



“When You Talk - We Listen!”



MANITOBA PUBLIC UTILITIES BOARD

Re: MANITOBA PUBLIC INSURANCE CORPORATION (MPI)  
2025/2026 GENERAL RATE APPLICATION  
HEARING

Before Board Panel:

- Irene Hamilton, KC - Panel Chairperson
- Rober Gabor, KC - Board Chair
- Susan Nemec (by TEAMS)- Board Member
- George Bass, KC - Board Member
- Patrick Ireland - Board Member

HELD AT:

Public Utilities Board  
400, 330 Portage Ave.  
Winnipeg Manitoba  
October 23, 2024  
Pages 534 to 826  
Day 3

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

APPEARANCES

Todd Andres ) Board Counsel  
Kara Moore ) Board Counsel  
Darren Christle ) Board Staff  
Jennifer Dubois ) Board Staff  
Kristen Schubert ) Board Staff  
Roger Cathcart ) Advisor  
Blair Manktelow ) Advisor  
  
Steve Scarfone (Counsel) ) Manitoba Public  
Anthony Guerra (Counsel) ) Insurance  
Eric Wishnowski ) Counsel  
Ted Meira )  
  
Chris Klassen ) CAC (Manitoba)  
Katrine Dilay )  
  
Charlotte Meek ) CMMG  
Douglas Houghton )  
  
Sharna Nelko ) Taxi Coalition  
  
Charles Feaver ) Bike Winnipeg  
Christian Monnin )

1	TABLE OF CONTENTS	
2		Page No.
3	List of Exhibits	537
4	List of Undertakings	538
5		
6	CONTINUED INVESTMENTS/ALM PANEL	
7	GLENN BUNSTON, Affirmed	
8	CARA LOW, Affirmed	
9		
10	Cross-Examination by Mr. Chris Klassen	542
11	Cross-Examination by Ms. Charlotte Meek	585
12	Re-direct examination by Mr. Anthony Guerra	632
13		
14	FINANCIAL FORECASTING and FCT PANEL	
15	RYAN KOLASKI, Sworn	
16	CARA LOW, previously Sworn	
17	CHERITY OSTAPOWICH, Sworn	
18	DOROTHY SCOTT, Sworn	
19	Examination-in-Chief by Mr. Anthony Guerra	649
20	Cross-Examination by Mr. Todd Andres	664
21	Cross-Examination by Ms. Katrine Dilay	750
22	Re-direct examination by Mr. Anthony Guerra	821
23		
24	Certificate of transcript	826
25		

1		List of Exhibits	
2	Exhibit No.	Description	Page No.
3	MPI-44	Financial Forecasting Panel	
4		Presentation	647
5	MPI-44	Rate Update Pro Formas and Extension	
6		Pro Formas to October 22	647
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1		List of Undertakings	
2	No.	Description	Page No.
3	9	MPI to quantify the impact of the	
4		change in the inflation forecast, on	
5		the October update, by creating an	
6		alternative October update in which the	
7		inflation forecast is left unchanged	
8		from the 2025 GRA.	676
9	10	MPI to extend tables forward to	
10		2028/2029	694
11	11	MPI to explain the reason for the	
12		difference, between the eighty-five	
13		point seven (85.7) that we totalled up	
14		just a moment ago on the previous	
15		figure, and the fifty-nine point seven	
16		(59.7) that's been deferred	702
17	12	MPI to update the previous schedule	
18		to include initiative over time and	
19		benefits as was done in EXP appendix	
20		12-1.	713
21	13	To provide a detailed staff budget for	
22		2025/'26	716
23	14	MPI to provide information with	
24		respect to the variance in digital	
25		transformation and IT	719

1		List of Undertakings	
2	No.	Description	Page No.
3	15	MPI to update the 2024 detailed staff	
4			
5		budget and compensation analysis	
6		reflecting the new budget numbers and	
7		the updated vacancy allowance based on	
8		September 30th.	721
9	16	MPI to provide an update as at the end	
10		of September of the current number of	
11		vacant positions, as well as the	
12		vacancy allowance on that basis, and	
13		compare with what has been included in	
14		the compensation forecast	725
15	17	MPI to explain the differences	
16		between the initial external	
17		calculations and the amended internal	
18		calculations. Looking for the data used	
19		for each calculation, the model used to	
20		develop the percentiles for the	
21		reserves for each of the two (2)	
22		calculations, as well as any key	
23		differences in assumptions between the	
24		external and internal calculations	731
25			

1		List of Undertakings	
2	No.	Description	Page No.
3	18	MPI to provide why the discount rate	
4		is lower compared to the new money	
5		rate	737
6	19	Given the external environment in which	
7		the Rate Application would not reflect	
8		the higher loss ratio until 2027/'28,	
9		MPI to provide the results of this	
10		scenario without management action	
11		until the 2027/'28, as the proposed	
12		management action is not possible in	
13		the timing given	740
14	20	MPI to check with EY to clarify how	
15		they've done that in the model	744
16			
17			
18			
19			
20			
21			
22			
23			
24			
25			

1 --- Upon commencing at 9:01 a.m.

2

3 PANEL CHAIRPERSON: Good morning,  
4 everyone. I'd just like to inform you that one (1) of  
5 our Panel members will be participating by TEAMS  
6 today, so Ms. Nemec will not be sitting at the front  
7 with us.

8 And, Ms. Moore, I understand that you  
9 have one (1) matter to address?

10 MS. KARA MOORE: Yes. Thank you,  
11 Madam Chair. We just wanted to provide a  
12 clarification for an undertaking that was given  
13 yesterday; that's Undertaking Number 4 on the screen.

14 And we wanted to clarify for the record  
15 that, for this calculation, we'd like this Panel to  
16 use only figures INV-44, the investment income on the  
17 Basic claims portfolio, and INV-45, the invested  
18 assets in the Basic claims portfolio. And that's for  
19 the OSFI yield calculation.

20 The return on employee future benefits  
21 and rate stabilization would not be part of this  
22 calculation.

23 That's all from me. Thank you.

24 MR. STEVE SCARFONE: Thank you. We'll  
25 confirm that addition to the -- the undertaking.

1 Thank you.

2 MS. KARA MOORE: Thank you.

3 PANEL CHAIRPERSON: Mr. Klassen...?

4 Sorry. Just one (1) moment. Is Ms.

5 Nemec already on? Okay. Thank you.

6 Mr. Klassen...?

7

8 CROSS-EXAMINATION BY MR. CHRIS KLASSEN:

9 MR. CHRIS KLASSEN: Good morning,

10 Madam Chair, Members of the Board. Thank you, and

11 good morning to Mr. Bunston and Ms. Low. Nice to see

12 you both again.

13 I'm Chris Klassen, here for the

14 Manitoba branch of the Consumers' Association of

15 Canada. My questions will be for the panel. You're

16 both welcome to answer as -- as you see fit. I do

17 expect, though, Mr. Bunston, that most of my questions

18 will be for you.

19 Just so we start on the same page, Mr.

20 Bunston, you are director of MPI's asset-liability

21 management and investment management department,

22 correct?

23 MR. GLENN BUNSTON: Yes, that's

24 correct.

25 MR. CHRIS KLASSEN: And there's no

1 criticism in this whatsoever, sir, but you'll also  
2 confirm that you're not a lawyer?

3 MR. GLENN BUNSTON: I am not a lawyer,  
4 no.

5 MR. CHRIS KLASSEN: But despite that,  
6 through your role, you are familiar with the portions  
7 of the Manitoba Public Insurance Corporation Act  
8 pertaining to investment management and reserves,  
9 correct?

10 MR. GLENN BUNSTON: Yes, I am.

11 MR. CHRIS KLASSEN: And so, you'll be  
12 familiar, for example, with the requirement in Section  
13 18 that requires MPI to maintain certain reserves?

14 MR. GLENN BUNSTON: Yes.

15 MR. CHRIS KLASSEN: And the  
16 requirement in Section 12 that MPI's reserve funds be  
17 forwarded to and technically be held by the Minister  
18 of Finance, correct?

19 MR. GLENN BUNSTON: Correct, yes.

20 MR. CHRIS KLASSEN: And the Minister  
21 has -- sorry -- delegated the operational management  
22 of those funds to the treasury division of the  
23 Department of Finance. Is that correct?

24 MR. GLENN BUNSTON: That is correct.

25 MR. CHRIS KLASSEN: And the

1 department's management of those funds you'll confirm,  
2 sir, is governed by MPI's investment policy statement?

3 MR. GLENN BUNSTON: Yes, it is.

4 MR. CHRIS KLASSEN: In fact, all of  
5 MPI's activities related to investment must comply  
6 with the Investment Policy Statement, correct?

7 MR. GLENN BUNSTON: Correct.

8 MR. CHRIS KLASSEN: And the Investment  
9 Policy Statement needs to be approved by MPI's board  
10 of directors, correct?

11 MR. GLENN BUNSTON: Yes, it does.

12 MR. CHRIS KLASSEN: And the current  
13 IPS -- Investment Policy Statement -- was approved by  
14 the Board April 1st of 2024?

15 MR. GLENN BUNSTON: I believe it was  
16 approved in late March, and it became effective on  
17 April 1st.

18 MR. CHRIS KLASSEN: Thank you for that  
19 clarification. And it is filed on the record of this  
20 proceeding?

21 MR. GLENN BUNSTON: It is, yeah.

22 MR. CHRIS KLASSEN: Turning our  
23 attention to asset liability management. Sir, you'll  
24 confirm that as a -- as a general concept or  
25 definition, asset liability management is a process by

1 which MPI tries to manage the interest rate risk in  
2 its portfolio, correct?

3 MR. GLENN BUNSTON: Interest rate risk  
4 is the primary target of our asset liability  
5 management strategy. It could be broader than that,  
6 but --

7 MR. CHRIS KLASSEN: Yes.

8 MR. GLENN BUNSTON: -- that's the  
9 primary risk at MPI, yes.

10 MR. CHRIS KLASSEN: Thank you. And --  
11 and colloquially, the -- the risk to MPI's portfolio  
12 is -- that is that MPI tries to manage through this  
13 process, is to make sure that the liabilities don't  
14 grow faster than its assets, correct?

15 MR. GLENN BUNSTON: No. I would say  
16 that it's to ensure that the -- the impact of changes  
17 in interest rates on assets and liabilities is  
18 balanced so that the net impact is as close to zero as  
19 possible.

20 MR. CHRIS KLASSEN: Sure.

21 MR. GLENN BUNSTON: But it could be --  
22 liabilities could move up or down depending on the  
23 direction of interest rate changes.

24 MR. CHRIS KLASSEN: Of course. I'll  
25 accept that. Thank you. And in order to do that,

1 periodically MPI usually commissions an external asset  
2 liability management study, correct?

3 MR. GLENN BUNSTON: That's correct.  
4 We -- we're -- we always work with an external  
5 consultant to review our ALM strategy.

6 MR. CHRIS KLASSEN: Thank you. And  
7 the -- the purpose of -- of those studies is to  
8 identify policy or target asset mixes which achieve  
9 the purposes of -- of MPI's Asset Liability Management  
10 Program, correct?

11 MR. GLENN BUNSTON: Yes. It's to  
12 develop investment portfolios for all five (5) of our  
13 portfolios. Basic claims as a liability-driven  
14 investment strategy and is -- as -- is part of the  
15 Asset Liability Management Program.

16 The other four (4) portfolios are not  
17 liability driven, and so -- but they're still part of  
18 the review because the goal is to develop the asset  
19 allocation that will deliver on the objectives for  
20 each portfolio.

21 MR. CHRIS KLASSEN: Exactly. Thank  
22 you. And for the portfolios that back MPI's insurance  
23 lines of business, those portfolios are intended to  
24 take into consideration the interest rate risks  
25 associated with both MPI's liabilities and assets,

1 correct?

2 MR. GREGG BUNSTON: That's correct.

3 MR. CHRIS KLASSEN: And those ALM  
4 study recommended portfolios are also intended to  
5 optimize MPI's returns relative to its risk appetite,  
6 correct?

7 MR. GREGG BUNSTON: Yes, that's right.

8 MR. CHRIS KLASSEN: And a portfolio  
9 that achieves both of those things, speaking narrowly,  
10 I guess, about the portfolios that back the insurance  
11 line of business, those portfolios that achieve, you  
12 know, both a recognition of the interest rate risk of  
13 the assets and liabilities and an optimization between  
14 returns and risk appetite are referred to as MPI -- by  
15 MPI as efficient or on the efficient frontier,  
16 correct?

17 MR. GREGG BUNSTON: Yes. The  
18 efficient frontier is part of modern portfolio theory  
19 whereby you identify the portfolio with the highest  
20 level of return at each level of risk.

21 MR. CHRIS KLASSEN: Thank you. MPI's  
22 last asset liability management study was conducted by  
23 Mercer in 2022?

24 MR. GREGG BUNSTON: Yes. It was  
25 completed in -- in early 2022.

1 MR. CHRIS KLASSEN: And the new asset  
2 mixes recommended in that study were approved by the  
3 Investment Committee of MPI's Board in February of  
4 2023. Is that correct?

5 MR. GREGG BUNSTON: Yes, that's right.

6 MR. CHRIS KLASSEN: And a new  
7 investment policy statement reflecting those mixes,  
8 those -- those asset mixes, was approved by the  
9 Investment Committee in March of 2023?

10 MR. GREGG BUNSTON: Correct.

11 MR. CHRIS KLASSEN: And you'll recall,  
12 sir, that in the series of decisions implementing  
13 those new asset mixes and implementing the new ALM  
14 strategy as -- as a product of that 2022 study, the  
15 Investment Committee directed that inflation  
16 protection be added to the Basic claims portfolio,  
17 correct?

18 MR. GREGG BUNSTON: The asset mix that  
19 was developed in conjunction with Mercer in the ALM  
20 study included a 34 percent allocation to real return  
21 bonds. And that asset mix was approved by the  
22 Investment Committee that existed in March of 2023.

23 MR. CHRIS KLASSEN: Thank you, sir.  
24 You'll confirm as well that MPI's presentation, at  
25 least at the time of the inflation protection in Basic

1 claims, consisted largely of inflation-linked bonds,  
2 RRBs, but also commercial mortgages and real estate,  
3 correct?

4 MR. GREGG BUNSTON: Yes, that's  
5 correct.

6 MR. CHRIS KLASSEN: And you'll  
7 confirm, sir that, with respect to the allocation to  
8 inflation-linked bonds in addition to Canadian real  
9 return bonds, the Investment Committee also approved  
10 United States Treasury inflation protected securities,  
11 US TIPS?

12 MR. GREGG BUNSTON: Yes, that's right.

13 MR. CHRIS KLASSEN: And you'll  
14 confirm, sir, that as of the last MPI GRA Hearing, the  
15 2024 hearing which took place in 2023, it was MPI's  
16 evidence that MPI had invested approximately \$84  
17 million in inflation linked bonds. Correct?

18 MR. GLENN BUNSTON: That's correct.

19 MR. CHRIS KLASSEN: And those had been  
20 purchased in December 2022, correct?

21 MR. GLENN BUNSTON: Yes.

22 MR. CHRIS KLASSEN: And you gave  
23 evidence in that proceeding. Correct, sir, you were a  
24 witness for MPI in last year's GRA?

25 MR. GLENN BUNSTON: Yes, I was.

1 MR. CHRIS KLASSEN: Thank you. That  
2 last -- last question was a -- a slight distraction  
3 from the line of questioning, but returning again to  
4 the RRBs that were purchased by MPI in December of  
5 2022, you'll confirm that at that time the proposed  
6 new asset mix was not yet approved by the -- the Board  
7 of Directors. Correct?

8 MR. GLENN BUNSTON: Right. The new  
9 asset mix was approved in March of 2023.

10 MR. CHRIS KLASSEN: Exactly. Thank  
11 you. And you'll confirm that it's on the record of  
12 this proceeding that MPI made the purchase of RRBs in  
13 December of 2022 in anticipation of the approval of  
14 the bond overlay strategy which ended up coming in  
15 February of the next year. Correct?

16 MR. GLENN BUNSTON: Yes, that's  
17 correct.

18 MR. CHRIS KLASSEN: And another reason  
19 cited by MPI for its December 2022 purchase of real  
20 return bonds was that one of MPI's asset managers,  
21 quote "was aware of a party wishing to sell RRBs."  
22 Correct?

23 MR. GLENN BUNSTON: Correct.

24 MR. CHRIS KLASSEN: And so, it was an  
25 opportunity presented to MPI that MPI took advantage

1 of in anticipation of -- of future circumstances and  
2 requirements.

3 MR. GLENN BUNSTON: Yeah. So, the  
4 context for that purchase was the cancellation of the  
5 new issuance of real return bonds by the federal  
6 government, which came as we were contemplating  
7 proposing the strategy to our Investment Committee.

8 And so that complicated the  
9 implementation of the strategy because the  
10 availability of real return bonds was going to be  
11 negative -- negatively impacted due to that decision.

12 And most real return bonds are held to  
13 maturity by generally insurance companies and some  
14 pension plans. And so, we knew that the -- our  
15 ability to purchase real return bonds was going to be  
16 limited and so we decided at that time that we should  
17 take advantage of this opportunity to purchase these  
18 real return bonds that were available.

19 MR. CHRIS KLASSEN: Thank you. And  
20 that December 2022 purchase was a -- a relatively  
21 small portion of the -- the total amount that MPI, at  
22 that time at least, intended to invest in RRBs through  
23 the bond overlay strategy?

24 MR. GLENN BUNSTON: Yes, the purchase  
25 amounted to about 4 percent of our portfolio and our

1 target we expected to be 34 percent.

2 MR. CHRIS KLASSEN: Thank you. And --  
3 and this isn't a test, it's just a question for  
4 clarification.

5 I think I heard yesterday that you told  
6 Mr. Scarfone that MPI planned to invest close to a  
7 billion dollars in real return bonds, but then I think  
8 I also heard later, in response to a question from Ms.  
9 Moore, that that figure was closer to 600 million and  
10 I expect that I misheard on one of those points. But  
11 if you wouldn't mind clarifying for the record.

12 MR. GLENN BUNSTON: Well, 34 percent  
13 of our portfolio would be between \$600 and \$700  
14 million of the portfolio. We told -- there were  
15 questions about the hedge ratio which were never --  
16 never -- it was never approved, but we were  
17 contemplating a larger allocation to real return bonds  
18 which under the bond overlay strategy that would have  
19 provided a -- a -- close to a 100 percent hedge ratio  
20 so that would have involved an allocation -- a larger  
21 allocation closer to one (1) billion.

22 MR. CHRIS KLASSEN: Thank you. And --  
23 and MPI is now not proceeding with the bond overlay  
24 strategy, correct?

25 MR. GLENN BUNSTON: Yes, that's

1 correct.

2 MR. CHRIS KLASSEN: Ms. Schubert, if  
3 you wouldn't mind displaying figure INV-17 from this  
4 year's Application.

5 Mr. Bunston, you'll see on the screen  
6 before you what MPI describes as a real return bond  
7 summary table, correct?

8 MR. GLENN BUNSTON: Yes, I see that.

9 MR. CHRIS KLASSEN: And if we look at  
10 line 6, you'll see MPI presenting the market value --  
11 the projected market value of what it expects to be  
12 its current holdings in RRBs in each of the time  
13 periods identified in -- in the table. Correct?

14 MR. GLENN BUNSTON: Yes, that's  
15 correct.

16 MR. CHRIS KLASSEN: And speaking in  
17 general terms, sir, you'll confirm that those figures  
18 across line 6 with a growth of maybe about \$2 million  
19 over the time period stay roughly consistent, correct?

20 MR. GLENN BUNSTON: Yes, they do.

21 MR. CHRIS KLASSEN: And similarly on  
22 line 7, that figure in line 6 is presented as a  
23 proportion of the total portfolio.

24 And you'll confirm that, from the 2.8  
25 percent in '24/'25 through to the 2.4 percent in

1 '28/'29, it's -- it's a relatively minor change in the  
2 percentage of port -- of MPI's portfolio allocated to  
3 RRBs, correct?

4 MR. GLENN BUNSTON: Yes. It starts at  
5 2.8 percent and declines to two point four (2.4).

6 MR. CHRIS KLASSEN: And can we -- can  
7 we take from -- from those facts that MPI does not  
8 intend to purchase more RRBs over this time period?

9

10 (BRIEF PAUSE)

11

12 MR. GLENN BUNSTON: We don't currently  
13 have any plans to purchase any additional real return  
14 bonds.

15 MR. CHRIS KLASSEN: Sure. Thank you.  
16 And relatedly, you'll confirm, sir, that both the 2.8  
17 percent in 2024/'25 and the 2.4 percent in '28/'29 and  
18 all the figures in between are all within the approved  
19 target range for allocation to RRBs in MPI's  
20 Investment Policy Statement, correct?

21 MR. GLENN BUNSTON: That's correct.  
22 The target range is zero to 10 percent.

23 MR. CHRIS KLASSEN: Thank you. And  
24 the target point is 4 percent, correct?

25 MR. GLENN BUNSTON: Correct.

1 MR. CHRIS KLASSEN: And you'll  
2 confirm, sir, that MPI was within this approved range  
3 before the target was set on March 31st of 2024? And  
4 perhaps a help -- helpful next question could be for  
5 Ms. Low.

6 Ms. Low, do you recall confirming  
7 yesterday to -- to Ms. Moore that the 4 percent target  
8 was actually set to reflect MPI's current holdings in  
9 RRBs?

10 MS. CARA LOW: I do recall saying  
11 that.

12 MR. CHRIS KLASSEN: Thank you. And  
13 you will confirm, Mr. Bunston, again that the  
14 recommendations flowing from the latest ALM study did  
15 not include a Basic claims portfolio that allocated 4  
16 percent to real return bonds, correct?

17 MR. GLENN BUNSTON: Correct. The  
18 recommendation was a 34 percent allocation to real  
19 return bonds.

20 MR. CHRIS KLASSEN: And thank you for  
21 that. And recognizing that the ALM study presented a  
22 number -- or presented a number of portfolio options  
23 that had been considered by Mercer in support of their  
24 final recommendation, you will also confirm that the 4  
25 percent allocation to RRBs was not in one of those

1 other portfolios considered by Mercer, correct?

2

3

(BRIEF PAUSE)

4

5 MR. GLENN BUNSTON: Would you repeat  
6 the question, please.

7

8 MR. CHRIS KLASSEN: And perhaps I'll  
9 simplify it at the same time.

9

10 You'll recall from the tables in  
11 Mercer's ALM study that they present options for low,  
12 high, midpoint portfolios with respect to points on  
13 the efficient frontier.

14 And none of those options considered by  
15 Mercer included a 4 percent allocation to RRBs,  
16 correct?

17 MR. GLENN BUNSTON: No, I don't think  
18 any of the portfolios that Mercer had identified  
19 included a 4 percent allocation to real return bonds.

20 MR. CHRIS KLASSEN: Thank you. And I  
21 can take you to a reference if you wish, but you may  
22 not need it, and I'll just ask you to confirm that  
23 MPI's GRA contains a statement that MPI wants the  
24 opportunity to revisit its last ALM study to explore  
25 alternative strategies that may provide options to  
26 address inflation hedging.

1                   Is that correct? Do you recall that  
2 statement in the GRA?

3                   MR. GLENN BUNSTON: Yes, that is  
4 correct.

5                   MR. CHRIS KLASSEN: Okay. Thank you.  
6 Mr. Bunston, I recall, and I'll ask you to confirm,  
7 that you told Mr. Scarfone, in response to questions  
8 yesterday, that it takes approximately four (4) or  
9 five (5) years of use of an investment strategy before  
10 it can be properly assessed?

11                   MR. GLENN BUNSTON: Yes, that's  
12 correct.

13                   MR. CHRIS KLASSEN: And you'll confirm  
14 that that's approximately why MPI plans its ALM  
15 studies on approximately a -- a four (4) year  
16 schedule, correct?

17                   MR. GLENN BUNSTON: Correct.

18                   MR. CHRIS KLASSEN: And MPI's  
19 Application states that the next ALM study will not  
20 occur until 2026 at the earliest, correct?

21                   MR. GLENN BUNSTON: That would be our  
22 typical time frame of four (4) years between studies,  
23 yes.

24                   MR. CHRIS KLASSEN: And MPI currently  
25 isn't entertaining plans to conduct an ALM study

1 sooner than currently scheduled?

2 MR. GLENN BUNSTON: We are not, no.

3 MR. CHRIS KLASSEN: Very good. Thank  
4 you. One more related series of questions on this,  
5 Mr. Bunston.

6 If you wouldn't mind, Ms. Schubert,  
7 taking us to slide 23 of Mr. Bunston's presentation  
8 from yesterday. And I apologize for this, but I don't  
9 have the exhibit number handy, but I figured that you  
10 would. Thank you.

11 And we're looking at the table on the  
12 screen, Mr. Bunston, on slide 23, and you'll confirm  
13 that this presents changes to asset allocation  
14 targets, correct?

15 MR. GLENN BUNSTON: Yes, that's right.

16 MR. CHRIS KLASSEN: Reflecting the  
17 targets that were in the prior column approved in the  
18 2023 Investment Policy Statement versus the current  
19 column presenting the approved allocations in the 2024  
20 Investment Policy Statement?

21 MR. GLENN BUNSTON: Yes, that's right.

22 MR. CHRIS KLASSEN: Thank you. And  
23 I'll just ask for a clarification of the second row of  
24 content labelled RRBs on the left.

25 It was my understanding from your

1 evidence a few moments ago that the 2023 Investment  
2 Policy Statement approved a 34 percent allocation to  
3 real return bonds. And I see that it's presented here  
4 as zero percent, and so I'm -- I'm wondering if you  
5 can provide clarification for the record.

6

7

(BRIEF PAUSE)

8

9 MR. GLENN BUNSTON: You raise a good  
10 point. In the prior asset allocation, it had a 34  
11 percent allocation to real return bonds and an  
12 offsetting 34 percent short position in nominal  
13 federal bonds.

14 So, the -- the net impact of the two  
15 (2) from an interest rate sensitivity perspective was  
16 zero, but there -- there was a 34 percent allocation  
17 to real return bonds.

18 MR. CHRIS KLASSEN: Thanks for the  
19 clarification.

20 MR. GLENN BUNSTON: And maybe just to  
21 further clarify, the numbers wouldn't have added up to  
22 a hundred (100) if you didn't incorporate the 34  
23 percent short position in federal nominal bonds.

24 MR. CHRIS KLASSEN: Right. Okay.  
25 Thank you. And the reason for both the RRBs and the

1 short federal nominal bonds, that was a product of the  
2 proposed bond overlay strategy, correct?

3 MR. GLENN BUNSTON: Correct.

4 MR. CHRIS KLASSEN: Ms. Schubert, if  
5 you could please take us to page 38 out of 100 of the  
6 investments chapter, and we're looking for the first  
7 paragraph under the heading number 3. Right there,  
8 exactly.

9 So -- and, Mr. Bunston, I will direct  
10 your attention to the last sentence in this paragraph,  
11 and I'll give you a moment to review it before asking  
12 my next question.

13

14 (BRIEF PAUSE)

15

16 MR. CHRIS KLASSEN: Beginning partway  
17 through with the words, "With a new board in place,"  
18 you'll confirm, sir, that this paragraph identifies  
19 three (3) reasons given by MPI's board of directors  
20 for not proceeding with the bond overlay strategy.

21 And I'll ask you to confirm that those  
22 reasons are: 1) high degree of complexity; 2) cost;  
23 and 3) because there is likely a period of  
24 disinflation ahead, correct?

25 I know it's a compound question, but we

1 went through this yesterday, and I expect it'll be  
2 straightforward.

3 MR. GLENN BUNSTON: Yes, that's what's  
4 written on the -- on the page.

5 MR. CHRIS KLASSEN: Thank you. And,  
6 sir, you'll confirm that the -- the bond overlay  
7 strategy itself, the mechanics of the plan, the -- the  
8 process for what MPI proposed, did not change between  
9 the 2023 approval and the 2024 decision to not proceed  
10 with the strategy, correct?

11 MR. GLENN BUNSTON: That's correct.  
12 It did not change.

13 MR. CHRIS KLASSEN: And so, the  
14 investment -- the bond overlay strategy that the 2024  
15 board decided against was no more complex than the  
16 strategy approved in 2023, correct?

17 MR. GLENN BUNSTON: Correct.

18 MR. CHRIS KLASSEN: And regarding  
19 costs, sir, you'll confirm that it's on the record of  
20 this proceeding that the overall cost of the bond  
21 overlay strategy also did not change in the same time  
22 period?

23 MR. GREGG BUNSTON: That's correct.

24 MR. CHRIS KLASSEN: And turning to the  
25 third reason being disinflation, MPI defines

1 'disinflation' as a period of declining inflation  
2 during which inflation is still positive, correct?

3 MR. GREGG BUNSTON: Yes, I believe  
4 that's the commonly accepted definition of  
5 'disinflation'.

6 MR. CHRIS KLASSEN: And so, the slow  
7 return of CPI from its June 2022 peak at a little over  
8 8 percent toward the long-term average is understood  
9 by MPI to be a period of disinflation, correct? And I  
10 see Ms. Low nodding.

11 MR. GREGG BUNSTON: It's a period of  
12 declining inflation, which is the definition of  
13 'disinflation', so, yes.

14 MR. CHRIS KLASSEN: Thank you. You'll  
15 confirm, sir, that, again, in 2023 when the bond  
16 overlay strategy was approved, MPI's Board at that  
17 time was also expecting a period of declining positive  
18 inflation, or disinflation, correct?

19

20 (BRIEF PAUSE)

21

22 MR. CHRIS KLASSEN: And I do have a  
23 reference if it's required.

24

25 (BRIEF PAUSE)

1

2 MR. CHRIS KLASSEN: Perhaps in the  
3 interim, Ms. Schubert, you could prepare figure INV-40  
4 and -41 from the 2024 GRA.

5

6 (BRIEF PAUSE)

7

8 MS. CARA LOW: Can you repeat the  
9 question, please.

10 MR. CHRIS KLASSEN: Sure. And -- and  
11 again, I wonder if we might just simplify it. The --  
12 the point of my question was related to the inflation  
13 -- the inflation forecast as it existed in 2023.

14 So, Ms. -- Ms. Low or Mr. Bunston,  
15 you'll confirm that this -- before you is the Canadian  
16 CPI forecast from the 2024 GRA?

17 MS. CARA LOW: Correct.

18 MR. CHRIS KLASSEN: And on the far-  
19 right column you'll see averages of a variety of  
20 forecasters' publications, including a global average?

21 MS. CARA LOW: Yes.

22 MR. CHRIS KLASSEN: And you will see  
23 that at the beginning of 2023, first quarter, the  
24 global average was 5.3 percent?

25 MS. CARA LOW: Yes.

1 MR. CHRIS KLASSEN: And without  
2 getting into too many specifics, you'll generally  
3 agree that as you move down that right-hand column,  
4 over time, the projected inflation moves from that 5.3  
5 percent down to a long-term average, around 2 percent  
6 in 2025, '26, and '27, correct?

7 MS. CARA LOW: Agreed.

8 MR. CHRIS KLASSEN: Thank you. And,  
9 Ms. Schubert, if you'll scroll down just a little bit  
10 to INV-41.

11 Ms. Low, if you'll take a moment to  
12 review the table before you, you'll confirm that  
13 Manitoba CPI had similar expectations at the time that  
14 CPI would -- would move from its higher point in 2023  
15 down toward the long-term average?

16 MS. CARA LOW: Yes.

17 MR. CHRIS KLASSEN: Thank you. Ms.  
18 Bunston, you'll recall confirming to Mr. Scarfone  
19 yesterday that it's your view that MPI has -- I  
20 believe you used the word 'some' inflation protection  
21 in the Basic claims portfolio through real estate and  
22 infrastructure. Is that correct?

23 MR. GREGG BUNSTON: The Basic claims  
24 portfolio contains a 10 percent allocation to real  
25 estate, but it does not contain any infrastructure.

1 There is infrastructure in the RSR portfolio and the  
2 EFB portfolios which are included in the Basic line of  
3 business.

4 MR. CHRIS KLASSEN: Right. Thank you  
5 for that clarification. And so, you're clarifying for  
6 me that your comment yesterday referred to the Basic  
7 line of business, not the Basic claims portfolio.

8 But, again, your position there is that  
9 there is some inflation protection through the current  
10 asset allocations?

11 MR. GREGG BUNSTON: That's right.

12 MR. CHRIS KLASSEN: Ms. Schubert, I  
13 would if you could take us again to the 2024 GRA, and  
14 appendix 12. And we're going to be -- actually, we'll  
15 pause here for a moment.

16 Mr. Bunston, you confirmed earlier this  
17 morning that you were a witness for MPI in last year's  
18 hearing, so I assume you'll be familiar with the  
19 document before you on the screen?

20 MR. GREGG BUNSTON: Yes. My team  
21 prepared it, so I'm very familiar with it.

22 MR. CHRIS KLASSEN: Thank you. Ms.  
23 Schubert, if you could take us to page 37 of -- of  
24 184, please. Thank you. And we're going to focus our  
25 attention on the bottom two (2) bullets.

1                   Mr. Bunston, I'll ask you to confirm  
2 that the second to last bullet on the screen before  
3 you confirms that the most effective and direct hedge  
4 against inflation is to purchase inflation-linked  
5 bonds as their coupon and principal payments are 100  
6 percent linked to increases in CPI, correct?

7                   MR. GREGG BUNSTON:   Yes, that's --  
8 that's correct.

9                   MR. CHRIS KLASSEN:   And the last  
10 bullet on the screen confirms that other assets like  
11 infrastructure, real estate, and equities provide --  
12 again, this is your word from yesterday -- some  
13 correlation with CPI, but the income received is  
14 typically not directly indexed to CPI, correct?

15                  MR. GREGG BUNSTON:   That's what the --  
16 that's what the document says, yes.

17                  MR. CHRIS KLASSEN:   Thank you. Ms.  
18 Schubert, we'll stay in appendix 12, this document  
19 that you have before us, but we're now going to go to  
20 page 15 of 184. And I think we're looking for the  
21 block of text right above that graph. Exactly. So,  
22 under the heading 'Is now a good time buy RRBs?'.

23                  Mr. Bunston, you'll see this on the  
24 screen before you?

25                  MR. GREGG BUNSTON:   Yes, I do see it.

1 MR. CHRIS KLASSEN: And, again, this  
2 is part of the collection of documents that -- that  
3 you confirmed a moment ago that your team prepared?

4 MR. GREGG BUNSTON: Yes.

5 MR. CHRIS KLASSEN: And recognizing  
6 that you either wrote it or have reviewed it before,  
7 I'll give you a moment now to review the -- the block  
8 of text on screen.

9 And my question essentially asks for --  
10 for confirmation of a summary of those contents. And  
11 you'll confirm, sir, that the paragraph of text under  
12 the heading, not the bolded text, but that larger five  
13 (5) line paragraph, is explaining to MPI's Board that  
14 at the time, February 2023, inflation rates and  
15 economic circumstances were making real return bonds  
16 particularly attractive to purchase.

17 MR. GREGG BUNSTON: Yes, that's  
18 correct.

19 MR. CHRIS KLASSEN: For reasons  
20 unrelated to their long-term value as an inflation  
21 hedge, correct?

22 MR. GLENN BUNSTON: Correct.

23 MR. CHRIS KLASSEN: And your comment  
24 there in the bolded text is that MPI should purchase  
25 real return bonds, not due to the reasons in the

1 paragraph above, but again for their value as a long-  
2 term inflation hedge. Correct?

3 MR. GLENN BUNSTON: Correct.

4 MR. CHRIS KLASSEN: And when MPI uses  
5 the term "long term," you're referring to possible  
6 events that are relatively speaking further into the  
7 future than short-term events. Correct?

8 MR. GLENN BUNSTON: Yes, that's  
9 correct.

10 MR. CHRIS KLASSEN: And the last  
11 question in this section, sir, is one that you may be  
12 willing to take, subject to check, but if not, I can  
13 take you to a reference.

14 You'll confirm that in the 2020 GRA, in  
15 which you were also a witness, I expect, correct?

16 MR. GLENN BUNSTON: Yes, I believe I  
17 was.

18 MR. CHRIS KLASSEN: In the 2020 GRA  
19 just a few short months before the COVID-19 pandemic,  
20 would you confirm that MPI's Canadian and Manitoban  
21 CPI forecasts for 2021, 2022 and 2023 were all 2  
22 percent?

23 MR. GLENN BUNSTON: I --

24 MR. CHRIS KLASSEN: And if -- if -- if  
25 it would save time --

1 MR. GLENN BUNSTON: I don't have the  
2 numbers in front of me but I -- I believe that that --  
3 that was our expectation. That sounds correct.

4 MR. CHRIS KLASSEN: Okay. Thank you.  
5 Ms. Schubert, can you take us to CAC/MPI-1-40 from the  
6 current GRA. Thank you.

7 Mr. Bunston, do you recognize this  
8 Information Request response provided by MPI?

9 MR. GLENN BUNSTON: I recognize the  
10 question.

11 MR. CHRIS KLASSEN: Sure, thank you.  
12 We're not at the response yet.

13 Ms. Schubert, if you take us to the  
14 response. You'll see here under A, Mr. Bunston, that  
15 MPI was asked to identify which portions of its  
16 portfolio were managed by a process known as active  
17 management and then also to characterize the degree of  
18 active management, whether low or high. Correct?

19 MR. GLENN BUNSTON: Correct.

20 MR. CHRIS KLASSEN: And so, you'll  
21 confirm here that, for example, in the Basic  
22 portfolios, marketable bonds, both government and  
23 corporate are subject to a high degree of asset  
24 management and -- correct?

25 MR. GLENN BUNSTON: That's correct.

1 MR. CHRIS KLASSEN: And same in the  
2 RSR?

3 MR. GLENN BUNSTON: Yes.

4 MR. CHRIS KLASSEN: And you'll confirm  
5 at the bottom of the table as well that all of MPI's  
6 holdings in equities, both in the RSR and the Employee  
7 Future Benefits portfolio as well as in the three (3)  
8 different categories of equities on the side, it's all  
9 subject to a high degree of active management.

10 Correct?

11 MR. GLENN BUNSTON: Yes, that's right.

12 MR. CHRIS KLASSEN: And you'll confirm  
13 that active management involves making decisions to  
14 buy, sell or hold assets in order to outperform an  
15 identified benchmark. Correct?

16 MR. GLENN BUNSTON: Correct.

17 MR. CHRIS KLASSEN: And by contrast, a  
18 passive investing strategy simply intends to mirror a  
19 market index. Correct?

20 MR. GLENN BUNSTON: Yes, passive  
21 strategy seek to replicate an index and provide a -- a  
22 level of return that matches the benchmark.

23 MR. GLENN BUNSTON: And you'll agree,  
24 sir, that without elaborating that active management  
25 involves risks that are not present in a passive

1 portfolio. Correct?

2 MR. GLENN BUNSTON: Yes, with active  
3 management you take -- you deviate from the benchmark  
4 with the hope and expectation that you'll outperform  
5 it, but there is a risk that you may underperform the  
6 benchmark.

7 MR. CHRIS KLASSEN: And I take from  
8 your use of the terms "hope" and "expectation," sir,  
9 that there is both some skill and some luck involved  
10 in active management.

11 MR. GLENN BUNSTON: I would agree with  
12 that.

13 MR. CHRIS KLASSEN: And that if a -- a  
14 fund manager wants to outperform the benchmark  
15 consistently over a long period of time, it would be  
16 better that they be skillful than lucky. Correct?

17 MR. GLENN BUNSTON: Yes, when  
18 selecting managers, you're always trying to assess  
19 their -- their level of skill, rather than luck.

20 MR. CHRIS KLASSEN: Thank you. And  
21 you'll confirm too that even for a skilled manager  
22 outperforming the benchmark is never guaranteed.

23 MR. GLENN BUNSTON: No, there's --  
24 there's no guarantee.

25 MR. CHRIS KLASSEN: And MPI has seen

1 mixed results regarding its performance relative to  
2 benchmark. Correct? Generally, some years  
3 outperform, some years underperform.

4 MR. GLENN BUNSTON: Yes.

5 MR. CHRIS KLASSEN: And you'll confirm  
6 that in 2023/'24 the most recent fiscal year before  
7 the Board in this Application, MPI underperformed its  
8 benchmarks across portfolios. Correct?

9 MR. GLENN BUNSTON: Yes, that's  
10 correct.

11 MR. CHRIS KLASSEN: And it was your  
12 evidence yesterday that year to date, MPI is  
13 outperforming its benchmarks across portfolios?

14 MR. GLENN BUNSTON: Across the Basic  
15 claims, RSR and EFB portfolios.

16 MR. CHRIS KLASSEN: Right.

17 MR. GLENN BUNSTON: Yes.

18 MR. CHRIS KLASSEN: Thank you. Excuse  
19 me. Would you agree, sir, that if a manager, say an  
20 equities manager for example, wanted to outperform  
21 their benchmark, one way they could do that would be  
22 to choose stocks, specific stocks that outperform  
23 those in the benchmark portfolio. Correct?

24 MR. GLENN BUNSTON: Yes, that's the  
25 way to outperform the challenges predicting which

1 stocks will do that in the future.

2 MR. CHRIS KLASSEN: Sure. And if that  
3 equities manager, I expect unintentionally, select an  
4 underperforming stock, it could lead to that portion  
5 of the portfolio underperforming the benchmark.  
6 Correct?

7 MR. GLENN BUNSTON: Depends on how  
8 many stocks underperform and how many outperform and  
9 their weights, but --

10 MR. CHRIS KLASSEN: Sure.

11 MR. GLENN BUNSTON: -- yes, if the  
12 majority of them underperform that will cause the  
13 portfolio to underperform.

14 MR. CHRIS KLASSEN: Thank you. And in  
15 this scenario, the over or under performance of that  
16 manager would be attributed to their security  
17 selection being their selection of -- of specific  
18 investments. Correct?

19 MR. GLENN BUNSTON: Yes, it could also  
20 be due to sector selection. So, their ability to  
21 select sectors within the benchmark that outperform.

22 MR. CHRIS KLASSEN: And I was just  
23 about to go there next. You'll confirm, sir, that  
24 sector selection is a little bit of a broader scope  
25 than security selection, in that, it relates to

1 choices between, for example, energy, banking or  
2 telecommunication sectors as opposed to specific  
3 investments within those sectors.

4 MR. GLENN BUNSTON: Yes, that's  
5 correct.

6 MR. CHRIS KLASSEN: And you'll  
7 confirm, sir, that for MPI's managers, both sector  
8 selection and security selection contribute to whether  
9 they outperform or underperform their benchmarks.

10 Correct?

11 MR. GLENN BUNSTON: That's correct.

12 MR. CHRIS KLASSEN: You'll also agree,  
13 sir, that a portfolio's asset mix, relative to the  
14 asset mix of its benchmark, can also contribute to  
15 whether that portfolio over or under performs the  
16 benchmark. Correct?

17 MR. GLENN BUNSTON: You're talking  
18 about the broader MPI portfolios?

19 MR. CHRIS KLASSEN: At a portfolio  
20 level as opposed to manager specific.

21 MR. GLENN BUNSTON: Yes.

22 MR. CHRIS KLASSEN: And so, for  
23 example, if the asset classes in MPI's portfolio are  
24 weighted differently than in the benchmark, MPI will  
25 likely either outperform or underperform the

1 benchmark. Correct?

2 MR. GLENN BUNSTON: Yes. So,  
3 deviations in our actual asset allocation relative to  
4 the target weight set out in the Investment Policy  
5 Statement can produce either outperformance or  
6 underperformance, depending on the performance of each  
7 asset class and their relative weights.

8 MR. CHRIS KLASSEN: Thank you. You're  
9 familiar with the term "portfolio drift," sir?

10 MR. GLENN BUNSTON: I am.

11 MR. CHRIS KLASSEN: And you'll confirm  
12 that portfolio drift occurs when the returns on  
13 different asset classes are not the same. Correct?

14 MR. GLENN BUNSTON: My understanding  
15 of portfolio drift is when the actual asset allocation  
16 differs from the target weight set out in the  
17 Investment Policy Statement.

18 MR. CHRIS KLASSEN: Understood. And  
19 that -- you'll agree, sir, that that can occur when  
20 over time different asset classes change values at  
21 different rates, such that an allocation will not stay  
22 constant over time. Correct?

23 MR. GLENN BUNSTON: Correct.

24 MR. CHRIS KLASSEN: Thank you.  
25 Meaning that portfolio drift will cause a portfolio's

1 allocation between asset classes to change over time.

2 MR. GLENN BUNSTON: Yes, that's right.

3 MR. CHRIS KLASSEN: And over time,  
4 portfolio drift can contribute to differences between  
5 a portfolio's asset mix and the comparable mix in its  
6 benchmark portfolio. Correct?

7 MR. GLENN BUNSTON: That's right and  
8 that's why we have a rebalancing policy with minimum  
9 and maximum weights and we seek to rebalance as  
10 necessary to ensure that the actual asset allocation  
11 remains within the range and ideally close to the  
12 target range -- or the target weight.

13 MR. CHRIS KLASSEN: Thank you. I know  
14 My Friend, Ms. Meek, is looking forward to speaking  
15 with you about rebalancing and so I'll leave that for  
16 now.

17 If a fund manager, again our -- our  
18 hypothetical equities fund manager was so inclined,  
19 sir, you'll confirm that they could engage in tactical  
20 asset allocation to control their asset mix and  
21 weights with a view to outperforming the benchmark.

22 Correct?

23 MR. GLENN BUNSTON: When you say a  
24 "fund manager," who are you --

25 MR. CHRIS KLASSEN: And, you know I

1 think I confused that, because we actually should have  
2 left our hypothetical equities manager behind.

3 A -- a fund manager or a -- in MPI's  
4 position where a portfolio consists of different asset  
5 classes, the manager of that portfolio could engage in  
6 tactical asset allocation to control its asset mix and  
7 weights with a view to outperforming the benchmark at  
8 the total portfolio level, correct?

9 MR. GLENN BUNSTON: Yes, what I would  
10 call a plan sponsor, which is what MPI is, an owner,  
11 an asset owner.

12 MR. CHRIS KLASSEN: Thank you.

13 MR. GLENN BUNSTON: Yes, they can  
14 alter their actual asset allocation relative to their  
15 target weights in order to try to outperform the  
16 benchmark which is commonly referred to as tactical  
17 asset allocation.

18 MR. CHRIS KLASSEN: And MPI does not  
19 engage in tactical asset allocation, correct?

20 MR. GLENN BUNSTON: Yes, that's right.

21 MR. CHRIS KLASSEN: MPI currently  
22 receives performance attribution reports from each of  
23 its managers, correct?

24 MR. GLENN BUNSTON: Yes, that's right.

25 MR. CHRIS KLASSEN: And these reports

1 are intended to attribute the difference between the  
2 benchmark and the manager's performance to certain  
3 management actions, correct?

4 MR. GLENN BUNSTON: Correct.

5 MR. CHRIS KLASSEN: Such as sector  
6 selection or security selection?

7 MR. GLENN BUNSTON: Yes.

8 MR. CHRIS KLASSEN: And these  
9 attribution reports help MPI assess a manager's  
10 performance, correct?

11 MR. GLENN BUNSTON: Yes, they do.

12 MR. CHRIS KLASSEN: And in the case of  
13 a consistently underperforming manager, the  
14 attribution report might help MPI diagnose the  
15 manager's errors, correct?

16 MR. GLENN BUNSTON: It gives insight  
17 into the manager's decisions and the effectiveness of  
18 those decisions, both at a security selection level  
19 and a sector selection level.

20 MR. CHRIS KLASSEN: Thank you. You'll  
21 confirm, sir, that MPI does not currently receive  
22 performance attribution reports at the total portfolio  
23 level, correct?

24 MR. GLENN BUNSTON: We are working  
25 towards developing those. We've acquired a new

1 investment reporting software system, and we're --  
2 we've implemented it over the summer, and we're  
3 working on getting attribution reporting -- reports  
4 from that system.

5 MR. CHRIS KLASSEN: Thank you. And  
6 that system, sir, and those reports that you're  
7 working on preparing, can you confirm that it's your  
8 expectation that those reports will enable MPI to  
9 assess the extent to which its asset weights  
10 contribute to performance relative to benchmark?

11 MR. GLENN BUNSTON: I believe that the  
12 system will be able to produce that information, yes.

13 MR. CHRIS KLASSEN: But to date, MPI  
14 doesn't currently track or receive that information,  
15 correct?

16 MR. GLENN BUNSTON: We've not had the  
17 ability to make those calculations in -- up until now.

18 MR. CHRIS KLASSEN: Internally?

19 MR. GLENN BUNSTON: Correct.

20 MR. CHRIS KLASSEN: It might  
21 previously have been possible to request them from a  
22 third party?

23 MR. GLENN BUNSTON: It may have been  
24 possible, yes.

25 MR. CHRIS KLASSEN: Thank you.

1                   Ms. Schubert, I wonder if you could  
2 take us to page 71 of the Investments chapter of the  
3 current GRA.

4

5                                   (BRIEF PAUSE)

6

7                   MR. CHRIS KLASSEN:   And we'll scroll  
8 down a bit further.   And I may have misread my notes.  
9 Can we try page 75, please?   And I apologize for this,  
10 everyone.   Again, to the bottom.   Exactly.   There we  
11 go.

12                                   And we'll need a little bit of text  
13 from this page and some from the bottom -- or, sorry,  
14 from the top of the next one, but we'll -- we'll stay  
15 here for now.

16                   Mr. Bunston, can you confirm that  
17 you're familiar with the paragraph before you?

18                   MR. GLENN BUNSTON:   Yes, I am.

19                   MR. CHRIS KLASSEN:   And you'll agree  
20 that this is commentary from MPI summarizing Mercer's  
21 work reviewing MPI's performance relative to  
22 institutional investor peers, correct?

23                   MR. GLENN BUNSTON:   Correct.

24                   MR. CHRIS KLASSEN:   And if I direct  
25 your attention to the bottom of the paragraph, you'll

1 see there a recommendation from Mercer that MPI should  
2 not continue with peer comparison at the total fund  
3 return level, correct?

4 MR. GLENN BUNSTON: Correct.

5 MR. CHRIS KLASSEN: And if we go to  
6 the top of the next page, you'll see that the reason  
7 for that is that it's Mercer's view that they have  
8 different liability profiles, regulatory requirements,  
9 risk appetites, and performance objectives, correct?

10 MR. GLENN BUNSTON: Correct.

11 MR. CHRIS KLASSEN: Thank you. At  
12 risk of going outside your area of expertise here,  
13 sir, you'll confirm that you're aware that the -- the  
14 GRA, the General Rate Application, has a benchmarking  
15 chapter?

16 MR. GLENN BUNSTON: Yes, I'm aware of  
17 that.

18 MR. CHRIS KLASSEN: And at a high  
19 level, you'll confirm your understanding, sir, that  
20 that portion of the filing compares aspects of MPI's  
21 operations and management to equivalent metrics  
22 tracked by its peers?

23

24 (BRIEF PAUSE)

25

1 MR. CHRIS KLASSEN: And in the  
2 meantime, Ms. Schubert, perhaps we could go to page 4  
3 of the Benchmarking chapter.

4

5 (BRIEF PAUSE)

6

7 MS. CARA LOW: MPI always has concerns  
8 compared to other peers because there's a lot more  
9 factors that need to be considered. When you're  
10 looking at investment returns like we just viewed,  
11 there could be different liability bases, different  
12 risk appetites. There's different reasons for  
13 different returns.

14 MR. CHRIS KLASSEN: Thank you, Ms.  
15 Low. I appreciate that response.

16 Ms. Schubert, if you could just scroll  
17 down on the screen briefly, we're looking for a little  
18 bit of text toward the bottom starting there with,  
19 "Benchmarking assists."

20 And recognizing the importance of Ms.  
21 Low's comment, Mr. Bunston, you'll confirm the text  
22 before you reads that:

23 "Benchmarking assists MPI in  
24 achieving its corporate values and  
25 attaining optimum performance across

1 all areas."

2 MR. GLENN BUNSTON: Yes, that's what  
3 the text says.

4 MR. CHRIS KLASSEN: And you'll recall  
5 our discussion of a few moment ago, sir, where we were  
6 discussing the possibility of MPI's portfolio level  
7 performance attribution reports, correct?

8 MR. GLENN BUNSTON: Yes, we were.

9 MR. CHRIS KLASSEN: And you confirmed  
10 a few minutes before that that the performance  
11 attribution reports that MPI receives for its managers  
12 help MPI assess the skill of those managers, correct?

13 MR. GLENN BUNSTON: That's correct.

14 MR. CHRIS KLASSEN: And you'd agree,  
15 sir, that, similarly, these portfolio level  
16 attribution reports will help MPI assess its own skill  
17 at adding value to its portfolio, correct?

18 MR. GLENN BUNSTON: Correct.

19 MR. CHRIS KLASSEN: And recognizing,  
20 sir, that you are not part of the organizations  
21 referred to by Mercer in the text we viewed a moment  
22 ago, being SGI and ICBC, based on your experience, is  
23 it reasonable to expect that MPI's peers could also be  
24 preparing or requesting performance-level performance  
25 -- or portfolio-level performance attribution reports?

1 MR. GLENN BUNSTON: Yes, it's  
2 certainly possible.

3 MR. CHRIS KLASSEN: Sure. Thank you.  
4 And you'll confirm, sir, that MPI has access to  
5 information on the tracking error taken by those same  
6 peers, correct? And I believe it's cited in an IR.  
7 We can go there if you need.

8 MR. GLENN BUNSTON: Yes. Can you pull  
9 that up?

10 MR. CHRIS KLASSEN: Sure. Ms.  
11 Schubert, I think that's CAC/MPI-138. And if we  
12 scroll to the response, and I believe it was the --  
13 yeah, here at (b), we see that:

14 "For publicly traded equities, MPI  
15 takes more tracking error than ICBC  
16 but less than SGI."

17 So, my question to you, Mr. Bunston,  
18 was to confirm that MPI has access to information on  
19 the tracking error taken by ICBC and SGI.

20 MR. GLENN BUNSTON: The information  
21 that we have regarding these plans is the extent that  
22 they rely on active management versus passive  
23 management. And from that, we can make inferences  
24 regarding their tracking error. We don't have the  
25 actual tracking errors for each firm, but we've made

1 assumptions based on their reliance on active  
2 management.

3 MR. CHRIS KLASSEN: Understood. Thank  
4 you. And lastly, sir, you'll confirm that, to  
5 calculate the information ratio, one would take value  
6 added, for example, from a performance attribution  
7 report and divide it by tracking error, correct?

8 MR. GLENN BUNSTON: That's right.

9 MR. CHRIS KLASSEN: Thank you. Madam  
10 Chair, those are my questions for CAC.

11 PANEL CHAIRPERSON: Thank you, Mr.  
12 Klassen.

13 Ms. Meek, can you give us an estimate  
14 of how long you might be?

15 MS. CHARLOTTE MEEK: I think I should  
16 just be thirty (30) minutes.

17 PANEL CHAIRPERSON: All right. Let's  
18 proceed then. Thank you.

19 MS. CHARLOTTE MEEK: Thank you.

20

21 CROSS-EXAMINATION BY MS. CHARLOTTE MEEK:

22 MS. CHARLOTTE MEEK: Good morning, Mr.  
23 Bunston and Ms. Low. Nice to see you again.

24 Similarly, I'll just direct my questions broadly to  
25 the Panel, so whoever wants to answer can feel free to

1 jump in.

2 Mr. Bunston, as you've already  
3 confirmed, the Corporation completed an ALM study with  
4 the assistance of Mercer in 2022. Is that correct?

5 MR. GREGG BUNSTON: That's right.

6 MS. CHARLOTTE MEEK: And following  
7 that study new asset mixes were developed for some of  
8 the investment portfolios, correct?

9 MR. GREGG BUNSTON: New asset mixes  
10 were developed for all of the portfolios.

11 MS. CHARLOTTE MEEK: Okay. And if we  
12 could go to the investments chapter, page 27, figure  
13 INV-12.

14 So, this is the asset allocation  
15 targets for the Basic claims portfolio, the RSR, and  
16 the employer future benefits portfolios, correct?

17 MR. GREGG BUNSTON: Correct.

18 MS. CHARLOTTE MEEK: And the three (3)  
19 portfolios here include different asset classes.

20 Is that correct?

21 MR. GREGG BUNSTON: Yes. They all  
22 include multiple asset classes.

23 MS. CHARLOTTE MEEK: Okay. And as  
24 well as having some different asset classes from one  
25 another, they also have different allocations of asset

1 classes. Is that correct?

2 MR. GREGG BUNSTON: Yes.

3 MS. CHARLOTTE MEEK: Okay. And the  
4 decisions regarding the inclusion of asset classes for  
5 each portfolio or the allocations of assets for each  
6 portfolio is determined through the ALM study.

7 Is that correct?

8 MR. GREGG BUNSTON: Yes.

9 MS. CHARLOTTE MEEK: And each  
10 portfolio has a different set of asset classes and  
11 asset class allocations because each portfolio has a  
12 different intended purpose. Is that correct?

13 MR. GREGG BUNSTON: Yes.

14 MS. CHARLOTTE MEEK: Okay. And the  
15 determination of the asset classes and the allocations  
16 of asset classes has been determined to meet the  
17 objectives of the relevant portfolio, correct?

18 MR. GREGG BUNSTON: That's correct.

19 MS. CHARLOTTE MEEK: Okay. And if we  
20 could -- I want to have a look at a previous GRA, so  
21 this is from the 2023 GRA. If we can go to the  
22 investments chapter there. And this is the -- once we  
23 get to it, will be the Mercer report, looking at the  
24 asset mix optimizations. If we could go to page 11 of  
25 this, please.

1                   So, you and I had a discussion about  
2 this a couple of years ago, Mr. Bunston. This was  
3 part of the asset liability management study completed  
4 by Mercer for the 2023 GRA. Is that correct?

5                   MR. GREGG BUNSTON: Yes, I believe  
6 that's when it was filed.

7                   MS. CHARLOTTE MEEK: And in that study  
8 what Mercer was doing here was providing some  
9 alternative asset allocations to those that have been  
10 assigned to the Basic portfolio. Is that correct?

11                  MR. GREGG BUNSTON: They were  
12 identifying points on the efficient frontier for our  
13 consideration.

14                  MS. CHARLOTTE MEEK: Right. And that  
15 was based on different allocations of the asset  
16 classes within that current portfolio?

17                  MR. GREGG BUNSTON: Correct. This is  
18 for the current asset classes only, yes.

19                  MS. CHARLOTTE MEEK: Yes. And so, in  
20 -- on the screen here, on the chart on the left side  
21 of the screen, under column A we can see the current  
22 allocations.

23                  So, that was the current as at that  
24 time. I appreciate it's a little bit different now.  
25 But as at that time, that was the current allocations.

1 Is that correct?

2 MR. GREGG BUNSTON: Yes.

3 MS. CHARLOTTE MEEK: Okay. And each  
4 column to the right of that we can see the various  
5 alternatives. So, we can see the higher return, lower  
6 risk point, midpoint, and higher return, and risk.

7 Is that correct?

8 MR. GREGG BUNSTON: Yes.

9 MS. CHARLOTTE MEEK: And then on the  
10 right side of the screen what we see is what we call  
11 the efficient frontier. Is that correct?

12 MR. GREGG BUNSTON: Correct.

13 MS. CHARLOTTE MEEK: Okay. And the  
14 'Y' axis there represents the reward or potential  
15 returns in that portfolio, correct?

16 MR. GREGG BUNSTON: That's right.

17 MS. CHARLOTTE MEEK: And the 'X' axis  
18 represents the risk in the portfolio.

19 Is that correct?

20 MR. GREGG BUNSTON: Yes.

21 MS. CHARLOTTE MEEK: Okay. And so,  
22 what this efficient frontier shows us is how the risk  
23 and reward of the portfolio can change based on  
24 adjustments to the weighting of asset classes within  
25 that portfolio. Is that correct?

1 MR. GREGG BUNSTON: Yes.

2 MS. CHARLOTTE MEEK: Okay. And it's  
3 through an examination of this data, the allocations  
4 or weighting of each asset class are then specifically  
5 chosen by the Corporation. Is that correct?

6 MR. GREGG BUNSTON: Yes.

7 MS. CHARLOTTE MEEK: Okay. And so,  
8 adjustments in the -- in the allocations can  
9 significantly impact the risk exposure and potential  
10 returns of the portfolio. Is that correct?

11 MR. GREGG BUNSTON: That's correct.

12 MS. CHARLOTTE MEEK: And so, the  
13 selections that are made in terms of allocations for  
14 asset classes within the portfolio are, therefore,  
15 made to align with the risk preferences of that  
16 portfolio as well as any constraints?

17 MR. GREGG BUNSTON: Well, the  
18 selection of the point on the efficient frontier is --  
19 is made by the Investment Committee to align with the  
20 -- their objectives and their risk appetite for each  
21 portfolio.

22 MS. CHARLOTTE MEEK: Right. And so,  
23 they -- by looking at the efficient frontier, they  
24 determine what asset weightings they want to use based  
25 on where those assets weightings would create -- fall

1 on the efficient frontier based on the risk  
2 considerations and the constraints on the portfolio?

3 MR. GREGG BUNSTON: Correct.

4 MS. CHARLOTTE MEEK: And where those  
5 selections are made appropriately for the risk  
6 preferences and the constraints desired, the portfolio  
7 would then be optimized. Is that correct? I think  
8 you used the term 'efficient' earlier instead of  
9 'optimized'.

10 MR. GREGG BUNSTON: Yes, each  
11 portfolio on the efficient frontier is -- is  
12 considered optimal because there's no asset mix that  
13 could produce a higher rate of return at that risk  
14 level.

15 MS. CHARLOTTE MEEK: Right. And so,  
16 when we're considering what asset allocations we want  
17 to choose, we have to do it based on the constraints  
18 and the risk preferences of the portfolio that we're  
19 seeking. Is that correct?

20 MR. GREGG BUNSTON: Based on the --  
21 the purpose of the investment portfolio and based on  
22 the risk appetite of the Investment Committee.

23 MS. CHARLOTTE MEEK: Absolutely.  
24 Thank you. And so, once the allocations are  
25 determined, so the weighting of each asset class

1 within the portfolio, we then have our allocation  
2 targets in the portfolio. Is that correct?

3 MR. GREGG BUNSTON: Yes.

4 MS. CHARLOTTE MEEK: Okay. And you  
5 talked about this a little bit with Mr. Klassen. We  
6 know that asset class returns can differ from one  
7 class to another. Is that correct?

8 MR. GREGG BUNSTON: That's correct.

9 MS. CHARLOTTE MEEK: Okay. And so,  
10 over time, asset allocations in a portfolio can change  
11 as natural market performance alters the value of  
12 assets. Is that correct?

13 MR. GREGG BUNSTON: To the extent that  
14 the actual asset allocation differs from the target  
15 weights, yes.

16 MS. CHARLOTTE MEEK: Right. So,  
17 basically what I'm saying is, you know, asset classes  
18 with higher returns tend to become overweight and  
19 asset classes with lower returns can tend to become  
20 underweight?

21 MR. GREGG BUNSTON: Yes, that's true.  
22 But we have minimum and maximum ranges, and we  
23 rebalance within those ranges, which is meant to trim  
24 outperforming asset classes and add to underperforming  
25 asset classes.

1 MS. CHARLOTTE MEEK: Right. So, what  
2 we can see, as you say, is we can see that -- that the  
3 asset allocations can shift over time from the  
4 original allocation target, correct?

5 MR. GREGG BUNSTON: They can, yes.

6 MS. CHARLOTTE MEEK: Okay. And as you  
7 discussed with Mr. Klassen, that would be defined as  
8 drift --

9 MR. GREGG BUNSTON: Yes.

10 MS. CHARLOTTE MEEK: -- asset drift?

11 MR. GREGG BUNSTON: That's right.

12 MS. CHARLOTTE MEEK: Okay. And so,  
13 where assets within a portfolio drift over time, they  
14 may no longer be aligned with the constraints or risk  
15 preferences of that portfolio. Is that correct?

16 MR. GREGG BUNSTON: No, I wouldn't  
17 agree with that. I'd say we have ranges that are set  
18 in place. And asset classes naturally drift within  
19 those ranges, and we take action to rebalance to  
20 ensure that the asset classes remain within the range.

21 So, they will never be always a hundred  
22 percent equal to the target weights that are set out  
23 in the investment policy statement. That's not  
24 realistic given the different performance levels of  
25 the return levels of each asset class.

1                   So, there is natural movement within  
2 those -- within those ranges.

3                   MS. CHARLOTTE MEEK:     Right. Right.  
4 So, I understand you're saying we have those ranges  
5 because there's going to be movement, and it's not  
6 always possible to stay within the target allocation,  
7 but the target allocation is the goal at the end of  
8 the day?

9                   MR. GREGG BUNSTON:     Correct.

10                  MS. CHARLOTTE MEEK:     Okay. And so, as  
11 you said, Mr. Bunston, the Corporation has a  
12 rebalancing strategy to manage portfolio drift,  
13 correct?

14                  MR. GREGG BUNSTON:     Yes, that's right.  
15 We have a rebalancing policy.

16                  MS. CHARLOTTE MEEK:     And as you said,  
17 you have minimum and maximum ranges for asset  
18 allocations within that as part of that policy?

19                  MR. GREGG BUNSTON:     The minimum and  
20 maximum ranges are set out in section 8 of our  
21 Investment Policy Statement.

22                  MS. CHARLOTTE MEEK:     Okay. And so, as  
23 you described, the minimum and maximum tolerance range  
24 provides a corridor within a class -- within which a  
25 class can drift from its target weight before active

1 rebalancing will occur?

2 MR. GREGG BUNSTON: Correct.

3 MS. CHARLOTTE MEEK: Okay. And  
4 rebalancing is the process of buying securities in  
5 underperforming asset classes or selling securities in  
6 overperforming asset classes as applicable to bring  
7 them back into the desired target and within the  
8 range. Is that correct?

9 MR. GREGG BUNSTON: I would say it's  
10 the act of selling asset classes that are above their  
11 target weight regardless of why typically would be due  
12 to outperformance, but not always, and purchasing  
13 asset classes that are below their target weight.

14 MS. CHARLOTTE MEEK: Right. And the  
15 idea is to bring them back into the target range and  
16 closer to the target allocation?

17 MR. GREGG BUNSTON: Correct.

18 MS. CHARLOTTE MEEK: Right. And so,  
19 as you kind of identified earlier, the purpose of the  
20 range is to provide some flexibility before  
21 rebalancing would be required to occur.

22 Is that correct?

23 MR. GREGG BUNSTON: That's correct.  
24 There is a cost to rebalancing, and so there's a need  
25 to strike a balance between frequency of rebalancing

1 because of that cost.

2 MS. CHARLOTTE MEEK: Thank you. And  
3 you're reading, I think, my questions off my screen  
4 here. So, I was just going to say the -- the broad  
5 ranges might be appropriate where there's less concern  
6 about drift. Is that correct?

7 MR. GREGG BUNSTON: Sorry, can you  
8 repeat that.

9 MS. CHARLOTTE MEEK: Broader ranges  
10 for the targets may be appropriate where there's less  
11 concern about drift. Is that correct?

12 MR. GREGG BUNSTON: Yes.

13 MS. CHARLOTTE MEEK: And a portfolio  
14 manager might want room -- want to allow room for  
15 drift in circumstances where they're employing active  
16 management practices like tactical asset allocation,  
17 or TAA, for example?

18 MR. GREGG BUNSTON: Yes, broader  
19 ranges would give more leeway in term -- if you wanted  
20 to implement tactical asset allocation.

21 MS. CHARLOTTE MEEK: Right. And  
22 you've confirmed with Mr. Klassen that MPI is not  
23 participating in -- in TAA at the moment, or Tactical  
24 Asset Allocation?

25 MR. GLENN BUNSTON: We don't make

1 decisions in terms of our actual asset allocation  
2 relative to their target weights based on our view of  
3 the future performance of asset classes. So, no, we  
4 don't -- we don't participate or implement a Tactical  
5 Asset Allocation strategy.

6 MS. CHARLOTTE MEEK: Right. And, as  
7 you noted earlier, broad ranges might also be  
8 appropriate where there's a concern about the  
9 transaction costs that are incurred to rebalance?

10 MR. GLENN BUNSTON: Yes, less frequent  
11 rebalancing will involve lower transaction costs. So,  
12 we could make a decision to always attempt to be  
13 exactly equal to our target asset allocations and that  
14 would require frequent rebalancing and there would be  
15 a cost to that.

16 Conversely, drifting from the target  
17 ranges, there could be a benefit from that. There  
18 could be a cost depending on how the asset classes  
19 perform and depending on the relative weights to  
20 target.

21 MS. CHARLOTTE MEEK: Right. And so,  
22 the transaction costs are the costs incurred to buy or  
23 sell securities for the purpose of rebalancing.

24 Is that correct?

25 MR. GLENN BUNSTON: That's right.

1 MS. CHARLOTTE MEEK: Okay. And so, as  
2 you noted, we don't want the bands to be so tight that  
3 a manager is forced to sell asset classes one day and  
4 then forced to buy them back the next day.

5 MR. GLENN BUNSTON: Correct.

6 MS. CHARLOTTE MEEK: Right. And you'd  
7 agree, Mr. Bunston, that the concerns about  
8 transaction cost also need to be balanced with the  
9 opportunity cost of being out of line with the optimal  
10 asset mix. Is that correct?

11 MR. GLENN BUNSTON: Yes, there can be  
12 costs or benefit from being -- from varying from the  
13 target weights.

14 MS. CHARLOTTE MEEK: Okay. And if we  
15 could please go to the investments chapter of this  
16 year's GRA please, Kristen. We'll go to Appendix 1,  
17 page 22.

18 And what we have on the screen here,  
19 Mr. Bunston, is part of the Investment Policy  
20 Statement. Is that correct?

21 MR. GLENN BUNSTON: Yes, this is  
22 section 8 of the Investment Policy Statement that sets  
23 out the target weights for each portfolio, as well as  
24 the minimum and maximum weights.

25 MS. CHARLOTTE MEEK: Thank you. And

1 the one we have on the screen here in front of us  
2 which is at page 22, is the Employee Future Benefits  
3 Asset Allocations, is that correct?

4 MR. GLENN BUNSTON: Yes.

5 MS. CHARLOTTE MEEK: Okay. And so,  
6 this provides us with the target allocation for this  
7 asset class and this portfolio. Is this correct?

8 MR. GLENN BUNSTON: Correct.

9 MS. CHARLOTTE MEEK: As well as the  
10 minimum and maximum target ranges for each asset  
11 classes in -- in that portfolio.

12 MR. GLENN BUNSTON: Yes.

13 MS. CHARLOTTE MEEK: Okay. And this  
14 document provides us a breakdown by asset class, as  
15 well as totals for categories of asset classes.

16 Is that correct?

17 MR. GLENN BUNSTON: Yes.

18 MS. CHARLOTTE MEEK: Okay. And so,  
19 what I mean by that is we can see there's asset  
20 classes under fixed -- under fixed income, and then we  
21 can also see that there's a line for total fixed  
22 income. Is that -- do you see that there?

23 MR. GLENN BUNSTON: Yeah, so the three  
24 (3) major asset classes are: fixed income, equities  
25 and alternative investments.

1 MS. CHARLOTTE MEEK: Yes.

2 MR. GLENN BUNSTON: Each with about a  
3 one-third (1/3) allocation.

4 MS. CHARLOTTE MEEK: Okay. And so  
5 along the line under total fixed income, we can see  
6 that that provides a target allocation of 33 percent.

7 Is that correct?

8 MR. GLENN BUNSTON: Yes.

9 MS. CHARLOTTE MEEK: And then there's  
10 a minimum target of 23 percent and a maximum target of  
11 48 percent. Is that correct?

12 MR. GLENN BUNSTON: That's correct.

13 MS. CHARLOTTE MEEK: And that's a  
14 range of 25 percent?

15 MR. GLENN BUNSTON: Yes, that's right.

16 MS. CHARLOTTE MEEK: You always make  
17 me nervous when you check my math like that.

18 Okay, and then halfway down the page  
19 there's a line for total public equities, which  
20 provides a target allocation of 34 percent.

21 MR. GLENN BUNSTON: Yes.

22 MS. CHARLOTTE MEEK: And a minimum and  
23 maximum range of 18 percent to 50 percent. Correct?

24 MR. GLENN BUNSTON: Correct.

25 MS. CHARLOTTE MEEK: And that's a

1 range of 32 percent?

2 MR. GLENN BUNSTON: That's right.

3 MS. CHARLOTTE MEEK: And then the  
4 final category we have there is the total alternative  
5 investments which is made up of real estate and  
6 infrastructure. Is that correct?

7 MR. GLENN BUNSTON: Yes.

8 MS. CHARLOTTE MEEK: And the target  
9 allocation at 33 percent?

10 MR. GLENN BUNSTON: Correct.

11 MS. CHARLOTTE MEEK: Thank you. And a  
12 minimum/maximum range 18 percent to 48 percent, which  
13 is a range of 30 percent.

14 MR. GLENN BUNSTON: Correct.

15 MS. CHARLOTTE MEEK: Thank you. And  
16 if we could please now go to an IR request. This is  
17 CAC/MPI-2-27, attachment A. Thank you, Kristen.

18 So, in response to an IR, Mr. Bunston,  
19 MPI had provided some information regarding the  
20 rebalancing policy employed by ICBC.

21 Do you recall that?

22 MR. GLENN BUNSTON: Yes, I do.

23 MS. CHARLOTTE MEEK: Okay. And in  
24 this response, we can see that ICBC does not have a  
25 formal rebalancing policy, but the rebalancing of the

1 portfolio is delegated to the British Columbia  
2 Investment Management Corporation. Is that correct?

3 MR. GLENN BUNSTON: That's correct.

4 MS. CHARLOTTE MEEK: Okay. And while  
5 there is not a formal rebalancing policy, there are  
6 defined tolerance bands for each asset class.

7 Is that correct?

8 MR. GLENN BUNSTON: I don't see that  
9 on the screen, but I believe that is correct. Yes.

10 MS. CHARLOTTE MEEK: Yeah, it's under  
11 number 6, here the last --

12 MR. GLENN BUNSTON: Oh, yeah --

13 MS. CHARLOTTE MEEK: -- the last  
14 sentence there.

15 MR. GLENN BUNSTON: -- yes.

16 MS. CHARLOTTE MEEK: Thank you. And  
17 there's also an expectation that rebalancing will  
18 occur where an asset class drifts outside the approved  
19 tolerance band. Is that correct?

20 MR. GLENN BUNSTON: Yes, that's right.

21 MS. CHARLOTTE MEEK: Thank you. And  
22 if we go to page 2, of this attachment, we can zoom  
23 out a little bit, Kristen, if possible. Thank you.

24 And so, this document provides us with  
25 the asset tolerance bands and asset target for each

1 asset class for ICBC. Is that correct?

2 MR. GLENN BUNSTON: Yes.

3 MS. CHARLOTTE MEEK: Okay. And we can  
4 see that similarly to MPI, ICBC also identifies  
5 minimum and maximum limits for each asset class.

6 Is that correct?

7 MR. GLENN BUNSTON: That's correct.

8 MS. CHARLOTTE MEEK: Okay. And if we  
9 look at fixed income, I'm going to -- to add fixed  
10 income here so fixed income liquidity and fixed income  
11 credit, we can see that the minimum limit is 60  
12 percent and the maximum limit is 81 percent.

13 Is that correct?

14 MR. GLENN BUNSTON: Sorry, fixed  
15 income liquidity you said?

16 MS. CHARLOTTE MEEK: Yeah, so what I'm  
17 doing is, I'm just doing fixed income together. So,  
18 I'm, again, making you do some math on the fly. So,  
19 I'm using the total for fixed income liquidity and the  
20 total for fixed income credit and the minimum limit,  
21 we combine those totals to 60 percent.

22 MR. GLENN BUNSTON: Yes, that's right.

23 MS. CHARLOTTE MEEK: Thank you. And  
24 the maximum limit we again combine totals for fixed  
25 income is 81 percent.

1 MR. GLENN BUNSTON: Yes.

2 MS. CHARLOTTE MEEK: And that produces  
3 a range of 21 percent.

4 MR. GLENN BUNSTON: Correct.

5 MS. CHARLOTTE MEEK: Thank you. And  
6 we previously confirmed that MPI's range for fixed  
7 income is 25 percent. Is that correct?

8 MR. GLENN BUNSTON: I believe so.

9 MS. CHARLOTTE MEEK: Thank you. And  
10 so MPI's range is 4 percent more than ICBC.

11 Is that correct?

12 MR. GLENN BUNSTON: I think so, yes.

13 MS. CHARLOTTE MEEK: Thank you. And  
14 then if we look at equities on the screen here, the  
15 minimum limit is 15 percent, with a maximum limit of  
16 28 percent. Is that correct?

17 MR. GLENN BUNSTON: Yeah.

18 MS. CHARLOTTE MEEK: And that's a  
19 range of 13 percent?

20 MR. GLENN BUNSTON: Yes.

21 MS. CHARLOTTE MEEK: And we previously  
22 confirmed that MPI's range for equities is 32 percent?

23 MR. GLENN BUNSTON: Yes.

24 MS. CHARLOTTE MEEK: Thank you. And  
25 that means that MPI's range is 19 more percent than

1 ICBC. Is that correct?

2 MR. GLENN BUNSTON: Yes, that's right.

3 MS. CHARLOTTE MEEK: And then here we  
4 see a grouping for real assets.

5 Do you see that there?

6 MR. GLENN BUNSTON: I do.

7 MS. CHARLOTTE MEEK: And that's made  
8 up of real estate and infrastructure.

9 Is that correct?

10 MR. GLENN BUNSTON: Yes, that's right.

11 MS. CHARLOTTE MEEK: And the real  
12 assets minimum limit here is 10 percent?

13 MR. GLENN BUNSTON: Correct.

14 MS. CHARLOTTE MEEK: And the maximum  
15 being 23 percent.

16 MR. GLENN BUNSTON: Right.

17 MS. CHARLOTTE MEEK: And that makes a  
18 range of 13 percent. Is that correct?

19 MR. GLENN BUNSTON: Yes, it is.

20 MS. CHARLOTTE MEEK: And we'd  
21 previously confirmed that the MPI range for  
22 alternative investments which is also made up of real  
23 estate and infrastructure is 30 percent.

24 Is that correct?

25 MR. GLENN BUNSTON: Correct.

1 MS. CHARLOTTE MEEK: And so MPI's  
2 range is 17 percent more than ICBC. Is that correct?

3 MR. GLENN BUNSTON: Yes.

4 MS. CHARLOTTE MEEK: Okay.

5

6 (BRIEF PAUSE)

7

8 MS. CHARLOTTE MEEK: And I just want  
9 to look at some of these asset classes, specifically  
10 now. So, under fixed income liquidity grouping, we  
11 can see for that group that the tactical minimum is 38  
12 percent. Is that correct?

13 MR. GLENN BUNSTON: Yes, that's right.

14 MS. CHARLOTTE MEEK: And the asset  
15 classes within that group, being money market and  
16 government bond, the tactical minimums of each of  
17 those groups -- of each of those assets does not add  
18 up to the tactical minimum of the grouping of the --  
19 the -- that group as a whole.

20 MR. GLENN BUNSTON: That's right.

21 MS. CHARLOTTE MEEK: Okay. And  
22 throughout this chart you can see that the tactical  
23 minimum by grouping is always higher than the sum of  
24 the parts within the grouping. Is that correct?

25 MR. GLENN BUNSTON: Yes, that appears

1 to be correct.

2 MS. CHARLOTTE MEEK: And would you  
3 agree that that's deliberate to prevent underweighting  
4 of all asset classes within a grouping to occur at the  
5 same time?

6 MR. GLENN BUNSTON: Yes, I think that  
7 would be the purpose.

8 MS. CHARLOTTE MEEK: And on the  
9 maximum side, again, using fixed income liquidities as  
10 an example, the fixed income group has a tactical  
11 maximum of 51 percent. Is that correct?

12 MR. GLENN BUNSTON: Yes, it is.

13 MS. CHARLOTTE MEEK: And again, that's  
14 not the sum of the maximum allowable range for the  
15 asset classes within that grouping of money market and  
16 government bonds. Would you agree with that?

17 MR. GLENN BUNSTON: I would agree.

18 MS. CHARLOTTE MEEK: Okay. And so,  
19 the tactical maximum for the group is lower than the  
20 sum of the -- the maximums for each asset class within  
21 it. Is that correct?

22 MR. GLENN BUNSTON: Yes.

23 MS. CHARLOTTE MEEK: Okay. And again,  
24 that's the same throughout this portfolio for the  
25 other groupings of asset classes?

1 MR. GLENN BUNSTON: It is, yes.

2 MS. CHARLOTTE MEEK: And again, would  
3 you agree that this is deliberate to prevent an  
4 overweighting of all asset classes within a grouping  
5 at the same time? Is that correct?

6 MR. GLENN BUNSTON: That would be my  
7 assumption, yes.

8 MS. CHARLOTTE MEEK: Okay. And this  
9 could be a deliberate constraint for the purpose of  
10 rebalancing.

11 Would you agree with that?

12 MR. GLENN BUNSTON: I would agree with  
13 that, yes.

14 MS. CHARLOTTE MEEK: Thank you. And  
15 if we can go back to the MPI -- so back to the  
16 Investments chapter. Sorry, Kristen. I've forgotten  
17 what page -- page 22 again. Yes. Thank you.

18 So, we're back at the Investments  
19 chapter, Appendix 1, page 22. So again, we're looking  
20 back at the employee future benefits portfolio.

21 When we look at the asset class  
22 groupings here -- for example, if we look at total  
23 fixed income with an allocation of 23 percent, we can  
24 see that, in the MPI portfolio, the total is the sum  
25 of the individual asset classes within that grouping.

1 Is that correct?

2 MR. GLENN BUNSTON: That's correct,  
3 yeah.

4 MS. CHARLOTTE MEEK: And again, that's  
5 the same for all the other groupings and classes at  
6 the minimum level?

7 MR. GLENN BUNSTON: Yes.

8 MS. CHARLOTTE MEEK: And similarly, at  
9 the maximum level, the groupings are the sum of the  
10 asset classes within that grouping. Is that correct?

11 MR. GLENN BUNSTON: Yes, that's right.

12 MS. CHARLOTTE MEEK: And, Mr. Bunston,  
13 would you agree that this arrangement allows MPI more  
14 freedom than ICBC, for example, to move away from the  
15 optimal asset allocations as assigned on the basic ALM  
16 study?

17 MR. GLENN BUNSTON: It could  
18 theoretically allow each asset class to be at their --  
19 simultaneously at their maximum or minimum weight.

20 MS. CHARLOTTE MEEK: Thank you. And  
21 if we could scroll up to page 18 of this document. So  
22 again, we're still in the Investments chapter,  
23 Appendix 1, at page 18.

24 This provides us with the minimum and  
25 maximum target ranges for asset classes in the Basic

1 claims portfolio. Is that correct?

2 MR. GLENN BUNSTON: That's correct.

3 MS. CHARLOTTE MEEK: Okay. And we can  
4 see that the target allocation for provincial bonds is  
5 35 percent, correct?

6 MR. GLENN BUNSTON: Correct.

7 MS. CHARLOTTE MEEK: And it has a  
8 tolerance range from zero to forty-five (45), allowing  
9 for a range of 45 percent --

10 MR. GLENN BUNSTON: Correct.

11 MS. CHARLOTTE MEEK: -- between the  
12 minimum and maximum? Thank you. And for RRBs, the  
13 target allocation is 4 percent, with a tolerance range  
14 from zero to 10 percent, allowing for a 10 percent  
15 range?

16 MR. GLENN BUNSTON: Correct.

17 MS. CHARLOTTE MEEK: And corporate  
18 bonds, the target allocation is 28 percent with a  
19 tolerance range running from 18 percent to 38 percent,  
20 allowing for a range of 20 percent. Is that correct?

21 MR. GLENN BUNSTON: Yes.

22 MS. CHARLOTTE MEEK: And then finally,  
23 marketable bonds, the target allocation is 18 percent,  
24 the tolerance range running from zero to 28 percent,  
25 allowing for a range of 28 percent. Is that correct?

1 MR. GLENN BUNSTON: Correct.

2 MS. CHARLOTTE MEEK: Thank you. And,  
3 Mr. Bunston, I understand that the investment  
4 committee working group will, at a minimum, monitor  
5 the target asset allocations of the fund on a  
6 quarterly basis. Is that correct?

7 MR. GLENN BUNSTON: Yes. My team  
8 monitors asset allocation on a monthly basis. The  
9 investment committee working group meets on a  
10 quarterly basis, and we present a rebalancing report  
11 to the investment committee -- to the working group at  
12 -- every time they meet.

13 MS. CHARLOTTE MEEK: Right. So, while  
14 you're monitoring on a monthly basis, it's only  
15 reported to the investment committee working group on  
16 a quarterly basis?

17 MR. GLENN BUNSTON: Correct.

18 MS. CHARLOTTE MEEK: Thank you. And  
19 then rebalancing will occur, if necessary, based on  
20 the rebalancing policy. Is that correct?

21 MR. GLENN BUNSTON: That is correct.

22 MS. CHARLOTTE MEEK: Okay. And if we  
23 can look at that rebalancing policy which is in the  
24 Investments chapter at Appendix 3.

25 So, looking at the third paragraph down

1 there, the paragraph starting with, "Whenever," this  
2 paragraph indicates that, where an asset class falls  
3 outside of the target range, it will be reported to  
4 the investment committee at the next meeting.

5 Is that correct?

6 MR. GLENN BUNSTON: That's correct.

7 MS. CHARLOTTE MEEK: And the  
8 investment committee must meet quarterly. Is that  
9 correct?

10 MR. GLENN BUNSTON: The investment  
11 committee meets quarterly, yes.

12 MS. CHARLOTTE MEEK: Okay. And this  
13 paragraph then goes on to say that:

14 "When an asset class is outside of  
15 the allowable range, it will be  
16 rebalanced back to the target range  
17 for that asset class within six (6)  
18 months."

19 Is that correct?

20 MR. GLENN BUNSTON: Yes. So, six (6)  
21 months is the maximum time that we have to rebalance.

22 MS. CHARLOTTE MEEK: Thank you. And I  
23 want to just confirm my understanding of the wording  
24 here, and that wording is meaning that rebalancing  
25 will occur back into the target range within that six

1 (6) months, meaning that it doesn't get rebalanced  
2 back to the target allocation necessarily, but  
3 somewhere within the allowable range?

4 MR. GLENN BUNSTON: Correct. It says  
5 that it needs to be rebalanced to the target range,  
6 but typically we will rebalance to the target weight.

7 MS. CHARLOTTE MEEK: Okay. And so, I  
8 just want to clarify then the time -- time frame  
9 created by the rebalancing policy.

10 The investment committee working group  
11 will monitor allocations quarterly, so every three (3)  
12 months?

13 MR. GLENN BUNSTON: Correct.

14 MS. CHARLOTTE MEEK: And where a class  
15 falls outside of the range, it will be reported to the  
16 investment committee at the next meeting, and they  
17 meet also every three (3) months?

18 MR. GLENN BUNSTON: They do.

19 MS. CHARLOTTE MEEK: And then it will  
20 be rebalanced back within six (6) months' time.

21 Is that correct?

22 MR. GLENN BUNSTON: Well, the  
23 rebalancing doesn't need to wait until the investment  
24 committee meets, so we will bring a recommendation to  
25 the working group at their meeting. And that

1 recommendation may be that an asset class is nearing  
2 the top end of its range and, therefore, needs to be  
3 rebalanced.

4                   And if the committee agrees, then the  
5 rebalancing will generally happen immediately after  
6 the meeting. So, there's -- there's no need to wait  
7 until we get to the investment committee to get their  
8 approval for that rebalancing action.

9                   MS. CHARLOTTE MEEK: I see. And --  
10 and so you also noted then that that rebalancing can  
11 actually occur before it exceeds the range? If it's  
12 just getting close to the -- to the edge of the target  
13 range, rebalancing would occur earlier than that?

14                   MR. GLENN BUNSTON: It can, yes.

15                   MS. CHARLOTTE MEEK: Okay. And again,  
16 you would rebalance as close as possible to the  
17 allocation, but the per -- permissible rebalancing is  
18 just within the range?

19                   MR. GLENN BUNSTON: At a minimum, we  
20 need to rebalance to be within the range.

21                   MS. CHARLOTTE MEEK: Right.

22                   MR. GLENN BUNSTON: But typically, we  
23 rebalance to the target weights. And I know -- I know  
24 there was an IR on this question -- I can't recall  
25 which IR -- but showing our actual weights relative to

1 the target weights. And I believe that it shows that  
2 the actual weights are, in most asset classes across  
3 portfolios, very close to their target weights.

4 MS. CHARLOTTE MEEK: To the target  
5 weight. Great. Thank you very much. Those are my  
6 questions.

7

8 (BRIEF PAUSE)

9

10 PANEL CHAIRPERSON: Okay. Thank you,  
11 Ms. Meek.

12 We'll take the morning break right now.  
13 It's 10:26, so back at 10:45, please, and we'll have  
14 Board questions and re-direct at that point.

15

16 --- Upon recessing at 10:22 a.m.

17 --- Upon resuming at 10:42 a.m.

18

19 PANEL CHAIRPERSON: Thank you. We'll  
20 now proceed with Board questions. Mr. Gabor...?

21 BOARD CHAIR GABOR: Thank you.

22 Kristen, could you go PUB/MPI 1-32. Okay. Just -- if  
23 you could just scroll down a little bit. No, just --  
24 okay.

25 So, Mr. Bunston, this is the -- the

1 topic is performance benchmark monitoring. And, as I  
2 understand it, MPI had Ellement conduct a review of  
3 peer groups?

4 MR. GREGG BUNSTON: Yes. We jointly  
5 worked with Ellement to review the peer groups that we  
6 had in place to compare them to our asset allocation  
7 to make sure that they were reflecting -- properly  
8 reflecting our current target weights.

9 BOARD CHAIR GABOR: Okay. And how  
10 long did Ellement do this for MPI?

11 MR. GREGG BUNSTON: How long...?

12 BOARD CHAIR GABOR: How long was the  
13 contract for Ellement to do it?

14 MR. GREGG BUNSTON: Well, we've had a  
15 contract in place with Ellement for twenty (20) years.  
16 It wasn't a specific contract for this. They -- they  
17 did this as part of their regular contract with us.

18 BOARD CHAIR GABOR: Okay. And how  
19 long did they do this for MPI, this specific job, the  
20 peer review?

21 MR. GREGG BUNSTON: The peer review?  
22 I think it was maybe a period of a month.

23 BOARD CHAIR GABOR: So, this was  
24 simply a onetime contract, or onetime effort?

25 MR. GREGG BUNSTON: No. We -- we've

1 had a contract in place with Ellement for -- annual  
2 contract for twenty (20) years. This --

3 BOARD CHAIR GABOR: Yeah.

4 MR. GREGG BUNSTON: We asked them to  
5 review our -- as part of that contract that's in  
6 place, to review our peer universes for us.

7 BOARD CHAIR GABOR: Okay. And that  
8 was only a month-long -- that portion of the work was  
9 only a month long?

10 MR. GREGG BUNSTON: Approximately,  
11 yeah.

12 BOARD CHAIR GABOR: Okay. Did you  
13 have anybody else do a review of the peers before  
14 Ellement?

15 MR. GREGG BUNSTON: No. Ellement has  
16 been the only provider of the peer universes.

17 BOARD CHAIR GABOR: They're the only  
18 ones. Okay. And as I understand it, that they're not  
19 going to be doing this peer review in the future?

20 MR. GREGG BUNSTON: Our contract with  
21 Ellement ended on March 31st of 2024, and we have  
22 replaced them. Their service they provided to us is  
23 now being obtained from the investment reporting  
24 software that we purchased.

25 BOARD CHAIR GABOR: Ellement filed the

1 response, right there in the paragraph, saying that  
2 the performance had been poor over the past four (4)  
3 years. That's an independent report.

4                   What sort of report are you -- are you  
5 going to get from this internal report?

6                   MR. GREGG BUNSTON:    So, the software  
7 that we acquired will allow us to calculate the  
8 performance of our investment portfolio and of the  
9 benchmarks, which is the service that Ellement was  
10 providing to us. They were calculating performance of  
11 our portfolio and our benchmarks.

12                   BOARD CHAIR GABOR:    Okay. But it's an  
13 internal report, correct?

14                   MR. GREGG BUNSTON:    Correct.

15                   BOARD CHAIR GABOR:    Okay. Is the  
16 Board ever going to see that internal report?

17                   MR. GREGG BUNSTON:    Yes. We will  
18 produce results and provide those to our Investment  
19 Committee and to the -- to this Panel.

20                   BOARD CHAIR GABOR:    Okay. Thank you.  
21 Those are my questions.

22                   PANEL CHAIRPERSON:    Mr. Bass...?

23                   BOARD MEMBER BASS:    Just following up  
24 on that. I recall at the GRA last year talking with  
25 the -- the two (2) of you about performance and

1 Ellement, that we were talking about the -- the  
2 benchmarks and how perhaps some of the benchmarks  
3 didn't match what was actually being invested in.

4 So, for example, I think you  
5 specifically mentioned duration. So, with the new  
6 software that you have, will you be creating your own  
7 benchmark to compare to and be able to take into  
8 account all elements, just with one 'L', including  
9 duration?

10 MR. GREGG BUNSTON: So, the -- the  
11 benchmarks for each asset class are set out in the  
12 Investment Policy Statement in section 8. And we are  
13 reviewing those benchmarks now.

14 And we are planning to make -- to  
15 recommend some changes to a couple of benchmarks for  
16 some of the asset classes to our Investment Committee  
17 at their next meeting to ensure that the benchmarks  
18 better reflect the underlying investment portfolios.

19 And so, those benchmarks that are then  
20 in the Investment Policy Statement will be reflected  
21 in the software that we have.

22 BOARD MEMBER BASS: So, I'll take that  
23 as a "yes."

24 MR. GREGG BUNSTON: Correct.

25 BOARD MEMBER BASS: Thank you. And as

1 you deal with this -- and I appreciate you're going to  
2 deal with your Investment Committee, and it'll be  
3 blessed by them and eventually blessed by your Board.

4 But the elements that go into it, will  
5 they be somehow documented so that the Public  
6 Utilities Board, as it does its work, will understand  
7 what's being compared?

8 MR. GREGG BUNSTON: Are you talking  
9 about benchmarks, or peer universes, or --

10 BOARD MEMBER BASS: Both.

11 MR. GREGG BUNSTON: Yes, we will --  
12 well, the benchmarks are set out in the Investment  
13 Policy Statement, so they're -- they're very clearly  
14 defined there.

15 And the peer universes, we are  
16 currently working -- we have now -- the peer universes  
17 previously were built by Ellement using Morningstar  
18 database. We now have direct access to Morningstar,  
19 so we're working on building peer universes ourselves  
20 in Morningstar.

21 And so, when that process is finished,  
22 we'll produce a document that defines how those peer  
23 universes were built. And we -- we'll provide that to  
24 our Investment Committee, and we can provide that to  
25 the -- to this Board.

1 BOARD MEMBER BASS: Okay. I think  
2 that'll be very helpful because we like to know what -  
3 - behind the -- the curtain as we -- we look at  
4 things. It falls under the category of trust but  
5 verify, so.

6 MS. CARA LOW: I could just add that  
7 our benchmarks are in our IPS, our Investment Policy  
8 Statement. But if there are any proposed changes,  
9 those would be well documented as to why we're  
10 proposing the change, and that would go to Investment  
11 Committee, and that could definitely come here.

12 Just, also, if you're looking at the  
13 screen and you're looking at the Ellement report,  
14 they're only looking in the investment side of the  
15 equation. They're not looking at the liability side  
16 of the equation.

17 So, we may have poor performance due to  
18 rising interest rates, but we also had the offsetting  
19 impact on the liability side. And Ellement only ever  
20 looks at the investment side of things.

21 BOARD MEMBER BASS: Okay. Thank you.

22 PANEL CHAIRPERSON: Mr. Ireland...?

23 BOARD MEMBER IRELAND: Still on  
24 benchmarks. And you -- you just touched on it, about  
25 reviewing the current benchmarks. And yesterday you

1 said that properly aligned with the manager's  
2 investment strategies and styles.

3 And I'm assuming 'managers' refers to  
4 the underlying investment managers, Guardian and the -  
5 - and the like?

6 MR. GREGG BUNSTON: Yes, that's  
7 correct.

8 BOARD MEMBER IRELAND: Okay. How is  
9 the new benchmark going to vary from the existing? If  
10 you think of global equity right now, I think it's  
11 MSCI plus a hundred and fifty (150) basis points, and  
12 that's what managers are judged against.

13 Now, if you're changing it to more  
14 accurately reflect their strategy and style, what does  
15 that mean and how is that going to change the  
16 benchmark?

17 MR. GLENN BUNSTON: So, in terms of  
18 our fixed income benchmarks, the -- the durations of  
19 our underlying fixed income portfolios, some of them  
20 have -- have changed over time. And so, we need to  
21 make sure that the duration of the benchmark is as  
22 close as possible to the duration of the portfolio, so  
23 we're gong to make some adjustments there.

24 We have blended benchmarks right now  
25 that are a blend of, in some cases, the short-, mid-,

1 and long-term (INDISCERNIBLE) indices, so we'll adjust  
2 the weights between the short, mid, and long to make  
3 sure that the weighted average duration is closer to  
4 the duration of the fixed income portfolio.

5 In terms of global equities, we have a  
6 -- a low volatility manager. They use two (2)  
7 benchmarks: they use the MSCI world index and they  
8 also use the MSCI world low volatility index.

9 Our intention is to -- to change the  
10 primary benchmark to the low volatility index because  
11 it's a better reflection of their investment style and  
12 strategy. So that's the change that we plan to make,  
13 or to recommend at least, for global equities.

14 BOARD MEMBER IRELAND: And on the  
15 growth equity side for global?

16 MR. GLENN BUNSTON: We don't plan to  
17 make changes for the other manager, which Acadian  
18 (phonetic).

19 BOARD MEMBER IRELAND: Excuse me.  
20 Acadian? I thought -- aren't they the low volatility?

21 MR. GLENN BUNSTON: Sorry. I  
22 misspoke. We don't plan to make changes for Guardian.  
23 For Acadian, it's the low volatility manager, and  
24 that's where we plan to recommend a change.

25 BOARD MEMBER IRELAND: Okay. And

1 Guardian will still stay at the MSCI plus one fifty  
2 (150)?

3 MR. GLENN BUNSTON: Yes.

4 BOARD MEMBER IRELAND: Can I just  
5 follow up a question on that --

6 MR. GLENN BUNSTON: Certainly.

7 BOARD MEMBER IRELAND: -- with  
8 reference to them? You use a colour code system --  
9 green, yellow, red -- to score your portfolio  
10 managers.

11 MR. GLENN BUNSTON: Right.

12 BOARD MEMBER IRELAND: And they can  
13 shift after -- excuse me -- four (4) years is when  
14 they're judged, and it's based on -- you've got  
15 qualitative and quantitative measurements.

16 If they miss their benchmarks and their  
17 medians in a four (4) year period, is it four (4)  
18 consecutive years? I'm thinking of the specific  
19 growth manager who missed them I think three (3) out  
20 of four (4) past four (4) years as of March 31st.

21 Are they on the yellow or on the bubble  
22 somewhere? Just curious as to application of that.

23 MR. GLENN BUNSTON: Sure. Yeah. So  
24 that's a recent change to our investment manager  
25 monitoring policy. We call it a reporting dashboard.

1 It hasn't been fully implemented yet, and that's  
2 because we're still working on building the peer  
3 universes.

4                   And we previously evaluated managers  
5 relative to the -- the -- their benchmark only, and  
6 the -- the new policy, we will evaluate managers  
7 relative to the benchmark, as well as to their peer  
8 universe.

9                   And so, in order to be on what we call  
10 our watch list, the manager would have to underperform  
11 their benchmark over a rolling four (4) year period  
12 and also be below -- I believe it's below median  
13 relative to their peer group.

14                   So, if they -- both of those were true,  
15 then they would be on our watch list, and, if I recall  
16 correctly, the yellow would be we have some concerns  
17 related to the manager.

18                   And I think it would be if they're not  
19 in the top quartile relative to peers and if they  
20 haven't met the value-added expectations, so they've  
21 not added the hundred and fifty (150) basis points,  
22 then they would be considered yellow. So, they would  
23 be not on our watch list, but they would be sort of  
24 identified as having maybe potentially emerging  
25 issues.

1                   But we haven't fully implemented that  
2 yet because we're still building out our peer  
3 universes.

4                   BOARD MEMBER IRELAND:    Okay.  So  
5 that's something we would see next year?

6                   MR. GLENN BUNSTON:    Correct.

7                   BOARD MEMBER IRELAND:    Okay.  Thank  
8 you.

9                   PANEL CHAIRPERSON:    Ms. Nemec, do you  
10 have any questions?

11                   BOARD MEMBER NEMEC (by TEAMS):    Yes,  
12 and -- and many of them on the Ellement report and the  
13 change to internal process have been asked, but just a  
14 follow-up on that a bit.

15                   The purchase software, is -- is that a  
16 standard software in the industry that many large  
17 insurance companies may already use?

18                   MR. GLENN BUNSTON:    So, the software  
19 we purchased was from a vendor called Moody's, and the  
20 -- the specific software package is called PFaroe, P-  
21 F-A-R-O-E.  And it's -- well, it was the -- we  
22 selected it based on -- we issued an RFP and we  
23 received numerous responses.  We did trials of the --  
24 the short-listed software packages.

25                   I can't speak to how common it is in

1 the industry. I think there's -- there's many  
2 different software packages, but Moody's obviously is  
3 a large, reputable service provider in the financial  
4 industry. They are well-known for their credit  
5 ratings, but they do have -- they do have this  
6 investment analytics division as well.

7                   So, it is standard, off-the-shelf  
8 software, and we had been working for a long period of  
9 time to implement it, and it -- it is now almost fully  
10 implemented with the exception of the attribution  
11 analysis.

12                   We needed some data to help us to  
13 complete that, and we now have access to that data, so  
14 we're working towards getting the attribution analysis  
15 completed.

16                   BOARD MEMBER NEMEC (by TEAMS): Thank  
17 you. And just as a follow-up, and I'm assuming when  
18 you're -- the major area is to make sure you have a  
19 proper universe so that you can have proper analysis  
20 and ensure you -- you have a good benchmark to compare  
21 yourself to.

22                   So, I'm assuming you always had input  
23 into that process when Ellement was involved, so I'm  
24 just looking forward to now.

25                   Do you see that the universes will

1 change very much, or is this more an -- bring this  
2 internal so you can -- instead of getting it done once  
3 a month -- I think you mentioned it's a monthly --  
4 once a month in the year -- you can do this more  
5 regularly, or sort of what precipitated that change?

6 MR. GLENN BUNSTON: Yeah. So Ellement  
7 prepared the peer universes for us, and they -- there  
8 was very little information that they shared with us  
9 in terms of how they built their peer universes. So,  
10 they developed a peer universe for Canadian equities,  
11 for US equities, global equities.

12 You know, they knew what style the  
13 managers employed, but they -- they had peer universes  
14 already built, and we had relatively little input into  
15 that process. So, we're now trying to recreate those  
16 peer universes, and it's been -- it's taken more time  
17 and effort than we had anticipated.

18 The -- the peer universe that's  
19 available, the database from Morningstar has, I'm not  
20 sure, forty- (40-) to fifty thousand (50,000)  
21 managers. It's all managers of all types from around  
22 the world, so there is quite a process in terms of  
23 setting selection criteria to narrow that universe to  
24 just the relevant managers. And so, we're -- we're  
25 working through that -- that process now.

1                   You know, we will compare how we rank  
2 relative to the peer universes and how -- compared to  
3 the peer universes that Ellement had prepared. So, I  
4 don't think we're going to be able to exactly match  
5 them because we don't know the content of the peer  
6 universes that Ellement created.

7                   We had asked them for assistance in  
8 creating these new peer universes, and they declined  
9 to provide that -- that assistance. They -- their  
10 indication was that that was their proprietary work  
11 that they don't share with -- with clients, and so  
12 we're having to recreate it on our own.

13                   But we -- we will compare the results  
14 to -- to their reports, and to the extent possible, we  
15 would like our peer universes to be as close as  
16 possible to the ones that they had developed.

17                   BOARD MEMBER NEMEC (by TEAMS):    Okay.  
18 Thank you.    That makes sense.

19                   Another question for you, Mr. Bunston,  
20 is: I think it was mentioned in your presentation  
21 that all three (3) benchmarks underperformed to March  
22 31st, 2024. But you did mention that that is all  
23 turned around now.

24                   And I was just curious what that  
25 comment -- was there something that precipitated a

1 turnaround? Was there a change in something that  
2 would have caused that, or, as Mr. Klassen said, with  
3 that luck?

4 MR. GLENN BUNSTON: Yeah. So, the --  
5 the Basic claims, RSR, and EFB portfolios for our  
6 current fiscal year ended at August 31st have  
7 outperformed their benchmarks. Those are preliminary  
8 numbers, and we have not had -- presented those to our  
9 Investment Committee, so we have not completed the --  
10 the full analysis that we need to provide more -- more  
11 details at this point.

12 So, unfortunately, I can't provide more  
13 -- more details, but we will be discussing that with  
14 our investment committee when they meet in November,  
15 and we can provide more information to the -- to the  
16 Board I guess at a future date, but I -- I don't have  
17 those numbers at my -- at my fingertips right now.

18 BOARD MEMBER NEMEC (by TEAMS): Okay.  
19 Thank you. I just wanted to talk a little bit about  
20 the Mercer study, the AON study. And I think what you  
21 said was the developed investment portfolio for all  
22 five (5) lines or portfolios.

23 So, in the Basic area, which is highly  
24 bonds, MUSH bonds, very limited except for I think a  
25 little bit of realty, have Mercer ever recommended

1 equities into a Basic portfolio over their reports?

2                   And my second point -- question there  
3 is, I'm just trying to remember last year, did -- was  
4 it -- did ICBC or SGI ever include or do they include  
5 equities in the Basic portfolio?

6                   MR. GLENN BUNSTON:   Yes, we did ask  
7 Mercer specifically that question.  Their advice  
8 related to the inclusion of growth assets,  
9 specifically equities in the Basic claims portfolio.

10                   And, if I recall correctly their --  
11 their advice was that it would add significant  
12 volatility to -- to the portfolio and -- and not hedge  
13 the interest rate risk associated with the liabilities  
14 and so I think their advice was not to proceed with  
15 adding growth assets to the Basic claims portfolio.

16                   BOARD MEMBER NEMEC (by TEAMS):   Thank  
17 you.  And part 2 of that was that if you knew that if  
18 -- if SGI or ICBC used any equity in their Basic  
19 portfolio?

20                   MS. CARA LOW:   We know that SGI used  
21 to have about 20 percent allocation to equities, but  
22 they have moved away.  Trying to remember if they  
23 moved to real estate or infrastructure, but they have  
24 moved away from having equities backing their claims  
25 portfolio.

1 BOARD MEMBER NEMEC (by TEAMS): Great.  
2 Thank you.

3 And my last question is on slide 4 of  
4 your slide deck, it's the objective of the Basic  
5 Claims and the third bullet point, is to preserve --  
6 to pursue modest incremental returns.

7 And I just -- I'm just assuming that's  
8 well defined somewhere as what a modest incremental  
9 return is.

10 MS. CARA LOW: I don't believe it is  
11 defined in any of the documentation.

12 BOARD MEMBER NEMEC (by TEAMS): Thank  
13 you.

14 PANEL CHAIRPERSON: Anything further,  
15 Ms. Nemec?

16 BOARD MEMBER NEMEC (by TEAMS): That's  
17 very good. Thank you.

18 PANEL CHAIRPERSON: Okay, thank you.  
19 Mr. Guerra, re-direct?

20 MR. ANTHONY GUERRA: Thank you, Madam  
21 Chair.

22

23 RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

24 MR. ANTHONY GUERRA: Just a few  
25 questions and I'll pose the questions to the panel and

1 please respond as you deem necessary.

2                   In terms of the evidence, we heard this  
3 morning on the existing protections against inflation  
4 that are -- are presently held by MPI in its -- its  
5 investment portfolios.

6                   The -- the impression that I certainly  
7 seem to have from the evidence, was that -- that we're  
8 limited to a 4 percent allocation to real return  
9 bonds.

10                   Can you clarify what exactly our  
11 existing protections from inflation are in our  
12 portfolios, please?

13                   MR. GLENN BUNSTON: Yes, so in the  
14 Basic line of business, which is the combination of  
15 the Basic Claims Portfolio, the Rate Stabilization  
16 Reserve Portfolio and the Employee Future Benefits  
17 Portfolios, we do have approximately 29 percent  
18 allocation to inflation sensitive assets, so that  
19 includes real estate, infrastructure, equities and  
20 real return bonds.

21                   So real return bonds are the best  
22 inflation hedging asset class. The other asset  
23 classes provide some inflation protection. The amount  
24 depends on the particular assets within each  
25 portfolio.

1                   So -- so, there is some inflation  
2 protection in the Basic Line of Business, by virtue of  
3 the fact that those growth assets are included there.

4                   MR. ANTHONY GUERRA:    Thank you.  We  
5 also heard that Mercer had been engaged and had  
6 recommended the allocation to a real return bonds  
7 previously.  Do you recall that evidence, Mr. Bunston?

8                   MR. GLENN BUNSTON:    Yes, I do.

9                   MR. ANTHONY GUERRA:    And now that MPI  
10 has moved -- is not moving forward with the bond  
11 overlay strategy and has a -- an allocation of 4  
12 percent to real return bonds, is -- is -- is MPI re-  
13 engaging Mercer or doing anything else to determine  
14 next steps in its strategy to hedge inflation?

15                   MR. GLENN BUNSTON:    Yes.  We have  
16 recently engaged Mercer to assist us with reviewing  
17 our current asset allocation with the 4 percent  
18 allocation to real return bonds to help us determine  
19 where that falls relative to the efficient frontiers  
20 that were developed in the 2022 ALM study.

21                   And in addition to that, we've also  
22 asked them to help us to determine if there are other  
23 asset classes that we could include in the Basic  
24 Claims Portfolio that could provide inflation  
25 protection and, if so, what impact that would have on

1 the -- our -- our interest rate hedging strategy,  
2 given that we would need to -- to sell fixed income  
3 asset classes to fund the addition of any other new  
4 asset classes.

5 And we've also asked them if there was  
6 any steps, we could take to move the portfolio closer  
7 to the efficient frontiers. So that work is just  
8 getting underway this week.

9 MR. ANTHONY GUERRA: And when does MPI  
10 expect that it will have advice from Mercer to that  
11 effect?

12 MR. GREGG BUNSTON: We had asked them  
13 to try to provide us advice before our next Investment  
14 Committee meeting, which is in mid-November.

15 MR. ANTHONY GUERRA: Recalling again  
16 the evidence on the 4 percent allocation to real  
17 return bonds, you recall, Mr. Bunston, there was a  
18 line of questioning from my friends at the CAC about  
19 advice provided to the Investment Committee in  
20 February of 2023 on -- on it being a good time to buy  
21 real return bonds.

22 Do you recall that evidence?

23 MR. GREGG BUNSTON: I do recall, yeah.

24 MR. ANTHONY GUERRA: Can you help us  
25 understand whether or not that advice remains

1 consistent with the advice today on the acquisition of  
2 real return bonds?

3 MR. GREGG BUNSTON: We've -- we've not  
4 updated that analysis to assess the current  
5 attractiveness of real return bonds. But again, as we  
6 stated to the committee at that time, the -- the  
7 purpose of purchasing them was not a short-term  
8 tactical decision, it was a long-term strategic  
9 decision.

10 So, it was meant to -- to obtain the  
11 inflation protection delivered by those bonds. It --  
12 the point we were making to the committee at that time  
13 was that it was not a bad time to buy real return  
14 bonds and that they were relatively attractive given  
15 where -- where the breakeven inflation rates were and  
16 where actual inflation rates were.

17 So, that was meant to -- to supplement  
18 the strategic decision to purchase them, to get the  
19 inflation protection.

20 MR. ANTHONY GUERRA: Was this advice  
21 in the context of MPI pursuing the bond overlay  
22 strategy?

23 MR. GREGG BUNSTON: Yes, it was.

24 MR. ANTHONY GUERRA: And so, how does  
25 that differ now that MPI has moved away from the bond

1 overlay strategy?

2 MR. GREGG BUNSTON: Well, the -- the  
3 cash purchase of real return bonds does -- the real  
4 return bond -- the yield on real return bonds is  
5 relatively low, and so that will reduce the yield of  
6 our portfolio.

7 They're also much less liquid than  
8 nominal federal bonds. And so that -- a large  
9 allocation to real return bonds can make the  
10 implementation of our interest rate hedging strategy  
11 more challenging. And so, that was the reason that  
12 the real return bond strategy had been -- had been  
13 recommended, was to address those two (2)  
14 shortcomings.

15 So, with -- a cash allocation to real  
16 return bonds needs to be carefully considered for the  
17 reasons of the -- the impact it would have on the  
18 yield of the portfolio and the liquidity of the  
19 portfolio.

20 MR. ANTHONY GUERRA: Thank you. While  
21 we're still talking about the bond overlay strategy,  
22 can you please help us understand a little bit more  
23 clearly the process that -- that went into the advice  
24 to the previous Board of Directors and the advice, and  
25 ultimately, the -- moving away from the bond overlay

1 strategy by the current Board of Directors?

2 MS. CARA LOW: Can you repeat that.

3 MR. ANTHONY GUERRA: Sure. So, I just  
4 want some clarification on the process, the steps, in  
5 the timeframe that went between the approval of the  
6 bond overlay strategy by the previous Board of  
7 Directors and the decision not to pursue the bond  
8 overlay strategy by the current Board of Directors.

9 MS. CARA LOW: So, when the new Board  
10 was appointment and we met with the new Investment  
11 Committee, we took forward the hedge ratio because a  
12 bond overlay strategy had been approved. And we were  
13 still trying to decide whether we should be doing 600  
14 million or a billion, and it was a hedge ratio that  
15 went forward.

16 Now, of course, the new Investment  
17 Committee had a number of questions. They wanted to  
18 understand the bond overlay strategy better, so we  
19 took a lot of background information to them.

20 MR. ANTHONY GUERRA: Thank you. And,  
21 again, just to clarify the three (3) reasons that My  
22 Friend reviewed this morning, being the complexity,  
23 cost, and disinflation, any more comments that you can  
24 share on those?

25 MS. CARA LOW: My understanding when

1 the -- when we say "costs," it was the size of the  
2 strategy, not so much the cost, as in the money it was  
3 going to take to implement, but it was the size from  
4 the strategy.

5 MR. ANTHONY GUERRA: And you're  
6 referring to the -- the \$1 billion?

7 MS. CARA LOW: Yes.

8 MR. ANTHONY GUERRA: And to confirm,  
9 the hedge ratio of 1 -- of a hundred percent, or \$1  
10 billion, that was being proposed to the Investment  
11 Committee at that point in time?

12 MS. CARA LOW: Yes.

13 MR. ANTHONY GUERRA: Thank you. There  
14 was a line of questioning this morning on tactical  
15 asset allocations.

16 And -- and my under -- my understanding  
17 from the evidence was that, Mr. Bunston, you confirmed  
18 that MPI doesn't engage in the practice of Tactical  
19 Asset Allocation, correct?

20 MR. GREGG BUNSTON: Yes, that's right.

21 MR. ANTHONY GUERRA: Can you help the  
22 Panel understand why that is?

23 MR. GREGG BUNSTON: Well, that's  
24 because Tactical Asset Allocation requires -- in order  
25 to be successful, requires an organization to

1 accurately forecast the -- the future returns of asset  
2 classes. And so, there is -- there is risk and reward  
3 involved with a Tactical Asset Allocation.

4 If you -- if you underweight asset  
5 classes incorrectly or you -- your expectations about  
6 future returns are incorrect, it -- it can lead to  
7 underperformance.

8 MR. ANTHONY GUERRA: And in your  
9 experience, is this -- is this a tool or a strategy  
10 that is commonly used by peers, for example?

11 MR. GREGG BUNSTON: I think that  
12 Tactical Asset Allocation is not a common strategy  
13 used by most institutional investors.

14 MR. ANTHONY GUERRA: Okay. We heard  
15 evidence on Mercer's recommendation regard --  
16 regarding benchmarking or -- or peer comparisons.

17 Do you recall that evidence?

18 MR. GREGG BUNSTON: Yes, I do.

19 MR. ANTHONY GUERRA: And -- and  
20 specifically, the evidence -- or the recommendation  
21 from Mercer to -- to move away from the existing peer  
22 comparison system that is -- is presently used.

23 Would -- do you recall that?

24 MR. GREGG BUNSTON: I recall them  
25 indicating that their advice was that we should

1 compare ourselves to what's called our policy  
2 benchmark. So, those are the -- the benchmarks set  
3 out for each asset class and the weights in the  
4 investment -- the target weights in the Investment  
5 Policy Statement and the -- and the product of the two  
6 (2).

7 So, they recommended that rather than  
8 comparing ourself to -- to other peers in the either  
9 pension plans or insurance companies given the very  
10 different circumstances potentially between ourselves  
11 and those -- those other organizations.

12 MR. ANTHONY GUERRA: And what's the  
13 benefit of comparing ourselves to our own benchmark?

14 MR. GREGG BUNSTON: Well, our own  
15 benchmark reflects our own risk appetite that's set by  
16 -- by our -- our Board. And it -- it sets, you know,  
17 appropriate benchmarks for each asset class. So, it's  
18 -- it's the most appropriate measure of -- of  
19 performance.

20 MR. ANTHONY GUERRA: And does one lose  
21 accountability measures when comparing themselves to  
22 their own benchmark versus to a peer universe  
23 benchmark?

24 MR. GREGG BUNSTON: No. I think it --  
25 it gives you the -- the best assessment of

1 performance. And our plan is to develop peer  
2 universes using the Morningstar software. So, we  
3 still will have comparisons of our performance  
4 relative to a broader set of peers, and not just a  
5 handful of local organizations.

6 MR. ANTHONY GUERRA: Thank you. Just  
7 one moment, please.

8

9 (BRIEF PAUSE)

10

11 MR. ANTHONY GUERRA: Ms. Schubert,  
12 sorry, for the late request here, but can I ask you to  
13 pull up Information Request PUB 2-32. And there  
14 should... On page 5 of 5 there should be a chart that  
15 reads asset allocation comparison. Yes. Thank you.

16 Mr. Bunston, what are we looking at on  
17 the screen before us?

18 MR. GREGG BUNSTON: This chart shows  
19 our actual asset allocation in dollars and percentage  
20 terms at June 30th of 2024 and relative to our target,  
21 and then forecasted asset allocations for 2024/'25 and  
22 '25/'26.

23 MR. ANTHONY GUERRA: And how does this  
24 information help us understand MPI's approach to  
25 rebalancing, or does it?

1 MR. GREGG BUNSTON: Well, if we scroll  
2 down just a little bit further to the EFB table, it  
3 shows in the middle of the page the actual asset  
4 allocation for each asset class is relatively close to  
5 the target weight.

6 So, we see that corporate bonds is  
7 within 3 percent of the target of 16 percent. We see  
8 private debt is within 50 basis points of the target  
9 of 17 percent.

10 Similarly, Canadian equities is within  
11 60 basis points of the target, global equities within  
12 1.2 percent of the target, the low volatility global  
13 equities within 1.1 percent of the target, and real  
14 estate within 20 basis points of the target, and,  
15 finally, infrastructure and venture capital within 30  
16 basis points.

17 So, we see that -- that we do rebalance  
18 on a -- on a regular basis, and we do aim to keep our  
19 asset allocation as close as possible to the target  
20 weights.

21 MR. ANTHONY GUERRA: And -- and, more  
22 importantly, it appears -- and correct me if I'm wrong  
23 -- that that -- that is in fact occurring, that you  
24 are -- you are approaching those targets.

25 MR. GLENN BUNSTON: Yes. As I said,

1 we -- my team evaluates and reviews the asset  
2 allocations relative to target weights on a monthly  
3 basis, and we bring recommendations to the working  
4 group at each quarter if there's any rebalancing that  
5 is necessary.

6 MR. ANTHONY GUERRA: Okay. Thank you.  
7 I have no further questions.

8

9 (PANEL STANDS DOWN)

10

11 PANEL CHAIRPERSON: Thank you very  
12 much, Mr. Bunston and Ms. Low.

13 We will now proceed to the Financial  
14 Forecasting/Financial Condition Test panel.

15 However, before we do that, I would  
16 appreciate an update from MPI with regard to the  
17 motion that is scheduled for less than five (5) hours  
18 from now.

19 MR. STEVE SCARFONE: Thank you, Madam  
20 Chair. So, I just sent a note to PUB counsel that --  
21 so the motion -- we still intend to proceed with that  
22 motion. There was an amendment that was required to  
23 the motion itself which has now been made and will be  
24 -- will be filed within the next half hour and served  
25 on all the parties.

1                   And then this afternoon, we expect to  
2 argue that motion, having Ms. Hildahl appear to  
3 provide some viva voce evidence in support of the  
4 motion seeking confidential treatment of the strategy,  
5 the multi-year strategy, and the strategic documents  
6 that were formulated in preparing the strategy.

7                   PANEL CHAIRPERSON:   And am I correct  
8 that those documents to which you just referred are  
9 new in relation to the motion that MPI is bringing?

10                  MR. STEVE SCARFONE:   They're --  
11 they're not new in the sense that MPIC, in its  
12 response to one of the CAC's Information Requests,  
13 identified those documents as confidential, and that  
14 it would be seeking confidential treatment of those  
15 documents.

16                  But Madam Chair is correct in that, due  
17 to -- well, Ms. Hildahl will explain that during her  
18 evidence this afternoon. They weren't unfortunately  
19 included in the confidentiality motion that was filed  
20 in September.

21                  PANEL CHAIRPERSON:   Thank you, Mr.  
22 Scarfone. I will tell you that the Board has  
23 significant concerns about this motion proceeding this  
24 afternoon given the fact that there are now new  
25 documents that are included and that there's a revised

1 motion.

2 We are going to adjourn it, and we  
3 would like to have counsel discuss amongst themselves,  
4 so that we can then prepare whether there's a  
5 possibility of this occurring this Sunday.

6 We're half a day behind right now in  
7 this hearing, and it's very, very tight, so if you  
8 could do that over the lunch break, we would certainly  
9 appreciate it. And in the meantime, we'll go ahead  
10 with the financial report and operations.

11 MR. STEVE SCARFONE: Madam Chair, I  
12 certainly appreciate those comments. I just would  
13 add, in terms of prejudice, the two (2) documents that  
14 I spoke of which I called the strategic planning  
15 documents are both documents that all the parties have  
16 seen.

17 PANEL CHAIRPERSON: I appreciate that,  
18 Mr. Scarfone, but the Board hasn't had an opportunity  
19 to review this.

20 MR. STEVE SCARFONE: Okay. Thank you.

21

22 (BRIEF PAUSE)

23

24 PANEL CHAIRPERSON: Mr. Guerra, would  
25 you please introduce your panel?

1 MR. ANTHONY GUERRA: Yes. Thank you.  
2 Just a couple of exhibits to read into the record  
3 before I proceed.

4 MPI Exhibit Number 44 is the financial  
5 forecasting panel presentation, which is presently on  
6 the screen.

7

8 --- EXHIBIT NO. MPI-44: Financial Forecasting  
9 Panel Presentation

10

11 MR. ANTHONY GUERRA: And then Exhibit  
12 45 is the rate update pro formas and Extension pro  
13 formas to October 22.

14

15 --- EXHIBIT NO. MPI-44: Rate Update Pro Formas and  
16 Extension Pro Formas to  
17 October 22

18

19 MR. ANTHONY GUERRA: Before you, we  
20 have the Financial Forecasting and FCT Panel, which  
21 covers expenses, revenues, including benchmarking,  
22 operational efficiency, and the financial forecasting  
23 module.

24

25 And in our front row we have Ryan  
Kolaski, our vice-president and chief financial

1 officer; Cara Low, our vice-president and chief  
2 actuary, actuarial investments -- excuse me, actuarial  
3 investments and underwriting; Cherity Ostapowich, our  
4 director of valuation and capital management; and  
5 Dorothy Scott, our director of financing and  
6 accounting.

7                   In the back row, I can -- we have  
8 Reghan Scaletta, our director of human resources;  
9 Glenn Bunston, our director of ALM and investment  
10 management; Tom Bailey, our capital management lead;  
11 Frank Odry (phonetic), our manager of budgeting and  
12 expense; Dean Dunstone, our manager of forecasting;  
13 Martin Marion, our manager of valuations; Diane  
14 Hopkins, our subject matter expert, financial  
15 reporting and investment and accounting; Lynn  
16 Onofreychuk, our manager, project accounting and value  
17 assurance; Rena Solomon, our supervisor of HR business  
18 partnerships; and Enes Jeina, our senior investment  
19 analyst.

20                   There are a number of individuals who  
21 will need to be sworn or affirmed, please.

22                   PANEL CHAIRPERSON:    Thank you.

23

24 FINANCIAL FORECASTING AND FCT PANEL:

25

1 RYAN KOLASKI, Sworn

2 CARA LOW, previously Sworn

3 CHERITY OSTAPOWICH, Sworn

4 DOROTHY SCOTT, Sworn

5

6 EXAMINATION-IN-CHIEF BY MR. ANTHONY GUERRA:

7 MR. ANTHONY GUERRA: Thank you. And  
8 just before we begin with the presentation, I note  
9 that we do have a new member on our front row panel  
10 that -- that the Board may not be familiar with, and  
11 that would be Ms. Scott. So welcome, Ms. Scott.

12 And for the benefit of the -- for the  
13 Board, I'd ask that you introduce yourself and give  
14 the Board some insight into your background and your -  
15 - your position at MPI. Sorry to put you on the spot  
16 there.

17 MS. DOROTHY SCOTT: Good morning. My  
18 name is Dorothy Scott. I am in the role of director  
19 of -- of finance and accounting as of May of this  
20 year. I joined the organization in August of '22,  
21 involved in the implementation of the IFRS-17 and  
22 IFRS-9 accounting standards.

23 I've previously involved in  
24 organizations in the financial sector, the energy  
25 sector and I'm sort of a -- a professional accountant

1 by profession. Thank you.

2 PANEL CHAIRPERSON: Thank you.

3

4 CONTINUED BY MR. ANTHONY GUERRA:

5 MR. ANTHONY GUERRA: Thank you, Ms.

6 Scott.

7 And before us we have the finance  
8 reports from Operations and Forecasting. Is that  
9 correct? And I'm just directing this question,  
10 generally, to the panel so whoever wants to answer,  
11 please do.

12 MR. RYAN KOLASKI: That is correct.

13 MR. ANTHONY GUERRA: And just to  
14 confirm this presentation will form the basis of your  
15 direct examination, your direct evidence this morning?

16 MR. RYAN KOLASKI: That is correct.

17 MR. ANTHONY GUERRA: Okay, thank you.  
18 When you're ready, please proceed.

19 MR. RYAN KOLASKI: Good morning. Ryan  
20 Kolaski, for MPI. We have a brief presentation for  
21 this panel. The agenda this morning, to go through  
22 the presentation is a quick financial overview; touch  
23 on our organization structure; touch on our staffing  
24 complements being FTEs; some commentary around  
25 corporate expenses; and then an overview regarding our

1 ICAM or Cost Allocation Methodology. Next slide  
2 please.

3 In terms of the financial review, this  
4 was the very first year that MPI successfully issued  
5 our first IFRS-17 fiscal financial statements which  
6 included IFRS-9.

7 And while that's a seemingly routine  
8 event, in terms of a fiscal year end, I just wanted to  
9 put some context around the issuance of those  
10 financials.

11 Because of labour interruption, the  
12 team had to prepare and issue Q2 and Q3 interim  
13 statements. We had to restate the '22/'23 comparable  
14 statements for comparable purposes. We had to close  
15 off to '23/'24 year end.

16 We also had to do the year end audit,  
17 with no interim audit, which increased the amount of  
18 work around the year end.

19 We also had to deal with R1 and R2 NOVA  
20 transitions. We were also tasked with doing R3 pre-  
21 discovery, prior to the (INDISCERNIBLE) discovery,  
22 along with strategy planning and then preparing for  
23 this hearing itself.

24 So, when you think about the amount of  
25 work and the amount of folks that are here today, I

1 just wanted to take a moment and thank them for their  
2 contributions and dedication in terms of getting those  
3 financial statements out. Greatly appreciated.

4 In terms of the year ahead, we do  
5 monitor IFRS-14. That is a regulatory assets  
6 accounting standard. That new standard is set to be  
7 released potentially in 2025. As of right now it  
8 would appear that MPI is excluded from adopting that  
9 standard, and I'm sure we'll be talking about that  
10 more today.

11 In terms of corporate expenses, last  
12 year's GRA, excuse me, our corporate overall expenses  
13 were \$417 million. For the '25 GRA our corporate  
14 expenses are \$399 million. Our Treasury Board  
15 approved budget for '24/'25 is actually \$408 million.

16 So directionally we are looking to  
17 contain costs and it's shown in our record. If you  
18 looked at page 48 of the E&Y report at comments on our  
19 expense ratio, that MPI is middle of the pack in terms  
20 of our peers, so again validation that directionally  
21 we are containing and maintaining a cost control  
22 structure. Next slide. Nope, just go back one.

23 So, the organizational structure was  
24 going to be prepared and presented by Tamara  
25 Boblinski. She's our VP of People and Culture.

1 Unfortunately, she can't be here today, so I will  
2 manage through the two (2) slides overall.

3           In terms of context, back in February  
4 it was decided that creating stability at MPI was a  
5 priority and that the current org structure needed to  
6 be changed in order to enable this.

7           We experienced high senior management  
8 turnover, including three (3) vacant vice-president  
9 roles.

10           We were coming out of a strike with low  
11 levels of trust; with employees facing a large number  
12 of customer service backlogs.

13           People and Culture was tasked to create  
14 an organizational structure that supported the  
15 civility strategy. This strategy focused on improving  
16 customer service, restoring trust and engagement with  
17 employees, strengthening our enterprise technology  
18 system. Next slide, please.

19           So, the why? We needed a new  
20 organizational structure based in strong job  
21 architectural principles to support our strategic  
22 direction and stability.

23           The Stability Plan included delivering  
24 core business, services delivering on NOVA and we  
25 needed to move away from a top-heavy structure that

1 was put in place to support a large-scale  
2 transformation and move towards a more lean and nimble  
3 leadership team and management structure that had  
4 clear roles and accountability.

5 This structure would also set the  
6 foundation for building and executing on a multi-year  
7 strategy that would set more reasonable pace of change  
8 in alignment with our capability and capacity.

9 Input and considerations. In designing  
10 the organizational structure, we considered feedback  
11 from our employees who had concerns about the lack of  
12 stability and role clarity across many areas of MPI  
13 because of multiple organizational changes,  
14 approximately twenty (20) that occurred between 2021  
15 through to 2023.

16 Any other recommendations put forward  
17 by Ernst and Young in their organizational review,  
18 were also incorporated including reducing divisional  
19 overlaps and the overall size of the management  
20 complement.

21 Our org design criteria. The  
22 divisional portfolios under the vice-presidents needed  
23 to be re-defined for better balance and considering  
24 our lines of business.

25 For example, the Ernst and Young Report

1 called out that there wasn't a single executive role  
2 accountable for the full claims value chain or claims  
3 performance.

4 Another design principle was to  
5 introduce overlaps and clarify management  
6 accountability; for example, functions like finance  
7 and cost management, corporate training, project  
8 management crossed over multiple divisions.

9 Being top-heavy, we needed to reduce  
10 the overall number of managers and look for  
11 opportunities to decrease management layers. A key  
12 design principle during this reorganization was to  
13 increase the overall spans of control for management  
14 positions, which I will explain in a couple of  
15 moments.

16 Finally, to address employee feedback,  
17 we wanted to increase clarity and roles and  
18 responsibilities and functions across the organization  
19 to improve decision making, autonomy and overall  
20 employee experience.

21 The new organizational structure was  
22 implemented under an updated job structure framework  
23 in April of this year. Job architecture is a  
24 structured framework that defines and aligns roles in  
25 a hierarchy that categorized roles based on a pre-

1 determined criteria.

2                   It is the foundation for consistent job  
3 titling, equitable compensation and supports workforce  
4 planning. Workforce planning is a strategic process  
5 of planning future work needs and defining job  
6 architecture helps identify talent gaps, career paths  
7 and succession planning.

8                   The updated job architecture will  
9 adhere to, as we continue to evolve, our  
10 organizational structure to meet the long-term  
11 strategy and a natural attrition and job changes as  
12 they occur. Next slide, please.

13                   The results. The changes made through  
14 the reorganization helped MPI move forward with a  
15 flatter, more nimble leadership complement that is  
16 empowered to make decisions quickly. We decreased  
17 overall leadership levels, executive, director,  
18 manager and assistant manager roles from approximately  
19 one hundred and seventy-four (174) to one hundred and  
20 forty-two (142) positions.

21                   This returns our management complement  
22 to the level it was in 2021. The changes put in place  
23 this April represent an 18 percent reduction in the  
24 size of our management team.

25                   To flatten the top layers of our

1 organization, we eliminated the senior director layer  
2 from our management structure. Next slide, please.

3 Span of control. Finally, I just  
4 wanted to touch on span of control. Span of control  
5 is the number of direct reports for each leader. On  
6 this slide you -- you can see that the reorganization  
7 shifted our spans of control for assistant managers  
8 through to directors to be wider and more aligned to  
9 market practice.

10 There are still solid business reasons  
11 for a span of control to be narrower for certain  
12 leaders, and those reasons include: building out new  
13 capabilities, specialized roles, complex functions and  
14 as well, succession planning.

15 Overall, you can see that in February  
16 2024, span of control was weighted almost equally  
17 between directors that had two (2) or less, three (3)  
18 to four (4) and five (5) or more direct reports. But  
19 now more than half of MPI's directors sit in the top  
20 category of five (5) or more direct reports.

21 Similarly weighting has shifted from  
22 managers and assistant managers with most leaders in  
23 these roles now having at least four (4) direct  
24 reports and 28 percent having six (6) or more direct  
25 reports.

1 Span of control will continue to be  
2 monitored by the People and Culture division.

3 This review in leadership positions  
4 helps re-enforce MPI as a financially responsible  
5 organization that acts in the best interest of  
6 Manitobans. Thank you and I will now turn the rest of  
7 the presentation over to Dorothy Scott.

8 MS. DOROTHY SCOTT: Good morning. My  
9 name is Dorothy Scott. As just presented, the change  
10 to the organizational structure impacted the number of  
11 management positions filled, as well as the direct  
12 reports working with those positions.

13 It also changed the aggregation of our  
14 teams into different departments in the organization.  
15 I'd like to call for the next slide, please.

16 Given those changes, I'll provide an  
17 overview of the number of full-time equivalent  
18 positions, or FTEs engaged at MPI. This is a summary  
19 of the FTEs by department for each year from fiscal  
20 year ended March 2020 to budgeted year of 2025/'26.

21 As you can see, operations is the  
22 department reporting the most FTEs with teams engaged  
23 in such areas as service centres, and call centres,  
24 and various other areas in the organization, primarily  
25 providing frontline services and touchpoints with

1 Manitobans from policy administration, estimating and  
2 adjusting, as well as the claims processing, to just  
3 name a few.

4           Specialized areas such as adjusting can  
5 involve months, or even years, of development and --  
6 and work in in-house training programs with  
7 experienced team members. As such, the FTE counts can  
8 accumulate naturally with these specialties and the  
9 breadth of services offered by MPI.

10           The next largest department of FTEs is  
11 the Information and Technology Department providing  
12 support and development of obviously tech and digital  
13 solutions at MPI.

14           Included in this group are 67 positions  
15 budgeted for the current fiscal year to support  
16 Project NOVA development and releases. Notably here  
17 are the FTE -- FTEs budgeted at the far right of this  
18 graph in the '25/'26 fiscal year.

19           This reflects the recent organizational  
20 changes. And we see FTEs reported within the claims  
21 department, and also noting that the digital and  
22 transformation team is not presented here.

23           Going forward, we will be seeing our  
24 FTEs reported along these lines with the new  
25 organizational structure in place. Can we have the

1 next slide, please.

2                   Again, looking at FTEs but with a  
3 different lens, we see FTEs budgeted for the current  
4 fiscal year reported by line of business with two-  
5 thirds of the total reporting in the Basic line of  
6 business.

7                   The bar graph illustrates the FTEs  
8 directly aligned to the different lines of business,  
9 and those that are allocated are shared, and then  
10 allocated to lines of businesses. I'll speak to  
11 allocations shortly.

12                   I'll draw attention to the table on the  
13 right side of the screen. It shows that there are  
14 over two thousand (2,000) FTEs engaged in roles across  
15 the departments and lines of business at MPI. As  
16 such, compensation expense related to these two  
17 thousand (2,000) roles represents a significant  
18 portion of the total corporation expenses. May we  
19 have the next slide, please.

20                   Now, moving on to corporate expenses.  
21 And the next slide, please.

22                   Presented here is a ten (10) year  
23 summary of total corporate expenses as submitted in  
24 the General Rate Application. The summary spans six  
25 (6) years of actual expenses and amounts budgeted and

1 forecasted out to -- or to March 31st, 2029.

2           The graph outlines the major expense  
3 categories within corporate expenses. And, as we can  
4 see, compensation expense represents over 50 percent,  
5 approximately closer to 60 percent, of the corporate -  
6 - corporate expenses of each year.

7           Of course, the key drivers of the -- of  
8 the compensation expense are the number of FTEs  
9 engaged and any changes to contractual wage  
10 agreements, including the collective agreement.

11           And, as we know, there was activity on  
12 both fronts over the past twelve (12) months with a  
13 new collective agreement and, as presented earlier,  
14 changes to the organizational structure.

15           And, as we can see, compensation  
16 expense is forecasted to be maintained within the  
17 usual range within corporate expenses, highlighting  
18 the effective management of compensation expense; one  
19 of the key expense items in the organization.

20           The next notable expense category  
21 within this area is data processing. Can we have the  
22 next slide, please.

23           Data processing includes software  
24 licensing costs. And we're seeing these costs  
25 increasing with the movement to cloud-based services

1 and subscriptions.

2                   With this comes a decrease in expenses  
3 related to things like maintaining a data centre and  
4 onsite costs; again, effective planning and management  
5 of costs.

6                   Also included in data processing  
7 expenses are external labour costs incurred to assist  
8 with MPI's tech solutions.

9                   The budgeted expense for the current  
10 fiscal year reflects resources required to support  
11 NOVA releases and the initial phases preparing release  
12 3 of NOVA.

13                   Overall, corporate expenses are  
14 allocated to the lines of business through MPI's cost  
15 allocation methodology. And I'll touch on that now.  
16 Could I have the next slide, please. And the next  
17 slide, again, please.

18                   The cost allocation methodology applied  
19 at MPI was refined with the adoption of the accounting  
20 standard IFRS-17 insurance contracts. The standard  
21 required reporting expenses related to insurance  
22 contracts into categories, namely, acquisition,  
23 maintenance, and operating.

24                   In identifying the expenses related to  
25 insurance activities as opposed to other activities in

1 the organization, the allocation of costs became more  
2 refined as those costs were identified and the  
3 allocation between Basic, Extension, and DVA evolved.

4           The refined allocation is quite similar  
5 to the prior PUB approved methodology that was in  
6 place. It's important to note that the -- the steps  
7 involved are the same, but they're simply applied in  
8 different stages in the process.

9           The end result is very similar. If we  
10 look at the 2025/'26 forecast, for example, the new  
11 methodology results in an additional 4.4 million in  
12 cost allocated to DVA and a 4 million -- and 4 million  
13 less in costs allocated to the Basic line of business.

14           Overall, not a significant change, but  
15 a refinement in reporting, and definitely compliance  
16 with the newly adopted accounting standard, IFRS-17.

17           In conclusion, there have been some  
18 notable initiatives and successes occurring, ranging --  
19 ranging from the implementation of accounting  
20 standards, the refinement of the expense allocation  
21 methodology, and changes to the organizational  
22 structure.

23           We look forward to continue successes  
24 and enhancements to our work at MPI. And I thank you  
25 for your attention today. This concludes the

1 presentation.

2 PANEL CHAIRPERSON: Thank you. Mr.  
3 Guerra...?

4 MR. ANTHONY GUERRA: Thank you. No  
5 further direct.

6 PANEL CHAIRPERSON: Mr. Andres...?

7 MR. TODD ANDRES: Thank you, Madam  
8 Chair.

9

10 CROSS-EXAMINATION BY MR. TODD ANDRES:

11 MR. TODD ANDRES: Good morning. I'm  
12 Todd Andres. I'm one of the lawyers for the Public  
13 Utilities Board. I do have questions for you, and I  
14 will address them to the Panel.

15 And, again, as Mr. -- pardon me -- Dr.  
16 Christle has indicated, if you could introduce  
17 yourselves by name, and then answer the question, that  
18 would be most helpful for the transcript.

19 So, if we can pull up PF-1. It's in  
20 the book of documents at tab 5. So, we'll go through  
21 some of the major line items here. This is the  
22 statement of operations, yes? Nods are good, but a  
23 "yes" on the record is preferred.

24 MR. RYAN KOLASKI: Ryan Kolaski.  
25 Correct.

1 MR. TODD ANDRES: Thank you. And if  
2 we look at line 6 labelled 'insurance review'. This  
3 is made up of motor vehicle premiums, driver premiums,  
4 and service fees, correct?

5

6 (BRIEF PAUSE)

7

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. And  
10 looking at motor vehicle premiums, if we go to REV,  
11 line 2 -- pardon me -- figure REV 3.

12

13 (BRIEF PAUSE)

14

15 MR. TODD ANDRES: So, line 2 reflects  
16 the change in the number of vehicles registered in the  
17 Basic line of business that are subject to the Highway  
18 Traffic Act, so excluding things like trailers and  
19 ATVS. Is that correct?

20 MR. RYAN KOLASKI: That is correct,  
21 yeah.

22 MR. TODD ANDRES: Thank you. And the  
23 volume change of 1.77 percent in 2023/'24, 1.35  
24 percent per year, 2024/'25 to 2026/'27, and then 1.36  
25 thereafter, correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Thank you. And this  
3 represents the growth rate in Basic earned vehicle  
4 units over a given insurance year; yes?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. If we  
7 now turn to figure REV 7. All right.

8 And this represents an increase from  
9 the 2024 GRA assumption of .86 per annum, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. And it's  
12 because actual growth for 2023/2024 was higher than  
13 forecasted, correct?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Thank you. And  
16 again, if we go back to Figure REV-3, and looking at  
17 line 3, this is HTA upgrading and other changes.

18 Do you see that?

19 MR. RYAN KOLASKI: Yes.

20 MR. TODD ANDRES: And this deals with  
21 drivers who are upgrading or buying I guess more  
22 valuable vehicles, correct?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: Or receiving a  
25 change in their DSR, their Driver Safety Rating,

1 correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. And it  
4 shows here an increase of 2.43 percent in 2024/2025,  
5 yes?

6 MR. RYAN KOLASKI: Yes.

7 MR. TODD ANDRES: And then again for  
8 2025/'26, we see an increase of three point one two  
9 (3.12)?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: And then in the next  
12 year, 2026/'27, we see two point three seven (2.37)?

13 MR. RYAN KOLASKI: Correct.

14 MR. TODD ANDRES: And in 2027 --  
15 pardon me, '26/'27, we see -- pardon me, '27/'28, we  
16 see two point two eight (2.28), yes?

17 MR. RYAN KOLASKI: Yes.

18 MR. TODD ANDRES: And then two point  
19 four five (2.45) for the 2028/2029 year; yes?

20 MR. RYAN KOLASKI: Correct.

21 MR. TODD ANDRES: And the upgrade  
22 changes are a combination I think we've established of  
23 vehicle upgrade and DSR rating changes?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And vehicle upgrade

1 measures, the change in the distribution of the  
2 vehicle population such as change in average vehicle  
3 rate group, correct?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: Thank you. And  
6 you'll agree that this hovers around the 2.3 to 2.4  
7 percent, with the exception, of course, of the  
8 2025/2026 year, correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: And that was due to  
11 the introduction of rate group 41?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. And then  
14 if we move along to line 4 -- this is the rate change  
15 -- we see a decrease of 3.79 percent for 2023/2024?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And then another  
18 decrease in 2024/2025, correct?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: Followed by a  
21 proposed six point five (6.5) -- pardon me, 6.15  
22 percent rate increase in 2025/2026, correct?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: And the proposed  
25 overall rate increase was reduced to 3 percent with

1 supporting documents filed in the July 18th update,  
2 correct?

3 MR. RYAN KOLASKI: Just one (1)  
4 second.

5

6 (BRIEF PAUSE)

7

8 MR. RYAN KOLASKI: That's correct.

9 MR. TODD ANDRES: Thank you. And this  
10 did not change in the October update, correct?

11 MR. RYAN KOLASKI: No.

12 MR. TODD ANDRES: Thank you. And the  
13 written premiums are reduced by the total fleet  
14 rebates of between 19 million and \$22 million per  
15 year, correct?

16 MR. RYAN KOLASKI: That is correct.

17 MR. TODD ANDRES: Thank you. More --  
18 more fleets received rebates than surcharges based on  
19 their claims experience, correct?

20 MR. RYAN KOLASKI: That is correct.

21 MR. TODD ANDRES: Thank you. And  
22 also, I guess line 15, this is anti-theft and other  
23 charges, it's also reduced by the anti-theft discounts  
24 of under \$1 million per year, correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: And just to explain,  
2 this was the forty dollars (\$40) per vehicle provided  
3 to vehicle owners who installed theft deterrent  
4 systems, yes?

5 MR. RYAN KOLASKI: That is correct.

6 MR. TODD ANDRES: Thank you. And it  
7 was discontinued in -- pardon me -- 2019/2020, but  
8 customers who enrolled prior to this time continue to  
9 receive the discount, yes?

10 MR. RYAN KOLASKI: That is correct.

11 MR. TODD ANDRES: And that results in  
12 total vehicle premiums of \$1.246 billion for the  
13 2025/2026 year, yes?

14 MR. RYAN KOLASKI: Yes.

15 MR. TODD ANDRES: Thank you. Now,  
16 policies renew throughout each fiscal year are -- and  
17 are in effect for twelve (12) months, correct?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: And some premiums  
20 are, therefore, earned in the following fiscal year,  
21 yes?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: And that results in  
24 the premiums earned, as shown in line 20, of 1.18  
25 (AUDIO CUTS OUT) for 2025/2026 and 1.27 billion for

1 the 2026/2027 year, correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. If we  
4 can move to Figure REV-18. Now, looking at the driver  
5 premium forecast, it shows the -- this figure, you'll  
6 agree with me -- this is Figure REV-18 -- that shows  
7 the written and earned driver premium forecast,  
8 correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: And that's about \$10  
11 million more than the rate of increase shown across --  
12 oh, pardon me. There -- there is a jump -- sorry,  
13 thank you -- that's evident from going from the  
14 2024/2025 year to the 2025/'26 year, yes?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: And you'll see, if  
17 we look at it, we have 60.577 million in 2024/2025,  
18 72.13 million in 2025/2026, yes?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: So, \$10 million more  
21 than your average rate of increase across that table,  
22 correct?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: Thank you. And the  
25 proposed ten dollar (\$10) per driver increases the

1 cause of this larger increase in '25/'26, yes?

2 MR. RYAN KOLASKI: That is correct.

3 MR. TODD ANDRES: Thank you. Now if  
4 we can move to Figure REV-34. Now, this shows the  
5 breakdown of the service fee -- the Basic service fee  
6 -- forecast, yes?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: And within insurance  
9 revenue, the vast majority we'll see is in finance  
10 plans, correct?

11 MR. RYAN KOLASKI: Correct.

12 MR. TODD ANDRES: And that depends on  
13 the prime rate, correct?

14 MR. RYAN KOLASKI: It's prime plus two  
15 (2), I believe.

16 MR. TODD ANDRES: Prime plus two (2),  
17 but prime is factored in; yes?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. Ms.  
20 Schubert, if we can go to PF-1 in the book of  
21 documents, tab 5.

22 Line 3 shows revenue from premiums,  
23 correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And this is made up

1 of vehicle-earned premiums and the driver-earned  
2 premiums, correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: And this version of  
5 the statement of operations is based on the original  
6 6.15 percent, yes?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: Along with the ten  
9 dollar (\$10) driver premium change, correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. Now, if  
12 we go to MPI Exhibit 33, Figure 1, you'll agree that,  
13 notwithstanding that it doesn't have PF-1 written on  
14 it, this is an update to PF-1, correct?

15 MR. RYAN KOLASKI: That is correct.

16 MR. TODD ANDRES: Thank you. And line  
17 4 is again revenue from premiums, but from the October  
18 update, yes?

19 MR. RYAN KOLASKI: Correct.

20 MR. TODD ANDRES: And this exhibit  
21 reflects the revised proposal for a 3 percent rate  
22 increase and ten dollar (\$10) driver premium; yes?

23 MR. RYAN KOLASKI: Correct.

24 MR. TODD ANDRES: Thank you. Now, in  
25 line 6, we see other insurance revenue, yes?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And that reflects  
3 the service fees that are considered insurance  
4 revenue, correct?

5 MR. RYAN KOLASKI: Correct.

6 MR. TODD ANDRES: Thank you. And line  
7 7 -- sorry, that was other insurance revenue, just to  
8 be clear. And then line 7 is insurance revenue.

9 The two (2) test years of let's say  
10 2025/'26 and 2026/'27, we have 1.26 billion and 1.334  
11 billion, respectively; yes?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Now, in terms of the  
14 October update generally, can you explain, with  
15 reference to the documents, how the lower Manitoba CPI  
16 inflation forecast has been incorporated into the  
17 October update?

18

19 (BRIEF PAUSE)

20

21 MS. CHERITY OSTAPOWICH: For the  
22 future -- sorry. Cherity Ostapowich. So, the future  
23 inflation is incorporated into the claims incurred.  
24 We apply it to future cash flows.

25 MR. TODD ANDRES: And can MPI quantify

1 -- and this is an undertaking most likely -- can MPI  
2 quantify the impact of the change in the inflation  
3 forecast.

4                   Again, if we pull up -- I apologize,  
5 Ms. Schubert. I didn't give you advance warning of  
6 this -- MPI Exhibit 37.

7

8                   (BRIEF PAUSE)

9

10                   MR. TODD ANDRES: Right. So again, I  
11 don't need an answer right now, but with reference to  
12 this document in particular, wondering if -- if MPI  
13 can quantify the impact of the change in the inflation  
14 forecast on the October update by creating an  
15 alternative October upper date in which the inflation  
16 forecast is left unchanged from the 2025 GRA?

17                   MS. CHERITY OSTAPOWICH: Yes, that can  
18 be done.

19                   MR. TODD ANDRES: Thank you, so that's  
20 an undertaking.

21                   MR. ANTHONY GUERRA: We just want to  
22 confirm the undertaking for the record for our  
23 regulatory affairs team.

24                   MR. TODD ANDRES: Excuse me. Sure, so  
25 with reference to Exhibit 37, just as a starting

1 point, can MPI quantify the impact of the change in  
2 the inflation forecast on the October update by  
3 creating an alternative October update, in which the  
4 inflation forecast is left unchanged from the 2025  
5 GRA.

6 MR. ANTHONY GUERRA: Yes, counsel,  
7 we'll give the undertaking.

8 MR. TODD ANDRES: Thank you, Mr.  
9 Guerra.

10

11 --- UNDERTAKING NO. 9: MPI to quantify the impact of  
12 the change in the inflation  
13 forecast, on the October update,  
14 by creating an alternative October  
15 update in which the inflation  
16 forecast is left unchanged from  
17 the 2025 GRA.

18

19 CONTINUED BY MR. TODD ANDRES:

20 MR. TODD ANDRES: If we go to the  
21 October update again, this is MPI Exhibit 33, figure  
22 1. Now this is looking at the issue of insurance  
23 service expense, which is line 13, this is made up of  
24 incurred claims, maintenance expense, acquisition  
25 expense, commission expense, and premium tax.

1 Correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. And  
4 insured -- pardon me, incurred claims are based on the  
5 forecasted claims. We'll discuss that, hopefully,  
6 Thursday if we get to that. Yes?

7 MR. RYAN KOLASKI: Yes.

8 MR. TODD ANDRES: Thank you. And  
9 maintenance expenses were previously referred to as  
10 unallocated loss adjustment expenses or ULAE.

11 Correct?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. Now the  
14 unpaid claims reserves used 18 percent ULAE ratio  
15 throughout the forecast period. Correct?

16 MS. CARA LOW: Yes, they do.

17 MR. TODD ANDRES: Thank you. Ms.  
18 Schubert, if we can pull up IR PUB/MPI-1-13.

19 Right. If we look at the preamble, it  
20 says 'Part 7 rate indication appendix 3, table 3,  
21 shows a claims expense ratio based on forecasted paid  
22 claims, expensive -- pardon me, expense relative to  
23 forecasted paid claims of 14.19 percent for 2025/'26  
24 through to 12.41 for 2028/'29.

25 And the question in this IR was: How

1 much net income would occur if the forecast claims  
2 expense ratio is realized relative to the carried ULAE  
3 reserve?

4                   And the response was that during the  
5 March 2024 valuation, the unpaid ULAE ratio was set  
6 based on a two (2) year volume weighted average of  
7 fiscal year paid ULAE to paid loss, extending this  
8 selection into the forecast years, based on forecasted  
9 paid claims and paid claims expense results in the  
10 following projected unpaid ULAE ratios.

11                   So, if we're looking at figure 1, those  
12 are 15.37 percent, down in 2024/2025, to 12.61 percent  
13 for 2024 -- pardon me through to 2028/2029. Correct?

14                   MS. CARA LOW: Cara Low. That is  
15 correct.

16                   MR. TODD ANDRES: And then if we flip  
17 forward to figure 2, impact net income. If these are  
18 applied to the liabilities for incurred claims, there  
19 would be an additional net income of 28.3 million for  
20 '24/'25, 17.58 million for '25/'26, 2.5 million, or  
21 thereabouts, for '26/'27, 9.95 million for 2027/'28  
22 and 8.7 million or thereabouts for 2028 and '29.

23                   Correct?

24                   MS. CARA LOW: Correct.

25                   MR. TODD ANDRES: And this is, again

1 subject to check, accumulative total of \$67 million,  
2 yes?

3 MS. CARA LOW: Subject to check, but,  
4 yeah, that looks reasonable.

5 MR. TODD ANDRES: Thank you. So, if  
6 we go back to Exhibit 33, which is again the October  
7 update, figure 1, line 10.

8 Now, acquisition expenses are internal  
9 costs arising from selling, underwriting and starting  
10 insurance contracts that are directly attributable to  
11 policies. Is that correct?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. And  
14 commission expenses are amounts paid to brokers for  
15 selling Basic insurance products. Yes?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And these include  
18 variable commissions and fixed fees. Yes?

19 MR. RYAN KOLASKI: Yes.

20 MR. TODD ANDRES: And this is expensed  
21 as policies are written. Yes?

22 MR. RYAN KOLASKI: That is correct.

23 MR. TODD ANDRES: Thank you. Premium  
24 tax is also expensed as policies are written.

25 Correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Thank you. And the  
3 total for insurance service expenses is 1.223 billion  
4 in '25 and '26. Yes?

5 MR. RYAN KOLASKI: Yes.

6 MR. TODD ANDRES: And 1.283 billion in  
7 '26/'27. Correct?

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. Moving  
10 on to re-insurance. Earned re-insurance premiums are  
11 -- that are paid are shown in line 15. Correct?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: And those are rising  
14 from the 16 million we see in '23/'24 to the 23  
15 million we see in '28/'29. Correct?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And the recovered  
18 claim from the insurance contracts line represents  
19 hail losses that are covered by the Catastrophe  
20 Program. Correct?

21 MR. RYAN KOLASKI: Correct.

22 MR. TODD ANDRES: Thank you.

23 MS. CARA LOW: Sorry, from the  
24 Catastrophe Program.

25 MR. TODD ANDRES: Yes.

1 MS. CARA LOW: Yeah. Okay.

2 MR. TODD ANDRES: So now dealing with  
3 the lines below line 18, so below net investment  
4 income.

5 Net investment income is earned on  
6 three (3) different portfolios of assets that support  
7 Basic claims liabilities, Rate Stabilization Reserve  
8 and employee -- employee future benefits, such as the  
9 Pension Plan. Correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. And  
12 under IFRS, sorry, International Financial Reporting  
13 Standard 17, which we will call IFRS-17, insurance  
14 contracts, the finance income or expense from  
15 insurance contracts is positive is -- if it's  
16 considered income and negative if it's considered an  
17 expense. Correct?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. And this  
20 income or expense depends on the yield curve selected  
21 for the purpose of discounting claims liabilities and  
22 the amount of outstanding claims liabilities.

23 Correct?

24 MR. RYAN KOLASKI: So that line's a  
25 combination of two (2) things. It's a combination of

1 unwinding and then it's a change in your yield curve.

2                   So, the answer to your first question  
3 is, yes, but there's also another component in that  
4 line.

5                   MR. TODD ANDRES:   Thank you.  Now if  
6 interest rates decrease during the year, then this  
7 amount becomes a -- a larger negative number.

8                   Correct?

9                   MS. CHERITY OSTAPOWICH:   So, there are  
10 two (2) components there, right.  So, there's the  
11 unwinding and then there's the change in the yield.  
12 So, the change in the yield, if the yield curve goes  
13 down that's going to have an increasing in fact.

14                   MR. TODD ANDRES:   So, yes.

15                   MS. CHERITY OSTAPOWICH:   Yes.

16                   MR. TODD ANDRES:   Thank you.  And --  
17 and, again, subject to your explanation, if they  
18 increase during the year, the amount gets to be a  
19 smaller negative number.  Correct?

20                   MS. CHERITY OSTAPOWICH:   Correct.

21                   MR. TODD ANDRES:   Thank you.  And this  
22 amount has been excluded from the incurred claims  
23 shown in insurance service expenses under this  
24 accounting standards.  Correct?

25                   MS. CHERITY OSTAPOWICH:   Correct.

1 MR. TODD ANDRES: And this differs  
2 from the old accounting standard. Correct?

3 MS. CHERITY OSTAPOWICH: Correct.

4 MR. TODD ANDRES: Thank you. And  
5 there are some service fees and other income that are  
6 considered other revenue. Correct?

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: Some commission  
9 expenses are also considered non-policy. Correct?

10 MR. RYAN KOLASKI: Correct.

11 MR. TODD ANDRES: Thank you. And  
12 operating expenses are also separated out from the  
13 insurance service results shown in line 26?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: Net income or loss  
16 from operations is shown in line 29.

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And if we look at  
19 that we have negative -36.5 million in 2025/'26 and  
20 then a negative 22 -- pardon me, 22 million in '26 and  
21 '27. Correct?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: And after removing  
24 initiative expenses, the net income or loss for rate  
25 setting purposes is shown in line 31. Correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: And this is a  
3 negative -18 million in '25/'26. Yes?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: And negative -9.7  
6 million in '26/'27.

7 MR. RYAN KOLASKI: Correct.

8 MR. TODD ANDRES: And then in the  
9 October update, the cause of the forecasted loss in  
10 each of these two (2) years, is the 3 percent proposed  
11 rate increase. Correct?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. And had  
14 the proposed rate increase been six point seven seven  
15 (6.77) which we know is the new AAP rate, the  
16 additional revenue would result in a profit being  
17 shown. Correct?

18 MR. RYAN KOLASKI: I believe so, yes.  
19 Correct.

20 MR. TODD ANDRES: Thank you. Madam  
21 Chair, I know we're at 12:10 now and I do have a  
22 number of pages before it's a very good break spot,  
23 but this is a reasonably good breaking spot for me if  
24 -- if you wish to break now for lunch.

25 PANEL CHAIRPERSON: Thank you, Mr.

1 Andres. We will break for lunch now. I'd like to be  
2 back by one o'clock, if possible, however, subject to  
3 the discussions amongst counsel with regard to the  
4 potential for hearing that motion.

5 MR. TODD ANDRES: Thank you, Madam  
6 Chair.

7 PANEL CHAIRPERSON: Thank you.

8

9 --- Upon recessing at 12:10 p.m.

10 --- Upon resuming at 12:58 p.m.

11

12 PANEL CHAIRPERSON: Good afternoon.

13 Mr. Andres...?

14

15 CONTINUED BY MR. TODD ANDRES:

16 MR. TODD ANDRES: Thank you, Madam  
17 Chair. Ms. Schubert, if we can pull up -- oh, I think  
18 we have it here. This is Exhibit 33, October update?  
19 Yeah, that's the one. If we can move forward to  
20 figure 3, statement of changes in equity, 3 percent  
21 Basic rate change.

22 The net income or loss from operations  
23 is shown in the previous figure on line 29 if we  
24 scroll down a bit there.

25 MR. RYAN KOLASKI: No.

1 MR. TODD ANDRES: Oh, pardon me.  
2 Pardon me. Yeah, the previous figure was figure 1.  
3 Sorry, I'll just take you back there for just a  
4 second. My apologies.

5 So, line 29, net income or loss, the  
6 middle column is the negative 36,553 number. If  
7 someone can acknowledge that they have that number.

8 MR. RYAN KOLASKI: Right.

9 MR. TODD ANDRES: Thank you. Then if  
10 we flip forward to figure 3, we see that number  
11 transported into this table at line 9, middle column,  
12 under 2025/'26, the 36,553 number again.

13 You see that?

14 MR. RYAN KOLASKI: Correct.

15 MR. TODD ANDRES: And that's the same  
16 number?

17 MR. RYAN KOLASKI: Yes.

18 MR. TODD ANDRES: Thank you. And then  
19 down at the bottom of the figure is the Minimum  
20 Capital Test, or MCT ratio. You see that --

21 MR. RYAN KOLASKI: Correct.

22 MR. TODD ANDRES: -- on line 25? And  
23 based on the Manitoba Public Insurance Act, the target  
24 MCT ratio for Basic is 100 percent, correct?

25 MR. RYAN KOLASKI: Correct.

1 MR. TODD ANDRES: Thank you. And the  
2 Corporation is currently forecasting being at or above  
3 100 percent for 2024/'25 through 2027/'28, correct?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: Thank you. And in  
6 order to achieve this, it requires substantial  
7 transfers from Extension in each year, correct?

8 MR. RYAN KOLASKI: Correct.

9 MR. TODD ANDRES: Thank you. And  
10 those are shown in line 11, and they range from --  
11 well, sorry, I'll get an acknowledgement.

12 They appear on line 11, yeah?

13 MR. RYAN KOLASKI: Yeah, that is  
14 correct.

15 MR. TODD ANDRES: Thank you. And they  
16 range from 30.5 million in '24/'25 all the way up to,  
17 I guess, nearly 84 million in '28/'29, yes?

18 MR. RYAN KOLASKI: Correct. Bless  
19 you.

20 MR. TODD ANDRES: I'm not sure if I  
21 heard a "yes" before the "bless you."

22 MR. RYAN KOLASKI: Yes, correct.

23 MR. TODD ANDRES: Thank you. And, you  
24 know, rough math subject to check. If we add these  
25 numbers up from '24/'25 all the way through to

1 '28/'29, it's about 290 million; yes?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. And if  
4 we move to PUB IR 1-125. If we scroll down to figure  
5 1, please, Ms. Schubert. Right.

6

7 (BRIEF PAUSE)

8

9 MR. TODD ANDRES: Sorry. So, we're  
10 looking at figure 1 in MPI 1-125. Figure 1 shows the  
11 projected underwriting margin and net income for the  
12 Extension line of business presented over the 2023/'24  
13 to 2028/'29 period.

14 You see that?

15 MR. RYAN KOLASKI: I do, yes.

16 MR. TODD ANDRES: And if these  
17 transfers do not occur or occur in smaller amounts,  
18 then a capital build may be required if MPI is to meet  
19 its 100 percent MCT ratio, correct?

20 MS. CARA LOW: Cara Low speaking.

21 When we look at our pro forma 1, there is no future  
22 rate changes in there for the Basic line of business,  
23 and that's been the way it's always been handled.

24 So, in the future there could be future  
25 rate changes in there, as well. So, we don't know

1 what's going to happen in the future. It could come  
2 from Extension pricing. It could come from Basic rate  
3 changes because we do know our loss trend is higher  
4 than our vehicle upgraded trend.

5

6 (BRIEF PAUSE)

7

8 MR. TODD ANDRES: Right. And just to  
9 clarify though, that's -- that's true for the '26,  
10 '27, and thereafter. But if we're looking at the  
11 current period starting '24/'25, the numbers as  
12 they're indicated are correct, yes?

13 MS. CARA LOW: For the '24/'25 year.

14 MR. TODD ANDRES: And --

15 MS. CARA LOW: We are still confirming  
16 the '25/'26 Extension rate change. The 2 percent was  
17 a placeholder, and it would be a very reasonable  
18 estimate, but we're still finalizing our '25/'26  
19 Extension rate change.

20 MR. TODD ANDRES: Yeah, but regardless  
21 of that, transfers from Extension to Basic will be  
22 required throughout, yes?

23 MS. CARA LOW: It will depend. The --

24 MR. TODD ANDRES: '24/'25 and '25/'26.

25 MS. CARA LOW: The Basic is a

1 breakeven. We price for breakeven. And so, it is a  
2 stand-alone line of business.

3 MR. TODD ANDRES: Right. Right, but -  
4 - but in this year, 3 percent is being requested  
5 rather than the breakeven of 6. Thank you.

6 MS. CARA LOW: Correct.

7 MR. TODD ANDRES: And so, if we look  
8 at document PUB IR 227. Scroll down to figure 1,  
9 please, Ms. Schubert. Thank you.

10 And if you look at line 2. And that's  
11 in response. And I guess we can actually look at the  
12 question that's -- that's asked there. Question B is  
13 the one.

14 "Please provide an alternate PF-1,  
15 PF-2, PF-3, and EPF-1 and EPF-3  
16 assuming no transfers from Extension  
17 to Basic over the forecast period  
18 based on the proposed 3 percent  
19 increase and assuming no capital  
20 build provision."

21 So, now if we go back down to the  
22 figure 1. And so, looking at this document, there's  
23 the middle section under "MCT percentage Basic." And  
24 if no transfers are made from Basic to Extension, then  
25 in the 2027/'28 year Basic's MCT is at 58.4 percent,

1 correct?

2 MS. CARA LOW: Assuming there -- there  
3 is no rate action into the future period.

4 MR. TODD ANDRES: Thank you. But the  
5 answer is "yes" --

6 MS. CARA LOW: Then, yes.

7 MR. TODD ANDRES: -- for that  
8 contingency? Thank you. And so, if no rate transfers  
9 from Extension occurred, then a capital build  
10 provision of 6.8 percent would be required for Basic,  
11 yes?

12 MS. CARA LOW: It would depend on the  
13 AAP and the rate change -- or the rate ask in the  
14 future years for Basic.

15 MR. TODD ANDRES: But in line 3 this  
16 is what it indicates, correct?

17 MS. CARA LOW: In this exhibit, yes.

18 MR. TODD ANDRES: Thank you. And this  
19 is higher than the previous -- or I guess the current  
20 Capital Management Plan which had a cap of 5 percent,  
21 correct?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And I  
24 don't mean -- I don't need to take you there, but  
25 subject to check, over the course of the last number

1 of years there have been a series of rate decreases,  
2 correct?

3 MS. CARA LOW: Five (5) years of rate  
4 decreases.

5 MR. TODD ANDRES: And in total, that  
6 would add up to, you know, roughly 15 percent over the  
7 course of five (5) years or so? Pardon me, 15 percent  
8 over five (5) years, yes, over 15 percent?

9 MS. CARA LOW: Would be over 15  
10 percent, correct.

11 MR. TODD ANDRES: Thank you. Ms.  
12 Schubert, can you pull up MPI -- pardon me -- PUB/MPI  
13 IR 134. Thank you.

14 And so, if we look at figure 1, this is  
15 the ten (10) year summary of total corporate operating  
16 expenses with compound annual growth rate, yes?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And just confirm  
19 that the overall growth rate for the three (3) year  
20 period, including the current and two (2) test years  
21 of '24/'25 to '26/'27 is 3.1 percent overall growth.

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: That's in line 26,  
24 second last column, and I can take you there if you  
25 wish. But last year the compound growth rate for that

1 same period was lower, at 2.8 percent, yes?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. And is  
4 this the result of higher compensation and data  
5 processing expenses than were forecast last year?

6 MR. RYAN KOLASKI: That would  
7 definitely be part of it, yes.

8 MR. TODD ANDRES: Okay. Sorry. And  
9 if we can go back to -- oh, we're already there -- IR  
10 1-34. Line 6 is compensation.

11 MPI is forecasting compensation to grow  
12 at a 5.11 percent rate during this three (3) year  
13 period?

14 MR. RYAN KOLASKI: That is correct.

15 MR. TODD ANDRES: And again, I can  
16 take you there if you'd like, but can you confirm that  
17 last year MPI forecasted moderate growth in  
18 compensation expenses for the 2024 GRA, and that would  
19 have been 2.72 percent?

20 MR. RYAN KOLASKI: That is correct.

21 MR. TODD ANDRES: Thank you. Can you  
22 explain the disparity between the two (2)?

23 MR. RYAN KOLASKI: Part of that is the  
24 union contract. The CBA was ratified and completed.  
25 So, now, in the '25 GRA what you're seeing is that

1 contract being flowed through in the compensation  
2 line.

3 MR. TODD ANDRES: Thank you. And, Ms.  
4 Schubert, could you please pull up 1-35; that's  
5 PUB/MPI 1-35. Thank you.

6 And if we look at figure 1. If you'll  
7 -- if you look at this, you'll agree with me the  
8 majority of data processing expenses can be attributed  
9 to licence charges, external labour, and I guess data  
10 management?

11 MR. RYAN KOLASKI: That is correct,  
12 yes.

13 MR. TODD ANDRES: Thank you. And  
14 could you please undertake to extend these tables out  
15 to -- all the way forward to '28/'29?

16 MR. RYAN KOLASKI: Sure. Anything  
17 specific? Just say "yes?"

18 MR. STEVE SCARFONE: We can make that  
19 undertaking.

20

21 --- UNDERTAKING NO. 10: MPI to extend tables  
22 forward to 2028/2029

23

24 MR. TODD ANDRES: Thank you, Mr.  
25 Scarfone.

1 MR. STEVE SCARFONE: Sorry. I thought  
2 Anthony had that one.

3

4 CONTINUED BY MR. TODD ANDRES:

5 MR. TODD ANDRES: And if we scroll  
6 down to Figure 2, again, there's reference to licence  
7 charges on this.

8 Does the Corporation plan on making  
9 additional cloud computing arrangements that are not  
10 currently forecast?

11 MR. RYAN KOLASKI: So, the Corporation  
12 is moving and migrating from an on-premise  
13 SolutionRight and the IBM data centre to cloud  
14 services overall.

15 So currently, our forecast  
16 (INDISCERNIBLE) our current forecasting plan on the  
17 migration. Specific details on that, I would refer  
18 you to the IT panel of next week.

19 MR. TODD ANDRES: Thank you for that.  
20 What services is MPI retaining with IBM in 2025/'26  
21 and beyond?

22

23 (BRIEF PAUSE)

24

25 MR. RYAN KOLASKI: That relates to the

1 Kindle (phonetic) contract to maintain our on-premise  
2 solution for our software.

3 MR. TODD ANDRES: And are you able to  
4 explain -- are you able to tell me what the term is  
5 for that contract?

6 MR. RYAN KOLASKI: Do we the maturity  
7 date on it? We don't have that date handy.

8 MR. TODD ANDRES: That's fine. Thank  
9 you. Ms. Schubert, if you can pull up Part 8 EXP,  
10 Appendix 5-1. Thank you.

11 Now, if we look at line 7 -- this is  
12 again with data processing expenditures -- that's what  
13 we're seeing, and this is for normal operations,  
14 correct?

15 MR. RYAN KOLASKI: That is correct.

16 MR. TODD ANDRES: Thank you. And data  
17 processing expenses were 23.3 million in 2019 to 2020,  
18 and then increased to 47.3 million in the '23/'24  
19 actual year, correct?

20 MR. RYAN KOLASKI: That is correct.

21 MR. TODD ANDRES: Can you explain why  
22 the figure's doubled over the course of the four (4)  
23 years?

24 MR. RYAN KOLASKI: Sure. It's in part  
25 due to NOVA and it's in part due to the initiatives

1 that we have specifically. So, what you have is you  
2 have a legacy program, and then, as we're building out  
3 new capabilities, we're adding on new software.

4 And a large portion, as we saw in the  
5 previous table, is related to external labour. So  
6 external labour is also a large component of driving  
7 out the initiative spend and completing the NOVA  
8 project, amongst our other migrations for legacy  
9 systems that we have.

10 MR. TODD ANDRES: Thank you. And so,  
11 would it be fair to say then, looking into the future,  
12 the lines 24, 25, and beyond, the new normal that the  
13 Corporation is anticipating for data processing costs  
14 is around 41 to 44 million?

15 MR. RYAN KOLASKI: That is our current  
16 forecast. You'll also find that there's an IR related  
17 to a roadmap related to our IT technical debt. The  
18 estimate that's in there is approximately \$11 million  
19 per year.

20 So, as we build out that roadmap -- and  
21 you'll get more of that next week at the IT panel --  
22 it will kind of show how NOVA is replacing a large  
23 portion of our technical debt and allowing us to  
24 change out and become more modern.

25 But at the same time, we have a number

1 of systems, approximately five hundred and sixteen  
2 (516) applications, that have to go through a similar  
3 process. So, you have to balance and manage your  
4 technical debt with how fast and modern you want to  
5 be. But today, the current forecast is presented on  
6 that line 7, yes.

7

8

(BRIEF PAUSE)

9

10 MR. TODD ANDRES: Do you anticipate  
11 that other systems are to be moved to the cloud then,  
12 like --

13 MR. RYAN KOLASKI: Yeah. There's a  
14 general migration overall to move to cloud services in  
15 general as it relates to software. It's a slow  
16 migration. It depends on the application and it  
17 depends on the nature of the applications that are  
18 connected to that application and how that would work.

19 More specifically, I'd defer that to  
20 Roy Hart (phonetic) next week as to how that ecosystem  
21 works, but, conceptually, we are moving more and more  
22 to a SAS-based environment which is licensing costs  
23 and ongoing operations versus a capital and then  
24 amortization type program which has been historically  
25 the norm.

1 MR. TODD ANDRES: And SAS is  
2 (INDISCERNIBLE) software service?

3 MR. RYAN KOLASKI: Software, yes.

4 MR. TODD ANDRES: Thank you. And will  
5 that -- do you anticipate that resulting in higher  
6 licensing costs?

7 MR. RYAN KOLASKI: It's going to be a  
8 balance licensing costs versus what is our current  
9 cost for amortization, right? So, it's a bit of a  
10 balance overall, and so it's really specific on that  
11 roadmap, mapping out what that future cost is going to  
12 look like from a replenishment basis.

13 MR. TODD ANDRES: Thank you. Ms.  
14 Schubert, if you could please turn to PUB/MPI-IR-2-  
15 48(a), Figure 1. Thank you, Ms. Schubert.

16 So, line 7 references initiative  
17 implementation expenses. Do you see that?

18 MR. RYAN KOLASKI: I do, yes.

19 MR. TODD ANDRES: And these relate to  
20 data processing expenses for improvement initiatives,  
21 correct?

22 MR. RYAN KOLASKI: That is correct.

23 MR. TODD ANDRES: Thank you. And do  
24 you anticipate these being one (1) time costs related  
25 to putting in place the new system?

1

2

(BRIEF PAUSE)

3

4

MR. RYAN KOLASKI: That is correct.

5

So, the initiatives run through that line, and then,

6

when you're completed, they move over to line 6, which

7

is normal operating expenses.

8

MR. TODD ANDRES: Thank you. And the

9

initiative being primarily Project NOVA, correct?

10

MR. RYAN KOLASKI: That is correct.

11

MR. TODD ANDRES: Thank you. Subject

12

to check, MPI is forecasting to spend around \$208.9

13

million in initiative implementation expenses for the

14

years '23/'24 to '28/'29.

15

That's essentially adding up the middle

16

column of each section in line 7.

17

MR. RYAN KOLASKI: Correct.

18

MR. TODD ANDRES: Thank you. And then

19

if we look at line 21, it appears -- again, subject to

20

check -- that Basic's share of the initiative

21

implementation is about 85.7 million, subject to

22

check?

23

MR. RYAN KOLASKI: Correct.

24

MR. TODD ANDRES: Thank you. And as

25

you will recall, the PUB directed MPI to defer the

1 initiative costs related to Basic, yes?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. Ms.

4 Schubert, if you can pull up EXP, Appendix 23, and

5 this is Figure EXP, Appendix 23-1. And if we scroll

6 down to the bottom, the column that says -- actually,

7 scroll back up to the top if you would, please, Ms.

8 Schubert; thank you -- 'Total Implementation Expenses

9 Deferred'. And then at the bottom, the number is

10 fifty-seven point seven eight two (57.782).

11 And I'm just wondering, Mr. Kolaski,

12 can you explain the difference, or the reason for the

13 difference, between the eighty-five point seven (85.7)

14 that we totalled up just a moment ago on the previous

15 figure, and the fifty-nine point seven (59.7) that's

16 been deferred?

17 And I'm told that I misstated the

18 number. I -- I stated fifty-seven. It's fifty-nine

19 point seven eight two (59.782). My apologies.

20

21 (BRIEF PAUSE)

22

23 MR. STEVE SCARFONE: Mr. Andres, we're

24 going to request that that response be provided by way

25 of undertaking, if that's okay.

1 MR. TODD ANDRES: That would be fine.  
2 Thank you, Mr. Scarfone.

3 MR. STEVE SCARFONE: Thank you.

4  
5 --- UNDERTAKING NO. 11: MPI to explain the reason for  
6 the difference between the eighty-  
7 five point seven (85.7) that we  
8 totalled up just a moment ago on the  
9 previous figure, and the fifty-nine  
10 point seven (59.7) that's been  
11 deferred

12

13 CONTINUED BY MR. TODD ANDRES:

14 MR. TODD ANDRES: Ms. Schubert, can  
15 you pull up Part 8 Expenses, Figure EXP-5. That's on  
16 page 15.

17

18 (BRIEF PAUSE)

19

20 MR. TODD ANDRES: There we are. This  
21 schedule provides the total corporate operating  
22 expenses, six (6) year summary of corporate total  
23 expenses, correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And I'll just

1 confirm that the schedule provides that total  
2 corporate expenditures in -- in line 2 as it relates  
3 to salaries, correct?

4 MR. RYAN KOLASKI: Just for salaries  
5 and no benefits, yes.

6 MR. TODD ANDRES: Thank you.

7

8 (BRIEF PAUSE)

9

10 MR. TODD ANDRES: And my apologies for  
11 jumping around. Ms. Schubert, could you put up part 8  
12 EXP Appendix 24 please. Right.

13 And, Mr. Kolaski, just confirm on the  
14 record that MPI engaged in MPI -- pardon me, engaged  
15 KPMG to review the reasonableness of its existing  
16 integrated cost allocation methodology. Correct?

17 MR. RYAN KOLASKI: Correct.

18 MR. TODD ANDRES: And, just in broad  
19 strokes, KPMG deemed MPI's current cost allocation  
20 framework appropriate. Correct?

21 MR. RYAN KOLASKI: Correct.

22 MR. TODD ANDRES: They did not  
23 recommend any changes to the cost allocation  
24 methodology. Correct?

25 MR. RYAN KOLASKI: They did not, no.

1 MR. TODD ANDRES: Although they did  
2 recommend a number of process changes to improve the  
3 governance and admin -- administration of ICAM.

4 Correct?

5 MR. RYAN KOLASKI: Correct. They  
6 recommended stronger governance, documentation and  
7 also automation.

8 MR. TODD ANDRES: Thank you. Now, Ms.  
9 Schubert, if you could kindly pull up EXP-36. And I  
10 believe this was an IR. Oh, sorry. You know what,  
11 Ms. Schubert, my apologies, can you pull up IR-  
12 MPI/PUB-1-87? And scroll down to question 'D' please.

13 And so, the question reads:

14 "Please provide figure EXP-32 from  
15 the 2024 GRA, detail all changes  
16 made to the ICAM to result in the  
17 new cost allocation flowchart;  
18 provide all working papers and  
19 analysis to support each of the  
20 proposed changes to the PUB approved  
21 methodology."

22 Yes?

23 MR. RYAN KOLASKI: Yes.

24 MR. TODD ANDRES: And so, if we scroll  
25 down to 'D', the response. This is the flowchart.

1 Correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. And then  
4 if we pull up, now figure EXP-32 from the 2024 GRA and  
5 if we do a side-by-side comparison of the two (2).

6 And I believe there may have been something very  
7 similar to this in the presentation this morning.

8 Can you please describe the alterations  
9 that MPI made subsequently to the methodology pursuant  
10 to the flow chart?

11 MR. RYAN KOLASKI: Well, the one  
12 that's -- just so I'm clear, so the one on the left is  
13 the previous '24 GRA?

14 MR. TODD ANDRES: The one on the left  
15 is the 2024 GRA. Correct. I'm sorry, you know what  
16 if --

17 MR. RYAN KOLASKI: So, the flow chart  
18 says the same, 'cause I think what you want is the --

19 MR. TODD ANDRES: Methodology, yes.

20 MR. RYAN KOLASKI: -- revised MPI  
21 flowchart, sorry?

22 MR. TODD ANDRES: Correct.

23 MR. RYAN KOLASKI: Sure. Yeah, so  
24 effectively level -- so we went from levels of 'A'  
25 through 'D' in the old Deloitte stock unit, under the

1 ICAM and we switched to -- we don't call them levels  
2 in IR, we call them steps, so we have a five (5) step  
3 process.

4                   So, it's effectively the same  
5 methodology with a difference in cadence on the steps,  
6 simply to drive out requirement related to financial  
7 reporting under IFRS-17 to break out the allocation of  
8 operating, acquisition and maintenance cost.

9                   So effectively, the starting point is  
10 the same. You take your normal costs in total and  
11 then you break them out into what is directly  
12 identifiable to the direct lines of business.

13                   Those then flow directly into the lines  
14 of business. Then they're subject to an allocation.  
15 So, in the old flow chart, level 'A' is now Step 3 and  
16 in the current flow chart the first two (2) steps are  
17 a purification of employee benefits and facilities  
18 costs prior to the allocation.

19                   Then the allocation goes to the  
20 different lines of business being insurance and non-  
21 insurance. That is driven largely by the Wacker  
22 (phonetic) calculation and then, finally, it drops  
23 down into the various insurance lines of business with  
24 the same allocation being the claims incurred  
25 allocator.

1 MR. TODD ANDRES: Thank you. And can  
2 you confirm whether KPMG reviewed the alterations to  
3 methodology?

4 MR. RYAN KOLASKI: So, KPMG reviewed  
5 our -- what I'll call the IFRS-17 ICAM or the new  
6 ICAM. They reviewed that. They were provided the old  
7 ICAM, along with all the documents that were provided  
8 to E&Y ,as well as all the documents from the PUB.

9 So, they did have the old methodology  
10 along with the schematic. My understanding is they  
11 reviewed specifically mechanically our current ICAM  
12 and how we allocated costs.

13 MR. TODD ANDRES: Thank you. And I  
14 believe it was -- was it slide 5 of the presentation  
15 this morning that had the side-by-side.

16 MR. RYAN KOLASKI: Correct, yeah.

17 MR. TODD ANDRES: Ms. Schubert, I  
18 apologize for doing that to you, but if you'd be able  
19 to grab slide 5 of the presentation, that would be  
20 helpful. Pardon me, and by 5 I meant 15.

21 MR. RYAN KOLASKI: Yeah, that's the  
22 one. Yeah.

23 MR. TODD ANDRES: Thank you. And so  
24 here we see on the right-hand side and this is much  
25 more helpful for the 2025/'26 the new methodology with

1 the compressed number of steps. Correct?

2 MR. RYAN KOLASKI: Correct.

3 MR. TODD ANDRES: Thank you. And it  
4 is the new methodology on the right-hand side of this  
5 screen, that KPMG did -- has not yet reviewed, is that  
6 fair to say?

7 MR. RYAN KOLASKI: No, the new  
8 methodology is what KPMG reviewed --

9 MR. TODD ANDRES: That is what they  
10 reviewed.

11 MR. RYAN KOLASKI: -- and that's what  
12 their report refers to, yes.

13 MR. TODD ANDRES: And so, it appears  
14 that the dollar amounts assigned to the line of  
15 business -- lines of business are the same. Correct?

16 MR. RYAN KOLASKI: Correct. Although  
17 the dollar amounts are the same, one of the  
18 differences was a service center study done. So, it  
19 relates to the work effort specifically related to  
20 employees and what was the nature of work being  
21 undertaken.

22 So that nature of that did two (2)  
23 things, one, it helped us identify acquisition,  
24 maintenance and operating costs for IFRS-17. The  
25 other thing it did was it actually ensured that the

1 work effort related to that line of business was  
2 allocated.

3 So, what happened through that process  
4 is, the DVA line of the business, received \$4 million  
5 more in costs in general and the other lines of  
6 business benefitted from it, specifically Basic.

7 Under the old ICAM it was based off of  
8 FTEs, not work effort so we did a bifurcation process  
9 in which we looked at -- there was I think  
10 approximately four hundred and eighteen (418) staff  
11 and then we said these are related to insurance and  
12 non-insurance and used that as a percentage to  
13 allocate the cost.

14 So, it's a little more granular and a  
15 little more complete under the new methodology, but  
16 very much in line with the PUB approved formula for  
17 cost/causation.

18 MR. TODD ANDRES: Thank you. And --  
19 and I will have some further questions for you about  
20 the FTEs verses --

21 MR. RYAN KOLASKI: Sure.

22 MR. TODD ANDRES: -- percentage in a  
23 moment, but for now, Ms. Schubert, could you pull up  
24 slide number -- or I guess it's IR 2-47 PUB IR.

25 Thank you. And if we scroll down to

1 figure number 1.

2

3 (BRIEF PAUSE)

4

5 MR. TODD ANDRES: And this is -- my  
6 apologies, go back up to question 'b' and the question  
7 was to provide a report or an analysis that can  
8 explain the new allocation shown in the second part  
9 of the table.

10 And so, if we scroll down -- there are  
11 a couple of different tables. Right. So, figure 1  
12 and then scroll down to the next part of the table,  
13 next page. Line 10.

14 Are you able to provide an analysis  
15 that will explain the new allocation shown in this  
16 second half of the table? And I believe that's what  
17 you were referencing when you were saying there's a  
18 difference between the percentages versus FTEs.

19 MR. RYAN KOLASKI: Yeah, that's what I  
20 was referencing. One moment.

21

22 (BRIEF PAUSE)

23

24 MR. RYAN KOLASKI: Specifically, what  
25 -- what analysis would you like?

1 MR. TODD ANDRES: The service study  
2 report that was just completed.

3 MR. RYAN KOLASKI: I believe we've  
4 provided those actually.

5 MR. STEVE SCARFONE: Just one moment.  
6 We think they may have been provided.

7 MR. TODD ANDRES: Thank you.

8

9 (BRIEF PAUSE)

10

11 MR. RYAN KOLASKI: Sorry, could you  
12 pull up 247(a).

13 MR. TODD ANDRES: So, if we scroll up,  
14 Ms. Schubert, just slightly. A little bit further.

15 MR. RYAN KOLASKI: All right.

16 MR. TODD ANDRES: It would be the top  
17 of the page. Service -- yeah, PUB 1-088. See, my  
18 apologies. Thank you, Mr. Kolaski.

19 So, moving on. Ms. Schubert, if you  
20 can pull up appendix -- EXP appendix 12, figure EXP  
21 appendix 12-1.

22 Line 3 is the vacancy allowance,  
23 correct?

24 MR. RYAN KOLASKI: Correct.

25 MR. TODD ANDRES: And the vacancy

1 allowance is larger than usual in the 2023/'24 column,  
2 correct?

3 MR. RYAN KOLASKI: Correct.

4 MR. TODD ANDRES: And that was in part  
5 due to the labour disruption, yes?

6 MR. RYAN KOLASKI: Correct. Like,  
7 that is the actual vacancy amount, yeah.

8 MR. TODD ANDRES: Thank you. And the  
9 increase in compensation in the 2024/2025 year is  
10 distorted by virtue of the later -- labour disruption,  
11 correct?

12 MR. RYAN KOLASKI: Correct.

13 MR. TODD ANDRES: Thank you. And if  
14 we scroll down -- or if we pull up PUB/MPI 1-45,  
15 figure 2.

16 This shows the normalized compensation,  
17 removing the impact to the labour disruption, correct?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: And so, when  
20 normalized with the strike, payroll increases by 12.8  
21 million, or 8.74 percent, yes?

22 MR. RYAN KOLASKI: Yes.

23 MR. TODD ANDRES: And then a further  
24 12.8 million, or 8.07 percent, in 2024/2025, yes?

25 MR. RYAN KOLASKI: Yes.

1 MR. TODD ANDRES: And I note that the  
2 schedule we looked at previously had some additional  
3 details. I'm wondering if we can get this updated to  
4 include initiative over time and benefits as was done  
5 in appendix 12 -- EXP appendix 12-1.

6 MR. STEVE SCARFONE: Yes, we can  
7 update that by way of undertaking, Ms. Andres.

8  
9 --- UNDERTAKING NO. 12: MPI to update the previous  
10 schedule to include initiative over  
11 time and benefits as was done in EXP  
12 appendix 12-1.

13

14 CONTINUED BY MR. TODD ANDRES:

15 MR. TODD ANDRES: Thank you, Ms.  
16 Scarfone. Ms. Schubert, if you can pull up PUB/MPI IR  
17 1-45, figure 2.

18 And when we compare lines 12 and 13 of  
19 this document, the increases for out-of-scope  
20 employees is greater than those for in-scope  
21 employees, correct?

22 MR. RYAN KOLASKI: Correct.

23 MR. TODD ANDRES: Thank you. And  
24 roughly how many -- what's the number of FTEs that are  
25 for out-of-scope employees for MPI?

1 MR. RYAN KOLASKI: Just over four  
2 hundred (400). I think it's four hundred and four  
3 (404).

4 MR. TODD ANDRES: And roughly how many  
5 in-scope FTEs within MPI?

6 MR. RYAN KOLASKI: Approximately  
7 sixteen hundred (1,600).

8 MR. TODD ANDRES: Thank you. And how  
9 did MPI decide on the level of salary increases to be  
10 received by out-of-scope employees in the forecast?

11 MR. RYAN KOLASKI: It's aligned with  
12 the raises that are done with the CBA, collective  
13 bargaining agreement.

14 MR. TODD ANDRES: Thank you for that.  
15 So, just so I understand, the out-of-scope employees  
16 received compensation increases that reflect the  
17 increases negotiated in the collective agreement,  
18 correct?

19

20 (BRIEF PAUSE)

21

22 MR. RYAN KOLASKI: Could you repeat  
23 your question. Sorry.

24 MR. TODD ANDRES: I think I was trying  
25 to restate what you had said --

1 MR. RYAN KOLASKI: Sure.

2 MR. TODD ANDRES: -- which is that  
3 out-of-scope employees -- I believe what you're  
4 saying, the compensation being received by out-of-  
5 scope employees -- the increases to compensation being  
6 received by out-of-scope employees reflects the  
7 percentage increases that were received by in scope  
8 employees.

9 MR. RYAN KOLASKI: That is generally  
10 true as the starting point. And then based on  
11 compensation for those roles, sometimes the  
12 compensation is a little different. It's based on job  
13 architecture in some regards, but the starting point  
14 is the CBA.

15 MR. TODD ANDRES: Thank you. Ms.  
16 Schubert, could you please pull up CAC/MPI IR 1-3.  
17 Actually, you know what, we'll skip that one. Can you  
18 go to MPI Exhibit 44, please. And I apologize for  
19 springing this on you, Ms. Schubert. This is the  
20 presentation from this morning. If we turn to slide  
21 9.

22 I -- I do note that in the budget for  
23 2025/'26 there does not appear to be any digital  
24 transformation staff indicated there, correct?

25 MR. RYAN KOLASKI: That is correct.

1 After the restructuring it does not appear.

2 MR. TODD ANDRES: Are you able to  
3 undertake to provide a detailed staff budget for that  
4 year?

5

6 (BRIEF PAUSE)

7

8 MR. STEVE SCARFONE: Yeah, we can  
9 provide that by way of undertaking, Mr. Andres.

10

11 --- UNDERTAKING NO. 13: To provide a detailed staff  
12 budget for 2025/'26

13

14 MR. TODD ANDRES: Thank you. Ms.  
15 Schubert, could you please pull up CAC IR 2-19. Very  
16 few questions for you here. If we scroll down a bit.  
17 Carry on. There we are.

18 And I see that the various departments  
19 are broken out across the top axis. So, we have  
20 actuarial investments and risk, legal and compliance  
21 and the next, customer in the next.

22 The finance group had an increase -- if  
23 I'm reading this correctly, total increase of 7.9 FTE.

24 Is that correct?

25 MR. RYAN KOLASKI: That is correct.

1 MR. TODD ANDRES: People and culture  
2 is up by 8.2 FTE, also correct?

3 MR. RYAN KOLASKI: That is correct.

4 MR. TODD ANDRES: Whereas executive is  
5 down by 2.7 FTE, correct?

6 MR. RYAN KOLASKI: That is correct.

7 MR. TODD ANDRES: And that's a total  
8 of 9 FTE for executive, correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: Is the Corporation's  
11 executive complement expected to remain at that level?

12 MR. RYAN KOLASKI: Yes.

13 MR. TODD ANDRES: Thank you. And I  
14 note that operations was up by I think it was 71 --  
15 pardon me -- plus 71 FTE -- yeah, 71.7 FTE?

16 MR. RYAN KOLASKI: Correct.

17 MR. TODD ANDRES: And was that to  
18 address the backlog?

19

20 (BRIEF PAUSE)

21

22 MR. RYAN KOLASKI: So, primarily the  
23 answer is yes. There's also -- as we did the reorg  
24 and realigned the records, right, the 2024/'25 budget  
25 shifted accordingly, so some staff have moved into

1 operations.

2                   The other piece is, related to  
3 operations, because of the churn rate on frontend  
4 staff, we've actually moved to overstaffing to ensure  
5 we have a proper staffing compliment. So, that's why  
6 there's a little bit of a shift there, as well.

7                   But effectively, yes, to your answer.

8                   MR. TODD ANDRES: And, sir, can you  
9 just clarify what you mean by "frontend staff"?

10                   MR. RYAN KOLASKI: Frontend staff on  
11 the admin -- not administration. Adjusting,  
12 estimating because of the churn in those specific  
13 departments.

14                   MR. TODD ANDRES: Thank you for that.  
15 I note that digital transformation is up seventeen  
16 point one (17.1) FTE.

17                   Can you explain the increase of  
18 seventeen (17) FTE for digital transformation?

19

20                   (BRIEF PAUSE)

21

22                   MR. STEVE SCARFONE: Mr. Andres, with  
23 respect to the variance in digital transformation,  
24 we're going to provide that response by undertaking.

25                   MR. TODD ANDRES: Thank you. And I

1 guess the same for the additional twenty-one (21)  
2 under the IT heading.

3 MR. STEVE SCARFONE: We'll include  
4 that with the response.

5 MR. TODD ANDRES: Thank you, Mr.  
6 Scarfone.

7

8 --- UNDERTAKING NO. 14: MPI to provide information  
9 with respect to the variance in  
10 digital transformation and IT

11

12 CONTINUED BY MR. TODD ANDRES:

13 MR. TODD ANDRES: And are you able to  
14 provide a revised staffing level compared to budget  
15 and the dollar implications as an undertaking?

16

17 (BRIEF PAUSE)

18

19 MR. RYAN KOLASKI: So, you just want a  
20 dollar estimate, so like let's use the example of the  
21 seventeen point one (17.1). You just want a cost out  
22 of that?

23 MR. TODD ANDRES: Yes, please. Thank  
24 you.

25 MR. RYAN KOLASKI: Sure.

1

2

(BRIEF PAUSE)

3

4

5

6

7

8

9

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

MR. RYAN KOLASKI: So just a point of clarification for the undertaking. So, because we're looking at '22/'23 actuals, right, and we're looking at a '24/'25 budget, right, the actual amount would be net of vacancies, whereas the budget would be our gross amount before a vacancy provision.

So, do you want me to normalize the '22/'23, or do you want me to adjust '24/'24 (sic) down?

MR. TODD ANDRES: If you can adjust for the vacancies based on actual vacancies, please.

MR. RYAN KOLASKI: Okay.

MR. TODD ANDRES: Thank you.

MR. RYAN KOLASKI: So, we'll adjust the '22/'23 down.

MR. TODD ANDRES: Thank you, Mr. Kolaski. Just a point of clarification as well, and perhaps --

MR. STEVE SCARFONE: Just before we -- just --

MR. TODD ANDRES: Oh.

MR. STEVE SCARFONE: -- sorry, Mr.

1 Andres. Just for the record, can we -- that -- that -  
2 - I know it's going to be difficult. Can -- can we  
3 read that particular undertaking into the record --

4 MR. TODD ANDRES: Sure.

5 MR. STEVE SCARFONE: -- and then we'll  
6 confirm it.

7 MR. TODD ANDRES: So, provide -- let  
8 me write it down before I do that, if we can just take  
9 thirty (30) seconds.

10 MR. STEVE SCARFONE: Absolutely. Or  
11 you can -- you know, we can table that and -- and just  
12 get back to us at the end of your cross.

13 MR. TODD ANDRES: That's a better  
14 idea. Thank you, Mr. Scarfone. We'll return to that.

15

16 --- UNDERTAKING NO. 15: MPI to update the 2024  
17 detailed staff budget and  
18 compensation analysis reflecting the  
19 new budget numbers and the updated  
20 vacancy allowance based on September  
21 30th.

22

23 CONTINUED BY MR. TODD ANDRES:

24 MR. TODD ANDRES: And -- and perhaps  
25 when we come back to that -- or perhaps we can ask the

1 question.

2 Now, what is the distinction between IT  
3 staff and digital transformation staff?

4 MR. RYAN KOLASKI: The digital  
5 transformation staff was set up to deal with the large  
6 transformation project and specific initiatives.

7 The I -- information and technology  
8 staff represents our legacy system and building out  
9 NOVA and that -- and those specific projects.

10 Subsequent to this, as we went through  
11 the reorg as part of moving to the multi-year Strategy  
12 Plan, the digital and transformation department,  
13 right, was then collapsed into the Information,  
14 Technology, and Product Services Division.

15 So, it's been rebranded, but again  
16 that's part of the reorganization multi-year Strategy  
17 Plan. But effectively, it was two (2) different  
18 streams. One was NOVA day-to-day business and one was  
19 transformation and modernization for a larger  
20 transformation stood up by previous leadership.

21 MR. TODD ANDRES: And the larger  
22 transformation being the digital transformation?

23 MR. RYAN KOLASKI: Correct, yeah.

24 MR. TODD ANDRES: Thank you. And I --  
25 I don't know if we need to pull up the exhibit, but

1 you'll agree that, overall, the number of external  
2 consultants is lower in this year's Rate Application  
3 than it was contemplated last year, correct?

4 MR. RYAN KOLASKI: That is correct,  
5 yeah.

6 MR. TODD ANDRES: And how did MPI  
7 determine that it needed fewer consultants to deliver  
8 its IT activities and improvement initiatives?

9 MR. RYAN KOLASKI: So, we go through a  
10 process of forecasting each one of our projects and  
11 initiatives and then whether or not we will require  
12 external resources to assist us on that  
13 transformation.

14 So, it's effectively by project that  
15 that's worked out, and then that budget is what rolls  
16 up. Specifically, it's done within the information  
17 and technology group.

18 MR. TODD ANDRES: Thank you. And, Ms.  
19 Schubert, if you can pull up PUB IR-145, please. If  
20 we can scroll down to Figure 5, it'd be helpful.  
21 Thank you.

22 So, the vacancy assumed in the two (2)  
23 test years here is based on seventy-two point four  
24 eight (72.48) FTE and a vacancy allowance of \$6  
25 million, correct?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Thank you. And if  
3 we scroll down to Figure 6, we see that, as of the  
4 30th of June of '24, vacant positions were ninety-one  
5 point o five (91.05) FTE, correct?

6 MR. RYAN KOLASKI: Correct.

7 MR. TODD ANDRES: If the higher level  
8 of vacancies were carried through the two (2) test  
9 years, that would be 7.9 million vacancy allowance for  
10 2025/2026 and 8.4 million in 2026/2027, correct?

11 MR. RYAN KOLASKI: Correct. One of  
12 the challenges, though, when you use point-in-time  
13 estimates to carry forward, right, means you're going  
14 to get some variations 'cause throughout the year the  
15 vacancy will move up or down.

16 And specifically for this current year,  
17 we're actually moving to overstaffing certain roles in  
18 order to ensure the churn comes back down, both from a  
19 retention perspective and from a service level  
20 perspective.

21 MR. TODD ANDRES: Thank you for that.  
22 Are you able to provide an update as of the end of  
23 September of the current number of vacant positions,  
24 as well as the vacancy allowance on that basis, and  
25 compare with what has been included in the

1 compensation forecast?

2 MR. RYAN KOLASKI: Yeah, we can take  
3 that.

4 MR. STEVE SCARFONE: We'll make that  
5 undertaking.

6 MR. TODD ANDRES: Thank you, Mr.  
7 Scarfone.

8

9 --- UNDERTAKING NO. 16: MPI to provide an update as  
10 at the end of September of  
11 the current number of  
12 vacant positions, as well  
13 as the vacancy allowance  
14 on that basis, and compare  
15 with what has been  
16 included in the  
17 compensation forecast

18

19 CONTINUED BY MR. TODD ANDRES:

20 MR. TODD ANDRES: Ms. Schubert, could  
21 you please pull up PUB IR-154?

22

23 (BRIEF PAUSE)

24

25 MR. TODD ANDRES: Now, in last year's

1 Rate Application it was anticipated that online  
2 transactions would be available in the 2024/'25 year,  
3 correct?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: And based on the new  
6 schedule -- and I don't know if we need to go to it --  
7 but MPI expects online transactions to be available in  
8 2027/'28, correct?

9 MR. RYAN KOLASKI: Correct.

10 MR. TODD ANDRES: Thank you. And if  
11 we scroll down to page 4 of 5 -- thank you, Ms.  
12 Schubert -- and look in line 7, if we add up the total  
13 broker commissions to be paid, looks like we have 42.2  
14 million higher than last year, correct?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: And understood,  
17 Extension is the majority of that increase, yes?

18 MR. RYAN KOLASKI: Correct.

19 MR. TODD ANDRES: Thank you. And if  
20 we go to figure 2, scroll down a little further,  
21 there's a third table and it shows the difference  
22 between 2025 GRA and 2024 GRA.

23 So, to drive this one home, if we add  
24 up the figures in line 3, that's Extension, this adds  
25 up to a \$35.8 million increase, yes?

1 MR. RYAN KOLASKI: Correct.

2 MR. TODD ANDRES: Thank you. Again,  
3 relating to Extension, yes?

4 MR. RYAN KOLASKI: Correct.

5 MR. TODD ANDRES: Thank you. Ms.  
6 Schubert, could you please pull up PUB IR-111.

7 The preamble of this as you'll see is  
8 in the 2024 GRA part 9, PF Appendix 1A, the estimated  
9 risk adjustment at the ninetieth (90th) percentile for  
10 Basic was \$194,871,000 million as of 31 March '22.

11 And the response, (INDISCERNIBLE)  
12 indicated that the final risk adjustment struck at the  
13 ninetieth (90th) percentile for Basic and that was at  
14 \$92,625,000. Correct?

15 MR. RYAN KOLASKI: Correct.

16 MR. TODD ANDRES: Thank you. And that  
17 was of March 31, 2022. Yes?

18 MS. CHERITY OSTAPOWICH: Cherity,  
19 correct.

20 MR. TODD ANDRES: Thank you. Part C  
21 asked if, and I apologize if -- can you scroll back up  
22 to the question.

23 Please explain why the risk adjustment  
24 is approximately half of the level estimated in the  
25 2024 GRA. Please include quantitative analysis as

1 part of the explanation and then the response provided  
2 at C, if we scroll back down, thank you, in the 2024  
3 GRA IFRS figures were still being reviewed, had not  
4 been finalized and were subject to change.

5                   During the 2024 GRA, MPI was still  
6 working through IFRS-17 Risk Adjustment Calculations.  
7 Calculations were initially performed externally and  
8 as MPI set up internal calculations, a parallel review  
9 was completed. Upon the parallel review it was  
10 discovered that the analysis needed to be amended and  
11 subsequently the risk adjustments decreased materially  
12 as a result.

13                   You'll agree that notwithstanding the  
14 last portion of the question in Section C which was  
15 'please include a quantitative analysis', no  
16 quantitative analysis was provided. Correct?

17                   MS. CHERITY OSTAPOWICH: Correct.

18                   MR. TODD ANDRES: Thank you. Can you  
19 explain the differences between the initial external  
20 calculations and the amended internal calculations?  
21 And as a part of this, and you can do this by way of  
22 undertaking if you wish, as a part of this we are  
23 looking for the data used for each calculation, the  
24 model used to develop the percentiles for the reserves  
25 for each of the two (2) calculations and any key

1 differences in assumptions between the external and  
2 internal calculations.

3 MR. STEVE SCARFONE: If agreeable,  
4 that's almost certainly going to be an undertaking.

5 MR. RYAN KOLASKI: We would be  
6 astonished if it was not.

7

8 (BRIEF PAUSE)

9

10 MR. ANTHONY GUERRA: So, it's a little  
11 complicated. What I'm going to do is I'm going ask  
12 Cherity to review the -- the documents that would be  
13 produced by way of the undertaking and who owns those  
14 documents, because there's a third party here that --  
15 that isn't a part of this undertaking.

16 So, Cherity, can you help us understand  
17 what documents would be produced to answer that  
18 undertaking?

19

20 (BRIEF PAUSE)

21

22 MS. CHERITY OSTAPOWICH: Okay. So, we  
23 will provide the model output from the original model,  
24 and then the model output from the being -- the risk  
25 adjustments being done again, and then a bridging

1 analysis.

2

3 CONTINUED BY MR. TODD ANDRES:

4 MR. TODD ANDRES: So, do -- does that  
5 include the assumptions and the data that were used?  
6 What we're -- what we're trying to establish is a  
7 degree of comfort that the decrease of a hundred  
8 million dollars is appropriate.

9

10 (BRIEF PAUSE)

11

12 MS. CHERITY OSTAPOWICH: Yes, we  
13 should be able to provide the assumptions that went  
14 into the model.

15 MR. TODD ANDRES: Sorry, and the data,  
16 just to be clear?

17 MR. RYAN KOLASKI: Yeah. Yeah.

18 MS. CHERITY OSTAPOWICH: Yes.

19 MR. TODD ANDRES: Sure. Thank you.

20 All right. Very good. Thank you.

21 MR. ANTHONY GUERRA: The only proviso

22 I would say, we don't think this is the case.

23 However, if we go through the material and it -- and

24 it does appear that there is information there that is

25 proprietary to Deloitte, we would have to confirm with

1 Deloitte before we are able to produce that.

2 We will as part of the undertaking  
3 though make the inquiry of Deloitte, and hopefully  
4 it's a nonissue, but I -- I just want to flag that.

5 MR. TODD ANDRES: That's understood.  
6 Yeah. Thank you for that clarification.

7

8 --- UNDERTAKING NO. 17: MPI to explain the differences  
9 between the initial external  
10 calculations and the amended  
11 internal calculations. Looking for  
12 the data used for each calculation,  
13 the model used to develop the  
14 percentiles for the reserves for  
15 each of the two (2) calculations, as  
16 well as any key differences in  
17 assumptions between the external and  
18 internal calculations

19

20 CONTINUED BY MR. TODD ANDRES:

21 MR. TODD ANDRES: Ms. Schubert -- and,  
22 again, I'm throwing things at you with the fly -- or  
23 on the fly. If you could please pull up in the GRA  
24 SFR appendix 1, the 2023 annual report. And then  
25 scroll forward to page 77 of 94.

1                   And, you know, we have it on the  
2 screen, but I don't know that it's necessary to dig  
3 into it. But you'll agree with me that, according to  
4 your external auditor, pursuant to IFRS-17, insurance  
5 contracts, the risks related to an insurance contract  
6 for Basic and Extension cannot be separated, correct?

7                   MR. RYAN KOLASKI: For providing an  
8 opinion, yes, correct.

9                   MR. TODD ANDRES: Okay. Thank you,  
10 and that they represent the same risk, yes?

11                   MS. DOROTHY SCOTT: Dorothy Scott.  
12 The different lines of business would have different  
13 lines of -- levels of risk associated with them, but  
14 they are associated with the same contract. The unit  
15 of account is the -- the insurance contract, but it  
16 can have different product lines within the one  
17 contract.

18                   MR. TODD ANDRES: Thank you. And --  
19 and so, just to confirm though again, the external  
20 auditor will not provide an audit opinion for Basic  
21 alone, correct?

22                   MS. DOROTHY SCOTT: Correct, because  
23 under -- under IFRS-17, the unit of account is the  
24 insurance contract that does not have just one (1)  
25 line of business on it; it has -- it can have multiple

1 lines of business on it. Therefore, the audit opinion  
2 cannot attest to the material, the numbers, being  
3 compliant with IFRS-17.

4 MR. TODD ANDRES: Understood. Thank  
5 you. And then MPI has provided separate financial  
6 information for Basic in an unaudited note, correct?

7 MS. DOROTHY SCOTT: Correct. The  
8 information has been calculated and provided in the  
9 note, but it is not audited.

10 MR. TODD ANDRES: Thank you. And no  
11 audited financial statement for Basic has been  
12 provided again because of the limitations of IFRS 17,  
13 correct?

14 MS. DOROTHY SCOTT: Correct.

15 MR. TODD ANDRES: Thank you. Is the  
16 financial forecast for Basic in accordance with IFRS  
17 17?

18 MS. DOROTHY SCOTT: A forecast is not  
19 auditable. So, the -- again, the mechanics of the  
20 calculation in order to provide some reporting for the  
21 forecast was provided using logic that could be  
22 applied to the individual line of business, but it  
23 cannot be audited.

24

25

(BRIEF PAUSE)

1

2 MR. TODD ANDRES: Ms. Schubert, can we  
3 go back to MPI Exhibit 31, please. This is the EY  
4 report. Sorry, one of the EY reports, not the EY  
5 report. This is the EY report on Manitoba Public  
6 Insurance Corporation Automobile Insurance Division  
7 univers -- pardon me -- universal compulsory  
8 automobile insurance 2024 Financial Condition Testing  
9 report dated September of 2024.

10 And then if we scroll down, just  
11 looking at the report, they use a base scenario in the  
12 report, correct?

13 MS. CARA LOW: Correct.

14 MR. TODD ANDRES: And can you confirm  
15 that the MCT base scenario used in this report is  
16 consistent with the July update to the 2025 GRA having  
17 a 3 percent rate change, plus 10 percent increase in  
18 driver premium, plus maximum rate group increase to  
19 2020 -- pardon me -- to 41, plus an additional 2  
20 percent per year increase in Extension rates?

21 MS. CARA LOW: The July 18th filing  
22 was what was used for the base scenario for the FCT.

23 MR. TODD ANDRES: Thank you for that.  
24 And with regard to interest rates, the base scenario  
25 assumes that investment yield is 4.8 percent -- 4. --

1 well, I'll take you to the page.

2                   So, if you -- if we look, Ms. Schubert,  
3 at page 21 of 134. Scroll. Here we are, right in the  
4 middle.

5                   Sorry, so for 2024/'25 the investment  
6 yield is 4.8 percent, 4.73 percent for '25/'26, 4.78  
7 percent for '26/'27, 4.81 percent for 2027 and 2028,  
8 and then 4.84 for '28/'29, correct?

9                   MS. CARA LOW: I see that, yes.

10

11                   (BRIEF PAUSE)

12

13                   MR. TODD ANDRES: And then toward the  
14 bottom of the table, the average discount rate for  
15 LIC. And, again, the percentages listed there are  
16 3.35, 3.28, 3.26, 3.23, and 3.19 respectively for the  
17 years listed above, correct?

18                   MS. CARA LOW: Correct.

19                   MR. TODD ANDRES: Thank you. And can  
20 you tell me why there is this substantial difference  
21 between the investment yield and the discount rate and  
22 why is the discount rate substantially lower than July  
23 update?

24

25                   (BRIEF PAUSE)

1

2 MS. CARA LOW: The discount rate at  
3 the bottom of the page; that would be for discounting  
4 your liabilities. So, that's connected to the Basic  
5 claims portfolio where the insure -- the investment  
6 return would include RSR and part of the EFB  
7 portfolio.

8 MR. TODD ANDRES: But it is much lower  
9 than in the July update, correct?

10 MS. CARA LOW: Compared to the new  
11 money yield for pricing?

12 MR. TODD ANDRES: No, the claims  
13 discount rate.

14 MS. CARA LOW: One minute, please.

15

16 (BRIEF PAUSE)

17

18 MS. CARA LOW: Yes, it is lower.

19 MR. TODD ANDRES: Thank you for that.  
20 And again, do you know why that is?

21 MS. CARA LOW: We would have to take  
22 that away and talk to the external actuary. It's  
23 their model.

24 MR. TODD ANDRES: Thank you. If I can  
25 get that by way of undertaking, please.

1 MR. STEVE SCARFONE: Yes, again with  
2 the proviso that we can't, of course, commit to the  
3 external actuary providing that before the end of the  
4 hearing, but we will make that inquire.

5 MR. TODD ANDRES: To the extent that  
6 it's in -- within your control. Yeah.

7 MR. STEVE SCARFONE: Yes.

8 MR. TODD ANDRES: Thank you, Ms.  
9 Scarfone.

10 MR. STEVE SCARFONE: Yes.

11

12 --- UNDERTAKING NO. 18: To provide why the discount  
13 rate is lower compared to the new  
14 money rate

15

16 CONTINUED BY MR. TODD ANDRES:

17 MR. TODD ANDRES: Ms. Schubert, if you  
18 can take us to page 17 of this document now, section  
19 5.4, under the third bullet.

20 The FCT refers to the proposed CMP and  
21 indicates that it is the basis of the minimum capital  
22 ratio of 38 percent that is used by the appointed  
23 actuary as one of their criteria as to whether the  
24 Corporation has a satisfactory future financial  
25 condition, correct?

1 MS. CARA LOW: Correct.

2 MR. TODD ANDRES: Thank you. Confirm,  
3 and I think we already know this, the proposed CMP is  
4 likely the same previously proposed CMP that was  
5 advanced --

6 MS. CARA LOW: Correct. The FCT  
7 assumes that that CMP is in place.

8 MR. TODD ANDRES: Thank you. Ms.  
9 Schubert, if you can pull up the excerpts from the  
10 transcript from October 16, 2023, pages 1235 and 1236.

11

12 (BRIEF PAUSE)

13

14 MR. TODD ANDRES: And continue to  
15 scroll down, Mr. Schubert. So, starting at line 22,  
16 Ms. McCandless asked you:

17 "With an adverse event occurring in  
18 2024/'25, which would likely make it  
19 too late for a rate increase to be  
20 requested in an October hearing in  
21 2024, the earliest -- "

22 Scroll down, Ms. Schubert. Thank you:

23 " -- that rates could be increased  
24 subject to some other process would  
25 be October hear -- the October

1 hearing in 2025. Is that right?"

2 Ms. Low, you responded, "That would be  
3 true." And then the next question:

4 "And so, the premiums, the written  
5 premiums, would only start to  
6 increase in the 2026/2027 year then,  
7 right?"

8 And your response, Ms. Low, is, "That  
9 would be true."

10 Do you see that?

11 MS. CARA LOW: I do see that.

12 MR. TODD ANDRES: Thank you. Ms.

13 Schubert, if we can go back to Exhibit 31, page 18.

14 And of course, by page 18, I meant page 129.

15 Under 'Assumed Management Actions', the  
16 high loss rate scenario assumes that, with adverse  
17 event occurring in 2025/'26, the rate increase would  
18 occur during the same year as the event, or 2025/'26,  
19 correct?

20 MS. CARA LOW: Yes.

21 MR. TODD ANDRES: Thank you. But  
22 based on your testimony last year, Ms. Low, you agreed  
23 that this was not possible, correct?

24 MS. CARA LOW: Correct.

25 MR. TODD ANDRES: Given the external

1 environment in which the Rate Application would not  
2 reflect the higher loss ratio until 2026/'27, please  
3 provide the -- my apologies, I misspoke -- '27/'28,  
4 could you please provide the results of this scenario  
5 without management action until the 2027/'28, as  
6 proposed -- as the proposed management action is not  
7 possible in the timing given?

8

9

(BRIEF PAUSE)

10

11 MR. ANTHONY GUERRA: Yeah, and subject  
12 to the proviso that we'll make the request of EY, and  
13 if EY is able to provide that, then certainly that's  
14 what we will request, yeah.

15

16 Guerra.

17

18 --- UNDERTAKING NO. 19: Given the external  
19 environment in which the Rate  
20 Application would not reflect the  
21 higher loss ratio until 2027/'28,  
22 MPI to provide the results of this  
23 scenario without management action  
24 until the 2027/'28, as the proposed  
25 management action is not possible in

1 the timing given

2

3 CONTINUED BY MR. TODD ANDRES:

4 MR. TODD ANDRES: Ms. Schubert, if you

5 could take us to Part 8 of the GRA, Figure NIC-2.

6 Thank you. And this provides the Manitoba CPI

7 forecast of 3.5 percent in 2024, 2.4 percent in 2025,

8 2.1 percent in 2026, and 2 percent for the 2027 and

9 2028 years, correct?

10 MS. CARA LOW: Correct.

11 MR. TODD ANDRES: Thank you. And

12 turning back to Exhibit 31, page 25, looking under

13 'Assumptions', the increase in the change in CPI in

14 these adverse scenarios was 4 percent in 2024/'25 and

15 an additional 4 percent in 2025/'26, and a further 9

16 percent in '26/'27, correct?

17 MS. CHERITY OSTAPOWICH: Cherity.

18 Yes.

19 MR. TODD ANDRES: Thank you. And this

20 was modelled based on the CPI movement in 1945 to 1947

21 where it increased 4.4 percent from the level of

22 inflation in 1944 to 1945, correct?

23 MS. CHERITY OSTAPOWICH: Correct.

24 MR. TODD ANDRES: And then again in

25 the next year, from 1946 -- in 1946 from the level in

1 '45 by a further 3.2 percent?

2 MS. CHERITY OSTAPOWICH: Correct.

3 MR. TODD ANDRES: Followed by 9  
4 percent in 1947, correct?

5 MS. CHERITY OSTAPOWICH: Correct.

6 MR. TODD ANDRES: Resulting in an  
7 annual inflation rate that 16.6 percent higher than  
8 the level of inflation in 1944, correct?

9 MS. CHERITY OSTAPOWICH: Correct.

10 MR. TODD ANDRES: Thank you. So, this  
11 would mean that inflation in these scenarios would be  
12 7.5 percent in 2024, or three point five (3.5) plus  
13 four (4); then 11.5 percent in 2025/'26, which is a  
14 seven point five (7.5) increased by a further four  
15 (4); and then 20.5 percent in 2026/'27, which is the  
16 eleven point five (11.5) and additional nine (9),  
17 which then is 17 -- 17 percent higher than the base  
18 level in 2024/2025, correct?

19 MS. CHERITY OSTAPOWICH: Correct.

20 MR. TODD ANDRES: And is this what was  
21 modelled?

22

23 (BRIEF PAUSE)

24

25 MS. CHERITY OSTAPOWICH: Can you

1 repeat the question, please?

2 MR. TODD ANDRES: I can, and I  
3 apologize. There were a number of elements to the  
4 question, so I'll break it down as slowly as possible  
5 into bite-size chunks.

6 So, the -- the inflation in these  
7 scenarios we were discussing, if we're bringing it  
8 forward, would be 7.5 percent in 2024/2025, so that's  
9 step 1. That's three point five (3.5) plus four (4),  
10 right, to give us the initial seven point five (7.5).

11 And then we have eleven point five  
12 (11.5) in '25/'26, which is that seven point five  
13 (7.5) increased by another four (4).

14 And then we have the twenty point five  
15 (20.5) in 2026/'27, which is that eleven point five  
16 (11.5) increased by an additional nine (9), which  
17 gives us 17 percent higher than the base level in  
18 2024/2025.

19 I'm hoping that was adequately broken  
20 down.

21

22 (BRIEF PAUSE)

23

24 MS. CHERITY OSTAPOWICH: We will need  
25 to check with EY just to clarify how they've done that

1 in the model.

2 MR. TODD ANDRES: So, thank you for  
3 that, and I guess we'll get that, to the extent they  
4 were able to understand that (INDISCERNIBLE) of  
5 control by way of undertaking.

6 MR. ANTHONY GUERRA: Correct, counsel.

7 MR. TODD ANDRES: Thank you, Mr.  
8 Guerra.

9

10 --- UNDERTAKING NO. 20: MPI to check with EY to  
11 clarify how they've done that in the  
12 model

13

14 CONTINUED BY MR. TODD ANDRES:

15 MR. TODD ANDRES: Ms. Schubert, can  
16 you take us to page 42, please.

17

18 (BRIEF PAUSE)

19

20 MR. TODD ANDRES: Yeah, so if we look  
21 at the line labelled 'Insurance Service Expenses'  
22 under this base scenario, they're 1.412 billion in  
23 2028/'29. You see that? So, it's all the way over to  
24 the right-hand side, line 110. And, of course, the  
25 numbers for the lines are ---

1 MS. CHERITY OSTAPOWICH: The 1.4?

2 MR. TODD ANDRES: The 1.412, yes.

3 MS. CHERITY OSTAPOWICH: Yes, I see  
4 that.

5 MR. TODD ANDRES: Correct. Now if you  
6 can advance us, Ms. Schubert, to page 84. And again,  
7 looking at the insurance service expenses here.

8 So, solvency inflation without  
9 management action, looking at 2028/'29 when interest  
10 rates have already returned to normal under the  
11 inflation scenario, that's \$1.416 billion. Correct?

12 MS. CHERITY OSTAPOWICH: Correct.

13 MR. TODD ANDRES: The difference is  
14 negligible; it's essentially the same number.  
15 Correct?

16 MS. CHERITY OSTAPOWICH: Correct.

17 MR. TODD ANDRES: Thank you. So, in  
18 the calculations that I was given and again that's  
19 subject to your undertaking, we were roughly 33.5  
20 percent -- we had a roughly 33.5 percent of excess  
21 costs. Correct?

22 MS. CHERITY OSTAPOWICH: Correct.

23 MR. TODD ANDRES: And you would  
24 anticipate that that would be in the ballpark, plus or  
25 minus a few percent. Correct?

1 MS. CHERITY OSTAPOWICH: Subject to  
2 check, yeah.

3 MR. TODD ANDRES: Subject to check,  
4 obviously. This inflation scenario seems to assumes  
5 that inflation reverses itself by 2028/'29. Correct?

6 MS. CHERITY OSTAPOWICH: That is  
7 correct.

8 MR. TODD ANDRES: Thank you. And in  
9 order for that to happen substantial deflation would  
10 need to occur. Correct?

11 MS. CHERITY OSTAPOWICH: Yes.

12 MR. TODD ANDRES: That doesn't seem  
13 particularly reasonable, does it?

14

15 (BRIEF PAUSE)

16

17 MS. CHERITY OSTAPOWICH: So, it's not  
18 deflation, it was a return to the base line,  
19 essentially.

20 MR. TODD ANDRES: Yeah, but -- but the  
21 inflation has disappeared from the equation.

22 MS. CHERITY OSTAPOWICH: The higher  
23 inflation amounts have disappeared.

24 MR. TODD ANDRES: But the claims costs  
25 end up being the same as they were in the base

1 scenario.

2 MS. CHERITY OSTAPOWICH: Yes, you're  
3 right. Like, it did go back down to the -- what we  
4 originally had in the base forecast.

5 MR. TODD ANDRES: Right. So, we have  
6 a negative inflation rate then?

7 MS. CHERITY OSTAPOWICH: Yes. It's  
8 declining inflation.

9 MR. TODD ANDRES: Thank you. To  
10 clarify, not declining inflation but negative  
11 inflation.

12 MS. CHERITY OSTAPOWICH: Disinflation.  
13 Yeah, it's declining.

14 MR. TODD ANDRES: I'm earning my  
15 actuary decoding here.

16 Disinflation is distinct from  
17 deflation. Disinflation is declining inflation  
18 whereas deflation is negative. Correct?

19 MS. CHERITY OSTAPOWICH: Correct.

20 MR. TODD ANDRES: And that's the  
21 scenario we're providing -- or we're finding ourselves  
22 in in this framework. Correct?

23 MS. CHERITY OSTAPOWICH: It's  
24 declining, like it's ----

25 MR. TODD ANDRES: Deflation, so it has

1 to be a negative number to get back to the end result.

2 MS. CHERITY OSTAPOWICH: Yes, yeah,  
3 but -- yeah.

4 MR. TODD ANDRES: Thank you. And can  
5 I have an undertaking -- we'll leave it at that.  
6 We're satisfied with the undertakings that we have.

7 Mercifully, that's the end of my cross-  
8 examination, subject to a quick conversation with my  
9 advisors, but I'm also noting that it's 2:30 and  
10 likely time for the afternoon break.

11 PANEL CHAIRPERSON: We will break now  
12 and then if you have any other questions after the  
13 break, you can ask them. Otherwise, we'll proceed  
14 with CAC. So could we back at quarter to 3:00 please.

15 MR. TODD ANDRES: Thank you, Madam  
16 Chair.

17

18 --- Upon Recessing at 2:25 p.m.

19 --- Upon resuming at 2:44 p.m.

20

21 PANEL CHAIRPERSON: Mr. Andres...?

22 MR. TODD ANDRES: Thank you, Madam  
23 Chair. I am done my questions for the Panel subject  
24 to undertakings. There was one where I was requested  
25 to repeat, and I can do so now having it written out

1 in full.

2 The undertaking is the president has  
3 indicated that staffing -- pardon me -- the president  
4 of MPI has indicated that staffing levels are coming  
5 in lower than forecast for this year.

6 And the request for an undertaking is  
7 to update the 2024 detailed staff budget and  
8 compensation analysis reflecting the new budget  
9 numbers and the updated vacancy allowance based on  
10 September 30th.

11 MR. ANTHONY GUERRA: Yes, Counsel,  
12 we'll give the undertaking. Thank you.

13

14 CONTINUED BY MR. TODD ANDRES:

15 MR. TODD ANDRES: Thank you, Mr.  
16 Guerra. And then there was some questions about the  
17 service centre analysis. I believe the IR number was  
18 188. And I guess the only follow-up questions are  
19 whether that will be updated annually.

20 MR. RYAN KOLASKI: There are -- Ryan  
21 Kolaski. There are no current plans to update that on  
22 an annual basis at this time.

23 MR. TODD ANDRES: Thank you. And  
24 those are my questions, Madam Chair.

25 PANEL CHAIRPERSON: Thank you. Ms.

1 Dilay...?

2 MS. KATRINE DILAY: Thank you, Madam  
3 Chair.

4

5 CROSS-EXAMINATION BY MS. KATRINE DILAY:

6 MS. KATRINE DILAY: Good afternoon.  
7 My name is Katrine Dilay. I'm one of the lawyers for  
8 the Manitoba branch of the Consumers' Association of  
9 Canada. I'll have some questions for you this  
10 afternoon. I'll pose my questions generally. Please  
11 feel free to jump in depending on the right person.

12 I have some questions regarding MPI's  
13 budgeting process for the 2025 GRA. I'm assuming  
14 those might go to Mr. Kolaski. I did ask a few  
15 questions on budget to your CEO, so I'll try not to be  
16 duplicative, but also want to ensure we have enough  
17 background -- background questions.

18 You'll agree at a high level that the  
19 objective of the 2025/'26 budget was to return to a  
20 flat budget on corporate expenses?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: As well as a hold  
23 on overall -- overall corporate FTEs, or full-time  
24 equivalents, for '25/'26 as compared to '24/'25?

25 MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: And you -- so,  
2 you'll agree that the Corporation's objective with  
3 respect to budgeting was essentially a holding pattern  
4 for '25/'26 as compared to '24/'25?

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: And one of the  
7 reasons for this holding pattern was that the  
8 Executive Committee's primary focus was on returning  
9 the organization and staff to a stable operating  
10 position coming out of the labour interruption?

11 MR. RYAN KOLASKI: Correct.

12 MS. KATRINE DILAY: And another reason  
13 for the holding pattern was to -- the focus to  
14 prioritize the reorganization of the directorates of  
15 MPI pursuant to the E&Y, or Ernst & Young,  
16 organizational report?

17 MR. RYAN KOLASKI: Correct.

18 MS. KATRINE DILAY: And you will agree  
19 this would also include creating plans to respond and  
20 implement the Ernst & Young report recommendations?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: And you'll agree  
23 another reason for the holding pattern was the focus  
24 to embark on a multiyear strategic plan with which to  
25 align resources -- resource planning -- pardon me --

1 both FTEs and operating costs?

2 MR. RYAN KOLASKI: Correct.

3 MS. KATRINE DILAY: And again, this  
4 was pursuant to the Ernst & Young organizational  
5 report that MPI should have a strategic plan?

6 MR. RYAN KOLASKI: Correct.

7 MS. KATRINE DILAY: And so, you'll  
8 agree that the budget for '25/'26 included in this  
9 General Rate Application was not developed against a  
10 strategic plan, correct?

11 MR. RYAN KOLASKI: Correct.

12 MS. KATRINE DILAY: And it's because  
13 MPI was still in the process of finalizing its  
14 corporate strategic plan?

15 MR. RYAN KOLASKI: Correct.

16 MS. KATRINE DILAY: And you'll agree  
17 that for the '25/'26 budget the direction was  
18 essentially top down?

19 MR. RYAN KOLASKI: Correct.

20 MS. KATRINE DILAY: And you'll agree  
21 that a bottom-up approach was not undertaken in  
22 preparing the 2025 GRA, correct?

23 MR. RYAN KOLASKI: Correct.

24 MS. KATRINE DILAY: Ms. Schubert, if  
25 we could please turn to CAC/MPI 1-28, and specifically

1 the response to part B of this question. Thank you.

2 And if we look towards the -- at the  
3 end of the third line on the screen, you'll agree  
4 there MPI shares in the process that there were no  
5 formal written budget guidelines issued by the MPI  
6 Executive Committee?

7 MR. RYAN KOLASKI: That is correct.  
8 It was a discussion held by the Executive Committee  
9 but no formal written communication.

10 MS. KATRINE DILAY: And if we look at  
11 the response in 'C' to this IR, MPI confirms there  
12 that -- that it does not have a policy specific to  
13 budgeting operating expenses, correct?

14 MR. RYAN KOLASKI: Correct.

15 MS. KATRINE DILAY: And looking to the  
16 response in 'E', here MPI confirms that the stretch  
17 target for '25/'26 was to hold the -- the overall  
18 corporate operating budget flat to '24/'25 while  
19 delivering on NOVA, correct?

20 MR. RYAN KOLASKI: Correct.

21 MS. KATRINE DILAY: And turning to the  
22 -- Ms. Schubert, if we could go to the question that  
23 was posed in part H of this IR.

24 So, you see there that CAC asked for an  
25 explanation for each MPI business unit or division of

1 the prioritization of strategic initiatives, scale and  
2 scope of staffing, and expenditures trends that were  
3 used by the Executive Committee to develop the  
4 operating expense targets and FTE targets, correct?

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: And if we go down  
7 to the response which is on page 6 of this IR, you'll  
8 see there MPI responded,

9 "None. MPI is working on a  
10 multiyear corporate strategic plan.  
11 When complete, MPI will provide a  
12 copy of same."

13 You see that?

14 MR. RYAN KOLASKI: I do, yes.

15 MS. KATRINE DILAY: So, having looked  
16 at the question and the response here, you'll agree  
17 that while MPI would endeavour to have the items that  
18 CAC requested in this IR, it was unable to because at  
19 the time, MPI was waiting for the final multiyear  
20 corporate strategic plan, correct?

21 MR. RYAN KOLASKI: That is correct.

22 MS. KATRINE DILAY: And it would be  
23 fair to say that the work that would be requested --  
24 sorry -- the work that would be required to respond to  
25 the IR would not have been done by each business unit

1 or division given the absence of a corporate strategic  
2 plan at the time, correct?

3 MR. RYAN KOLASKI: That is correct.

4 MS. KATRINE DILAY: So, we could  
5 expect that in the next year's GRA, the 2026 GRA, MPI  
6 would be in a position to respond to a question such  
7 as this one because the multiyear strategy would be in  
8 place, correct?

9 MR. RYAN KOLASKI: That is correct.

10 MS. KATRINE DILAY: Ms. Schubert, if  
11 we could turn to CAC/MPI 1-29, part D. And we can go  
12 to the response to part D. Thank you.

13 So, you'll agree that, based on this  
14 response here, MPI department -- departmental  
15 operating expense forecasts after the first budget  
16 year are directional in nature, correct?

17 MR. RYAN KOLASKI: So, I'm looking at  
18 'E'?

19 MS. KATRINE DILAY: Part D.

20 MR. RYAN KOLASKI: Oh, I'm sorry.

21 MS. KATRINE DILAY: And if you look to  
22 the fourth line there. And perhaps I'll just repeat  
23 the question once you have -- you -- you've had a  
24 chance to review.

25 MR. RYAN KOLASKI: Okay. Can you

1 repeat your question.

2 MS. KATRINE DILAY: You'll agree that  
3 MPI departmental operating expense forecasts after the  
4 first budget year are directional in nature, correct?

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: And so,  
7 departments do not need to adhere to these forecasts  
8 for years 2 to 5 of the forecast period, correct?

9 MR. RYAN KOLASKI: That's correct  
10 because they would be updated in the next annual  
11 budget process.

12 MS. KATRINE DILAY: And so, you'll  
13 agree that in this GRA what MPI has done is not a  
14 multiyear budget but rather a directional forecast,  
15 correct?

16 MR. RYAN KOLASKI: So, for '25/'26,  
17 the test years, I would say that we do have a budget  
18 in place that we are expected to adhere to. The  
19 budget for '25/'26 will go to the Treasury Board in  
20 mid-November for their approval.

21 Beyond that, I would suggest that it's  
22 more directional in nature than specific to a plan.  
23 The idea is to tie the budget to the multiyear  
24 Strategic Plan for the following GRA.

25 So, it's more directional after setting

1 the test years than it is specific for a five (5) year  
2 plan.

3 MS. KATRINE DILAY: Thank you. We can  
4 turn to a reference if needed, but -- but you might  
5 not need it.

6 You'll agree that the MPI strategy  
7 office introduced the concept of objectives and key  
8 results, or OKRs, in 2024?

9 MR. RYAN KOLASKI: So, they were  
10 actually introduced prior. So, MPI stood those up.  
11 I'm just going to confirm.

12

13 (BRIEF PAUSE)

14

15 MR. RYAN KOLASKI: So, the strategy  
16 department did create and roll out objectives under a  
17 prior leadership team. During that leadership tenure,  
18 each department was assigned objectives and key  
19 results. That was rolled out specifically by  
20 department and tracked by the strategy group.

21 Those OKRs did form part of the budget  
22 in I'm going to say '23, so '22/'23. So, if you look  
23 at the budget for '23/'24, those OKRs technically are  
24 rolled into that budget from the way in which the  
25 budget was prepared and rolled forward.

1                   However, as it relates to the '25 GRA,  
2 the OKRs were abandoned, in part, to create the  
3 multiyear Strategic Plan because there's only so much  
4 time and resources.

5                   So, while they did exist at one time,  
6 it was under a previous leadership directive. And now  
7 the current management and executive is moving through  
8 with an executive multiyear plan.

9                   Does that cover off?

10                  MS. KATRINE DILAY: That's helpful. I  
11 think what would be -- what we'll do is turn to a  
12 reference just to confirm our understanding of that IR  
13 response, as well as the response that you just gave.

14                  Ms. Schubert, if we could turn CAC/MPI  
15 1-29(e) and the response to that which we -- of  
16 course, we have in front of us already.

17                  And so, here -- so, I had suggested to  
18 you, Mr. Kolaski, that the OKRs were introduced in  
19 2024. And that's what you see in this IR response,  
20 correct?

21                  MR. RYAN KOLASKI: Correct.

22                  MS. KATRINE DILAY: At the request of  
23 previous leadership, which I believe is what you were  
24 alluding to --

25                  MR. RYAN KOLASKI: Correct.

1 MS. KATRINE DILAY: -- in your  
2 response, as well. And just to confirm this IR  
3 response, MPI has indicated that the initial rollout  
4 of the objectives and key results was unsuccessful,  
5 correct? If we just go back up a little bit.

6 MR. RYAN KOLASKI: Yeah. Effectively,  
7 the organization has abandoned OKRs from what was  
8 stood up. So, yes, I would say it was unsuccessful.

9 MS. KATRINE DILAY: And this is  
10 because the approach did not follow the best practices  
11 of limiting OKRs to only strategic work, correct?

12 MR. RYAN KOLASKI: I would say that's  
13 part of the answer for sure, yes.

14 MS. KATRINE DILAY: And instead, OKRs  
15 were applied to all departments for both strategic and  
16 operational efforts?

17 MR. RYAN KOLASKI: Correct.

18 MS. KATRINE DILAY: Ms. Schubert,  
19 could we turn to part H of this IR but the question,  
20 please.

21 And so, you -- you see there that this  
22 question asks MPI to elaborate on and provide a  
23 detailed description of the final alignment process  
24 that occurs at the executive committee level and how  
25 competing tradeoffs for resources between departments

1 are resolved?

2 MR. RYAN KOLASKI: Correct.

3 MS. KATRINE DILAY: And if we go to  
4 the response on page 5, MPI briefly responded that  
5 department budgets are reviewed by the CEO and  
6 required tradeoffs if any are determined by the CEO?

7 MR. RYAN KOLASKI: That is correct.

8 MS. KATRINE DILAY: And just to  
9 confirm the questions -- if we can go back to the  
10 questions, Part I and 'J'.

11 At a high level, you'll agree these  
12 questions asked MPI for their alignment processes,  
13 correct?

14 MR. RYAN KOLASKI: That is correct.

15 MS. KATRINE DILAY: And if we go down  
16 to the responses, specifically for part J, which is at  
17 the bottom of page 6.

18 Would it be fair to characterize the  
19 alignment processes for the '25 GRA as related to  
20 Treasury Board secretariat directed adjustments to  
21 increase the budget for collective bargaining  
22 agreements and to reduce initiative FTEs by '28 and  
23 reclass these costs to external labour?

24 MR. RYAN KOLASKI: So, the -- so, I'll  
25 just -- I think there's a table that shows the 402 to

1 the 408, if not, I'll just speak to it.

2 So, the Treasury Board approved budget  
3 was 402 million corporate expenses. Subsequent to  
4 that, we were asked to increase our budget for '24/'25  
5 by \$5 million to relate to the CBA adjustment.

6 So, that became the 408 -- \$408 million  
7 corporate expense budget. That became -- as we went  
8 into the GRA process and, ultimately, the Treasury  
9 Board process that's following, the 408 budget was  
10 reviewed and certain changes were made.

11 So, the Strategic Plan was in play, so  
12 we knew certain roles were going to be terminated, so  
13 we removed FTEs from that. We knew that there was  
14 sixteen (16) positions that would be eliminated, but  
15 we weren't sure if we were going to hold them.

16 So, in the budget itself from 408 we  
17 took out the six (6) staff. And then we also adjusted  
18 and recalibrated the initiative spent part because of  
19 the change related to NOVA and part because  
20 initiatives are a large dollar amount and they vary  
21 significantly.

22 So, once we had done those changes, the  
23 GRA application became 399 million for '24/'26 and 395  
24 million for '24/'25. So, the 395 for the current year  
25 in the GRA compares to the 408 Treasury Board approved

1 budget for the '24/'25.

2                   So, yes, to your answer (sic), but  
3 there's a couple other pieces, as well.

4                   MS. KATRINE DILAY:   That's very  
5 helpful. And just to -- to clarify my understanding,  
6 is it fair to say that there were no overall impact of  
7 these alignment processes on the total operating  
8 expenses?

9                   MR. RYAN KOLASKI:   So, the -- so  
10 again, the -- so if you think about it from a flat  
11 budget for '24/'25, Treasury Board has approved 408  
12 million, right? And my GRA Application is 399  
13 million, so I have pulled down costs, right, into the  
14 '25/'26 GRA. Part of it is salaries, and most of it  
15 is related to initiatives, specifically around LPM and  
16 NOVA, right?

17                   MS. KATRINE DILAY:   Thank you. I may  
18 come back to that, but we'll leave it at that for now.

19                                Could we please turn to Part 2 of the  
20 GRA under the 'Compliance Filing' section and Appendix  
21 3?

22                                So, at a high level, you'll agree this  
23 is a description of MPI's budgeting process?

24                   MR. RYAN KOLASKI:   Correct.

25                   MS. KATRINE DILAY:   And we won't go

1 through it in detail, but at a high level, this  
2 document describes that MPI's budgeting process  
3 includes a top-down process, a bottom-up process,  
4 alignment process, as well as the use of key  
5 performance indicators to inform decision making.

6                   Would that be fair?

7                   MR. RYAN KOLASKI: That is fair.

8                   MS. KATRINE DILAY: And giving --  
9 given the discussion we just had, you'll agree that  
10 this budgeting process filed here was not fully  
11 operational in preparing the 2025/'26 budget for this  
12 General Rate Application, correct?

13                   MR. RYAN KOLASKI: I'd agree that  
14 that's true. I would also add that, overall, MPI's  
15 operating costs structure is relatively fixed, and it  
16 is more fixed than variable.

17                   So, when you think about the bottom-up  
18 approach, right, people will engage and support what  
19 they build. However, in our operating environment, a  
20 large portion of our operating costs are fixed.

21                   So, if you just think about it this  
22 way, right, and I'll just add some colour 'cause we're  
23 talking about budgets. Fifty-five (55) percent of  
24 your costs are approximately compensation. Of that,  
25 approximately 80, 85 percent are unionized. So, you

1 can't really move the needle on your compensation line  
2 in a very short period of time.

3 Data processing, as we discussed  
4 earlier this morning, is largely under contract. I  
5 can't change the contracts that we have in place.  
6 Then if you go through the next layer, you have  
7 facilities and you have road safety, and everything  
8 else is basically fixed.

9 So even there isn't a bottom-up  
10 approach, and it was very top-down orientated, by and  
11 large we would have landed in probably the same  
12 position.

13 And just to add colour 'cause it is  
14 added in one of the IRs, we have gone through that  
15 bottom-up approach and we have landed on corporate  
16 overall operating expenses for '25/'26 at 392 million.  
17 So, the three ninety-two (392) compares to the three  
18 ninety-nine (399), and that was done through an  
19 alignment process with the executive and CEO overall.

20 So, we are aligned to that \$399 million  
21 plan. It's just the timing and cadence did not  
22 correspond to '25/'26, but materially, we have landed  
23 effectively in the same position.

24 MS. KATRINE DILAY: Thank you. But  
25 just to confirm, the bottom-up approach was not

1 undertaken in preparing the '25/'26 budget for this  
2 GRA, correct?

3 MR. RYAN KOLASKI: Correct.

4 MS. KATRINE DILAY: And this was, in  
5 part, recognizing the limited and general  
6 unavailability of resources to complete this work?

7 MR. RYAN KOLASKI: Correct.

8 MS. KATRINE DILAY: And so, what MPI  
9 has filed here before us is, essentially ,the way that  
10 it should work in a regular year, but not this year,  
11 correct?

12 MR. RYAN KOLASKI: Ideally, yes, that  
13 is correct.

14

15 (BRIEF PAUSE)

16

17 MS. KATRINE DILAY: Ms. Schubert,  
18 could we turn to CAC/MPI-1-31, and specifically the  
19 questions in Parts C and D? Thank you.

20 So, looking at Parts C and D here,  
21 you'll confirm that CAC asked there for further  
22 information from MPI relating to its key performance  
23 indicators?

24 MR. RYAN KOLASKI: Correct.

25 MS. KATRINE DILAY: And if we can look

1 to -- quickly to the -- the reference that we included  
2 here, so Appendix 4 to the compliance portion of the  
3 GRA, you're familiar with this document?

4 MR. RYAN KOLASKI: I see this  
5 document, yes.

6 MS. KATRINE DILAY: And this is what  
7 MPI filed as part of its General Rate Application,  
8 correct?

9 MR. RYAN KOLASKI: Correct.

10 MS. KATRINE DILAY: A one (1) page key  
11 performance indicator listing?

12 MR. RYAN KOLASKI: Correct.

13 MS. KATRINE DILAY: And looking at  
14 this one (1) page document before us, you'll agree  
15 that it does not include current or past performance  
16 of these targets, correct?

17 MR. RYAN KOLASKI: It also states that  
18 it's a budget framework, so it's laying out the  
19 foundational elements, not necessarily providing the  
20 actual information. But you are correct, it does not  
21 lay out the targets past or present.

22 MS. KATRINE DILAY: And now that we've  
23 looked at this document, Ms. Schubert, if we could go  
24 back to the Information Request that we were on. And  
25 so, we -- we saw the questions here. If we could go

1 to the responses to 'C' and 'D'.

2                   You'll agree here that MPI provided no  
3 further information to be expanded upon, correct?

4                   MR. RYAN KOLASKI:    Correct.

5                   MS. KATRINE DILAY:    And if we could go  
6 to the next page under the figure, you'll agree that  
7 MPI flags there that the targets have not been set yet  
8 for the key performance indicators, and that these are  
9 still under review?

10                  MR. RYAN KOLASKI:   That is correct.  
11 As part of the multi-year Strategy, the strategy  
12 department was tasked with creating standing-up KPIs  
13 that would be used as part of our multi-year plan.

14                  MS. KATRINE DILAY:   And in the last  
15 sentence on the first -- of the first paragraph there,  
16 MPI states that:

17                               "Implications of not meeting targets  
18                               with respect to service, rates, and  
19                               costs also require further analysis  
20                               to determine a linkage."

21                               Correct?

22                  MR. RYAN KOLASKI:    Correct.

23                  MS. KATRINE DILAY:    And in Part F, MPI  
24 did not provide any example of corrective action in  
25 '23/'24 or expected corrective action in '24/'25 as a

1 result of key performance indicators being out of  
2 target range, correct?

3 MR. RYAN KOLASKI: Correct.

4 MS. KATRINE DILAY: You'll confirm  
5 that additional operating KPIs will be developed by  
6 the strategy department?

7

8 (BRIEF PAUSE)

9

10 MR. RYAN KOLASKI: We will keep the  
11 KPIs at a high strategic level. The strategy  
12 department will not embark on creating operational  
13 KPIs.

14

15 (BRIEF PAUSE)

16

17 MS. KATRINE DILAY: Perhaps I'll take  
18 you to -- to a reference, just to confirm our  
19 understanding. Ms. Schubert, could we turn to  
20 CAC/MPI-2-18, Part B? And if we could go to the  
21 response to Part B. Thank you.

22 And if you look at the response to Part  
23 B, the last sentence of this Information Request,  
24 you'll confirm there MPI stated that:

25 "Additional operating KPIs will be

1 developed by the strategy  
2 department."

3 MR. RYAN KOLASKI: I see that, yes.

4 MS. KATRINE DILAY: And so, would you  
5 be able to reconcile that with your previous answer?

6

7 (BRIEF PAUSE)

8

9 MR. RYAN KOLASKI: We will defer that  
10 question to the Strategy Panel.

11 MS. KATRINE DILAY: Thank you for  
12 that. And just going quickly to the response to part  
13 C, towards the middle of the paragraph.

14 Part of what MPI is anticipating being  
15 -- doing once the multi-year strategy is fully  
16 developed is to determine what actions can be taken to  
17 correct KBI's path.

18 MR. RYAN KOLASKI: That is correct,  
19 yes.

20 MS. KATRINE DILAY: So, it's fair to  
21 say that MPI is waiting for the implementation of the  
22 multi-year strategy in order for its use of key  
23 performance indicators to be fully effective within  
24 its budgeting strategy. Correct?

25 MR. RYAN KOLASKI: I think it's fair

1 to say that MPI for next year's application, as part  
2 of its corporate strategy, will have strategic KPIs  
3 that are aligned with budgeting and the direction that  
4 the Corporation will be going.

5 We do have KPIs today, right, so if you  
6 look in the -- and I just want to clarify. So, if you  
7 look in the annual report, right, we do have benchmark  
8 out specific KPIs that we follow today. So, it's not  
9 that there aren't any.

10 If you go back to the E&Y report, I  
11 think it's around page 79, you'll see they reference  
12 KPIs of which there's approximately two hundred and  
13 sixty (260); most of those are operational, not  
14 necessarily strategic. They break it down.

15 So, there are KPIs today that the  
16 Corporation is running to. It's not that we are -- we  
17 don't have any KPIs, it's just that those KPIs will be  
18 aligned in the next year's GRA as it relates to the  
19 budget on the approved strategic plan.

20 MS. KATRINE DILAY: Thank you, that's  
21 very helpful.

22 I'd like to briefly clarify some items  
23 with respect to the budget submitted to the Treasury  
24 Board Secretariat.

25 If we can go to CAC/MPI-1-30 and the

1 responses to 'C' and 'D'.

2                   You'll agree here that in this  
3 Information Request, MPI flags concerns with respect  
4 to potential misalignments between the budgets  
5 presented at the Public Utilities Board General Rate  
6 Application and the Treasury Board Secretariat Budget  
7 Submissions.

8                   MR. RYAN KOLASKI:    That is correct.

9                   MS. KATRINE DILAY:    And that MPI  
10 desires a dialogue with the PUB and Intervenors in  
11 order to achieve better alignment for stakeholders.

12                   MR. RYAN KOLASKI:    That is correct.

13                   MS. KATRINE DILAY:    And looking to the  
14 response to 'D', MPI refers to the concept of an  
15 evolving or rolling forecast as an interim solution.

16                   MR. RYAN KOLASKI:    That is correct.  
17 So, the crux of the issue -- I'll just elaborate the  
18 answer. So, in the past, the Treasury Board approval  
19 process for MPI's budget very much aligned with the  
20 GRA application.

21                   So, you could do the work flow; have  
22 your budget submitted to the Treasury Board; it gets  
23 approved and those same numbers tend to roll up in the  
24 GRA process and then it moves forward.

25                   Where we are today is that the GRA

1 application is in advance of the Treasury Board  
2 approval. So, as we are today, the budget is being  
3 submitted in mid-November but my application was  
4 submitted in June.

5 This creates a potential disconnect  
6 between how you roll the numbers up in the budgeting  
7 process. So, part of the solution is to move to, what  
8 some folks refer to as a rolling budget, or a rolling  
9 forecast.

10 What that entails is each and every  
11 month the management team reviews their actual results  
12 and are then plotting out their next year twelve (12)  
13 to eighteen (18) months forecast, going, yes, this is  
14 what's happening now, trending on operating costs, et  
15 cetera or this is the change in the business, this is  
16 going to impact the following year.

17 So then as you roll through the year,  
18 when you get to any point in time, you can literally  
19 stop and pull your budget. So, as it relates to next  
20 year, the idea is to have the rolling forecast up and  
21 then when I submit to the GRA process, that budget is  
22 then carried forward through into the Treasury Board  
23 budget.

24 Doing multiple budgets in this  
25 environment is challenging. So, it's easier to have

1 one set of rules. And part of the challenge is,  
2 again, is timing, right. And the other challenge is,  
3 everyone has their own process. So, PUB has this  
4 process, the Treasury Board has its very similar  
5 process and again, we're kind of waiting on  
6 information to finalize and deal with different  
7 stakeholders.

8                   So that's the crux of the response and  
9 kind of the disconnect, right. Is there a way to make  
10 it easier and better? I'm not sure but that's the  
11 reason for the dialogue, how do we align on a single  
12 flow of information so it's easy for all and  
13 everyone's rolling from the same numbers, right.

14                   Even today, this week, it's like what  
15 FTEs in this budget versus the reorg. It gets very  
16 confusing, right, 'cause you always have to remember  
17 it's in this process or it came after this process.

18                   So again, it's just, again, getting it  
19 right. Hopefully that kind of rounds out the context  
20 around that.

21                   MS. KATRINE DILAY: And just to  
22 confirm, the -- in this IR, MPI was suggesting the  
23 transition to a -- an evolving or -- or rolling  
24 forecast as an interim solution.

25                   MR. RYAN KOLASKI: So, it becomes an

1 interim solution, but it also becomes a -- a permanent  
2 solution. So, two (2) things you want to do with a  
3 rolling forecast. It creates a business acumen,  
4 financial acumen around numbers. So outside of the  
5 finance group, departments and operations, then  
6 they're forced to deal with and contemplate their  
7 actions and their budget and what they want to do from  
8 a service delivery point of view.

9                   So, it creates a very kind of culture  
10 focused on numbers and then creates a lot of dialogue.  
11 So, if you think about creating a budget for this  
12 process, it's very much big bang. It takes an  
13 enormous amount of effort and work to put it all  
14 together but if you do it on an incremental basis,  
15 like anything else, it just becomes easier and it's  
16 less work internally for MPI, with a higher quality  
17 product.

18                   So even if you've got to a new  
19 technology stack that would allow you to pull  
20 information or you had a data warehouse, you can then  
21 run scenarios, right, what happens if we do this, what  
22 happens if we do that. And then you can lock that in  
23 in a very real time fashion.

24                   It just creates a very efficient and  
25 fast effective process for knowing where you are,

1 right. So, it's more of an evolution than a temporary  
2 solution.

3 MS. KATRINE DILAY: That's helpful to  
4 understand. And you'll confirm that MPI has  
5 introduced a rolling forecast during '24/'25?

6 MR. RYAN KOLASKI: We are starting  
7 that, actually right after this process. That is our  
8 intent, yeah.

9 MS. KATRINE DILAY: But at this time,  
10 MPI has not yet provided details as to how this type  
11 of rolling forecast would impact the General Rate  
12 Application process, correct?

13

14 (BRIEF PAUSE)

15

16 MR. RYAN KOLASKI: Thanks for your  
17 patience. I'll just make a point of clarification.

18 So, in terms of the ruling forecast, so  
19 the budget process for the GRA will be -- like, for  
20 next year will be singular.

21 So, our GRA application will be our  
22 budget that moves forward to Treasury Board. So, I  
23 just -- just want to make sure there's no confusion on  
24 that.

25 The second thing is we have hired a

1 director of FP&A. They're starting in a couple weeks.  
2 So, they're going to help us roll this out and  
3 increase the business acumen, our budgeting process,  
4 as well, so that leadership role has now been filled.

5 And then -- yeah. So, I just want -- I  
6 think you had another question, but I can't remember  
7 what it was, sorry.

8 MS. KATRINE DILAY: And sure. Before  
9 going to that, I just want to clarify. I think you  
10 referred to FP&A. And is that Financial Planning &  
11 Analysis?

12 MR. RYAN KOLASKI: Yes.

13 MS. KATRINE DILAY: I think we can  
14 leave it at that for now.

15

16 (BRIEF PAUSE)

17

18 MS. KATRINE DILAY: I have a few  
19 questions on operating expenses, more specifically,  
20 staffing expenses. If we could turn to MPI Exhibit  
21 28, which is the revised response to CAC/MPI 2-19.

22 And looking at the request here in the  
23 question, you see there that this IR asked for a  
24 detailed variance explanation by division for the  
25 increase or decrease in FTEs between 2022/'23 actual

1 and 2024/'25 budget, correct?

2 MR. RYAN KOLASKI: Correct. Correct.  
3 Yes.

4 MS. KATRINE DILAY: And we can go to a  
5 reference, if needed, but you'll agree that the  
6 comparison is specifically being asked for 2022'23 and  
7 2024/'25 because MPI had indicated that for the year  
8 in between, 2023/'24, the impacts of the labour  
9 interruption served to significantly lower the FTE  
10 count for that year?

11 MR. RYAN KOLASKI: Correct. But I'd  
12 also add that the '22/'23 is actual, so it won't have  
13 -- like, it'll be net of vacancies, whereas '24/'25 is  
14 gross before vacancy provision.

15 So, you have to either take our '24/'25  
16 budget and reduce it for a vacancy allowance, or you  
17 have to take the '22/'23 actual and add back in your  
18 vacancies so you have a bit of a more comparison.

19 The other nuance is that your '22/'23  
20 actual, right, is based on an average, which would  
21 include your opening position from '21/'22, whereas  
22 '24/'25 is literally a point-in-time target. So, you  
23 have two (2) nuances that will shift between that.

24 So, if you want to just put that in  
25 perspective, there's an IR they calculated out earlier

1 this morning, approximately 68 FTEs for a vacancy.

2                   So, if you go back to your slide where  
3 it says 117, you could normalize that by 68 as a  
4 proxy, so it's not as dramatic as you might otherwise  
5 think.

6

7                   (BRIEF PAUSE)

8

9                   MS. KATRINE DILAY: Thank you, Mr.  
10 Kolaski. I have a few questions regarding MPI's  
11 management of capital. We can go to a reference, if  
12 needed, but you'll recall that the Public Utilities  
13 Board did not approve MPI's proposed Capital  
14 Management Plan last year, in the 2024 GRA?

15                   MR. RYAN KOLASKI: Correct.

16                   MS. KATRINE DILAY: At a high level,  
17 you'll recall the PUB expressed concerns regarding the  
18 long-term sustainability of the Driver and Vehicle  
19 Administration line of business as one (1) of the  
20 rationales, correct?

21                   MR. RYAN KOLASKI: Correct.

22                   MS. KATRINE DILAY: And these concerns  
23 related to the ongoing deficits for DVA as well as  
24 historical transfers from Extension to DVA. Is that  
25 your recollection?

1 MR. RYAN KOLASKI: Correct.

2 MS. KATRINE DILAY: And you'll agree  
3 that under MPI's previously proposed Capital  
4 Management Plan, excess capital in the Extension line  
5 of business would flow to Basic, correct?

6 MR. RYAN KOLASKI: Subject to the MPI  
7 Board approval, correct.

8 MS. KATRINE DILAY: And that was when  
9 the Extension capital was over 200 percent MCT,  
10 correct?

11 MR. RYAN KOLASKI: Correct.

12 MS. KATRINE DILAY: But you'll also  
13 agree that MPI has historically transferred excess  
14 capital from Extension to DVA given revenue shortfalls  
15 in DVA, correct?

16 MR. RYAN KOLASKI: I would not say  
17 historically. I would say it has selectively  
18 transferred money in the past, most recently, upwards  
19 of \$115 million over two (2) years. But the past  
20 practice I would say is mostly to transfer Extension  
21 funds over to the Basic line of business.

22 MS. KATRINE DILAY: And you'll confirm  
23 that in this year's General Rate Application MPI does  
24 not request PUB approval of a Capital Management Plan?

25 MR. RYAN KOLASKI: We did not submit a

1 Capital Management Plan this year, correct.

2 MS. KATRINE DILAY: And this is  
3 because the concerns that resulted in the PUB refusing  
4 to approve the most recent iteration of this Capital  
5 Management Plan remain unsolved, correct -- or  
6 unresolved?

7 MR. RYAN KOLASKI: Correct.

8 MS. KATRINE DILAY: Ms. Schubert,  
9 could we turn to MPI Exhibit 31, which is the  
10 Financial Condition Test report prepared by MPI's  
11 appointed actuary at Ernst & Young.

12 Do you see that report on the screen  
13 before you?

14 MR. RYAN KOLASKI: Correct.

15 MS. KATRINE DILAY: And could we go to  
16 page 5 under the 'recommendations'. And I think it  
17 might be 5 -- page 5 of the PDF -- or sorry, of the  
18 report itself. Thank you, Ms. Schubert.

19 You'll agree here looking at the second  
20 recommendation the appointed actuary recommends that  
21 MPI execute its proposed Capital Management Plan  
22 should some event occur that would cause the MCT ratio  
23 to drop below the Company's internal target capital  
24 ratio of a hundred percent?

25 MS. CARA LOW: Agreed.

1 MS. KATRINE DILAY: And we don't need  
2 to go through the whole report, but at a high level,  
3 you'll agree that in the report the appointed actuary  
4 recommends that the Capital Management Plan execution  
5 happened when -- sorry, let me just rephrase the  
6 question.

7 The appointed actuary recommends that  
8 the Capital Management Plan execution when it reviews  
9 the adverse scenarios faced by MPI in this report,  
10 correct?

11 MS. CARA LOW: The appointed actuary  
12 assumed the proposed Capital Management Plan was in  
13 place when he ran the scenarios.

14 MS. KATRINE DILAY: And when it  
15 reviewed -- when the appointed actuary reviewed the  
16 adverse scenarios later on in the report it  
17 recommended that, where needed, the Capital Management  
18 Plan would be executed by MPI, correct?

19 MS. CARA LOW: Correct.

20 MS. KATRINE DILAY: And you'll agree  
21 that that Capital Management Plan -- I believe you  
22 confirmed this My Friend, Mr. Andres, but it's  
23 referring to the proposed Capital Management Plan from  
24 last year, correct?

25 MS. CARA LOW: Correct.

1 MS. KATRINE DILAY: And that Capital  
2 Management Plan essentially relies on what is  
3 contained in section 18 of the Manitoba Public  
4 Insurance Act to manage the -- the levels -- the  
5 target levels for Basic, Extension, and Special Risk  
6 Extension, correct?

7 MS. CARA LOW: Correct.

8 MS. KATRINE DILAY: And if we looked  
9 at PDF page 18 of this document. And so, here the  
10 appointed actuary makes reference there to section 18  
11 of the MPIC Act that establishes the 100 percent MCT  
12 target for Basic?

13 MS. CARA LOW: I see that.

14 MS. KATRINE DILAY: And at the end of  
15 the paragraph the report states that:

16 "If the MCT ratio falls below 38  
17 percent during the forecast period,  
18 more severe regulatory action may be  
19 -- may be implemented."

20 MS. CARA LOW: Correct.

21 MS. KATRINE DILAY: And just keeping  
22 that 38 percent MCT in mind and going to PDF page 6 of  
23 this report at the very bottom of this page, we see  
24 there again reference to that 38 percent, correct?

25 MS. CARA LOW: Correct.

1 MS. KATRINE DILAY: And so, what the  
2 appointed actuary is telling us here is that all the  
3 going concerns scenarios that are listed just above on  
4 this page that were reviewed in this report produced  
5 an MCT ratio above the Company's minimum level  
6 currently set at 38 percent, correct?

7 MS. CARA LOW: Correct.

8 MS. KATRINE DILAY: And the scenarios  
9 that were reviewed in this report are those that would  
10 have the most deleterious impact on MPI should they  
11 occur, correct?

12 MS. CARA LOW: Correct.

13 MS. KATRINE DILAY: And you'll confirm  
14 your recollection that the Public Utilities Board  
15 recommended in last year's GRA that the provincial  
16 government work with MPI on a funding strategy for DVA  
17 pursuant to which MPI would charge the government for  
18 all costs for administering DVA? You recall that?

19 MS. CARA LOW: I recall that.

20 MS. KATRINE DILAY: And in this  
21 General Rate Application, MPI has indicated it does  
22 not expect such arrangements to be in place within the  
23 '24/'25 fiscal year, correct?

24 MS. CARA LOW: Correct.

25 MS. KATRINE DILAY: And MPI has

1 indicated this is because the government is seeking to  
2 understand and review KPMG's external review and  
3 comments on MPI's integrated cost allocation  
4 methodology before engaging in discussions with MPI on  
5 funding arrangement?

6 MR. RYAN KOLASKI: Correct.

7 MS. KATRINE DILAY: But MPI is looking  
8 to put such a funding arrangement in place over the  
9 next year, correct?

10 MR. RYAN KOLASKI: That is correct.  
11 We've actually reached out to government. They have a  
12 copy of the report, and we'll be speaking to them as  
13 part of our budget process later on this fall.

14 MS. KATRINE DILAY: And at a high  
15 level, you'll agree that MPI currently forecasts  
16 transferring funds from Extension to Basic over the  
17 next five (5) years, correct?

18 MR. RYAN KOLASKI: That is in the  
19 forecast, correct.

20 MS. KATRINE DILAY: And these  
21 forecasts from Extension to Basic assume that the DVA  
22 line of business lands funding from Government of  
23 Manitoba that allows for the DVA line of business to  
24 be self-sustaining, correct? And I can take you to a  
25 reference if you'd like.

1

2

(BRIEF PAUSE)

3

4

MR. RYAN KOLASKI: Thanks for your  
patience. So just to clarify, we actually have had  
specific discussions with government on DVA. We  
intend that on our budget ask to Treasury Board, we  
will ask for a full recovery of all costs in '25/'26.

9

So, the current GA -- GRA reflects a  
\$30.2 million funding. The full recovery ask I  
believe is around \$59 million, so government is aware  
of those discussions, and that is our ask going  
forward.

14

MS. KATRINE DILAY: And that's an ask  
that is, of course, subject to government decision?

16

MR. RYAN KOLASKI: That is correct.

17

MS. KATRINE DILAY: And that's for the  
year -- sorry, just to confirm the year -- '25 --

19

MR. RYAN KOLASKI: So, it's for  
'25/'26, and then part of that discussion is to have a  
formal updated written funding agreement for self-  
sustainability on a go-forward basis.

23

MS. KATRINE DILAY: Okay.

24

MR. RYAN KOLASKI: So, it's both.

25

MS. KATRINE DILAY: Thank you. And

1 I'm not sure if -- if I got a response to the  
2 question, so perhaps I'll repeat it --

3 MR. RYAN KOLASKI: Sure.

4 MS. KATRINE DILAY: -- just to make  
5 sure. The forecast that MPI currently has, that  
6 forecast transfers from Extension to Basic, assume  
7 that the DVA line of business lands funding from  
8 Government of Manitoba that allows for the DVA line of  
9 business to be self-sustaining, correct?

10 MR. RYAN KOLASKI: Correct.

11 MS. KATRINE DILAY: Recognizing the  
12 additional context that you provided?

13 MR. RYAN KOLASKI: Correct, and also  
14 the additional context that Ms. Low provided where  
15 there is an expectation on Basic that we would get  
16 fair and reasonable rates on a go-forward basis,  
17 right, 'cause today again, after the test years,  
18 right, the assumption is there's no rate action in the  
19 Basic line of business.

20 MS. KATRINE DILAY: Thank you. And  
21 you'll confirm that the forecasted transfers from  
22 Extension to Basic for 2025 to approximately 2029 are  
23 only a forecast, and that MPI maintains the discretion  
24 whether or not to approve these transfers at fiscal  
25 year end, correct?

1 MR. RYAN KOLASKI: That is at the  
2 discretion of the board of MPI, yes.

3 MS. KATRINE DILAY: And so, you'll  
4 agree there's nothing stopping MPI from transferring  
5 excess Extension capital to a line of business other  
6 than Basic, correct?

7

8 (BRIEF PAUSE)

9

10 MR. RYAN KOLASKI: Thanks for your  
11 patience. Could you just repeat the question?

12 MS. KATRINE DILAY: Yes, certainly.  
13 You'll agree there's nothing stopping MPI from  
14 transferring excess Extension capital to a line of  
15 business other than Basic, correct?

16 MR. RYAN KOLASKI: The transfers of  
17 Extension capital rests with the authority of the  
18 board. They also have the authority not to transfer  
19 capital to either line of business. It could just  
20 stay in Extension.

21 MS. KATRINE DILAY: Thank you. And  
22 you'll agree that the current five (5) year forecast  
23 for the DVA line of business suggests that additional  
24 funding or a material change in the service delivery  
25 model, or a combination of these options, will be

1 required in 2026/'27 and onward to achieve self-  
2 sustainability?

3 MR. RYAN KOLASKI: That is correct.

4 MS. KATRINE DILAY: So, to say it a  
5 little bit more simply, DVA is forecasted to incur a  
6 loss starting in 2026/'27, correct?

7 MR. RYAN KOLASKI: Correct.

8 MS. KATRINE DILAY: And is it your  
9 recollection that, in the 2024 General Rate  
10 Application, the Public Utilities Board recommended to  
11 the Government of Manitoba that Section 18 of the MPIC  
12 Act be repealed?

13 MR. RYAN KOLASKI: Correct.

14 MS. KATRINE DILAY: And to your  
15 knowledge, recognizing you're not a lawyer, that  
16 section of the Act has not been repealed, correct?

17 MR. RYAN KOLASKI: It has not been  
18 repealed as of yet, yes.

19 MS. KATRINE DILAY: And so, the  
20 capital targets that remain in Section 18 -- sorry,  
21 the capital targets that are currently in Section 18  
22 remain in legislation rather than set by the PUB,  
23 correct?

24 MR. RYAN KOLASKI: That is correct.

25 MS. KATRINE DILAY: I have a few

1 questions regarding MPI's integrated cost allocation  
2 methodology. At a high level, you'll agree that MPI  
3 made some changes to its integrated cost allocation  
4 methodology, correct?

5 MR. RYAN KOLASKI: That is correct.

6 MS. KATRINE DILAY: And the -- the  
7 integrated cost allocation methodology was required to  
8 change to accommodate the new accounting standard of  
9 IFRS-17, correct?

10 MR. RYAN KOLASKI: That is correct.  
11 So, it was required to change to accommodate that, and  
12 then we also added on the service centre study which  
13 changed a component related to FTEs in terms of the  
14 allocators.

15 MS. KATRINE DILAY: And if we could  
16 turn, Ms. Schubert, to PUB/MPI-2-62, Part E, and  
17 specifically the response to Part E.

18 Thank you. And you'll agree that here  
19 MPI indicate that the changes should be characterized  
20 as a revised or refined process. Correct?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: And --

23 MR. RYAN KOLASKI: But effectively  
24 it's the same methodology but a different sequencing  
25 of events and then the service center study modified

1 one of the allocators, which was based on FTEs and  
2 then we shifted it to work effort.

3 And then there was also a slight change  
4 as it related to the allocator for investments. We  
5 now use the portfolios as opposed to the insurance  
6 liabilities and reserves.

7 MS. KATRINE DILAY: And if we looked  
8 at part G of the same Information Request, but towards  
9 the bottom of this page. So, three (3) lines from the  
10 bottom you see there, MPI states that:

11 "This is technically in absolute  
12 terms, a revised methodology but  
13 does not violate the PUB approved  
14 methodology."

15 Correct?

16 MR. RYAN KOLASKI: Correct.

17 MS. KATRINE DILAY: And looking at the  
18 top of page 14, you'll agree that in addition to the  
19 changes that MPI has already made, there will be at  
20 least one future refinement which is the allocation of  
21 facilities?

22 MR. RYAN KOLASKI: That is correct.  
23 We would like to make that change to the model. Prior  
24 to making that change, we'll cascade the change in  
25 advance. It just makes the workload easier overall,

1 but, yes, that is one change we would like to make.

2 MS. KATRINE DILAY: And you'll confirm  
3 and you had this discussion earlier with Mr. Andres,  
4 KPMG undertook a review of MPI's revised process for  
5 its integrated cost allocation methodology. Correct?

6 MR. RYAN KOLASKI: Correct.

7 MS. KATRINE DILAY: And if we could  
8 turn to part F of this same Information Request and it  
9 should be on page 13.

10 So, you'll agree here MPI indicates in  
11 Part F that KPMG did not review the Board approved  
12 methodology. Correct?

13 MR. RYAN KOLASKI: That is correct but  
14 I would also like to add that they do have a copy of  
15 the Board methodology and all the related Public  
16 Utilities Board filings around the previous Deloitte  
17 report, including the Deloitte report itself.

18 So, it's not as if they didn't know  
19 about the -- the PUB prior ICAM. It was very much a  
20 part of the process. Their comments were specifically  
21 on the current process as it related to the ICAM that  
22 was in use and undertaken for IFRS-17.

23 MS. KATRINE DILAY: Right. And so  
24 KPMG -- sorry, MPI goes on to say here that:

25 "KPMG only reviewed the refined

1 methodology which aligns to the  
2 Board approved methodology, besides  
3 changes required to be undertaken  
4 due to IFRS-17."

5 MR. RYAN KOLASKI: Correct.

6 MS. KATRINE DILAY: So, you'll confirm  
7 that KPMG did not review the refined or revised  
8 process against the PUB approved integrated cost  
9 allocation methodology. Correct?

10

11 (BRIEF PAUSE)

12

13 MR. RYAN KOLASKI: KPMG did not  
14 provide any commentary on a compare-and-contrast basis  
15 of the Deloitte report versus the current methodology.  
16 They only provided a -- opinion and comments as it  
17 relates to the IFRS-17 or the new or refined  
18 methodology that MPI is using today.

19 MS. KATRINE DILAY: Thank you. And  
20 so, to date, you'll agree that MPI has not provided a  
21 third-party review examining the revised methodology  
22 against the PUB approved integrated cost allocation  
23 methodology. Correct?

24 MR. RYAN KOLASKI: I don't know if I  
25 can state that 'cause I honestly don't know if I reach

1 back out to KPMG whether they can say whether or not  
2 they reviewed the old methodology and compared that in  
3 creating their current report.

4 All I can say is I have provided them  
5 all the information. It would be odd that they would  
6 not have re -- looked at it or read it to educate  
7 themselves on what the current state is.

8 MS. KATRINE DILAY: But to date on the  
9 record of this proceeding, there is no report, no  
10 third-party review, examining the revised methodology  
11 against the PUB approved ICAM. Correct?

12 MR. RYAN KOLASKI: I think what the  
13 evidence MPI has provided is that the methodology is  
14 in fact the same, there's just a change in sequencing  
15 of events. So, it's really the methodology is the  
16 same, but the technical steps that are undertaken to  
17 achieve the same result aren't any different.

18 It's why MPI doesn't believe that the  
19 methodology is different, it's just that it had to  
20 change in order to accommodate an accounting standard;  
21 otherwise, the board of methodology is, in fact, the  
22 same. Right? The schematic is different, which seems  
23 to have caused some grief, but fundamentally the steps  
24 of allocating costs remain the same.

25 MS. KATRINE DILAY: And again, this is

1 MPI's evidence. Correct?

2 MR. RYAN KOLASKI: Well, it's the  
3 evidence that KPMG wrote an opinion on. It's also the  
4 same opinion E&Y had. They had the same information.  
5 E&Y was provided with the PUB documents. The same  
6 information was provided to KPMG and E&Y. Both came  
7 back with comments, recommendations.

8 KPMG specifically commented that the  
9 current employed methodology is in line with best  
10 practices and did not recommend any changes.

11

12 (BRIEF PAUSE)

13

14 MS. KATRINE DILAY: Thank you, Mr.  
15 Kolaski. I have a few questions on the transition to  
16 IFRS and MPI's financial statements. Could we go to  
17 PUB/MPI-1-124 Part B. Thank you, Ms. Schubert.

18 So, to confirm our mutual  
19 understanding, MPI stated in response to Part B that  
20 it has not filed the '23/'24 Universal Compulsory  
21 Automobile Insurance Annual Financial Statements.

22 Correct?

23 MS. DOROTHY SCOTT: That is -- Dorothy  
24 Scott. That is correct.

25 MS. KATRINE DILAY: And this is

1 because this level of reporting does not meet the  
2 requirements for recognition and measurement under  
3 IFRS specifically IFRS-17 insurance contracts.

4 Correct?

5 MS. DOROTHY SCOTT: Correct.

6 MS. KATRINE DILAY: And this is  
7 because under IFRS-17 and as presented in MPI's IFRS-  
8 17 policy paper, insurance contracts within the Basic  
9 and Extension lines of business are aggregated into  
10 one portfolio for measurement and reporting purposes.

11 Correct?

12 MS. DOROTHY SCOTT: The insurance  
13 contract may involve both Basic and Extension products  
14 as such. Those contracts are aggregated into one  
15 portfolio.

16 MS. KATRINE DILAY: And then to  
17 summarize the last sentence of the first paragraph on  
18 the screen here, because of this aggregation external  
19 auditors are no longer able to audit the Universal  
20 Compulsory Automobile Insurance Annual Financial  
21 Statements or provide an opinion that the statements  
22 are in compliance with IFRS. Correct?

23 MS. DOROTHY SCOTT: Correct.

24 MS. KATRINE DILAY: And so, the result  
25 of this is that the Public Utilities Board as the

1 regulator of MPI's Universal Compulsory Automobile  
2 insurance no longer has access to audited financial  
3 statements. Correct?

4 MS. DOROTHY SCOTT: Correct.

5 MS. KATRINE DILAY: And the core  
6 reason for this is that the insurance contract is the  
7 lowest unit of account under IFRS-17. Correct?

8 MS. DOROTHY SCOTT: Correct.

9 MS. KATRINE DILAY: Even if that  
10 insurance contract provides coverage under both Basic  
11 and Extension lines of business. Correct?

12 MS. DOROTHY SCOTT: Correct.

13 MS. KATRINE DILAY: And if we could  
14 turn to CAC/MPI-2-7, please. And if we go to part A  
15 of the response, MPI confirms here looking at -- is --  
16 around the middle of the paragraph, MPI confirms that  
17 when a customer purchases both Basic and Extension  
18 products, it issue -- it issues one insurance  
19 certificate. Correct?

20 MS. DOROTHY SCOTT: Correct.

21 MS. KATRINE DILAY: And if we look to  
22 the top of page 4 of this IR, MPI provides here an  
23 example of an insurance certificate with both Basic  
24 and Extension products listed. Correct?

25 MS. DOROTHY SCOTT: Correct.

1 MS. KATRINE DILAY: And we can see  
2 that on the left-hand side under the title insurance,  
3 (INDISCERNIBLE). Correct?

4 MS. DOROTHY SCOTT: Correct.

5 MS. KATRINE DILAY: And there is Basic  
6 Autopac insurance, then a number of Extension products  
7 listed under that. Correct?

8 MS. DOROTHY SCOTT: Correct.

9 MS. KATRINE DILAY: And so, while the  
10 customer is purchasing products from two (2) of MPI's  
11 line of business, they receive one (1) insurance  
12 certificate as we see on the screen; correct?

13 MS. DOROTHY SCOTT: That is correct.

14 MS. KATRINE DILAY: And would it be  
15 fair to say that if a customer had to make a claim  
16 under this insurance certificate, the customer would  
17 not have to make one (1) claim for Basic and one (1)  
18 for Extension?

19 MS. DOROTHY SCOTT: That is correct.

20 MS. KATRINE DILAY: The customer would  
21 make one (1) claim under the totality of the coverage  
22 purchased?

23 MS. DOROTHY SCOTT: One (1) claim for  
24 that insurance certificate, yes.

25 MS. KATRINE DILAY: And on page 5 of

1 this Information Request -- thank you. If we look to  
2 the last paragraph on the page here, MPI says -- or  
3 sorry, the first paragraph on this page. MPI states  
4 that:

5 "As such, the -- the insurance  
6 contract is the lowest unit of  
7 account even if the insurance  
8 contract contains multiple  
9 coverages."

10 MS. DOROTHY SCOTT: Yes. Correct.

11 MS. KATRINE DILAY: And if we could go  
12 to -- just look -- if we can look to the end, the last  
13 sentence of the next paragraph. MPI says that:

14 "This interpretation, conclusion,  
15 and application thereof for  
16 reporting financial statements in  
17 accordance with IFRS 17 has been  
18 assessed by the external auditor."

19 Correct?

20 MS. DOROTHY SCOTT: Correct.

21

22 (BRIEF PAUSE)

23

24 MS. KATRINE DILAY: You will agree  
25 that the risks between Basic and Extension are

1 interdependent? And we can go to a reference, if that  
2 might be helpful. It should be at the bottom of page  
3 5 here.

4 And so, you'll see on the screen here  
5 towards the bottom:

6 "The contracts cannot be further  
7 broken down due to the  
8 interdependency of risk between  
9 Basic and Extension coverage."

10 Correct?

11

12 (BRIEF PAUSE)

13

14 MS. DOROTHY SCOTT: That is correct.  
15 The contracts cannot be further broken down due to  
16 interdependency of the risk between the Basic and  
17 Extension coverage that has been provided on the  
18 insurance certificate.

19 MS. KATRINE DILAY: And you'll agree  
20 that some Extension coverage products cannot be sold  
21 independently of a Basic product or coverage, correct?

22 MS. DOROTHY SCOTT: That is correct.  
23 The Basic coverage is the foundation of that contract.

24 MS. KATRINE DILAY: And if we could go  
25 to page 7 of this IR. And so, at the -- the end of

1 part B here that we see just before the start of part  
2 C, MPI says that:

3 "Financial statements can be issued  
4 for the portfolio of insurance  
5 contracts that encompass Basic and  
6 Extension insurance products and  
7 services.

8 Correct?

9 MS. DOROTHY SCOTT: Correct in that  
10 the mechanical exercise of providing financial  
11 statements for those two (2) lines of business, or  
12 those two (2) coverages, can mechanically be  
13 completed, but it would not be in compliance with  
14 IFRS. So, I think a distinction...

15

16 (BRIEF PAUSE)

17

18 MS. DOROTHY SCOTT: Oh, sorry, I  
19 misread that as being, like, individually a Basic  
20 financial statement and an Extension financial  
21 statement. A combined statement can be compiled and  
22 presented for audit.

23 MS. KATRINE DILAY: Thank you. So --  
24 so, an auditor could issue an opinion on financial  
25 statements that encompass both Basic and Extension,

1 correct?

2 MS. DOROTHY SCOTT: If those financial  
3 statements meet the requirements of IFRS 17, yes, they  
4 -- the auditor could provide an opinion on those  
5 statements. And, yes, under IFRS 17, a combined  
6 financial statement with both Basic and Extension can  
7 be provided for audit.

8 MS. KATRINE DILAY: But not just for  
9 Basic?

10 MS. DOROTHY SCOTT: Correct. Basic on  
11 its own -- financial statements for Basic on its own,  
12 or financial statements for Extension on its own, as I  
13 interpreted that sentence when I first read it, would  
14 not be in compliance with IFRS 17 or IFRS.

15 MS. KATRINE DILAY: And if we look to  
16 MPI's response to part D of this IR.

17 So, you'll agree MPI reminds us here  
18 that Extension rates are not regulated by the Public  
19 Utilities Board, correct?

20 MS. DOROTHY SCOTT: Correct.

21 MS. KATRINE DILAY: And it would be  
22 fair to say that it is because the PUB does not have  
23 jurisdiction to regulate Extension rates that MPI has  
24 not provided audited financial statements that  
25 encompass both Basic and -- and Extension?

1 MS. DOROTHY SCOTT: Correct.

2 MS. KATRINE DILAY: Madam Chair, I --  
3 I may be done. If I could just have one (1) or two  
4 (2) minutes to confer with my colleague.

5 PANEL CHAIRPERSON: Certainly, Ms.  
6 Dilay.

7 MS. KATRINE DILAY: Thank you.

8

9 (BRIEF PAUSE)

10

11 MS. KATRINE DILAY: Thank you, Madam  
12 Chair. I just have three (3) last questions for --  
13 likely for Mr. Kolaski just going back to some of my  
14 questions on the integrated cost allocation  
15 methodology.

16

17 CONTINUED BY MS. KATRINE DILAY:

18 MS. KATRINE DILAY: And so, you  
19 confirmed that KPMG had access to the PUB approved  
20 integrated cost allocation methodology, correct?

21 MR. RYAN KOLASKI: Correct.

22 MS. KATRINE DILAY: However, you also  
23 confirmed that KPMG's report did not include a  
24 compare-and-contrast analysis between the revised  
25 process that MPI is implementing and a PUB approved

1 ICAM, correct?

2 MR. RYAN KOLASKI: I'll say something  
3 unique which is partially correct. KPMG issued their  
4 opinion on the -- we'll call it the MPI methodology,  
5 but, again, that methodology isn't different. The  
6 only thing that's different is the sequencing of  
7 events, so -- so it's one and the same.

8 So, to me, KPMG has reviewed, had the  
9 material, and has issued their opinion that the MPI  
10 methodology that is employed today is leading and best  
11 practice, according to their opinion.

12 MS. KATRINE DILAY: Thank you. My  
13 question through related back to a previous statement  
14 you made where you -- you previously confirmed that  
15 KPMG's report did not include a compare-and-contrast  
16 analysis between the -- the revised ICAM process and  
17 the PUB approved process, correct?

18 MR. RYAN KOLASKI: They were not asked  
19 to do a compare -- and if you look at the statement of  
20 work, a copy of which is in evidence, they were not  
21 asked to do a compare and contrast. They were asked  
22 to provide an opinion on the methodology presented to  
23 them.

24 MS. KATRINE DILAY: Thank you. Thank  
25 you. Those are all our questions for this Panel.

1 PANEL CHAIRPERSON: Thank you, Ms.  
2 Dilay. Mr. Gabor...?

3 BOARD CHAIR GABOR: I've just got a  
4 few questions, Mr. Kolaski. You were talking about  
5 the Treasury Board process and the PUB process.

6 Am I right that you need a rate from  
7 this Board when you go to Treasury Board to get your  
8 budget approved?

9 MR. RYAN KOLASKI: So historically  
10 what's happened is we've put together our rate ask.  
11 We use that rate ask in our budget. So, we advance a  
12 budget to Treasury Board based on that. Last year  
13 they asked that we hold our budget until you issued  
14 your Order and then amend our budget for the rate  
15 indication.

16 As of this year, they have asked that  
17 we do the same. So, we will submit what I will say is  
18 a preliminary budget, which is our budget in total  
19 subject to your Order which we will then update our  
20 budget and wait for Treasury Board to opine on it.

21 BOARD CHAIR GABOR: Okay. And my  
22 understanding is the process is that you meet with  
23 Treasury Board in early January to finalize the  
24 budget. Is that correct?

25 MR. RYAN KOLASKI: That is correct.

1 So literally what happens is we will submit the budget  
2 in November to our department of legal. They will  
3 review it, then it will go to Treasury Board  
4 Secretariate who will then provide their comments and  
5 review and analysis.

6 Then we will present in January,  
7 similar to this process, the MPI budget, and then,  
8 some weeks later, they will get back to us either with  
9 an approval or direction and approval at that time.

10 BOARD CHAIR GABOR: Right, but by  
11 January you would have the PUB rate --

12 MR. RYAN KOLASKI: Absolutely, yes.

13 BOARD CHAIR GABOR: -- right? Okay.  
14 In -- in terms of this concept of the rolling budget,  
15 I mean, where are you in relation to a pilot?

16 MR. RYAN KOLASKI: Right after this  
17 process, we are starting to roll that out. So, we're  
18 going to start with the operating costs to move that  
19 forward, and then ultimately layer in the FTEs.

20 I can do a big bang, right, for this  
21 February as well, right, in order to just -- this is  
22 our budget that we're putting forward in the GRA, and  
23 this is the budget we're doing for Treasury Board as  
24 well. I do not want to go through a separate budget  
25 process. It's just a lot of work, and it's just

1 easier if everyone has the same set of numbers in --

2 BOARD CHAIR GABOR: Right. So, do you  
3 have in your mind what sort of variance you're looking  
4 at excluding hail damage and things -- major things  
5 like that? Because if you're going to have a rolling  
6 budget, it's going to -- it's going to move throughout  
7 the year, but you're going to have your opening  
8 budget, your closing budget, and you've got to figure  
9 out what the variance is --

10 MR. RYAN KOLASKI: So, there's two (2)  
11 --

12 BOARD CHAIR GABOR: -- throughout the  
13 year.

14 MR. RYAN KOLASKI: -- big components,  
15 right? So, you're going to have your operating cost  
16 budget and then you're going to have claims  
17 forecasting. And Cara can speak to this more, but  
18 we're trying to get more of a cadence on the claims  
19 forecasting so we get better at it.

20 But again, right, there's very big  
21 blocks of time in terms of our lines of business and  
22 this process. And it's very much dependent on  
23 availability of data and then capacity.

24 So, we're just starting with the OpEx  
25 piece, right, 'cause that's again the toughest piece.

1 And the natural cadence of this process aligns with  
2 what our current claims forecasting is.

3 BOARD CHAIR GABOR: Okay. So, I'm  
4 going to make a long-winded statement followed by a  
5 short question which won't surprise many people. And  
6 to some people who've been here for a while, they've  
7 heard the story. So, here's -- here's sort of my  
8 opening.

9 We heard from your CEO; we have a  
10 statement from the chair of MPI about the importance  
11 of a trusting relationship. That goes in relation to  
12 the CMP.

13 For those who work here, the CMP was  
14 created by this Board. The Board came up with the  
15 idea with the Order based on information from MPI,  
16 comparisons, looking at Saskatchewan.

17 The understanding of this Board was  
18 there would be an automatic transfer from Extension.  
19 We agreed. We'll go to MCT: a hundred (100) for  
20 Basic, two hundred (200) for Extension, three hundred  
21 (300) for SRE with the understanding that anything  
22 above two hundred (200) for Extension would  
23 automatically go to -- to Basic.

24 Then we had a hearing. Started before  
25 my time. Out of the blue came DVA. First time

1 notice. All of a sudden, we're advised -- I thought  
2 it was 110 million; you said it was 115 million, 115  
3 million had been transferred, which was news to us.

4                   And that was one year. The following  
5 year, the position of MPI, as enunciated by your  
6 predecessor, Mr. Giesbrecht, was, We transfer money at  
7 March 31st, but before March 31st, we can do whatever  
8 we want with that money -- which was also news to us  
9 which we thought went against the spirit of the  
10 understanding throughout that that was the position.

11                   As you were talking, I was going to  
12 ask, So is it the position of this Board that there  
13 would be an automatic transfer of Extension over two  
14 hundred (200) until Mr. Guerra swooped in, protecting  
15 your rights. And -- and, as I understand it, the  
16 position of MPI is still you can -- your board can do  
17 whatever it wants with that money; DVA, other line,  
18 keep it in Extension.

19                   I just want to confirm if that's the  
20 position of MPI?

21

22                   (BRIEF PAUSE)

23

24                   MR. RYAN KOLASKI: Thank you for your  
25 patience. So, the current CMP Plan that you refer to

1 has not actually been approved by the current board of  
2 MPI, so I would not want to misrepresent their  
3 interpretation of that Plan.

4                   What we could do is, when that plan is  
5 prepared to go back to the board for approval, we can  
6 seek exact clarification around their view on  
7 transfers before or on the 31st. But as of today,  
8 they have not approved that plan in principle, so I  
9 can't speak on their behalf as to their interpretation  
10 'cause, ultimately, that decision rests with them.

11                   BOARD CHAIR GABOR: Okay. Here's the  
12 problem I have, and I accept that and we'll -- you  
13 know, we'll wait and see. Here's the problem I have,  
14 and I'm not going to ask Chris Nichol (phonetic)  
15 through it.

16                   We've a series of documents that show  
17 projections of transfers from Extension to Basic year  
18 after year, and Basic's going to need that. How do I  
19 -- how do -- how does this Board rely on those  
20 documents, on those projections when, essentially, you  
21 have the right to basically say, Yeah, you know what,  
22 we've decided we're going to put money into DVA or  
23 we're going to put money here or we want to build up  
24 Extension?

25                   That's -- that's the problem. At least

1 I haven't talked to my colleagues. That's a problem I  
2 have because when we make decisions, we have to rely  
3 on the evidence and the evidence includes  
4 representations of projections based on transfers.

5 And as right as of now there is no  
6 commitment to those transfers, so, I just -- I just  
7 put it on the record so you may want to -- when you're  
8 chatting with your Board, you -- you may want to talk  
9 about the miserable Chair of the PUB and ----

10 MR. RYAN KOLASKI: No, your position  
11 is reasonable.

12 BOARD CHAIR GABOR: -- but that's the  
13 problem, you know, that's a decision-making process.  
14 So, anyways, those are -- those are my questions.  
15 That's yes -- that's it.

16 PANEL CHAIRPERSON: Thank you, Mr.  
17 Gabor. Ms. Nemec...?

18 BOARD MEMBER NEMEC (by TEAMS): Thank  
19 you, sorry, just finding my buttons -- my buttons. I  
20 -- I -- and my question to Mr. Kolaski and -- and --  
21 and I'm really just trying to understand a little bit  
22 about the stretch budget and -- and sort of the  
23 process that went on for the '25/'26 operating costs  
24 that is -- and -- and you're going to have to correct  
25 me but, I -- I think you talked about the amount that

1 went to Treasury Board was four hundred (400) and --  
2 \$408 million was initially put forward. But in the  
3 GRA it was three ninety-nine (399).

4           And I'll just say a couple more things,  
5 then I'll let you correct me. Then we talked about  
6 some of that had to do with certain FTEs that you  
7 already knew through strategic plans that would not be  
8 part of the next year's budget.

9           So, you said that was sort of a smaller  
10 amount of -- of this is a different -- but you also  
11 talked about initiative -- I think you approve an  
12 initiative expenses for a little bit of a bigger part.  
13 I just wanted to understand those numbers a little  
14 better.

15           MR. RYAN KOLASKI: Chair, thank you  
16 for your question.

17           So very '24/'25 the approved Treasury  
18 Board budget is \$408 million corporately. As it  
19 relates to the '25/'26 GRA the top-down approach took  
20 the four o eight (408) and we landed at \$399 million.

21           Specifically, since that time, or we  
22 can even talk about the three ninety-nine (399), the  
23 initiatives is what's been changed.

24           So, when you look at LPM funding, this  
25 organization has stood up in the past around \$24

1 million. We were at \$14 million and now we're going  
2 to pull it down to \$9 million for the LPM funding  
3 envelope.

4 And that's part of the reason ---

5 BOARD MEMBER NEMEC (by TEAMS): Sorry,  
6 I'm sorry -- I'm -- I'm losing you at LPM.

7 MR. RYAN KOLASKI: Lean Portfolio  
8 Management, so the value assurance component. And  
9 then what happened between the 408 and the three  
10 ninety-nine (399) is just a natural change that  
11 happened because of labour interruption. We had to go  
12 back and re-do when projects would start or end.

13 So, there was a drift related to those  
14 dollars. And that's what's driving your change  
15 predominantly. So, your staffing complement overall  
16 was effectively the same, but -- other than we knew  
17 that six (6) people would be let go so we pulled that  
18 back and then we had a Treasury Board direction to  
19 take twenty-eight (28) FTEs and put them into  
20 consulting.

21 So, there was two (2) changes baked  
22 into the budget. The twenty-eight (28) FTEs don't  
23 change the budget dollars, they just change FTEs to  
24 consulting. So, the dollars related to it are the  
25 same.

1                   But effectively a large component of  
2 the change is initiative driven as it stands today.  
3 Hopefully that answers your question.

4                   BOARD MEMBER NEMEC (by TEAMS):    Yeah,  
5 and -- and I'll maybe have a part B or C to that.  So,  
6 when you say initiative spending -- and I guess what I  
7 was looking at the five (5) year projections and I  
8 think you added up the -- the deferred costs that we  
9 called Initiative Expense -- I think its  
10 implementation, Initiative Implementation -- Expenses,  
11 I can't remember, but Improvement Initiative Expenses,  
12 pardon me, and I think you added that up to about \$86  
13 million over the five (5) years of \$85 million.

14                   And you talked about the data  
15 processing costs, sort of at a top line, before the  
16 very bottom line where its deducting that  
17 (INDISCERNIBLE).

18                   And it looked like there was increases  
19 over that time.  I think there was like \$21 million to  
20 tax in '21/'22 and then when we looked at sort of the  
21 current year, or the current '25/'26 it was like \$42  
22 million.  So, an increase in \$20 million.  So, if you  
23 look at that over five (5) years that's like an  
24 increase of a hundred million (100).

25                   So, are those increases all NOVA costs

1 and are they operating NOVA costs that are included in  
2 that \$270 million NOVA budget?

3 MR. RYAN KOLASKI: So, the data  
4 processing cost, the large -- there's two (2) really  
5 large components. So, there's a licensing component.  
6 There's an external labour component and then there's  
7 kind of the SAS IBM infrastructure.

8 So large -- so the NOVA's R1 because  
9 it's now live, those costs are going through normal  
10 operations so that cost is in your data processing  
11 line.

12 So, it's not the NOVA R3 Release, it's  
13 the NOVA R1 release and then we just recently released  
14 NOVA R2, so those costs are now being forecast  
15 forward.

16 So, when you break down NOVA, you kind  
17 of really have to look at the different releases. The  
18 challenge when you look at the run-up and then kind of  
19 where the budget is today, you have to keep in mind,  
20 there's a legacy system and then as we're turning on  
21 pieces of that system, we still have the old legacy  
22 system with the new software being stood up.

23 So, you kind of have a couple years  
24 where you basically you are running double costs and  
25 then as the legacy system decommissions, you're just

1 left with the new modern IT system.

2                   So, as it relates to '25/'26, you kind  
3 of have that duplication of efforts on maintaining two  
4 (2) systems until you can decommission the old system.

5                   And that's what's driving up your  
6 costs. So, it's -- a big part of it is NOVA, yes, and  
7 the other part is just a natural legacy component of  
8 non-NOVA initiatives that range anywhere from \$9 to  
9 \$12 million a year. Hopefully that answers your  
10 question.

11                   BOARD MEMBER NEMEC (by TEAMS): Yeah,  
12 and one of the -- the reason why I have a question is  
13 because we don't have separate audited financial  
14 statements for the Basic line of business.

15                   So normally if we were to look at the  
16 deferred improvement initiative expenses, that would  
17 be an audited number, at least included in -- in  
18 whether it's a material enough item or not, it would  
19 have been subject to some sort of audit or a process  
20 of how you accumulate those and how you -- how you  
21 write those off.

22                   But because they're not, I'm just  
23 asking I guess, the process to identify those  
24 improvement initiative expenses. Is that well  
25 communicated through; is that through the IT process;

1 is that through your accounting group that ensures  
2 there's consistent management or recording of those  
3 expenses.

4 MR. RYAN KOLASKI: So, it's a  
5 combination of both. So, the IT group manages the  
6 forecast. The Value Assurance Team manages the actual  
7 accounting, which then rolls into our financial  
8 accounting group.

9 If you look at the annual report and  
10 you pull up the capital expenditures, you'll see,  
11 again, because it's audited for the Corporation, the  
12 deferred costs, right, that are stated in there and  
13 I'll say subject to check, I believe it's around \$88  
14 million net, that relates to Project NOVA deferrals.

15 So that is now being amortized down  
16 related to R1. Of the \$88 million, \$17 million  
17 relates to the first release so that means that the  
18 remaining balance is related to R2 and soon to be R3.

19 So that deferral of balance, right,  
20 will kind of amortize over time. So that deferral  
21 amount is audited. I do have to, at the end of each  
22 year, provide a calculation to Price Waterhouse  
23 Cooper, saying why that balance should not be written  
24 down or written off as part of their annual audit.  
25 And because it is a sizable substantial number, they

1 do take the deferral amount quite seriously.

2 Hopefully that answers your question.

3 BOARD MEMBER NEMEC (by TEAMS):

4 Okay, thank you. Yeah. One last question is being an  
5 accountant myself when I hear that word "stretch  
6 budget", I'm -- I'm thinking wow that's -- that's a  
7 challenge, but it's when I always hear the word  
8 "stretch budget."

9 And then just reading a few things in  
10 the original GRA talked about that the expenses, I  
11 think, provided in the -- in the GRA was for '25/'26  
12 that there was only a 0.6 percent increase and,  
13 obviously, there's, you know, inflation out there and  
14 other things with new wage settlements included in --  
15 in that and that, it says, yet expect a growth for  
16 many expense categories with the support -- it's  
17 forecasted to be absorbed in '25/'26 outward.

18 So, it's -- and it says -- said it  
19 absorbs the 2.9 percent and 2.8 percent general wage  
20 increases. And I just think that's a challenging job.

21 MR. RYAN KOLASKI: So, there's a  
22 couple components to that. So, from the compensation  
23 point of view, we do budget general wage increases and  
24 merit increases, or economic increases based on the  
25 CBA and expectations.

1                   And compensation is 55 percent of our  
2 overall operating costs, so that is already baked in.  
3 Then I believe in the -- one of the IRs we actually  
4 state which lines of business or which lines of  
5 expenses are subject to CPI or cost escalation. So,  
6 we do go through and say which items are going to  
7 escalate based on cost.

8                   And then there's a number of items  
9 where we just held flat or -- or no CPI increase,  
10 'cause we literally want to try and hold the line to  
11 that level of spend and then have management come back  
12 and say why they need more or why they can't manage  
13 within that budget. And then make interim decisions  
14 based on known variances as opposed to standing up --  
15 a typical run rate and then allowing people more  
16 flexibility in judgment.

17                   So, it's a little bit more rigour on do  
18 what you can with what you have and then give me a  
19 really solid reason why you should get more money on  
20 an -- on an expense budget basis.

21                   And that's where that top-down budget,  
22 bottom-up approach to budgeting comes into play. So,  
23 when the VP of their division and their SLT come and  
24 sit with the executive along with the CEO and say this  
25 is my budget and this is why I need more money in this

1 particular lane, or here's initiatives that I have to  
2 do or problems I have in this area, there's a  
3 rationale and an understanding of where it is,  
4 effectively asking the people to stand up and defend  
5 the position for the money of ask that they're putting  
6 forward.

7                   But, again, in the budget that we put  
8 forward the goal is to try and cap and hold back costs  
9 that we know that are somewhat discretionary and not  
10 totally dependent on CPI.

11                   Hopefully, that answers your question,  
12 as well.

13                   BOARD MEMBER NEMEC (by TEAMS):    Yeah.  
14 And I -- and I don't expect an answer to this final  
15 comment, but one (1) comment you did make is you did  
16 say that 55 percent was remuneration type expenses and  
17 that so much of it -- of the organization operating  
18 costs are fixed.

19                   So, I do find that when we have such  
20 heavy fix, it is a challenge to try to -- to hold the  
21 line.    Anyway, good luck.

22                   MR. RYAN KOLASKI:    Part of holding the  
23 line is to force the organization to think  
24 differently, right.    And part of that is how do you  
25 want to deliver service and force people to have

1 conversations with their counterparts at SGI or ICBC  
2 or undertake different ways of looking at how to do  
3 different things, right.

4                   So, one (1) of the things that came out  
5 labour interruption is FNOL, First Notice Of Loss.  
6 So, you could go online and fill in your accident  
7 claim if you had one; that's new. That was different  
8 at MPI. There was a really uptake to that.

9                   Twenty to 30 percent of people really  
10 want to go online at nine o'clock and fill in their  
11 accident form and not go through the call centre,  
12 right.

13                   So, it does force you -- if you force  
14 people to think differently about it. But, yeah, no,  
15 it's a very challenging cost environment where  
16 basically everything is semifixed as opposed to more  
17 variable. But your comments are valid, but I just  
18 wanted to add some colour around it.

19                   And the new executive team at MPI is  
20 always up for a challenge, so it should be exciting.

21                   BOARD MEMBER NEMEC (by TEAMS):

22 Anyway, thank you very much for your comments. And --  
23 and those are all my questions.

24                   PANEL CHAIRPERSON: Thank you. I have  
25 one (1) question for Ms. Low. Quite a while ago you

1 indicated that over the last five (5) years there had  
2 been rate decreases in excess of 15 percent.

3 Can you confirm whether that included a  
4 conversion of the rebate figure to what it would have  
5 been if it were rate? Is that part of that 15?

6 MS. CARA LOW: No, it would not be.

7 PANEL CHAIRPERSON: Thank you. Mr.  
8 Guerra, redirect?

9 MR. ANTHONY GUERRA: Thank you. Just  
10 a few areas.

11

12 RE-DIRECT EXAMINATION BY MR. ANTHONY GUERRA:

13 MR. ANTHONY GUERRA: There were  
14 questions to the Panel earlier today on in-scope  
15 versus out-of-scope compensation.

16 And you'd agree with me that, Mr.  
17 Kolaski, in the case of in-scope compensation, that is  
18 set by the collective bargaining agreement and is not  
19 subject to Board approval every year, correct?

20 MR. RYAN KOLASKI: Correct.

21 MR. ANTHONY GUERRA: The situation  
22 though outside of that with our out-of-scope  
23 employees, that is a different process.

24 Would you agree with that?

25 MR. RYAN KOLASKI: Correct.

1 MR. ANTHONY GUERRA: And would you  
2 agree that that -- that process is subject to Board  
3 approval on an annual basis?

4 MR. RYAN KOLASKI: Correct.

5 MR. ANTHONY GUERRA: In terms of --  
6 you -- there was an earlier discussion about fixed FTE  
7 costs. And I would just ask you, is there any other  
8 bases for determining the -- the correct or right  
9 sized number of FTEs other than the compensation?

10 And -- and I guess just one (1) -- one  
11 (1) example, service level standards. How do they  
12 apply to fixed FTE costs?

13

14 (BRIEF PAUSE)

15

16 MR. RYAN KOLASKI: Thanks for your  
17 patience. So, the service -- so, again, most of our -  
18 - our FTEs are -- on the front line are administration  
19 fees related to service delivery.

20 So, the -- if you were to reduce FTEs,  
21 that would reduce your service delivery, as well. My  
22 prior comment was that most people in those roles is  
23 union related, which gave the impression that you  
24 couldn't make changes because of the union agreement;  
25 it's really a combination of both.

1                   But predominantly the bulk of the FTEs  
2 at MPI are related to service delivery in one form or  
3 another. And that's where making changes is  
4 challenging because if you close a service centre or  
5 change how, example, knowledge testing is done, then  
6 that's going to have a direct impact on access and  
7 serviceability

8                   MR. ANTHONY GUERRA: Thank you. And  
9 lastly, there were some questions posed to you by My  
10 Friends on the issue of DVA funding.

11                   And you'll recall those questions?

12                   MR. RYAN KOLASKI: I do.

13                   MR. ANTHONY GUERRA: And you'll recall  
14 that there was a conversation about including in this  
15 year's budget to Treasury Board an ask for -- for  
16 funding of approximately \$59 million.

17                   Do you recall that?

18                   MR. RYAN KOLASKI: I do.

19                   MR. ANTHONY GUERRA: Now, it was posed  
20 to you that the Treasury Board need not approve that  
21 request. Do you recall that?

22                   MR. RYAN KOLASKI: I do.

23                   MR. ANTHONY GUERRA: Now, typically  
24 would MPI have included a request in its budget to  
25 Treasury Board for DVA funding?

1 MR. RYAN KOLASKI: The typical  
2 inclusion has been 30.2 million approximately. Of  
3 recent, we've been asking for 40.25 million. So,  
4 there is an ask for funding.

5 That ask though has been through a  
6 discussion with our counterpart, the ADM specifically,  
7 but it has not been formally introduced in the budget  
8 as a complete ask on self-sufficiency, nor has -- we  
9 put forward a new ask to actually obtain a formal  
10 written new funding agreement as part of moving  
11 forward.

12 MR. ANTHONY GUERRA: So, this year is  
13 a different process. Is that what you're saying?

14 MR. RYAN KOLASKI: That is correct.

15 MR. ANTHONY GUERRA: And what is the  
16 rationale for using -- for including that specific  
17 request in the -- the Treasury Board budget this year?

18 MR. RYAN KOLASKI: So, DVA today is  
19 MPI is responsible for administering the DVA program  
20 on behalf of government. MPI isn't responsible for  
21 subsidizing or funding that program; we're responsible  
22 for administering it.

23 So, the onus is on us as an  
24 organization to put forward the appropriate funding  
25 that's required. And then it's -- the onus is on

1 government to say, no, we don't want to fund you. And  
2 now we have a discussion about what exactly is the  
3 service level you would like as we administer this  
4 program because you are responsible for funding the --  
5 the administration of it overall.

6 And that's to force a discussion  
7 through the Treasury Board Secretariate who presents  
8 to that to the Treasury Board who ultimately has to  
9 make that decision.

10 MR. ANTHONY GUERRA: And at this  
11 point, there have been no discussions that MPI should  
12 not be presenting this request for DVA funding in its  
13 budget to Treasury Board, correct?

14 MR. RYAN KOLASKI: That is correct.  
15 In fact, we have advised them and they are aware that  
16 that request is coming both in terms of magnitude and  
17 our expectation around it.

18 MR. ANTHONY GUERRA: Thank you. I  
19 have no further questions.

20

21 (PANEL STANDS DOWN)

22

23 PANEL CHAIRPERSON: Thank you. And  
24 thank you very much to this Panel. That concludes the  
25 Financial Forecasting and Financial Condition Test

1 Panel. We'll start tomorrow morning at eight o'clock  
2 with the MPI Claims Forecasting Panel. Did I say  
3 8:00?

4 Oh. Nine o'clock tomorrow morning.  
5 Sorry, everyone. Also, I just wish to confirm that we  
6 are able to confirm that we have the logistics in  
7 place to be able to conduct a hearing on Sunday.

8 I propose that we start that hearing at  
9 9:30, not 8:30, on Sunday morning. And certainly,  
10 over the course of the next couple of days we'll  
11 provide more information as is required in terms of  
12 how it's actually all going to function. So, thank  
13 you very much. See you tomorrow.

14

15 --- Upon adjourning at 4:30 p.m.

16

17 Certificate of Transcript

18

19

20 \_\_\_\_\_

21 Wendy Woodworth, Ms.

22

23

24

25