How did changing the accounting assessment on pension plans impact the financial results of the Province?

Ontario is a sponsor of the Public Service Pension Plan and a joint sponsor of the Ontario Teachers Pension Plan, the, and the Ontario Public Service Union Pension Plan, all of which impact the consolidated financial statements.

Each plan is unique and with the help of actuaries and accountants they are individually measured and assessed to be included in the financial results of the government.

The accounting for pension plans is different than the how pension plans are funded.

Pension Plans have obligations to make payments to beneficiaries at certain times based on the participation of the beneficiaries, and the rules of the plan.

Pension Plans hold a variety of assets to generate income and cashflow to be able to make the necessary payments to beneficiaries each year.

To report in the government's financial statements:

The first step is to look at the **Net Present Value (NPV)** of the obligation to beneficiaries. In other words, what is the value today of all the payments that need to be made to meet plan commitments.

Then it is compared to the **Fair Value (FV)** of the assets held by the plan

When the **FV of the assets** in the plan **is less** than **NPV of the obligations** to the beneficiaries, the plan has a net obligation position and is recorded as a liability in the financial statements.

When the **FV of the assets** in the plan **is greater** than **NPV of the obligation** to the beneficiaries, the plan is in a net asset position, but before an asset is recorded in the financial statements further evaluations need to be completed

When the plan is in a net asset position, the government must evaluate whether it is able to fully benefit from this asset.

If the Province determines that it is not able to fully benefit from the asset, a valuation allowance is recorded.

This allowance reduces the asset and creates an expense.

This year the government reviewed their assumption for pensions and determined that certain restatements were appropriate.

The Province determined a valuation allowance on the asset was appropriate under Public Sector Accounting Standards for financial reporting for the joint sponsored plans that were in an asset position. As a result, the pension asset was reduced by $xx billion.

This adjustment increased the opening accumulated deficit and opening net debt by $xx billion and current year expense by $YY.

Prior year results reported in the consolidated financial statements have been restated to reflect this changes.