# FW: Pension Asset Description

**From:** "Orsini, Steve (CAB)" <steve.orsini@ontario.ca>
**To:** "Bromm, William (CAB)" <william.bromm2@ontario.ca>, "Corluka, Marijana (CAB)" <marijana.corluka@ontario.ca>, "Matela, Angelo (CAB)" <angelo.matela@ontario.ca>, "Kwamena, Boafoa (CAB)" <boafoa.kwamena@ontario.ca>
**Date:** Tue, 11 Oct 2016 09:05:32 -0400

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From: William A. Macdonald
Sent: Tuesday, October 11, 2016 9:04:44 AM (UTC-05:00) Eastern Time (US & Canada)
To: Orsini, Steve (CAB)
Subject: RE: Pension Asset Description

Steve,

Am I right in assuming that the surplus reduces the amount of what the Government must contribute? If not, why not?

Best,

Bill

W. A. Macdonald
Website: wamacdonald.com
O: 416-865-7091
F: 416-865-7934

-----Original Message-----
From: Orsini, Steve (CAB) [mailto:Steve.Orsini@ontario.ca]
Sent: Tuesday, October 11, 2016 8:34 AM
To: William A. Macdonald <wam@wamacdonald.com>
Subject: RE: Pension Asset Description

The main reason is that the definition of an asset under PSAB is an asset that is controlled. The AG is of the view that the province does not "control" the asset even though it is a jointly controlled pension plan.

-----Original Message-----
From: William A. Macdonald [mailto:wam@wamacdonald.com]
Sent: October-11-16 8:31 AM
To: Orsini, Steve (CAB)
Subject: RE: Pension Asset Description

Steve,

Please give me the Auditor General's explanation for why what they request is the right thing to do. I assume the expense is not to the Government but to the Pension Plan.

Best,
Bill

W. A. Macdonald
Website: wamacdonald.com
O: 416-865-7091
F: 416-865-7934

-----Original Message-----
From: Orsini, Steve (CAB) [mailto:Steve.Orsini@ontario.ca]
Sent: Saturday, October 08, 2016 12:08 PM
To: William A. Macdonald <wam@wamacdonald.com>
Subject: Pension Asset Description

Bill,

As discussed.  Thanks

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In connection with the preparation and audit of the 2015-16 Public Accounts, the Office of the Auditor General and the government's professional accounting staff disagreed regarding the application of Public Sector Accounting Standards (PSAS) to pension assets related to two pension plans that the Province jointly sponsors - Ontario Teachers' Pension Plan (OTPP) and Ontario Public Service Employees' Union Pension Plan (OPSEUPP).

As described in PSAS, a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future.

The Province's position is that the asset balance (or plan surplus for accounting purposes) in OTPP and OPSEUPP are assets to the province and it is suitable to reflect them in the financial results.  The Office of the Auditor General disagrees with this position and requested a valuation allowance to reduce the asset value which would result in an in-year expense.