RE: Draft -- change in Accounting Policy

From: "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>
To: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Cc: "Fong, Pauline (TBS)" <pauline.fong@ontario.ca>
Date: Wed, 14 Sep 2016 17:42:21 -0400

Other small plans $205M and agencies $906M (PSPP and OPESEU). We may have a challenges in splitting btw PSPP and OPSEU for $906M agencies' pension asset. Pauline had already pointed this to Cindy in her discussion for disclosure.

Thanks,

Bharat

From: Petsche, Nadine (TBS)
Sent: September-14-16 5:10 PM
To: Veinot, Cindy (TBS)
Cc: Patel, Bharat (TBS)
Subject: FW: Draft -- change in Accounting Policy

Cindy,

Please see my suggested edits. Note that there are also a couple of BPS plans which Bharat advises also have pension assets. n

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From: Veinot, Cindy (TBS)
Sent: September 14, 2016 1:57 PM
To: Petsche, Nadine (TBS)
Subject: Draft -- change in Accounting Policy

Nadine – take a look at this note. The AG is going to have to agree to this wording, which I think may be the sticking point, so we need to be able to make it very factual.

Cindy

Change in accounting policy

On September xx, 2016, the Province issues O.Reg. XX on accounting for the accrued benefit assets resulting from sponsored defined benefit pension plans on the Province's books for 2015-16. The regulation requires that a full valuation allowance be recorded against the accrued benefit asset. ~~that would other otherwise be recorded under Public Sector Accounting Standards~~.

~~As described in PSAS, an accrued benefit asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the accounting objectives and may differ for a number of reasons, including the fact that actuarial gains and losses are deferred and amortized in future periods.~~ The Province had previously recorded accrued benefit assets in the consolidated financial statements to the extent the Province expected the benefit to be realized in the future in accordance with the provisions of PSAS.

~~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 the legally enforceable right to unilaterally access the assets of the Plans, and as such. As both of these plans are jointly sponsored, the Province has shared control and not unilateral control over any surpluses in the plan. (deleted due to policital sensitivity)~~

The regulation impacts the amounts recognized in the 2015-16 financial statements for two jointly sponsored pension plans – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan.

The effect of the regulation on the comparative period's financial results as at March 31, 2015 and for the year then ended is as follows:

($ Millions)		Balance as reported	Adjustment	Balance as restated
Consolidated statement of Operations				
Expense Education		25,194	956	26,150
Expense General Government and Other		4,617	(3)	4,614
Total Expenses		128,861	953	129,814
Annual Deficit		(10,315)	(953)	(11,268)
Consolidated Statement of Financial Position				
Liabilities Pensions and Other Employee Future Benefits		3,151	9,154	12,305
Total Liabilities		367,089	9,154	376,243
Net Debt		(284,576)	(9,154)	(293,730)
Accumulated Deficit		(187,511)	(9,154)	(196,665)