FW: Language in financial statement re: legislated accounting

From: "Veinot, Cindy (TBS)" <"/o=govon/ou=exchange administrative group (fydibohf23spdlt)/cn=recipients/cn=veinot, cindy (tbs)d57">
To: "Patel, Bharat (TBS)" <bharat.patel3@ontario.ca>
Cc: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
Date: Thu, 29 Sep 2016 10:16:02 -0400

See additional changes to Note 18 – please use this version.

From: Orencsak, Greg (TBS)
Sent: September-29-16 10:12 AM
To: Veinot, Cindy (TBS)
Cc: Thompson, Scott (MOF); Hughes, Karen (TBS); MacIntyre, Kyle (TBS); Laughton, Patrick (TBS); Petsche, Nadine (TBS)
Subject: Re: Language in financial statement re: legislated accounting

I like this, thanks.

On Sep 29, 2016, at 10:05 AM, Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca> wrote:

> See proposed revisions to the note to the financial statements to:
>
> 1) Mirror language used in the FSD&A from Greg's edits
>
> 2) Refer to PSAS in paragraph 3 – note that I didn't refer to just PS 3250 as the AG has also referenced other sections (definition of an asset, contingent assets, etc.)
>
> Cindy
>
> ***************************
>
> 18. Change in Accounting for Pension Assets of Jointly Sponsored Pension Plans
>
> In preparing the 2015-16 Public Accounts , the government legislated the accounting treatment for pension assets of its jointly sponsored pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension assets , therefore writing off the value of the assets.

As described in PSAS, a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future. In prior years, the government recorded pension assets to the extent the government expected to benefit from the asset through future reductions in contributions to the plan.

These plans are now accounted for in accordance with PSAS and legislation requiring a full valuation be recorded. The change was made to reflect the Auditor General of Ontario's view that a full valuation allowance is required if the government does not have the legally enforceable right to unilaterally access the assets of the jointly sponsored pension plans , or in absence of that right, an irrevocable agreement in place at year-end with the joint sponsors of the plans to reduce contributions.

From: Orencsak, Greg (TBS)
Sent: September-28-16 1:14 PM
To: Veinot, Cindy (TBS); Thompson, Scott (MOF); Hughes, Karen (TBS)
Cc: MacIntyre, Kyle (TBS); Laughton, Patrick (TBS); Petsche, Nadine (TBS)
Subject: Re: Language in financial statement re: legislated accounting

Can we add something on the accounting standards? She may be looking for that. I tried to do that copying from the rep letter. Let me know if this causes concern or heartburn.

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>
Date: Wednesday, September 28, 2016 at 12:05 PM
To: "Orencsak, Greg (TBS)" <greg.orencsak@ontario.ca>, Scott Thompson <Scott.Thompson@ontario.ca>, Karen Hughes <Karen.Hughes@ontario.ca>
Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>
Subject: Language in financial statement re: legislated accounting

- Here is a first draft of the language – it might be too direct re: the AG's view, so all edits welcome.

- Cindy

-

- 18. Legislated Accounting for Pension Assets

- On September 2 x , 2016 , the Province legislated the accounting in the fiscal 2015-16 financial statements relating to recording pension assets resulting from jointly sponsored defined benefit pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension assets.

- As described in PSAS, a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future.

Employee future benefit obligations, costs and assets are determined, accounted for and disclosed in accordance with legislation and the requirements of PS 3250, *Retirement Benefits* (PS 3250) and PS 3255, *Post-employment Benefits, Compensated Absences and Termination Benefits* (PS 3255). This is applied in accordance with legislation and Canadian public sector accounting standards and a valuation allowance has been recorded.

Province had previously recorded pension assets to the extent the Province expected to fully benefit from the asset through future reductions in contributions to the plan. The change was made to reflect the Auditor General of Ontario's view that a full valuation allowance is required if the Province does not have the legally enforceable right to unilaterally access the assets of the Plans, or in absence of that right, an irrevocable agreement in place at year-end with the joint sponsors of the plans to reduce contributions.