Information on pension asset

From: "Provis, Ian (TBS)" <ian.provis@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Cc: "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>, "Keates, James (TBS)" <james.keates@ontario.ca>
Date: Mon, 19 Sep 2016 16:56:26 -0400

I talked to Canada and SK on any insights on the Pension asset issue

The positive help first:
Diane from Canada suggested to look at Restricted Assets

PS 3100 EXTERNAL RESTRICTIONS

.05 Resources restricted by agreement with an external party, or by legislation of another government, are the least accessible of the government's resources. They cannot be used for other than the stipulated purpose unless the government obtains approval or permission from the external party or there is a change in the pertinent legislation.

.06 Often, external restrictions are associated with inflows of resources received from external parties who stipulate that amounts received be used in a particular manner. There may also be external restrictions imposed on the government's own assets, as can be the case with most sinking fund investments.

I think the point is – just because it is highly restricted it doesn't mean it is not an asset - it just needs disclosure.
Is there an analogy of Pension assets with sinking funds?

I talked to Lori from SK – they had a pension asset this year which they did not recognize. They did not feel they had an asset to recognize. She had a couple suggested things to check with the plan

1. Can the surplus be used to increase benefits? – therefore there is less assurance of a provincial asset as it may not result in pension holidays or decreased contributions – it may increase benefits meaning it is an asset of the beneficiaries
2. Does the plan have a decision to hold a benefit security margin which would restrict the asset from being a benefit to the province to the extent it is needed for the margin (in the plan or board decisions)
3. If it is an indexed plan that might add more credibility that we have access to the economic benefit as opposed to the beneficiaries

Note: SK can't withdrawal, take a premium holiday, and they have a benefit security margin. They also looked to the Private sector standard. Their auditor did not look at their accounting treatment of the asset.

Both confirmed there was no mandate to expand or change the definition of an asset from the CF. The task force was a couple years ago so they don't have any specific recollections on joint controlled assets.

Ian Provis, CPA C.A.

Manager
Office of the Provincial Controller Division
☏ 416.327.2722 | 🖰 ian.provis@ontario.ca