

RE: Restatement note for legislated accounting -- take a read

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From: Veinot, Cindy (TBS)
Sent: September 26, 2016 8:12 PM
To: Petsche, Nadine (TBS)
Subject: Restatement note for legislated accounting -- take a read

On **September 27, 2016**, the Province legislated the accounting for recording pension assets resulting from jointly sponsored defined benefit pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension asset that would otherwise be recorded under Public Sector Accounting Standards, except that no valuation allowance is recorded for pension assets arising from unamortized actuarial losses.

As described in PSAS, a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future. The Province had previously recorded pension assets to the extent the Province expected to fully benefit from the asset through future reductions in contributions to the plan. 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, or in absence of that right, an irrevocable agreement **in place at year-end** with the joint sponsors of the plans to reduce contributions. As both of these plans are jointly sponsored, the Province believes that it has shared **control, as opposed to unilateral control, under the governing agreements on the basis that** the sponsors **jointly** manage the plans **in dealing with changes in benefits and contributions that result from the performance of** **under** the plan.

The financial statements have been restated to reflect the effect of the **above-noted** legislated accounting. The effect of the legislation is as follows as at March 31, 2015 and for the year then ended:

(\$ Millions)	Balance as reported	Adjustment	Balance as restated
Consolidated statement of Operations -Expense			
Education	25,194	956	26,150
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	3,151	9,154	12,305
Pensions and Other Employee Future Benefits			
Total Liabilities	367,089	9,154	376,243

Net Debt	(284,576)	(9,154)	(293,730)
Accumulated Deficit	(187,511)	(9,154)	(196,665)