TBS

Speaking Notes

Office of the Provincial Controller Division
Accounting Policy and Financial Reporting Branch

Legislated accounting for the OTPP and OPSEUPP related pension assets

Introductory remarks:

We are contacting you regarding an important matter related to the upcoming release of the 2015-16 Public Accounts. Specifically, we wanted to make you aware of a pension-related accounting change that will be disclosed in the Public Accounts that will be released in the next day or so.

Details:

- The Province prepares its Public Accounts based on public sector accounting standards established by PSAB.
- For the past 15 years, since the existing pension accounting standard was introduced, the province has been reporting pension assets on our books in accordance with our interpretation of PSAB standards for its share of the jointly sponsored pension plans – OTPP and OPSEUPP
- We have received clean audit opinions on all of our Public Accounts for the past 15 years.
- We recently learned that the current Auditor General has a different interpretation than ours which would result in the elimination of these pension assets from the Province's books for the fiscal 2015-16 Public Accounts.
- Despite our best efforts to try to resolve our differences of opinion in time to table the Public Accounts by the statutory tabling deadline, we continue to have differences of opinion.
- While the Province believes that the historical pension accounting treatment is appropriate, both the Auditor General and the Province agree that a more thorough review of our current accounting treatment for pension assets related to jointly sponsored pension plans would be beneficial.
- For the purposes of the 2015-16 Public Accounts, the government legislated the accounting for pension assets of jointly sponsored pension plans. The result of the legislation reflects the Auditor General's position until further review and discussion with the Auditor General can be completed.
- The change in accounting treatment increases the Province's net debt by $10.7 billion, and also increases the Province's annual deficit. The Annual Report provides additional details to help users understand the impact of the change on the results for fiscal 2015/16.
- From the public's perspective, it is very important that this change in accounting treatment is not seen as any reflection on the funding status of the plans, or the quality of financial reporting by the Province.
- One point that has come up during our discussions with the Auditor General is the different discount rates used by the OTPP for purposes of its own financial statement reporting, and for funding purposes. In responding to such statements, we have consistently stated that the Province's use of management's best estimate of the long-term rate of return for assets in the

plans is consistent with PSAB accounting standards, as well the practices of all other senior Governments in Canada.

- We will continue to work with the Auditor General in an attempt to resolve our differences in opinion in the application of PSAB standards over the coming months.