TBS

Speaking Notes

Office of the Provincial Controller Division
Accounting Policy and Financial Reporting Branch

Legislated accounting for the OTPP and OPSEUPP related pension assets

Introductory remarks:

We are contacting you regarding an important matter related to the upcoming release of the 2015-16 Public Accounts. Specifically, we wanted to make you aware of a pension-related accounting change that will be disclosed in the Public Accounts which will be released in the next few days.

Details:

- The Province prepares its Public Accounts based on public sector accounting standards established by CPA Canada's Public Sector Accounting Board.
- For the past 15 years, since the existing pension accounting standard was introduced, the province has been reporting pension assets on our books in accordance with our interpretation of PSAB standards, as related to its share of the jointly sponsored pension plans – OTPP and OPSEUPP
- We have received clean audit opinions on all of our Public Accounts for the past 15 years since we first adopted the standard.
- We recently learned that the current Auditor General has a different interpretation than ours which would result in the elimination of reported pension assets from the Province's books for the fiscal 2015-16 Public Accounts.
- For the purposes of the 2015-16 Public Accounts, the government legislated the accounting for pension assets of jointly sponsored pension plans. The result of the legislation reflects the Auditor General's position until further review and discussion with the Auditor General can be completed over the coming months.
- From the public's perspective, it is very important that this change in accounting treatment is not seen as any reflection on the funding status of the plans, or the quality of financial reporting by the Province.
- One point that has come up during our discussions with the Auditor General is the different discount rates used by the OTPP for purposes of its own financial statement reporting, and for funding purposes. Ontario is not able to comment on the rate used by the OTPP for financial reporting or funding purposes, but we do acknowledge that the rate used by OTPP is acceptable under International Financial Reporting Standards which is the basis of reporting used by OTPP.
- To limit any unnecessary confusion for the public, it would be important to clearly communicate that the rate used by the OTPP for its financial reporting purposes, or funding calculation purposes, has <u>nothing</u> to do with the Province's rate selection for purposes of preparing our financial statements which are based on PSAB.
- The Province has consistently stated that the use of management's best estimate of the long-term rate of return for assets in the plans is consistent with PSAB accounting standards, as well the practices of all other senior Governments in Canada.
- We will continue to work with the Auditor General in an attempt to resolve our differences in opinion in the application of PSAB standards over the coming months.