Assessment Note

Office of the Provincial Controller Division
Financial Reporting and Fiscal Support Branch

Adopting the Accounting Recommendations of the Auditor General – Pension Accounting

Issue:

Describe the options for adopting accounting treatments for joint-sponsored pension plans and the Fair Hydro Plan as recommended by the Auditor General.

Overview:

Net Pension Assets

The Public Accounts currently recognize a future economic benefit from the net surplus of the joint-sponsored pension plans of the Ontario Teachers' Pension Plan (OTPP) and the OPSEU Pension Plan (OPSEUPP). The accounting for these plans has been the practice since 2001, and was without qualification until 2016. In 2016, the Province passed a time-limited regulation which changed the accounting to reflect the Auditor General's interpretation of the PSAS accounting standards for pensions (PS3250). This regulation was not renewed for 2017 pursuant to the government's acceptance of the Report by the Pension Asset Expert Advisory Panel which supported the government's long-standing interpretation of Canadian accounting standards for pensions.

Considerations:

Changes in the accounting currently used by the Province will require legislative, regulatory or policy changes.

For the accounting of net pension assets, the government could consider the following options:

- Amend the governance of the OTPP and OPSEUPP to remove the government's ability to participate decision-making and any determination of access a future economic benefit

Pros	Cons
•	• Reduces the government's role to a plan contributor
•	•

- Implement a contribution level from the Province which would materialize the benefit

Pros	Cons

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• Positive cash flow impact (reduce need to borrow)	• In the case of OTPP, joint-sponsor not expected to agree (more ability to exercise with OPSEUPP)
• Reducing the plan surplus and realizing the benefit provides evidence that an asset exists	• Long-term impact on plan members

- Introduce a regulation to prescribe the accounting for joint-sponsored pension plans as a permanent accounting policy. This regulation will be noted in the Public Accounts in Note 1 – Significant Accounting Policies as legislated accounting and an exception to Public Sector Accounting Standards.

Pros	Cons
•	• AG is not supportive of the use of regulation to define accounting which, in her opinion, deviates from PSAS
•	• Senior officials' reservations to attest to impacts of legislated accounting

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Delivery/Timelines:

Legislative and/or policy changes invoked prior to the release of the 2018 Public Accounts and specifically applicable would be reflected in the consolidated financial statements. The Public Accounts is required to be released within 180 days after the fiscal year end (March 31).

Other Jurisdictions:

For both of these issues, factual circumstances are unique to Ontario and jurisdictional comparison may not be fully reflective of options available to the government.