CV review – September 23 2016

Disclosure -- PS 2120.34

When there has been a correction in the current period of an error in prior period financial statements, the following information should be disclosed:

(a) a description of the error;

(b) the effect of the correction of the error on the financial statements of the current and prior periods; and

(c) the fact that the financial statements of prior periods that are presented have been restated. [SEPT. 1997]

During fiscal 2015-16, the Province determined that it should have recorded a valuation allowance against the pension assets related to the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP). Both of these plans are joint defined benefit plans. The Province accounts for its portion of each plan in accordance with the standards for defined benefit pension plans. These plans are the only for which pension asset was recorded. A pension asset has been recorded for both of these plans for the past 15 years, since fiscal 2001-2002.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest earned on the assets in the plan is greater than the retirement benefit expense recognized from since the start of the plan.

Public Sector Accounting Standards require that when a pension asset arises, additional analysis is required to determine whether the government is entitled to fully benefit from this accounting surplus. Generally a sponsor would be able to benefit from an accounting surplus over time by reducing contributions.

Historically, the Province had estimated that it could fully benefit from the accounting surplus. In the current year, the Province determined that because these plans are jointly sponsored, its inability to reduce contributions without agreement from its joint sponsors creates too much uncertainty in its ability to fully benefit from the accounting surplus and therefore, a full valuation allowance should be recorded.

The effect of the retroactive change in accounting 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
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)