CONFIDENTIAL REVISED: May 23, 2018

PENSION ASSET ACCOUNTING

ISSUE: How are the province's jointly sponsored pension plans presented in the Public Accounts of the Province of Ontario?

KEY MESSAGES:

- The province's share of the net pension assets of the two jointly-sponsored pension plans are recognized in Ontario's financial statements, as reported in the 2016-17 Public Accounts.
- This includes the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP).
- The province's professional accounting staff prepare financial statements according to Canadian Public Sector Accounting Standards that support transparency and accountability in reporting to the public, the legislature and other users.

CURRENT STATUS:

- May 3, 2018 – The Standing Committee on Public Accounts (SCOPA) tabled their report on their review of Chapter 2 – Public Accounts of the Province, of the Auditor General's 2017 Annual Report. The report made two recommendations:
    - 1. Government accounting practices, and those of its agencies, that affect the consolidated financial statements of the Province, must be carried out in accordance with Canadian Public Sector Accounting Standards.
    - 2. The Office of the Controller for the Province of Ontario should provide copies of all terms of reference to the Auditor General's Office when they engage private sector firms for accounting advice or opinions.
- A response to the recommendations is due from Treasury Board Secretariat (TBS) to the Committee by August 31, 2018.
- February 28, 2018 – TBS, alongside the Secretary of the Cabinet, Ministry of Finance, Ontario Financing Authority, Ministry of Energy, Independent Electricity System Operator, and Ontario Power Generation, appeared before SCOPA for the Committee's review of Chapter 2 – Public Accounts of the Province, of the Auditor General's 2017 Annual Report.
- December 6, 2017 – the Office of the Auditor General released their 2017 Annual Report. Chapter 2 – Public Accounts of the Province of the report made recommendations regarding the Public Accounts of the Province, with the first of 10 recommendations focusing on the pension asset accounting issue. From the report: "We recommend the government record valuation allowances to offset the net pension assets it has recorded from the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan until such time as it obtains formal written authorization from their pension plan co-sponsors that they are able to lower minimum contributions or withdraw surpluses from the pension funds within the next 12 months."

BACKGROUND:

- The Pension Asset Expert Advisory Panel was established following the release of the 2015-16 Public Accounts.
- The Panel delivered advice on how public sector accounting standards are interpreted as they apply to current net pension assets and the application of public sector accounting standards for two of Ontario's jointly sponsored pension plans: Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP).
- The Panel's report concluded that the province's share of the net pension assets of both the OTPP and the OPSEUPP should be recognized in Ontario's financial statements.
- The Panel's recommendations were accepted, and reflected in the 2016-17 financial statements.
- The 2015-16 financial statements have also been restated to reflect the pension assets for these two plans.
- The accounting for these two plans is now consistently presented for all years going back to 2002.
- The Auditor General does not agree with this accounting treatment; for the 2015-16 and 2016-17 Public Accounts, the Auditor General issued a qualified audit opinion on this matter, stating that the province's deficit is understated by $1.4 billion in 2016-17.

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