

Re: New Model Output

From: Allan Shapira <allan.shapira@aonhewitt.com>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc: "Killoch, Alex (MOF)" <alex.killoch@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Pomykacz, Rob (MOF)" <robert.pomykacz@ontario.ca>
Date: Sat, 24 Sep 2016 10:14:43 -0400

It would definitely be in the temporary zone and may even be in the permanent zone. I would have to take some time today to figure that out if that is important.

It seems like the AG is hung up on the fact that the government needs agreement of another party, the other joint sponsor to use surplus. That is the essence of a joint plan and it plays out in both increasing contributions when necessary and reducing then when there is an opportunity to do so. I should remind everyone that the temporary zone was introduced in response to the concerns of the member sponsor that with what they view as conservative funding the surplus would grow very large with only a permanent zone and they would not get access to it early enough. Clearly that reflects their desire to use the surplus and they can only do so if the government gets its 50% share.

Allan

Sent from my iPhone

On Sep 24, 2016, at 9:01 AM, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca> wrote:

|
Thanks everyone for looking at this so quickly.

One question on #3 – does the math work such that the plan would be in permanent zone when it is estimated to hit the ITA limit? In other words, based on one of the scenarios provided by Martin Raymond, does this mean that based on continued expected returns, one model suggests that the plan would be in the permanent zone in 15 years?

From: Killoch, Alex (MOF)
Sent: September-24-16 8:57 AM
To: Petsche, Nadine (TBS); Pomykacz, Rob (MOF)
Cc: allan.shapira@aonhewitt.com; Veinot, Cindy (TBS)
Subject: Re: New Model Output

I talked to Allan last night.

The answer to number 1 is that the rule applies to joint plans.

Number 2 is that the rule applies to the employer only. But under the terms of the plan it

would be both parties that need to determine how to to reduce surplus.

There is no rule other than the FMP for dealing with surplus. And Raymond is correct that the plan would never get to the ITA maximum. The ofc would never allow it to get through the temp and permanent zones, (and I doubt gov't would either)

Alex

From: Petsche, Nadine (TBS)
Sent: Saturday, September 24, 2016 8:35 AM
To: Killoch, Alex (MOF); Pomykacz, Rob (MOF)
Cc: allan.shapira@aonhewitt.com; Veinot, Cindy (TBS)
Subject: RE: New Model Output

Alex/Rob,

Just wondering what the plan is w.r.t. the questions posed below? Thx. n

From: Raymond, Martin (CA - Montreal) [<mailto:maraymond@deloitte.ca>]
Sent: September-23-16 4:44 PM
To: Petsche, Nadine (TBS)
Cc: allan.shapira@aonhewitt.com; Killoch, Alex (MOF); Pomykacz, Rob (MOF); Colley, Matthew (CA - Toronto)
Subject: RE: New Model Output

After a discussion with Matthew, find enclosed the following questions that might be needed to review with the use of Income Tax Act excess surplus for contribution reduction.

- 1- Is the Income Tax Act excess surplus still applicable to a joint plan? I believe it does since the idea is to avoid excess use of pension plans as tax free deferral vehicles and therefore should apply to all types of employer provided pension plans

- 2- Is the Income Tax Act only requiring the employer to reduce contribution even in a joint plan ? if so, our estimate of using 50% of the excess surplus would move to 100%. However, we have used 50% of the excess surplus as a benefit to the employer knowing that under the plan, the sharing principle would lead to employees and employer reducing both their contributions to meet the requirement of the Income Tax Act
- 3- Finally, is there a plan provision (I did not see if one applies) that would force the employer to modify the plan benefits and therefore prevent of taking a contribution reduction that is otherwise applicable as per the Income Tax Act. I did not see one, and this is likely to be logic that the plan does not need one since the idea would generally be to deal with surplus through the Temporary and Permanent zones in the sharing of surplus and therefore not getting into the excess surplus position. However, for our illustration we assume that no surplus is used through the Temporary and Permanent zones, considering no agreement and therefore we end up dealing with the excess surplus situation.

Regards

Martin Raymond, FSA, FCIA
Partner – Audit – Actuarial services

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<image001.png>

De : Raymond, Martin (CA - Montreal)

Envoyé : 23 septembre 2016 15:13

À : 'Petsche, Nadine (TBS)' < Nadine.Petsche@ontario.ca >

Cc : allan.shapira@aonhewitt.com; Killoch, Alex (MOF) < Alex.Killoch@ontario.ca >; Pomykacz, Rob (MOF) < Robert.Pomykacz@ontario.ca >; Colley, Matthew (CA - Toronto) < mcolley@deloitte.ca >

Objet : RE: New Model Output

Here are the 2 files

One for projection of plan situation

One for the expected future benefit and asset ceiling test

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De : Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]
Envoyé : 23 septembre 2016 15:10
À : Raymond, Martin (CA - Montreal) < maraymond@deloitte.ca >
Cc : allan.shapira@aonhewitt.com; Killoch, Alex (MOF) < Alex.Killoch@ontario.ca >; Pomykacz, Rob (MOF) < Robert.Pomykacz@ontario.ca >; Colley, Matthew (CA - Toronto) < mcolley@deloitte.ca >
Objet : New Model Output
Importance : Haute

Martin,

We are on a call with Matt and he is describing your most recent model run for the OTPP. Can you please share that with Allan Shapira and cc. Alex Killoch and Rob Pomykacz as soon as possible.

Thanks.

Nadine

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