RE: FAA Reg re: 15/16 accounting practices

From: "Provis, Ian (TBS)" <ian.provis@ontario.ca>
To: "Kaufman, Paul (TBS)" <paul.kaufman@ontario.ca>
Cc: "Duffy, Stephen (TBS)" <stephen.duffy@ontario.ca>, "Smook, Nick (TBS)" <nick.smook@ontario.ca>, "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>, "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>, "Hatzis, Len (TBS)" <len.hatzis@ontario.ca>
Date: Mon, 26 Sep 2016 18:03:54 -0400

I have to run out – but you can call me at 647-971-5113 if you need me

Ian Provis
☏ 416.327.2722 | ian.provis@ontario.ca

From: Kaufman, Paul (TBS)
Sent: Monday, September 26, 2016 5:57 PM
To: Provis, Ian (TBS)
Cc: Duffy, Stephen (TBS); Smook, Nick (TBS); Petsche, Nadine (TBS); Veinot, Cindy (TBS); Patel, Bharat (TBS); Hatzis, Len (TBS)
Subject: RE: FAA Reg re: 15/16 accounting practices

Okay thanks sending it off. Will provide an unofficial draft in the interim. Ian, we may ned to get you on the phone to explain some of the jargon to legislative counsel with us.

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

From: Provis, Ian (TBS)
Sent: September-26-16 5:55 PM
To: Kaufman, Paul (TBS)
Cc: Duffy, Stephen (TBS); Smook, Nick (TBS); Petsche, Nadine (TBS); Veinot, Cindy (TBS); Patel, Bharat (TBS)
Subject: RE: FAA Reg re: 15/16 accounting practices

Just walked through it with Cindy and she is good with this to go to leg council.

Ian

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From: Kaufman, Paul (TBS)
Sent: Monday, September 26, 2016 5:33 PM
To: Provis, Ian (TBS)
Cc: Duffy, Stephen (TBS); Smook, Nick (TBS)
Subject: RE: FAA Reg re: 15/16 accounting practices

1. In determining a valuation allowance for a jointly sponsored pension plan with a surplus calculated for accounting purposes, the Province shall assume an expected future benefit of zero.

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
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From: Provis, Ian (TBS)
Sent: September-26-16 5:13 PM
To: Kaufman, Paul (TBS)
Cc: Duffy, Stephen (TBS); Smook, Nick (TBS)
Subject: RE: FAA Reg re: 15/16 accounting practices

Here is where I think it should be where we set the accounting variable to 0 for the "expected future benefit" – I think this is using accounting terms that have essentially the common English meaning instead of the "adjusted benefit asset" that is more pension accounting lingo.

Accounting policies and practices for the 2015-2016 fiscal year

3. (1) The consolidated financial statements of the Province set out in the Public Accounts for the fiscal year ending March 31, 2016, including comparative financial results for the fiscal year ending March 31, 2015, shall be prepared in accordance with the following rules:

1. In determining a valuation allowance for a jointly sponsored pension plan the Province shall assume an expected future benefit of zero in respect of a plan surplus calculated for accounting purposes.

2. The rule in paragraph 1 shall be reflected in all related asset, revenue, liability, expense and accumulated deficit balances as if it had been implemented effective April 1, 2014.

(2) For greater certainty, any change to the comparative financial results required by subsection (1) does not constitute a restatement of the consolidated financial statements of the Province for the fiscal year ending March 31, 2015.

(3) In subsection (1),

"jointly sponsored pension plan" has the same meaning as in the Pension Benefits Act.

Commencement

2. This Regulation comes into force on the day it is filed.

Ian Provis
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From: Kaufman, Paul (TBS)
Sent: Monday, September 26, 2016 4:25 PM
To: Provis, Ian (TBS)
Cc: Duffy, Stephen (TBS); Smook, Nick (TBS)
Subject: RE: FAA Reg re: 15/16 accounting practices
Importance: High

Ian – we played with the wording a bit and cleaned up the tracking – please review this text and let us know if it works from an accounting perspective, especially the highlighted text. Note that this is general to all JSPPS, so if there are others that we are recording a positive value for, that would be a problem.

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Accounting policies and practices for the 2015-2016 fiscal year

3. (1) The consolidated financial statements of the Province set out in the Public Accounts for the fiscal year ending March 31, 2016, including comparative financial results for the fiscal year ending March 31, 2015, shall be prepared in accordance with the following rules:

1. The carrying value of an asset relating to a jointly sponsored pension plan in respect of which the Province would have otherwise recorded a positive amount before any valuation allowance is deemed to be zero.

2. The rule in paragraph 1 shall be reflected in all related asset, revenue, liability, expense and accumulated deficit balances as if it had been implemented effective April 1, 2014.

(2) For greater certainty, any change to the comparative financial results required by subsection (1) does not constitute a restatement of the consolidated financial statements of the Province for the fiscal year ending March 31, 2015.

(3) In subsection (1),

"jointly sponsored pension plan" has the same meaning as in the Pension Benefits Act.

Commencement

2. This Regulation comes into force on the day it is filed.

Paul Kaufman
Counsel
Ministry of the Attorney General | Legal Services Branch | Treasury Board Secretariat
9th Floor, 77 Wellesley Street West, Ferguson Block, Toronto, ON M7A 1N3
Phone: 416-327-7012 Fax: 416-325-9404

From: Kaufman, Paul (TBS)
Sent: September-26-16 3:55 PM
To: Provis, Ian (TBS)
Cc: Duffy, Stephen (TBS); Smook, Nick (TBS)
Subject: FW: FAA Reg re: 15/16 accounting practices

Ian – this is where it was left. You and Nadine had asked Cindy for input on the question re: the deletions in red.

Paul

**8

Hi Ian

We have a revised draft of the FAA reg, the text of it is set out below. Can you please have a look and let me know if you have any concerns. Also, there are two issues we'd like your confirmation on:

1. Legislative counsel asked that we confirm that all of the accounting terminology used in the regulation (e.g. "carrying value" "valuation allowance" "deemed to be zero") is being used in the normal way that accountants would use it - if any of these terms are being used in a way that means something that isn't normal in the accounting world we should consider defining those terms.

2. I've proposed some changes to the text that you saw yesterday in red below. the replacement of "is" with "shall be" is just a grammatical issue. the substantive change is the deletion of references to contributions and being a participating employer - the rationale for this change is that these references may not accurately reflect our status in connection with OTPP under the PBA and could raise issues under the *Income Tax Act*. is it okay to just refer to JSPPs generally? I'm thinking this would only be problematic if we were recognizing an asset in connection with a JSPP other than OTPP or OPSEUPP, but appreciate your confirmation/correction.

Happy to talk if its easier.

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Accounting policies and practices for the 2015-2016 fiscal year

3. (1) The consolidated financial statements of the Province set out in the Public Accounts for the fiscal year ending March 31, 2016, including comparative financial results for the fiscal year ending March 31, 2015, shall be prepared in accordance with the following rules:

1. The carrying value in respect of any jointly sponsored pension plan ~~under which the Province is a participating employer or to which the Province makes contributions on behalf of an employer is~~ shall be deemed to be zero in instances where the Province would have otherwise recorded an asset before any valuation allowance.

2. The rule in paragraph 1 shall be reflected in all related asset, revenue, liability, expense and accumulated deficit balances as if it had been implemented effective April 1, 2014.

(2) For greater certainty, any change to the comparative financial results required by subsection (1) does not constitute a restatement of the consolidated financial statements of the Province for the fiscal year ending March 31, 2015.

(3) In subsection (1),

"jointly sponsored pension plan" has the same meaning as in the *Pension Benefits Act*.

Commencement

2. This Regulation comes into force on the day it is filed.

From: Kaufman, Paul (TBS)
Sent: Saturday, September 17, 2016 1:05 PM
To: Provis, Ian (TBS); Killoch, Alex (MOF)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS); Hatzis, Len (TBS)
Subject: RE: FAA Reg re: 15/16 accounting practices

Thanks, Ian. " or to which the Province makes contributions" came from me - concern is that I didn't think we were technically a "participating employer" in respect of the OTPP so needed something further but (a) I've reached out to MOF legal to get help/confirmation on that wording (Shemin Manji, if that matters for you, Alex) and (b) Alex, do let us know if this might be overbroad or if my understanding is just plain wrong. I have legislative counsel lined up to do a draft of the regulation overnight so any further feedback this afternoon can be reflected in the next draft.

From: Provis, Ian (TBS)
Sent: Saturday, September 17, 2016 12:54 PM
To: Kaufman, Paul (TBS); Killoch, Alex (MOF)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS); Hatzis, Len (TBS)
Subject: Re: FAA Reg re: 15/16 accounting practices

Looks really good. I wonder where or to which the Province makes contributions came from. I will check with Alex on what this might capture.

At first I was a little concerned about the talk on 14-15. But reading it carefully it seems ok using change 14-15 and with the clarification of not restating the original.

With nadines suggestion on asset we might as well include revenue as well to be fully inclusive

Thanks Ian

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Kaufman, Paul (TBS)
Sent: Saturday, September 17, 2016 11:22
To: Provis, Ian (TBS)
Cc: Petsche, Nadine (TBS); Veinot, Cindy (TBS); Hatzis, Len (TBS)
Subject: FAA Reg re: 15/16 accounting practices

Hi Ian - we're trying to keep moving the reg forward - sorry for bothering you over the weekend but your views on this today would be appreciated. A revised version of the reg text is attached (and set out below in case you are on black berry) - this reflects your most recent input and some thoughts Nick had as well. Leg counsel might fiddle with some wording and we are going to seek input from MOF legal on the pension terminology, but can you let me know if this accurately reflects the accounting treatment, as that is obviously the key issue?

Change in accounting policies and practices for the 2015/2016 fiscal year

3. (1) The consolidated financial statements of the Province set out in the Public Accounts for the fiscal year ending March 31, 2016, including comparative financial results for the fiscal year ending March 31, 2015, shall be prepared on a basis that:

(a) in respect of any jointly sponsored pension plan under which the Province is a participating employer or to which the Province makes contributions, deems a carrying value of zero in instances where the Province would have otherwise recorded an asset before any valuation allowance; and

(b) reflects the change required under clause (a) in all related liability, expense and accumulated deficit balances as if it had been implemented effective April 1, 2014.

(2) For greater certainty, any change to the comparative financial results for the fiscal year ending March 31, 2015 required under subsection (1) does not constitute a restatement of the consolidated financial statements of the Province for that fiscal year.

(3) In this section,

"jointly sponsored pension plan" has the same meaning as in the Pension Benefits Act. ("French");

Commencement

2. This Regulation comes into force on the day it is filed.