



Observations on Pension Plans

Report of the Auditor General – December 2015

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Why Is This Important?

- Accounting for pensions is material to the Province's 2015 consolidated financial statements and involves complex accounting issues
- We disagreed with the government's pension accounting in the Province's March 31, 2015 financial statements. As a result, the Province's audit opinion was qualified

What We Found

Overall Conclusions:

- The Province's accounting policies do not comply with Canadian public sector accounting standards
- The deficit of \$388.6 million would be different had the 4 Shared Risk Pension Plans been accounted for properly
- The Province's financial statements do not reflect the risk inherent in the design of the Shared Risk Pension Plans
- For the Public Service Shared Risk Pension Plan (PSSRP), Defined Benefit (DB) accounting should have continued at March 31, 2015
- Teachers' and two small hospital pension plans should have used joint defined benefit accounting
- Readers of the financial statements cannot fully assess the fiscal situation of the Province as the numbers may be misleading

Last Fiscal Year:

- DB pension plan accounting was the accounting method used to account for the PSSRP
- This was agreed on by the Province, Auditor General and external experts

Accounting Method Change Means:

- Changing from DB to Defined Contribution (DC) accounting means the Province no longer records future pension benefits
- For PSSRP and TPP over \$11 billion in pension assets, usually offset by similar liabilities relating to future pension benefit payments are no longer reflected in the financial statements

This Fiscal Year:

- As of March 31, 2015, 4 of the Province's pension plans have been converted to a joint trusteeship form of pension plan
- The Province changed its accounting. The 4 Shared Risk Pension Plans (including the PSSRP) have been accounted for using DC accounting
- Province did not provide sufficient support to justify the use of DC accounting. This choice was not a conclusion supported by external experts or the Auditor General
- Government did not obtain information to allow the impact of the accounting change to be calculated