FW: Draft note to the financial statements -- legislation option

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
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Date: Tue, 27 Sep 2016 09:25:42 -0400

There may be a minor tweak or two from the version I sent you last night – please use this one for now.

Thanks

From: Veinot, Cindy (TBS)
Sent: September-27-16 9:25 AM
To: Hughes, Karen (TBS); Orencsak, Greg (TBS); Thompson, Scott (MOF)
Cc: Laughton, Patrick (TBS); MacIntyre, Kyle (TBS); Petsche, Nadine (TBS); Patel, Bharat (TBS)
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18. Legislated Accounting for Pension Assets

On September 27, 2016, the Province legislated the accounting for recording pension assets resulting from jointly sponsored defined benefit pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension asset that would other otherwise be recorded under Public Sector Accounting Standards, except that no valuation allowance is recorded for pension assets arising from unamortized actuarial losses.

As described in PSAS, a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future. The Province had previously recorded pension assets to the extent the Province expected to fully benefit from the asset through future reductions in contributions to the plan. The change was made to comply with the Auditor General of Ontario's interpretation of PSAS on this matter which has been articulated as requiring a full valuation allowance if the Province does not have a legally enforceable right to unilaterally access the assets of the Plans, or in absence of that right, an irrevocable agreement in place at year-end with the joint sponsors of the plans to reduce contributions. As both of these plans are jointly sponsored, the Province has shared control, as opposed to unilateral control, under the governing agreements on the basis that the sponsors jointly manage the plans in dealing with changes in benefits and under the plan.

The financial statements have been restated to reflect the effect of the above-noted legislated accounting. The effect of the legislation is as follows as at March 31, 2015 and for the year then ended:

1.

($ Millions)	Balance as reported	Adjustment	Balance as
Consolidated statement of Operations -Expense			

Education	25,194	956	26,15
General Government and Other	4,617	(3)	4,61
Total Expenses	128,861	953	129,8
Annual Deficit	(10,315)	(953)	(11,26
Consolidated Statement of Financial Position			
Liabilities	3,151	9,154	12,30
Pensions and Other Employee Future Benefits			
Total Liabilities	367,089	9,154	376,2
Net Debt	(284,576)	(9,154)	(293,7
Accumulated Deficit	(187,511)	(9,154)	(196,6