Office of the Provincial Controller Division

Accounting for Pension Assets – OTTP and OPSEUPP

September 12, 2016

Draft – for discussion purposes

Overview

Auditor General's position

- The AG does not agree with the Province's determination of the pension assets reported for OTPP and OPSEUPP
- Assets recognized in the Public Accounts for these two plans are:

(in billions)	March 31, 2016	March 31, 2015
OTTP	$ 10.1	$ 8.7
OPSEUPP	$ 0.5	$ 0.5

- Based on a discussion with the AG on September 12, 2016, she is focused on the surplus based on the funding valuation as a starting point to support a pension asset value as well as evidence of plans in place to use that asset

- Given the relative size of the assets, the balance of the deck will focus on OTTP.

Estimated impact to FS based on AG’s methodology

- The following table compares the financial statement assets as currently reported by the Province to 50% of the surplus based on the funding valuation as disclosed on the OTTP website

(in billions)	**2016**	**2015**
100% of surplus per funding valuation (OTTP Website)	13.2	6.8
50% of surplus per funding valuation	6.6	3.4
Asset recorded by the Province	10.1	8.7
Excess of asset over 50% of surplus per funding valuation	(3.5)	(5.3)

- Adopting this methodology would require the following entries:
  1. Increase opening accumulated deficit for the March 31, 2016 year by $5.3 billion
  2. Reduce the annual deficit for the 2015-16 year by $1.7 billion ($5.3 – 3.5)
  3. Increase total liabilities as at March 31, 2016 (impacts debt and net debt) by $3.5 billion

Impact on financial statements

(in billions)	As currently reported	Adjustment	As adjusted
Statement of Ops			
Revenues	$ 128.4		$ 128.4
Expenses	132.2	(1.7)	130.5
Annual Deficit	(3.8)	(1.7)	(2.1)
Statement of financial position			
Financial assets	$ 83.5		$ 83.5
Liabilities	378.4	3.5	381.9
Net debt	(294.9)	(3.5)	(298.4)
Non-financial assets	102.5		102.5
Accumulated deficit	(192.4)	(3.5)	(195.9)