RE: Revised wording for Pension Asset Narrative

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Nadine/Cindy

Pls note that given that the pension adjustment does not impact on the forecast deficit over the medium term outlook, I don't believe we require the phrase: "as well as the corresponding net debt and accumulated deficit amounts".

The impact on the accumulated deficit and net debt is limited to the $10.7 B in the Public Accounts

Thanks

Ken k

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
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Subject: Revised wording for Pension Asset Narrative

Tim,
Further to the discussion this morning, below is the revised text for Chapter 2B on Transparency and Accountability. This version has been reviewed by Cindy.
Nadine

Pensions reporting
In preparing the *Public Accounts for Ontario 2015-16*, the Province's professional accounting staff and the Auditor General's Office engaged in discussions about the appropriate interpretation of public sector accounting standards in relation to pension accounting. The Province's interpretation of the standards had been applied consistently since they were first implemented 15 years ago.

The government adopted the Auditor General's accounting interpretation for the treatment of net pension assets for 2015-16 through a time-limited regulatory amendment ('the pension adjustment').

The impact of the change resulted in an additional $10.7 billion being added to the net debt and accumulated deficit and an increase of $1.5 billion to the annual deficit for 2015-16.

Consistent with the regulated accounting treatment adopted in the *Public Accounts of Ontario 2015-16*, the medium term Outlook also reflects a cautious approach to forecasting pension expense each year as well as the corresponding net debt and accumulated deficit amounts. [np1]

The government has established a Pension Asset Expert Advisory Panel to assess the interpretation of public sector accounting standards as related to Ontario's pension plans. The Panel will also provide advice on how to value pension assets reported on the Province's books, taking into account future decisions that might be made by the plans' sponsors. Specifically, the Panel will help to inform the amount of net pension assets which should be reflected on the Province's financial statements. A net pension asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the pension expense recognized since the start of the plan.

The Panel's recommendations will help inform the preparation of the Budget and the Province's future accounting treatment for net pension assets.

OFA to confirm if wording appropriate
