Briefing Note

Office of the Provincial Controller Division

Commented [TBS1]: What's the purpose of this briefing memo – without a description of the legislated accounting I think its confusing.

Net Pension Asset Reporting on the CFS for Ontario Teacher's Pension Plan (OTPP) and OPSEU Pension Plan (OPSEUPP)

ISSUE:
Is the accrued benefit asset reported on the Province's 2015-16 Consolidated Financial Statements impaired (subject to a valuation allowance) as calculated under the asset ceiling test of public sector accounting standards?

Background:

The Province has reported an accrued pension asset for OTPP and OPSEUPP since the 2001-02 Public Accounts. The accrued pension asset positions have been gradually growing since that time. As of March 31, 2016, the Province plans to report a net pension asset position of $10.1 billion for OTPP (excluding RCA) and $420[1] million for OPSEUPP.

OPCD collaborated with Income Security & Pension Policy Division (MOF), Pension Policy Unit (TBS), external actuary Allan Shapira (Aon Hewitt), Dani Goraichy, VP Actuarial Services OPTrust and Deloitte to assess the Province's position with respect to each of these plans and to determine if a valuation allowance is required as at March 31, 2016. Based on a review of various plan terms and conditions, and the Province's rights and expectations regarding access and use of surpluses, the asset value to be reported by OPCD on the Province's books is not impaired. In particular, the Province can reasonably expect to benefit from the accrued benefit assets reported for both OTPP and OPSEUPP by either withdrawing surplus, taking a contribution holiday or receiving a refund of contributions in the future as per the current funding management policy (FMP) of OTPP and OPSEUPP.

Commented [TBS2]: I don't think we believe with any certainty that we withdraw surplus or receive a refund of contributions. The focus has always been on reducing future contributions. Please revise

Detailed analysis was performed by Deloitte and Allan Shapira in calculating the Expected Future Benefit[2] (EFB) based on actuarial information provided by the OPTrust and OTPP plan actuary (i.e. Mercer). Results of the analysis indicate that the EFB for both plans exceeds the adjusted benefit asset for both OTPP and OPSEU as of March 31, 2016. Documented advice received by OPCD from Deloitte regarding analysis of both OTPP and OPSEUPP is attached as an appendix.

[1] Excludes consolidation agency adjustments for pension contributions reported as an expense by the government controlled organizations included in the government reporting entity.
[2] In accordance of 3250.056. EFB for OTPP and OPSEPP is $44.6B and $6.3B respectively.

CONCLUSION:

For purposes of the 2015-16 Public Accounts, neither the OTPP and OPSEUPP are impaired under public sector accounting standards, therefore no valuation allowance is necessary. The Province will continue to monitor and assess whether the accrued pension asset may become impaired in the future.

Prepared by: Pauline Fong, Senior Analyst, APFR
Reviewed by: Bharat Patel, Manager (A), APFR
Approved by: Nadine Petsche, Director, APFR
Office of the Provincial Controller Division
Date: August 19, 2016