Pension Accounting

KEY MESSAGES:

- We asked an independent expert panel to look into this because the advice we received from officials varied from that of the Auditor General.

- The panel found that the accounting practices that the province has used since 2001 are appropriate.

- That means that they view the province's share of the net pension assets as an asset on the financial statements.

- The independent experts came to this conclusion;
  - Because recognizing the asset provides an accurate representation of the province's financial position
  - And, because when the pension is healthy, there are existing agreements in place which allow both pension plan sponsors – government and **every employee in the plan** – to equally save money by reducing their regular contributions

- Based on the panel's findings we will continue the practice of the past 16 years and accept the panels advice
  - We find the argument of the panel compelling, and will proceed with what staff and experts have said is in line with the public sector accounting standards

EXAMPLE SIMPLIFYING ISSUE:

- This conversation has always been a complex discussion between accountants about the application of complicated accounting standards.

- I'd like to take a moment to use an example to assist in clarifying the situation

- A useful way to imagine our co-sponsored pension fund is to picture it as a rental property, that you jointly own with a friend

- You can't sell the house without the permission of your friend; however, leaving the value of the asset off of your net worth would be inaccurate.

- While an analogy, it's somewhat similar to the position we find ourselves in – just as you'd report the value of our co-owned property, we will be reporting the value of our jointly sponsored pension plan asset.

IF ASKED ABOUT WITHDRAWING FROM PENSION FUNDS:

- I am disappointed that the opposition would choose to fear monger.

- Funds in the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Pension plan can only be used for pensions.

- The opposition is making things up. The province does not even have the ability to withdraw assets from the plan.

- The accounting dispute has never been about accessing money in the plan – the conversation has only ever been about if an asset actually exists, and about reducing future contributions to the plan

    - Contribution reductions that equally save our government and every current employees in the plans money.

IF ASKED ABOUT THE EXPERT PANEL:

- The independent panel was made up of;
  - Tricia O'Malley - Chair of the Canadian Actuarial Standards Oversight Council
  - Murray Gold – Leading Practitioner and senior pension and benefits partner at KoskieMinsky LLP
  - Uros Karadzic – A pension actuary and partner at Ernst and Young
  - Paul Martin – Comptroller with the Government of New Brunswick
- Based on the panel's findings we will follow the practice of the past 16 years and accept the panels advice
  - Recognizing net pension assets on our financial statements has previously been approved by the current and previous auditors
  - Presenting the financial statements this way is in accordance with the public sector accounting standards