Independent Pension Asset Working Group

<u>Terms of Reference</u>

Background

In connection with the preparation and audit of the 2015-16 Public Accounts, the Auditor General and the government's professional accounting staff disagreed regarding the application of Public Sector Accounting Standards (PSAS) to pension assets related to two pension plans that the Province jointly sponsors – Ontario Teachers' Pension Plan and Ontario Public Service Employees' Union Pension Plan. The government passed a time-limited regulation to require the accounting for these pension assets align with the interpretation of the Auditor General. This time-limited regulation enabled the professional accounting staff to take responsibility for the preparation of the Public Accounts in accordance with legislation and PSAS.

The government released an annual report and unaudited financial statements on October 3, 2016, and concurrently announced that an expert panel would be formed to review the application of PSAS to these pension assets.

On October 5, 2016, the Auditor General issued a qualified audit report on the 2015-16 Public Accounts. The audit opinion was qualified because the comparative financial balances were not restated to write off the pension assets which would have been required under PSAS if the change in accounting treatment for 2015-16 was reflected as an error on the Province's books.

Governance

An Expert Panel is being established as a short-term advisory body appointed by the President of Treasury Board to review the application of the PSAS to accounting for pension assets of the two above-noted jointly sponsored pension plans and to provide advice through a final report to government. The final report will be submitted to the President of the Treasury Board and shared with the Auditor General of Ontario. The future accounting for the pension assets will be guided by the report of the panel, subject to any authoritative advice following in the future from the PSAB's Task Force on Employee Future Benefits.

Commented [CV1]: Do we need to comment that PSAB has an ongoing project. If they specifically address the issue, that guidance will take precedence over the guidance of the Expert Panel, but it is likely years away. NPP – suggested wording.

Mandate

The Expert Panel's mandate will be to deliver advice and recommendations to the government on the application of PSAS to the recognition and measurement of pension assets for jointly sponsored pension plans. The Expert Panel's advice and recommendations to the government will consider:

- Whether there is a requirement under PSAS to have unilateral control or shared control with respect to recognizing a pension asset for a jointly sponsored defined benefit plan

Commented [np2]: And the impact, if any to the Province's accounting for the OTPP and OPSEUPP. I would expect this panel to consider the specific details as related to the two plans in question.

- The requirement regarding control with respect to recognizing a pension asset for other pension plans.
- Appropriate valuation techniques to measure a pension asset that take into consideration future decision making authority by plan sponsors.
- Recommendations to the Employee Future Benefits Task Force of the Public Sector Accounting Board regarding issues that should be considered in their review of the retirement and post-employment benefits standards.

Commented [np3]: Very vague. Is this intended to refer to the bullet above?

Commented [CV4]: HOOPP and CAAT are predicted to move into an asset position in a couple of years – would like this panel to consider those scenarios as well.

Timelines

A report to the President of the Treasury Board and the Auditor General of Ontario is due by December 15, 2016.

Commented [CV5]: This might be too tight – to discuss. I think that the desire is to have it done in time for Budget.

Membership

The membership of the IPAWG will comprise experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards. All members will be appointed by the President of the Treasury Board.

The identified members should attend/ participate in the meetings; no substitutes or alternates should attend in place of a member.

Support

The Province will identify individuals to support the IPAWG and work collaboratively to provide information related to the pension plans sponsored by the Province of Ontario.

Commented [np6]: Should we include a reference that individuals supporting the panel will do so in an unbiased fashion? Anything about full information and support being provided to the Panel to enable them to make an informed decision?

Funding

The Province will be responsible for the costs of the appointed members to attend the meetings. The costs of any individuals identified by the Province as supporting the work of the IPAWG will also be borne by the Province.