



Alternate Revenue

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"Securing tomorrow's pensions today."

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Today's Presentation

- How do you use it?
- What's the value?
- Valuation assumptions
- Funding method changes
- Accounting changes
- Policy considerations
- Next steps



How Do You Use It?

- Two options
 - Permanently dedicate a portion of the future revenue stream to funding an on-going benefit
 - One-time recognition of accumulated revenue for one-time benefit
- Benefit cost must include cost of future new entrants
- Present value of future benefit can't exceed present value of available future revenue stream



What's The Value?

- Present value of available revenue stream at September 30, 2008, is about \$99 million if you assume
 - 8% annual interest
 - Every “payment” occurs in full over a 100-year period
- This represents a hypothetical value for discussion only



Valuation Assumptions

- Interest rate
 - Selection based on investment policy
- Length of projection period
 - For benefit costs and revenue stream
- Likelihood of missed payments in future when
 - Revenue growth trigger not met
 - Payment not made when triggered
- Law requires State Actuary to select conservative assumptions in this area



Funding Method Changes

- Law requires an adjustment to Aggregate funding method
- Adjustment prevents an immediate change in contribution rates for benefit financed from revenue stream
- What happens after the initial adjustment?



Funding Method Changes (continued)

- Actuarial gains/losses will occur following initial adjustment
- New funding method must address this gain/loss
 - Amortization policy
- Gain/loss will result in
 - Changes in system contribution rates;
 - Change in portion of revenue stream dedication; or
 - Combination of both

Accounting Changes

- Separate accounting of assets received and benefits paid from benefits improvement account required
- Separate accounting allows OSA to report and monitor gain/loss on benefit improvements financed from revenue stream



Policy Considerations

- Should WSIB invest this money differently than current funds?
 - Is there a higher need to secure these benefits over existing benefits?
- What is the amortization policy for gains/losses resulting from benefits financed from the revenue stream?
- Answers required to finalize value of revenue stream and funding method changes



Next Steps

- Address policy considerations
- Discuss accounting changes with DRS and WSIB
- OSA to finalize value of revenue stream and funding method changes

