Ontario

NEWS

Treasury Board Secretariat

Pension Asset Expert Advisory Panel Submits Final Report

Government Accepts Independent Panel's Recommendations on Accounting for Pension Plans

NEWS February 13, 2017

The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on the application of public sector accounting standards to two of Ontario's jointly sponsored pension plans: the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP).

The panel's report concluded that the province's share of the net pension assets of both the OTPP and the OPSEUPP should be recognized in Ontario's financial statements, which Ontario has done consistently since 2001.

The panel's report outlined the following reasons why an asset exists and should be reported in the financial statements:

- Recognizing the asset will provide a faithful representation of the Province's financial position
- The accounting surplus in the plan has a future economic benefit
- The government controls access to that accounting surplus
- The accounting surplus exists as the result of past transactions and events
- It would be misleading not to recognize the Province's share of the assets in Public Accounts

In addition, the panel concluded that the government will be able to benefit from the full amount of each net pension asset, and as a result, no reduction in the value is necessary.

As a result, the government is accepting the panel's recommendations, which will inform the preparation of the Province's future financial statements.

The Province remains on track to balance the budget by 2017-18, and remain balanced in 2018-19.

Responsible financial management is part of the government's plan to create jobs, grow our economy and help people in their everyday lives.

QUOTES

"I would like to thank the expert advisory panel for their thorough analysis and recommendations on this complex accounting issue. We are committed to implementing the advice of this independent panel and will use it in preparing the province's financial statements."
— Liz Sandals, President of the Treasury Board

Commented [CV1]: There were two main aspects to the panel's work – whether to recognize the assets and if so, how to measure them – this only addresses the first issue

Commented [CV2]: Not a reason why the asset exists – hence the change above

Commented [CV3]: Also not a reason by the asset exists – see comment 2 re: the change necessary in the introductory sentence

Commented [CV4]: See comment #1

"As a result of the expert assessment of the independent advisory panel, we now have additional advice on how to account for these jointly sponsored pension plans as assets. This advice will help us continue to present the province's finances fairly and accurately, as we work toward balancing the budget in 2017-18. We will provide a full update on the Province's fiscal situation in the near future."
— Charles Sousa, Minister of Finance

QUICK FACTS

- For 2015-16, following the advice of the panel means the province's deficit would be lowered by $1.5 billion and its net debt by $10.7 billion.

- In preparing the 2015-16 Public Accounts of Ontario, the Province's professional accounting staff and the Auditor General's Office could not reach an agreement on the appropriate application of the Public Sector Accounting Board standards regarding pension accounting for the Province's jointly sponsored pension plans.

- The government formed the Pension Asset Expert Advisory Panel to provide independent advice on how public sector accounting standards are interpreted as they apply to net pension assets.

- The panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and Public Sector Accounting Standards.

- The Chair of the panel, **Tricia O'Malley,** was Chair of the Canadian Accounting Standards Board (AcSB) from 2009 to 2010 and also served as its first full-time Chair from 1999 to 2001. She was a member of the International Accounting Standards Board (IASB) from 2001 until 2007 and she served on its staff as Director of Implementation Activities from 2007 to 2009. Supported by AcSB staff, she chaired the International Forum of Accounting Standard Setters, an informal association of bodies with a responsibility for setting or reviewing accounting standards in their various jurisdictions, from 2011 until April 2016.

- In the coming weeks, the panel will issue a supplemental report that will provide advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

Commented [CV5]: Debt doesn't change – what is the message that we are trying to convey? -- the impact on net debt?

ADDITIONAL RESOURCES

Read the panel's report*: [insert hyperlink]*

Pension Asset Expert Advisory Panel Members

Pension Asset Expert Advisory Panel Terms of Reference

Read the 2015-16 Public Accounts of Ontario

Learn about the government's fiscal cycle

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023