Pension Accounting Policy

Solely Sponsored Pension Plan – PSPP

Follow PSAB's prescribed calculation, no change from prior years' accounting policy except that the new PS 3250 requires recognition of unamortized experience gains in the period of plan amendment to offset the past service cost of plan amendments booked in the period.

Components of PSPP pension liability include:

1. Obligation for pension benefits
2. Less: pension fund net assets
3. Unamortized experience gains
4. Adjustment for different year ends between pension plan and Province

Note:
X Item 4 will be reported as "Adjustments" in the note to the Province's financial statements.

Components of PSPP pension expenditure include:

1. Cost of current period pension benefits
2. Less: employees' and other employers' contributions
3. Amortization of experience gains
4. Pension interest expenditure/revenue
5. Past service cost of plan amendments
6. Recognition of unamortized experience gains to offset past service cost of plan amendments

Note:
X If there are gains/losses arising from plan settlements and curtailments, or any in-year change in valuation allowance against the carrying value of an accrued benefit asset during the period, they will be included as components of pension expenditure.

Jointly Sponsored Pension Plan – OTPP including Teachers' Retirement Compensation Arrangement (RCA) and OPSEU Pension Plan

Pick up 50% of each of the components of pension liability and expenditure calculated based on PSAB's prescribed calculation including recognition of unamortized experience gains in the period of plan amendment to offset the past service cost of plan amendments booked in the period, with the following modifications:

1. Employee contributions

Remove the "employee contributions made during the period" (PS 3250.019 (h)) component from the calculation of pension expenditure.

Rationale: Reducing the employer's share of pension expenditure and liability by 50% of employees' contribution will result in understatement of the employer's true share of pension expenditure and liability.

2. Initial unfunded liability

50% of OTPP's 1993-94 (first moved to PSAB) opening liability of $2,438M (50% of $4,875M) is added as one component of OTPP's pension liability and amortized over 14 years (1993-94 EARSL).

50% of OPSEU Pension Plan's 1995-96 (first year after the split of OPS pension plans) opening liability of $194M (50% of $388M) is added as one component of OPSEU Pension Plan's pension liability and amortized over 13 years (1995-96 EARSL).

Rationale: To recognize that the Province was responsible for 100% of the initial unfunded liability before the plans became jointly sponsored plans. Also reflects the fact that the initial unfunded liability is eliminated overtime through government contribution, offset from plan surplus and benefit payments made to members.

3. Difference between employer and employee contributions

50% of the difference between employer and employee contributions in a period is added as one component of the pension liability and amortized over EARSL.

Rationale: To reflect the employer's over contribution (compared to employees' and other employers' contributions) as an experience loss and under contribution as an experience gain. This adjustment will ensure that, in the long term, the pension liability will reflect the employer's true share of pension liability.

Components of OTPP and OPSEU pension liability include:

1. Obligation for pension benefits
2. Less: pension fund net assets
3. Unamortized experience gains
4. Adjustment for different year ends between pension plan and Province
5. Adjustment for OTPP receivable from Province (OTPP only)
6. Unamortized initial unfunded liability
7. Unamortized difference between employer and employee contributions

Note:

X Items 4 to 7 above will be reported as "Adjustments" in the note to the Province's financial statements.

Components of OTPP and OPSEU pension expenditure include:

1. Cost of current period pension benefits
2. Amortization of experience gains
3. Pension interest expenditure/revenue
4. Past service cost of plan amendments
5. Recognition of unamortized experience gains to offset past service cost of plan amendments
6. Amortization of initial unfunded liability
7. Amortization of difference between employer and employee contributions

Note:

X Items 6 and 7 above will be reported as "Adjustments" in the note to the Province's financial statements.

X If there are gains/losses arising from plan settlements and curtailments, or any in-year change in valuation allowance against the carrying value of an accrued benefit asset during the period, 50% (i.e., the Province's share) of these items will be included as components of pension expenditure.

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