Treasury Board Secretariat

XXXX
Office of the Provincial Controller Division
Frost Building South, 2nd Floor
7 Queen's Park Crescent
Toronto ON M7A 1Y7

Memo | TBS

Commented [NP1]: Shannon- please format from CV to KH.

Subject: **Accounting for the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees Union Pension Plan (OPSEUPP) in the 2016/17 Public Accounts**

This memo is to confirm the planned accounting treatment for the OTPP and OPSEUPP pension obligations and related pension expense for the 2016/17 consolidated financial statements of the Province. In assessing the impact of the Province's decision regarding the appropriate accounting treatment for the 2016/17 Public Accounts, we note that for purposes of the 2015–2016 Public Accounts, the government adopted a time-limited regulatory treatment for these two jointly-sponsored pension plans in order to reflect the Auditor General's accounting interpretation of the appropriate accounting until such time as the Province had an opportunity to further assess and confirm the appropriate accounting treatment.

Subsequent to the release of the 2015/16 Public Accounts in October, 2016, the government established an independent Pension Asset Expert Advisory Panel (the 'Panel') to assess the appropriate application of public sector accounting standards in relation to the Province's jointly sponsored pension plans.

Earlier this year, the Panel released its independent advice and recommendations related to OTPP and OPSEUPP. The Panel concluded that an asset exists for the government in both OTPP and OPSEUPP and recommended that the Government should record an asset in the Public Accounts for its share of the surplus reported in the accounting valuations of OTPP and OPSEUPP. The Panel also advised that the estimated future benefit of the recorded asset should continue to be evaluated following the requirements of the public sector pension accounting standard each year.

The government accepted the Panel's advice and this decision was made public in the Province's Third Quarter Report on Ontario's Finances. In order to properly reflect the Province's position on the accounting treatment for these plans, the following journal should be processed which would reflect the pension assets and pension expense in accordance with PSAB as recommended by the Panel for the comparative 2015/16 results which will be presented in the 2016/17 Public Accounts.

OTTP Proposed Journal Entries in 2016-17 Public Accounts:

	Dr.	Cr.
OTTP Pension asset/obligation	$10,147,437,170	
Accumulated Deficit		$10,147,437,170
Reversal of 2015-16 valuation allowance equivalent to plan surplus		

OPSEUPP Proposed Journal Entries in 2016-17 Public Accounts:

	Dr.	Cr.
OPSEUPP Pension asset/obligation	$520,500,433	
Accumulated Deficit		$520,500,433
Reversal of 2015-16 valuation allowance equivalent to plan surplus		

As a result of the above re-statements of the Pension Assets which were written off under the time-limited regulation, the Province's opening accumulated deficit would go down by $10. 7 billion from $202.0 7 billion to $192.0 billion. The corresponding reduction of $10.7 billion would also reduce the Province's net debt. For purposes of the Statement of Operations, the comparative results for 2015/16 will also show an increase of $1.5 billion, the equivalent amount which was written off in 2015/16 to the Province's annual surplus/deficit under the regulation.