS)
Sent: February-24-17 8:45 AM
To: Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS); Fong, Pauline (TBS); Li, Wendy (TBS); Petsche, Nadine (TBS)
Subject: Re: Preliminary pension and other retirement benefit expenses

Cindy,

I just want to let you know that Patricia walked me through the E&Y's approach and we came up with the recommendation. I can also take some time to look at the actual model and calculation.

As for further explanation of the 0%, Patricia has got it ready. This morning my team will be tied up with stakeholdering with Health on the Public Accounts planning. I will review Patricia's explanation at noon and provide it to you early afternoon.

Thanks,
Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Veinot, Cindy (TBS)
Sent: Friday, February 24, 2017 8:09 AM
To: Sun, Alicia (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS); Fong, Pauline (TBS); Li, Wendy (TBS); Petsche, Nadine (TBS)
Subject: Re: Preliminary pension and other retirement benefit expenses

Thanks. Also wanted to confirm that you have reviewed and agree with EY's calculations.

Cindy

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Sun, Alicia (TBS)
Sent: Thursday, February 23, 2017 4:15 PM
To: Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS); Fong, Pauline (TBS); Li, Wendy (TBS); Petsche, Nadine (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Hi Cindy,

Patricia will provide a couple of points to explain that 0% for PSPP.

The numbers will be updated to reflect the E&Y approach. It will be ready tomorrow.

Thanks,
Alicia

From: Veinot, Cindy (TBS)
Sent: February 23, 2017 4:05 PM
To: Sun, Alicia (TBS); Petsche, Nadine (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS); Fong, Pauline (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

I have a couple of comments in the deck – I don't understand the 0% return for PSPP – unless understanding that has an impact, I'm in agreement with the recommendation.

I asked Pauline to see if we could get the briefing deck ready for EOD tomorrow, so I'm copying her as well.

Thanks,

From: Sun, Alicia (TBS)
Sent: February-23-17 2:53 PM
To: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Hi Nadine/Cindy,

Please see attached revised deck (Slide 5 updated) to reflect our best understanding at the point of time.

Thanks,
Alicia

From: Petsche, Nadine (TBS)
Sent: February 23, 2017 12:46 PM
To: Sun, Alicia (TBS); Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS)
Subject: Re: Preliminary pension and other retirement benefit expenses

Ok. I had misunderstood your earlier message about receipt of details from PSPP. We should definitely follow up. N

From: Sun, Alicia (TBS)
Sent: Thursday, February 23, 2017 12:32 PM
To: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Nadine,

That is an unknown factor to us now. We would have to ask PSPP again to get the discount rate used for the calculation of their MRVA.

Patricia – can you please ask Ingrid to reach out to PSPP to get the information?

Thanks,
Alicia

From: Petsche, Nadine (TBS)
Sent: February 23, 2017 12:29 PM
To: Sun, Alicia (TBS); Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS)
Subject: Re: Preliminary pension and other retirement benefit expenses

Alicia,
Slide 5 needs to be updated with the Plan's assumption if we have received it.
I concur with the recommendations, including prospective application. N

From: Sun, Alicia (TBS)
Sent: Thursday, February 23, 2017 12:04 PM
To: Veinot, Cindy (TBS); Petsche, Nadine (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Hi Cindy/Nadine,

Here are some points for you to consider. We have received response from PSPP on our questions. The revised deck here reflects the updated information.

Thanks,
Alicia

- Recommendation
  - To adopt E&Y's recommended method in 2016-17 pension forecast prospectively since this is the best practice according to E&Y's review.

- Rationale:
  - To achieve consistency of method among the pension plans. (Will be in-line with OTPP method)
  - Prospective vs. retrospective application:
    - The differences between the current approach and E&Y's recommended approach are timing differences, which will be fully amortized eventually.
    - The time and efforts required to restate past years outweigh the benefits.

- Other considerations
  - A change in expense (reduction in this case) would possibly invite more questions from the Auditor General on the reason for the change in approach

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From: Veinot, Cindy (TBS)
Sent: February 22, 2017 3:02 PM
To: Sun, Alicia (TBS); Hosick, Sarah (TBS)
Cc: Petsche, Nadine (TBS); Ma, Patricia (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Alicia and Nadine – what is your recommendation and why?

Cindy

From: Sun, Alicia (TBS)
Sent: February-22-17 11:46 AM
To: Hosick, Sarah (TBS)
Cc: Petsche, Nadine (TBS); Ma, Patricia (TBS); Veinot, Cindy (TBS)
Subject: FW: Preliminary pension and other retirement benefit expenses

Hi Sarah,

I just want to check to see whether Cindy has got a chance reviewed the deck yet.

Before we finalize the pension numbers, I would expect that a decision to be made whether we are going to implement the change in accordance with the E&Y's recommended approach or keep the status quo.

Thanks,
Alicia

From: Sun, Alicia (TBS)
Sent: February 21, 2017 1:51 PM
To: Petsche, Nadine (TBS); Veinot, Cindy (TBS)
Cc: Ma, Patricia (TBS); Hosick, Sarah (TBS); Fong, Pauline (TBS); Li, Wendy (TBS)
Subject: RE: Preliminary pension and other retirement benefit expenses

Hi Nadine/Cindy,

Please see attached a draft deck to address the below issues as highlighted by Sarah in red.

Please review and provide your comments.

Outstanding Item	Expected Completion Date?
• PSPP, HOOPP & CAATPP - Potential impact of changing the method of calculating MRVA	Draft Deck to Cindy Today
• HOOPP & CAATPP - E&Y review of valuation allowance calculation	
• CAATPP - E&Y further review of forecasting model	
• PSSP - further review of forecasting model after suggested changes from E&Y	
• CMM - further review of forecasting model from E&Y (lower priority as amounts will be small)	
• OPSEU - impact of changing the method of calculating MRVA	Draft Deck to Cindy Today
• OPSEU - E&Y further review of adjustment for other employers' contribution within GRE (future consideration)	
• OPSEU - E&Y further review of amortization of difference in employer and employee contributions (immaterial; future consideration)	

Thanks,
Alicia