Alternative

- Introduce legislation to require the province not to recognize any pension assets that result from the application of PS 3250.
- Legislation will be retroactive.

How is the legislation reflected the financial statements:

- As a change in accounting policy
- As the correction of an error

Both can be applied retrospectively – the difference will be the reason for the change.

Disclosure -- change in accounting policy

> On September xx, 2016, the Province legislated the accounting for recording accrued benefit assets resulting from sponsored defined benefit pension plans. The legislation requires a full valuation allowance be recorded against the accrued benefit asset that would other otherwise be recorded under Public Sector Accounting Standards.
>
> As described in PSAS, an accrued benefit asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the accounting objectives and may differ for a number of reasons, including the fact that actuarial gains and losses are deferred and amortized in future periods. The Province had previously recorded accrued benefit assets to the extent the Province expected the benefit to be realized in the future in accordance with the provisions of PSAS.
>
> The change was made to comply with the Auditor General of Ontario's interpretation of PSAS on this matter which has been articulated as requiring a full valuation allowance if the Province does not have the legally enforceable right to unilaterally access the assets of the Plans, and as such. As both of these plans are jointly sponsored, the Province has shared control and not unilateral control over any surpluses in the plan.
>
> The legislation impacts the amounts recognized in the financial statements for two jointly sponsored pension plans – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan.

The effect of the legislation is as follows as at March 31, 2015 and for the year then ended:

(in billions)		Balance as reported	Adjustment	Balance as restated
Consolidated statement of operations				
Expense General Government and Other				
Total Expenses				
Annual Deficit				

Consolidated Statement of Financial Position				
Liabilities Pensions and Other Employee Future Benefits				
Total Liabilities				
Net Debt				
Accumulated Deficit				

For each change in an accounting policy in the current period, the following information should be disclosed:

(a) a description of the change;

(b) the effect of the change on the financial statements of the current period; and

(c) the reason for the change. [SEPT. 1997]

.19 *When a change in an accounting policy has been applied retroactively and prior periods have been restated, the fact that the financial statements of prior periods that are presented have been restated and the effect of the change on those prior periods should be disclosed.* [SEPT. 1997]

.20 *When a change in an accounting policy has been applied retroactively but prior periods have not been restated, the fact that the financial statements of prior periods that are presented have not been restated should be disclosed. The cumulative adjustment to the opening balance of the accumulated surplus / deficit of the current period should also be disclosed.* [SEPT. 1997]

.21 *When a change in an accounting policy has not been applied retroactively, this fact should be disclosed.* [SEPT. 1997]