Message

From: Susan Nicholson [/O=IMO/OU=MSX1/CN=RECIPIENTS/CN=SUSAN NICHOLSON]
Sent: 2016-10-26 2:26:21 PM
To: Adrian Pye [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Pyea]
CC: Susan Nicholson [/O=IMO/OU=MSX1/cn=Recipients/cn=Susan Nicholson]; Kim Marshall [/O=IMO/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=Kim Marshall9f5]
Subject: RE: IESO Pension issues - OEB questions & mydraft responses ... for your review and comment

Adrian – one small change, unrecognized instead of unamortized for consistency within the note and one suggestion (assuming that the statement in the evidence refers to the audited financial statements).

Kim – do you have any concerns?

Susan

From: Adrian Pye
Sent: October 26, 2016 2:14 PM
To: Susan Nicholson
Subject: RE: IESO Pension issues - OEB questions & mydraft responses ... for your review and comment

[redacted]

Ok then, so see my modified responses below:
Staff has 3 questions

[redacted]

Source – composite of information taken from IESO 2011 audited financial statements and notes:

Unrecognized actuarial losses - pension	[redacted]	
Unrecognized actuarial losses – OPEB		
Past service costs –pension		
Past service costs - OPEB		
Total		

From: Susan Nicholson
Sent: October 26, 2016 1:08 PM
To: Adrian Pye; Lia Kosic
Cc: Jordan Penic; Kim Marshall
Subject: Re: IESO Pension issues - OEB questions & mydraft responses ... the reference to $56 million

[redacted]

Sent from my BlackBerry 10 smartphone on the Bell network.

From: Adrian Pye
Sent: Wednesday, October 26, 2016 12:47 PM
To: Susan Nicholson; Lia Kosic
Cc: Jordan Penic; Kim Marshall
Subject: RE: IESO Pension issues - OEB questions & mydraft responses ... the reference to $56 million

[redacted]

From: Susan Nicholson
Sent: October 26, 2016 12:28 PM
To: Adrian Pye; Lia Kosic

Cc: Jordan Penic; Susan Nicholson; Kim Marshall
Subject: RE: IESO Pension issues - OEB questions & mydraft responses

[redacted]

Source - taken from IESO 2011 audited financial statements and notes:

Unrecognized actuarial losses - pension	[redacted]	
Unrecognized actuarial losses – OPEB	[redacted]	
Past service costs –pension	[redacted]	
Past service costs - OPEB	[redacted]	
Total	[redacted]	

TRANSITION TO PUBLIC SECTOR ACCOUNTING STANDARDS

As of January 1, 2011, Part V of the CICA Handbook ceased to be a source of Generally Accepted Accounting Principles (GAAP) for the IESO. On that date, the IESO adopted PSAB accounting standards with a transition date of January 1, 2010.

The adoption of PSAB has been accounted for by retroactive application with restatement of prior periods subject to the requirements in Section PS 2125, *First-time Adoption by Government Organizations,* unless otherwise stated.

The following outlines the accounting policies in areas which changed as a result of the IESO's adoption of PSAB:

Change to pension and other post-employment benefits

Under Part V of the CICA handbook, the discount rate used to value these liabilities is based on the market value of high quality corporate bond yields as at the measurement date. Under PSAB, the discount rate used to value liabilities by the IESO is based on the expected rate of return on plan assets as at the measurement date.

Under Part V of the CICA handbook, the cumulative unamortized net actuarial gain or loss in excess of 10% of the greater of the projected benefit obligation and the market-related value of plan assets is amortized over the expected average remaining service life of the employees covered by the plan. Under PSAB, the total actuarial gains and losses are amortized over the expected average remaining service life of the employees covered by the plan.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of plan assets as at the measurement date. Under Part V of the CICA handbook, the market-related value of plan assets was determined using market-related values for equities (whereby fund assets are calculated using the smoothed value of assets over five years) and market values for fixed income securities. Under PSAB, the market-related value of plan assets is determined using market-related values for all plan assets whereby all fund assets are calculated using the smoothed value of assets over five years.

In its transition to PSAB, the IESO exercised an exemption in Section PS 2125, *First-time Adoption by Government Organizations* for the recognition of accumulated unamortized actuarial gains and losses as of the transition date.

The retroactive application of pension and OPEB accumulated unamortized actuarial gains and losses under PSAB would require the IESO to restate its actuarial gains and losses for each year since the inception of the pension plan to determine the unrecognized gains or losses at the date of transition. The exemption allows for the IESO to recognize all pension and OPEB accumulated unamortized actuarial gains and losses, as of the date of transition, to accumulated deficit. At January 1, 2010 the unrecognized actuarial loss for pension benefits was $72,847 thousand and the unrecognized actuarial loss for OPEB was $5,275 thousand.

Under Part V of the CICA handbook, past service costs resulting from plan amendments related to prior period employee services were amortized over estimated average remaining service life of employees. Section PS 3250, Retirement Benefits, states that past service costs would be accounted for as an expense in the period of the plan amendment. At the transition date, the IESO had $2,323 thousand and $172 thousand in unrecognized past service costs relating to pension and OPEB, respectively. These amounts were recognized in accumulated surplus.

This total unrecognized actuarial loss and past service costs restated to accumulated deficit as a result of the transition to PSAB was $80,617 thousand.

From: Adrian Pye
Sent: October 26, 2016 11:58 AM
To: Lia Kosic; Susan Nicholson
Subject: IESO Pension issues - OEB questions & mydraft responses

[redacted]

[redacted]