Theodore Antonopoulos

From:	Theodore Antonopoulos
Sent:	March 3, 2017 2:40 PM
To:	Mark Rozic
Subject:	FW: Pension (IESO Fees proceeding)

I guess there was no IR on this for the IESO. I thought there was.

From: Daniel Kim
Sent: March-03-17 2:24 PM
To: Nancy Marconi; Theodore Antonopoulos
Subject: Pension (IESO Fees proceeding)

Hi Nancy & Ted,

In reviewing the 2016 IESO Fees (EB-2015-0275) the majority of the pension information was found in the financial statements. The table below summarizes what was stated in the application. Looking back a the 2014 IESO Fees case (EB-2013-0381), pension references were found in the 2014-16 business plan. The 2014 OPA Fees case (EB-2013-0326), pension references were found in their 2011 financial statements. In regards to IRs or submissions, there was very little content on pensions besides what was already found in each of the applications.

Let me know if you need more details.

Reference	*Statement*
Application, A-2-2, page 9 of 20	Pension changes are being implemented to drive affordability and sustainability. Initiatives aimed at maximizing the value of people management processes (e.g., implementation of a single Human Resource Information System and talent management system) will also be completed.
Application, 2014 Annual Report, Exhibit A-3-2, page 18 of 40	The IESO accrues obligations under pension and other post-employment benefit (OPEB) plans and the related costs, net of plan assets. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected health-care costs. The discount rate used to value liabilities is based on the expected rate of return on plan assets as at the measurement date of September 30. The expected return on plan assets is based on management's long-term best estimate using a market related value of plan assets. The market-related value of plan assets is determined using the average value of assets over three years as at the measurement date of September 30. Pension and OPEB expenses are recorded during the year in which employees render services. Pension and OPEB expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the cost of plan amendments in the period. Actuarial gains/(losses) arise from, among other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. Actuarial gains/(losses) are amortized over the expected average remaining service life of the employees covered by the plan. The expected average remaining service life of employees covered by the pension plans is 13 years (2013 – 13 years) and OPEB plans is 14 years (2013 – 14 years).
Application, 2014 Annual Report, Exhibit A-3-2, page 23 of 40	The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered, pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

Application, 2013 Annual Report, Exhibit A-3-2, page 23 of 40

Summary of accrued benefit obligations and plan assets

(in thousands of Canadian dollars)	2014 Pension Benefits	2013 Pension Benefits	2014 Other Benefits	2013 Other Benefits
	$	$	$	$
Accrued benefit obligation	452,466	443,562	69,427	82,848
Fair value of plan assets	455,229	390,934	–	–
Funded status as of measurement date	2,763	(52,628)	(69,427)	(82,848)
Employer contribution/other benefits payments after measurement date	207	4,647	586	570
Unrecognized actuarial (gain)/loss	(39,913)	12,842	(11,073)	8,209
Accrued liability recognized in the statement of financial position	**(36,943)**	**(35,139)**	**(79,914)**	**(74,069)**

Registered pension plan assets

As at the measurement date of September 30, the proportion of the fair value of registered pension plan assets held in each asset class was as follows:

	2014	2013
Canadian equity securities	20.6%	20.0%
Foreign equity securities	40.7%	44.0%
Canadian debt securities	37.9%	35.1%
Cash equivalents	1.1%	0.7%
Forward foreign exchange contracts	(0.3%)	0.2%
	100.0%	**100.0%**

Application, 2014 Annual Report, Exhibit A-3-2, Page 33 of 40

Program Description – Pension Plan

A defined benefit pension plan provides annual retirement income calculated as two percent of fixed compensation and one-half percent of variable compensation paid during the highest paid 36 consecutive months of service multiplied by years of service, to a maximum of 35 years. The pension formula is integrated with the Canada Pension Plan (CPP) to provide a level income stream before and after age 65, when the IESO pension is reduced to reflect benefits from CPP. The plan also has early retirement provisions as well as commuted value, pension deferral and reciprocal transfer options.The plan provides a maximum benefit of 70 percent of highest paid, pre-retirement earnings. As the Canada Revenue Agency limits the amount of pension payable from a registered plan, the IESO has a secured supplemental employee retirement plan (SERP) to provide required pension income to meet the commitments of the plan above that payable from the registered plan. The plan also provides several options including member's life only or joint and survivor pensions, as well as pre-retirement death benefits to provide benefits to surviving spouses or beneficiaries.

Application, 2014 Annual Report, Exhibit A-3-2, Page 38 of 40

2014 Pension Benefits Table

Name & Position	Number of Years Credited Service	Increased Pension Value During 2014		Annual Benefits Payable Upon Retirement	
		Compensatory Amount During Year	Non Compensatory Amount During Year	At Year-End (2014)[1]	At Age 65[2]
		$	$	$	$
Bruce Campbell[3] President & CEO	28.417	$214,000	$381,000	$214,000	$214,000[4]
Ted Leonard VP Markets, CFO & Treasurer	18.750	$ (54,000)	$106,000	$ 86,000	$161,000
Kim Warren VP Operations & COO	35.000	$ 84,000	$ 76,000	$179,000	$179,000
Terry Young VP Corporate & Employee Relations	31.667	$ 10,000	$ 50,000	$155,000	$171,000
Doug Thomas VP Information & Technology Services & CIO	16.250	$176,000	$ 99,000	$ 71,000	$106,000

1. Payable at age 65 assuming no increase in pensionable earnings & service beyond year-end 2014.
2. Payable at age 65 assuming no increase in pensionable earnings beyond year-end 2014 and credited service continues until age 65.
3. Mr. Campbell was promoted to CEO on May 1, 2013.
4. Mr. Campbell's accrued pension payable at the valuation date is shown, as he is over age 65.

Thanks,
Dan

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