Why do this?

Releasing financial statements now ensures that there is transparency and accountability by government as it relates to the Province's financial position. This is in the public interest

We are also being transparent that there remains a disagreement with the AG regarding the interpretation of the accounting standards. By legislating the accounting for 2015-16, the government can table its financial statements in a manner that the financial results are consistent with the fiscal impact of the AG's interpretation.

This is a cautious approach on the part of government, and it also ensures no disagreement about the numbers, which is also in the public interest.

At the same time, we recognize that this issue needs to continue to be looked at. Therefore, on a go forward basis, the Province will initiate a review of the application of PSAB's pension accounting standards to Ontario's JSPPs and will conduct a valuation review of the pension assets.

This will be an expert review, where independent advice will be sought from a range of experts with in-depth knowledge of the complex issues that need to continue to inform best advice. The results of the review would be made available publicly.

Why do you disagree with PSAB?

We do not disagree with PSAB and the independent standard setters.

At issue are differences between the Province's and the AG's interpretation of PSAB standards.

Do you not believe the professional judgment of the AG?

I have the greatest respect for the professional judgment of the AG as well as the accountants in TBS. They both have professional obligations, which are paramount.

It is the Province's responsibility to prepare the financial statements. In doing so, staff have an obligation to apply their best professional judgment to the preparation of the statements.

The AG's responsibility is to conduct an assurance audit and provide an independent audit opinion. She must apply her professional judgment to that, and by the very nature of her independence, the Province in no way influences that.

So if the AG's says that in her professional judgment she can't issue a report because of the use of legislated accounting, why do you disagree?

I can't speak for the AG. However, in Chapter 2 of her 2015 Annual Report she said that "if the government reported a deficit or surplus under legislated accounting standards that was materially different than what it would be under PSAB standards, I would have no choice but to include a reservation in my audit opinion."

That statement does not say that the AG would not issue an opinion in the case of legislated accounting, it only speaks to the nature of the opinion if she feels the results are misstated as a result of legislated accounting.

If you are now doing this because you care about timeliness, why didn't you do this a week earlier to meet the deadline?

We made every effort to resolve this issue with the Auditor General since she identified her view on September 13 that $10.7 billion worth of assets should be written off, two weeks before the tabling deadline.

As you will imagine, and especially in light of the consistent interpretation of the standards for the last 14 years – including by the current AG – we needed to be absolutely certain that we can accept the AG's new interpretation of the standard. We cannot do that at this stage, but have signaled that a review would be appropriate going forward which will take some time.

In the meantime, it is important to release information in a timely way, which we are doing. To quote the C.D. Howe Institute's financial accountability report of Canada's senior governments:

> *Finally, we underline the importance of timely publication of results. The importance of knowing where you are, in figuring out where you are going, is a truism: every organization needs recent results to make its financial plans. In addition, timely public accounts will promote accuracy in the preliminary prior-year figures in budgets.*

Are there other provinces in the country that have the same situation as you?

We are not aware of any other province having jointly sponsored pension plans with the same governance structure as ours and reporting an asset in their financial statements.

The Auditor General has pointed us to the accounting for four of British Columbia's pension plans (College Pension Plan, the Public Service Pension Plan, the Municipal Pension Plan, and the Teachers' Pension Plan.). We engaged external counsel to review the authorities of the sponsors and plan administrators with respect surpluses in the plans, and received an opinion that for these BC plans, the Boards of Trustees can make decisions regarding the use of plan surpluses. In Ontario the Boards cannot make these decisions. We believe this difference is critical in evaluating the appropriate application of Public Sector Accounting Standards as only the sponsore have the ability to determine how the surplus is used.

New Brunswick just changed its accounting for pension plans – is their situation similar to your?.

As we understand it, New Brunswick converted four of its pension plans into what it refers to as target plans. In the prior year, New Brunswick accounted for these plans as defined contribution plans, meaning it expensed the contributions to the plan and did not reflect its share of the net asset or net liability of the plan in its financial statements. The Auditor General of New Brunswick issued a qualified opinion on those financial statements. In the 2015-16 year, New Brunswick changed its accounting for those plans to account for them as defined benefit plans and the Auditor General of New Brunswick issued a clean opinion.

Ontario has always accounted for its share of its jointly sponsored plans as defined benefit plans.

What discount rate does the Province use to account for the Teacher's obligation and the OPSEU obligation.

The discount rate used in the Province's financial statements at the end of March 2016 both the OTPP and OPSEUPP is 6.25%. The auditor general and her staff communicated during the audit this year that the rate was in the acceptable range, although was moving to the high end of the acceptable range. Based on a review of the funded pension plans in Canada that are provincially sponsored, the range of discount rates is between 5.75% and 7%, therefore the Province's selection of a rate for its estimate of the long-term rate of return within the ranges used by plans across the country.