RE: Another item for discussion

From:	"Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To:	"Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date:	Tue, 14 Mar 2017 15:33:25 -0400
Attachments:	AcSOC Pensions - G.1.pdf (6.52 MB)

Cindy,
I requested and received a copy of Kim MacPherson's presentation to AcSOC last month (see attached). Slides 17 and 25 are the most relevant, although info on other slide may also be worthy of review with PPD in case alternative plans are being considered for Ontario.
Nadine

From: Petsche, Nadine (TBS)
Sent: March-14-17 12:21 PM
To: Sun, Alicia (TBS)
Cc: Keates, James (TBS); Veinot, Cindy (TBS); Tam, Nelson (TBS)
Subject: RE: Another item for discussion

Alicia,
When it comes to the accounting for the Trust, we should not underestimate the audit risk (possibility that the AG may have a different perspective, especially given our experience w.r.t. interpretation of accounting standards as related to OTPP and OPSEUPP).
You should be aware that the NB recently gave a presentation to the Accounting Standards Oversight Council w.r.t. accounting for NB's shared risk plans. Key items that factored into the New Brunswisk AG's (and external advisors') conclusions that the plans should be accounted for as defined benefit plans included:

- *Continued exposure to the province of financing risk, investment risk, benefits driven by formula (not a defined contribution plan)*
- *Fixed target contribution levels that shouldn't be changed, even if surpluses existed (Province had no legal claim to the assets so had to take a full valuation allowance)*
- *In the case of NB's shared risk plans, there was a whole series of events that would have to occur, including a decision by joint trustee board as to what to do with the surplus before the government could do anything with it. As such, the PS 4000 criteria for an asset were not considered to have been met because the past event that would have been need to give value to the asset had not occurred by March 31 year-end.*

Bonnie Lysyk was present during the NB AG's presentation to AcSOC. Unfortunately the AcSOC has not included any references or notes on its website for the presentation. The exclusion of such notes is not consistent with past practice, but fortunately, I took good notes. I am also trying to get a copy of the deck that was presented as I was an observer at the meeting. Kim MacPherson, AG for NB also referenced her report on the pension issue (http://www.agnb-vgnb.ca/content/dam/agnb-vgnb/pdf/Reports-Rapports/2014V1/Agrepe.pdf) See section 3.

It will be important that EDU review the NB situation and identify any potential risks to it's planned accounting treatment in light of the NB conclusions and our own AG's interpretation of PSAS. I am copying James Keates on this note as well, given the complexities of pension accounting and his familiarity with our other pension-related issues.
I'm not sure that Shayan would be the appropriate contact to help us assess this item, so once you've had a chance to consider the potential relevance of the NB example to EDU's situation, you may want to

review the item with James and Shayan before considering next steps.

You may want to share some of this information with EDU so that they are positioned to defend their planned accounting treatment.

Nadine

From: Sun, Alicia (TBS)
Sent: March-12-17 12:14 PM
To: Petsche, Nadine (TBS)
Subject: Fw: Another item for discussion

Nadine,

Since EDU has done a comprehensive analysis except the piece related to the potential risk for the government to provide additional funding if the trust goes into a deficit position. This is also the AG's key concern. I'll ask Shayan to look into this. The rest of the analysis can be provided by EDU.

Hope you're OK with it.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Saturday, March 11, 2017 10:27 PM
To: shayan.jafrani@ca.ey.com
Cc: Sun, Alicia (TBS)
Subject: Another item for discussion

Hi Shayan.
When you are in next week to start the work on the asset ceiling tests for OTPP and OPSEUPP, Alicia Sun (Manager, BPS Reporting) will want to get your input on another area that we may need your assistance on.
Thanks in advance.
Nadine