Ministry of Finance
Office of the Minister

Ministère des Finances
Bureau du ministre

Ontario

7th Floor, Frost Building South
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Telephone: 416-325-0400
Facsimile: 416-327-0374

7e étage, Édifice Frost Sud
7 Queen's Park Crescent
Toronto ON M7A 1Y7
Téléphone: 416-325-0400
Télécopieur: 416-327-0374

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{ SEQ CHAPTER \h \r 1}

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636. Mr. Fedeli — Enquiry of the Ministry — Would the Minister of Finance state on what page(s) in the Fall Economic Statement he has made corrections to reflect the concerns of the Auditor General and the Financial Accountability Officer about the validity of the province's stated fiscal position. (Tabled December 04, 2017)

{ SEQ CHAPTER \h \r 1}
Response:

The *2017 Ontario Economic Outlook and Fiscal Review* (FES) provides an update to the fiscal and economic plan presented in the *2017 Ontario Budget*, and continues to project a balanced budget this fiscal year as well as in 2018–19 and 2019–20.

The Auditor General's Office and the Financial Accountability Office have raised two areas of concern with respect to the government's accounting: pension assets and the Fair Hydro Plan.

The government prepares its financial statements in accordance with the accounting standards issued by the Public Sector Accounting Board (PSAB). In the 2016-17 Public Accounts of Ontario, this included Public Sector Accounting Standards (PSAS) for pension asset accounting that have been used since 2001.

This is supported by:

- The conclusions reached by an independent Pension Asset Expert Advisory Panel (the 'Panel'), established by the government to provide advice on the interpretation of PSAS with respect to the reporting of net pension assets of these two joint defined benefit plans. The Panel, comprised of accredited accounting, actuarial and legal professionals with extensive background in pension accounting and plan governance, released its report in February 2017 which supported the government's position that a valuation is not required for these two plans under PSAS. Two key findings of the Panel were: 1) there is no requirement under PSAS that any formal agreement exist between the joint sponsors regarding the timing or amount of a reduction in contributions to record an asset, as the existing agreements in place between the parties support the recognition of an expected benefit, and 2) unilateral control is not required for asset recognition; joint control with each party having the ability to deny the actions of the other sponsor, provides evidence of shared control, supporting recognition of an asset;

- An opinion from Deloitte LLP on aspects of the Province's accounting as at March 31, 2016 for the Ontario Teachers' Pension Plan. The opinion, which was dated October 2, 2016, concluded that it was permissible to recognize a pension asset under Canadian Public Sector Accounting Standards, even though the Province did not have under a unilateral right to reduce contributions. The opinion did not address the value at which the asset should be recorded; and
- Analysis completed by EY as to whether any valuation allowance is required to be recorded for OTPP or OPSEUPP as of March 31, 2017. EY confirmed no valuation allowance was required for either plan.

Similarly, with the support of external advisors, it was determined that the accounting presentation for the Fair Hydro Plan – according to guidance provided for rate regulated entities under US Generally Accepted Accounting Principles (GAAP) – is appropriate under Canadian PSAS.

For the current status of the Province's fiscal plan, please refer to *Chapter 3, Section C: Fiscal Outlook* of the 2017 FES.

Sincerely,

Charles Sousa
Minister of Finance