RE: Language in financial statement re: legislated accounting

From: "Petsche, Nadine (TBS)" <nadine.petsche@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date: Wed, 28 Sep 2016 12:47:36 -0400

Additional thoughts for consideration.n

From: Veinot, Cindy (TBS)
Sent: September 28, 2016 12:06 PM
To: Orencsak, Greg (TBS); Thompson, Scott (MOF); Hughes, Karen (TBS)
Cc: MacIntyre, Kyle (TBS); Laughton, Patrick (TBS); Petsche, Nadine (TBS)
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 28, 2016, the Province legislated the accounting in the fiscal 2015-16 financial statements relating to re p ording of pension assets related to jointly sponsored defined benefit pension plans. The legislation impacts the Province's accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan and 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.

The 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.