

October 29, 2020

**Undertaking #8**

MPI to provide an explanation for the interest rate impact on investment income from June 30th to the October 9th update, taking into account that the new money yield in that period increased from 1.93 percent to 1.94 percent and any other factors that may have a bearing upon that.

**RESPONSE:**

Similar to the response in Undertaking #10, MPI understood the request under PUB 2-11 (June 30<sup>th</sup> interest rates) update to be a sensitivity test of the interest rate forecast including spreads changes on the AAP rate indication and not as an update to the 2020/21 projected financial results. As such, MPI did not update actual 2020/21 interest rate impacts on investment assets. The impact of updating 2020/21 actual interest rates on investments assets results in a favourable impact of \$2.6 million to investment income. Please see figure 1 below which compares the interest rate impact between the revised PUB (MPI) 2-11 update and the October 9<sup>th</sup> update. Please refer to Undertaking 10, for an update and explanation to figures presented in PUB (MPI) 2-11.

**Figure 1: Investment Income - Interest Rate Impact Comparison - Revised PUB (MPI) 2-11 vs October 9, 2020 update**

Line No.		PUB (MPI) 2-11 2021 GRA 2020-21P	Oct 9, 2020 2021 GRA 2020-21P	Inc (dec)
1	(C\$ 000s)			
2	Investment Income - Interest rate impact	121,876	124,523	2,647