RE: feedback requested

From:	"Raymond, Martin (CA - Montreal)" <maraymond@deloitte.ca>
To:	"Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date:	Fri, 09 Sep 2016 00:03:38 -0400
Attachments:	Summary_valuation_results_for_OTPP.xlsx (16.63 kB); compare_other_government.docx (814.88 kB)

Cindy and Nadine

Here are 2 documents for us to work with

The word document includes extract from the Federal Government and Quebec Government FS and their main Plan FS
Main considerations

1- They both use expected return on asset for their plan
2- Rates are about 6.1% and 6.95% respectively (ultimate rate), inflation 2% and 2.5% ultimate
3- No borrowing rate for the main funded plans, only for unfunded in Federal
4- For Federal, they use the same basis for 4600 in pension plan FS – hence the long term return expectations
5- For Quebec, they use a slightly different rate for 4600 in pension plan FS – so still a notion of long term return expectation
6- So for Government FS, both are very similar while for 4600, both are more long term view vs the OTPP that the Board is using a more conservative approach (Ont Bonds)

The excel file includes the summary of information for OTPP Pension plan financial statement, OTPP funding valuation and OTPP Ont Government financial statement for asset values, obligation values, surplus / deficit, asset / liability, main assumptions, sensitivity. Main considerations

1- The main element of difference comes from obligation measure and specifically the assumptions selected
2- CICA 4600 vs PS3250 vs Funding regulatory requires assumptions that do not follow the same guidance and selection is not performed by the same entity.
3- The net rate (interest rate net of inflation) is the driver for the obligation measure. Using sensitivity information found in the funding valuation report and the Mercer letter on accounting results in Jan 2016, we can estimate the obligation measure starting from the OTPP pension plan financial statement and we come very close considering the estimated nature.
4- Small difference possible on asset side also because 4600 is only fair value and funding vs Ont Government FS are using different smoothing methodologies
5- The difference in results is fully explained

Happy to discuss on Friday

Martin Raymond, FSA, FCIA
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De : Veinot, Cindy (TBS) [mailto:Cindy.Veinot@ontario.ca]
Envoyé : 8 septembre 2016 14:44
À : Raymond, Martin (CA - Montreal) <maraymond@deloitte.ca>; Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Objet : RE: feedback requested

https://www.otpp.com/corporate/plan-funding;jsessionid=uM0pss6uB5uvilDAeTGxBz9-.undefined

https://www.otpp.com/corporate/annual-reporting/reports-archive

Martin – as discussed, here are the links I've been looking at re: funding at OTTP as well as a link to their f/s

Thanks,

From: Raymond, Martin (CA - Montreal) [mailto:maraymond@deloitte.ca]
Sent: September-08-16 10:59 AM
To: Petsche, Nadine (TBS)
Cc: Veinot, Cindy (TBS)
Subject: RE: feedback requested

Nadine

Following discussion with Cindy, I do want to make a comment around the use of long term return on asset and borrowing rate under PSAS for discounting and present value calculation.

Although I have not seen all cases of public sector accounting, all of those that I have encountered were treated in the following manner at the entity financial statements.

1- All plans that have actual funds (plan assets) set aside to support the benefits are treated in the PS3250 with discounting using a long term rate of return on plan assets – which is the case here with the Ontario plans
2- All plans that do not have actual funds cannot define an expected long term return on plan assets since they have no assets. So for these unfunded plans, the entity would rather use the borrowing rate of the entity.

I am not aware of entities using the borrowing rate to value under PS3250 a plan where assets would be present to support the benefits.

I am also looking at finding some entities financial statements that would support this.

Regards

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De : Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Envoyé : 8 septembre 2016 10:37
À : Raymond, Martin (CA - Montreal) <maraymond@deloitte.ca>
Cc : Patel, Bharat (TBS) <Bharat.Patel3@ontario.ca>; Fong, Pauline (TBS) <Pauline.Fong@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Objet : feedback requested

Martin,
Just wondering if you might have any suggested edits to the following disclosure in the following (intended to meet the AG's request for additional disclosure on government's rights under the agreements). This wording has not yet been shared with our pension policy colleagues. Just drafted quickly to try to help expedite closure on this matter.
Thanks in advance.
Nadine

Proposal to append the last paragraph (see last year's page 63 of our annual report) as follows:

The obligation for benefits and plan fund assets of the above plans is based on actuarial accounting valuations that are performed annually. Funding of these plans is based on statutory actuarial funding valuations undertaken at least once every three years. In accordance with Public Sector Accounting Standards, the Province reports pension assets for plans where the province is assessed as having reasonable expectation of benefiting from an accrued benefit asset through reduced contributions.

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