



Accounting for DBplus

How do employers account for DBplus?

Accounting for DBplus is simple. All an employer needs to do is expense contributions on their financial statements, no matter which accounting standard is followed.

No pension liability

No pension assets or liabilities are recorded. Only the outstanding contributions payable to the CAAT Pension Plan, if any, at the end of an accounting period are recorded as a liability.

Income statement predictability

With a fixed contribution rate menu, DBplus results in predictable expenses. No matter the funding position of the Plan, no special contributions or assessments will be made. There is no attribution of changes in the Plan's funding position. Only the employer contributions to DBplus for the accounting period are included as a pension expense.

Simple note disclosure

No complicated pension notes are needed. No actuaries are required to determine accounting and disclosure amounts. Each year in early March/April, once CAAT Pension Plan's updated funding results are determined, the Plan provides recommended financial statement note disclosure to finance contacts at employers. Below is a modified sample provided to employers:

All full-time employees of [the Company], and any part-time employees of [the Company] who opt to participate are members of the Colleges of Applied Arts and Technology Pension Plan (the "Plan"), which is a multi-employer, jointly sponsored defined benefit plan for eligible employees of public colleges in Ontario and other employers. [The Company] makes contributions to the Plan at least equal to those of the employees. [The Company] does not recognize any share of the Plan's pension surplus or deficit. The most recent actuarial valuation filed with pension regulators as at January 2023 indicated an actuarial surplus of on a going concern basis of \$4.7 billion. [The Company] made contributions to the Plan of \$XX (2021 - \$XX) which has been included in salaries and benefits in the statement of operations.

Auditors can audit the CAAT Pension Plan's actuarial surplus easily, as each year's valuation report is available on the CAAT Pension Plan website.

References to accounting guidance

Accounting Standard	Assessment
<p>IFRS</p> <p>IAS 19 – Employee Benefits</p>	<p>Under IFRS, employer contributions that are fixed and where there is no legal or constructive obligation to pay additional contributions if a plan does not hold sufficient assets to pay all employee benefits records contributions as an expense, similar to the accounting treatment for payments to a defined contribution plan (IAS 19, Paragraph 8).</p> <p>Participation in DBplus meets the above condition as there is never any obligation to an employer to pay any contributions above that for current service. Therefore, a participating employer simply expenses contributions made to the CAAT Pension Plan under DBplus. Any contributions payable, or prepaid, are recorded as a liability or asset, as appropriate.</p>
<p>ASPE</p> <p>Section 3462 – Employee Future Benefits of Part II of the CPA Canada Handbook</p>	<p>The CAAT Pension Plan meets the definition of a multi-employer pension plan (MEPP)¹. ASPE allows for accounting of MEPPs similar to a defined contribution plan where sufficient information to follow defined benefit accounting standards is not available (Part II, Section 3462.110). This is the case for DBplus, as individual employer pension amounts are not tracked.</p> <p>As such, under DBplus, contributions are accounted for as an expense when due to the CAAT Pension Plan. Only payments owed to the Plan or prepaid payments to the Plan would be recorded as a liability or asset.</p> <p>The following disclosure is required (Part II, Section 3462.114):</p> <ul style="list-style-type: none"> • A general description of DBplus and the CAAT Pension Plan, and the fact it is a defined benefit plan • A statement that insufficient information is available to use defined benefit accounting • Information with respect to the Plan's surplus or deficit and the nature and effect of significant changes in contract elements of the Plan (if any).
<p>Public Sector Accounting Standards (PSAB)</p> <p>PS 3250 – Retirement Benefits</p>	<p>The CAAT Pension Plan falls under the definition of a MEPP¹ (PS 3250.105), which notes that a key distinguishing characteristic of a MEPP¹ is one where the contributions by one participating entity are not segregated in a separate account or restricted to provide benefits only to employees of the entity and thus may be used to provide benefits to employees of all participating entities. This is the case for participation in DBplus.</p> <p>Participation in a MEPP¹ under PSAB standards, therefore, is accounted for as though the plan was a defined contribution plan (PS 3250.109).</p> <p>As such, DBplus contributions are accounted for as an expense when due to the CAAT Pension Plan (PS 3250.096). Only payments owed to the Plan or prepaid payments to the Plan would be recorded as a liability or asset.</p>
<p>U.S. GAAP</p> <p>FASB ASC 715 – Retirement Benefits, sub 80 Multiemployer plans</p>	<p>The CAAT Pension Plan falls under the definition of a MEPP¹ (ASC 715-80-20, Glossary).</p> <p>U.S. GAAP specifies that employers participating in a MEPP¹ recognize an expense reflecting the required contributions to a plan for the reporting period (ASC 715, sub 80 para 35).</p> <p>The employer recognizes a liability for any unpaid contributions.</p>

¹DBplus, offered through the CAAT Pension Plan, is a jointly sponsored defined benefit pension plan (a specific type of MEPP) in which decision making responsibilities are shared between employers and members. Although CAAT meets the accounting treatment definition of a MEPP, there is no residual employer liability should an employer cease to participate or should the CAAT Pension Plan terminate.