RE: details on BC"s plans

From: "Fong, Pauline (TBS)" <pauline.fong@ontario.ca>
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Cc: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>
Date: Tue, 13 Sep 2016 12:20:19 -0400

Hi Nadine,

For joint trusts pension plans at are at Net Asset Position under PSAB they have a valuation allowance to bring the amount back to zero.

See note from the financial statement below:

"The province accounts for employee pension plans by recognizing a liability and an expense in the reporting period in which the employee has provided service. The amount is calculated using the accrued benefit actuarial cost method. Where plans are in a net asset position and Joint Trusteeship Agreements restrict access to the assets, the province records the value of plan net assets as nil. The province records a liability for its share where plans are in a net obligation position. Changes in net liabilities/assets, which arise as a result of actuarial gains and losses, are amortized on a straight–line basis over the average remaining service period of employees active at the date of the adjustments. Past service costs from plan amendments are recognized in full in the year of the amendment. "

From: Petsche, Nadine (TBS)
Sent: September-13-16 11:24 AM
To: Fong, Pauline (TBS)
Cc: Veinot, Cindy (TBS); Patel, Bharat (TBS)
Subject: FW: details on BC"s plans

Pauline,
Can we please confirm the basis that BC is reporting its accrued benefit obligation and expenses. It is in accordance with PSAB? (see #2 below). n

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From: Hatzis, Len (TBS)
Sent: September 13, 2016 11:15 AM
To: Fong, Pauline (TBS); Petsche, Nadine (TBS)
Cc: Veinot, Cindy (TBS)
Subject: RE: details on BC"s plans

I have reviewed the link. This is just the legislative framework for public sector pensions in BC (the relevant details are likely in the trust agreements and any funding policies). In terms of the legislative framework, the only relevant things of note that I saw are:

1. For each of the public sector plans, it uses terminology similar to our *Teachers Pension Act* regarding the employers and members entering into agreements that would cover joint sharing of gains/surpluses and liabilities for deficiencies. **Key difference in BC framework is that there is no reference to the Crown sharing in surpluses or liabilities under those agreements.** I suspect that this is because the

Crown isn't directly funding those plans, but instead the actual employers do this themselves (this might not matter for accounting purposes if all of the employers are consolidated on BC's books). Implication of how this is set out in the BC legislation is that the specific trust agreements seemingly could give the employers the ability to benefit from surpluses, although Nadine's earlier analysis suggests that her colleagues in BC have told her that in fact these agreements don't give the employers the ability to benefit.

2. The BC legislation expressly provides for BC to allocate an expense for any unfunded liabilities (the provision in their act is below – seems to conflate funding authority with accounting treatment, which is a bit confusing). There isn't anything in the BC legislation that mentions the accounting treatment of an ability to benefit from a surplus – could be because BC doesn't think they can benefit from a surplus because of what is in their pension trust agreements, or could be because BC implicitly took a different position on the accounting treatment of surpluses.

Appropriation for unfunded pension plan liability

25.1 (1) If an actuarial valuation discloses that a pension plan has an unfunded liability, the Minister of Finance may, in accordance with generally accepted accounting principles, allocate an expense to the consolidated revenue fund to amortize the portion of the unfunded liability that is attributable to the government.

(2) Subsection (1) applies despite section 21 (3) of the *Financial Administration Act* .

(3) Expenses may be allocated under subsection (1) without an appropriation other than that subsection.

From: Fong, Pauline (TBS)
Sent: September 13, 2016 9:06 AM
To: Petsche, Nadine (TBS)
Cc: Veinot, Cindy (TBS); Hatzis, Len (TBS)
Subject: RE: details on BC''s plans

Hi Nadine,

I don't have the details of the BC plans. I was reading the Public Sector Pension Plans Act of BC. Here is the link:

http://www.bclaws.ca/civix/document/id/complete/statreg/99044_01

Pauline

From: Petsche, Nadine (TBS)
Sent: September-12-16 9:32 PM
To: Fong, Pauline (TBS)
Cc: Veinot, Cindy (TBS); Hatzis, Len (TBS)
Subject: details on BC''s plans

Pauline,
I believe that you mentioned that you had details on BC's plans? Can you please share at your earliest convenience. Thx. n