

October 10, 2017

**Undertaking #14**

Reference: PUB (MPI) 2-11

The Corporation to reconcile the calculation of the investment return on assets supporting Basic total equity using the information from Volume II Investments.

**RESPONSE:**

In the response to PUB (MPI) 2-11, the derivation of the 'Investment return on assets supporting Basic Total Equity' of 4.83% includes reductions for investment fees paid and pension expenses. The derivation of the return on equities in Volume II, Investments, does not consider these reductions. If these reductions are excluded, the 'Investment return on assets supporting Basic Total Equity' would be 7.75%.

See Figure 1 for the reconciliation.

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Figure 1: 2018/19 Investment Income Breakdown for PUB (MPI) 2-11

| Line No. | Description   | Corporate | Basic    | % (Basic) |
|----------|---|-----------|----------|-----------|
| 1        | Dividend and other Income   |           |          |           |
| 2        | Canadian Equities   | 10,201    | 8,565    | 1.47%     |
| 3        | US Equities   | 3,912     | 3,284    | 0.56%     |
| 4        | Investment Properties (CityPlace)   | 2,688     | 2,257    | 0.39%     |
| 5        | Infrastructure  | 2,094     | 1,758    | 0.30%     |
| 6        | Total   | 18,895    | 15,865   | 2.73%     |
| 7        | Gains During Period - Profit & Loss   |           |          |           |
| 8        | Canadian Equities Realized Gains  | 12,076    | 10,140   | 1.74%     |
| 9        | US Equities Realized Gains  | -         | -        | 0.00%     |
| 10       | Real Estate   | 15,158    | 12,727   | 2.19%     |
| 11       | Infrastructure  | 7,532     | 6,324    | 1.09%     |
| 12       | Total   | 34,766    | 29,190   | 5.02%     |
| 12       | Investment Income excluding Fixed Income Portfolio<br>Investment Income, before Adjustments | 53,661    | 45,055   | 7.75%     |
| 13       | Other   |           |          |           |
| 14       | Investment Fees Paid  | (5,887)   | (4,943)  | -0.85%    |
| 15       | Pension Expense   | (14,282)  | (11,992) | -2.06%    |
| 16       | Total   | (20,169)  | (16,934) | -2.91%    |
| 17       | Total Investment Income excluding Fixed Income Portfolio<br>Investment Income               | 33,492    | 28,121   | 4.83%     |
| 18       | Total Liabilities excluding Claims Liabilities Plus Equities                                | 581,805   |          |           |
| 19       | Basic Allocation  | 84.0%     |          |           |