

PENSION ASSET EXPERT ADVISORY PANEL

ISSUE: How do you respond to the reports released by the Pension Asset Expert Advisory Panel?

KEY MESSAGES:

- The Pension Asset Expert Advisory Panel has released its independent advice and recommendations on how public sector accounting standards are interpreted as they apply to current and potential future net pension assets.
- The panel's first report concluded that the province's share of the net pension assets of both the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan should be recognized in Ontario's financial statements.
- The panel supports the accounting treatment that Ontario has used consistently since 2001.
- The panel has also issued a supplemental report that provides independent advice and recommendations on how to account for potential future net pension assets related to the Healthcare of Ontario Pension Plan and the Colleges of Applied Arts and Technology Pension Plan.
- The government has accepted the panel's recommendations and in the 2016-17 third quarter

update, it indicated its plans to adopt the previous accounting treatment in the upcoming Public Accounts.

- The government has reflected the recommendations of the panel, which align with its previous accounting in the 2017 Budget, the 2016-17 Public Accounts and the 2017 Fall Economic Statement.
- The government formed the Pension Asset Expert Advisory Panel to provide independent advice on how public sector accounting standards are interpreted as they apply to current and potential future net pension assets. The panel members have expertise in the areas of jointly sponsored pension plan governance, actuarial modelling for pension plans and public sector accounting standards.
- We will continue to move forward and present the Province's finances fairly and accurately, which includes reporting for jointly sponsored pension plans in accordance with Public Sector Accounting Standards and the panel's recommendations.
- We also remain on track to balance the budget this fiscal year as well as in 2018–19 and 2019–20.

IF PRESSED: SUPPLEMENTAL REPORT HOOPP & CAATPP

- We thank the panel for their independent advice and recommendations made in relation to the Healthcare of Ontario Pension Plan and the Colleges of Applied Arts and Technology Pension Plan.

- The two additional pension plans addressed in the supplemental report are different than OTPP and OPSEUPP because they are jointly sponsored by multiple organizations. The Ontario Government is a third party sponsor and has no direct control over decisions of the employer sponsors about benefit or contribution levels, funding of deficits or use of surpluses. Because of these differences, a valuation allowance will be recorded for any net assets of these plans until the government benefits from a reduction in contributions.
- The Ontario Government agrees with the panel's conclusions in the supplemental report.

CURRENT STATUS:

- December 20, 2017 – the Treasury Board Secretariat (TBS) has been called to appear before the Standing Committee on Public Accounts (SCOPA), to review Chapter 2 – Public Accounts of the Province (Volume 1 of the 2017 Annual Report of the Office of the Auditor General of Ontario). In addition to officials from TBS, requests to attend were issued to officials from Cabinet Office, the Ministry of Finance, the Ontario Financing Authority, the Ministry of Energy, the Independent Electricity System Operator and Ontario Power Generation. Attendees will be required to provide the committee with a response to the Auditor General's report, and to answer any questions the committee members may have. Hearings are scheduled for February 28, 2018.
- As per Standing Order 108(h), the SCOPA is empowered to review and report to the House its observations, opinions and recommendations on the Report of the Auditor General and the Public Accounts, which documents shall be deemed to have been permanently referred to the committee as they become available.
- The committee may meet weekly when the Legislative Assembly is sitting. With the approval of the House, it may also meet at any time when the Legislative Assembly is not sitting.
- All meetings are open to the public with the exception of those dealing with the setting of the committee's agenda and the preparation of committee reports.
- All public committee proceedings are recorded in Hansard.
- On December 11, 2017, the Financial Accountability Office released its Economic and Fiscal Outlook, Fall 2017 Update. During the media event, the FAO said "since the government has not adopted the Auditor General's recommended accounting for both the Fair Hydro Plan and net pension assets, it is becoming more difficult for legislators and the public to assess the government's fiscal projections. This has reduced the transparency and reliability of Ontario's fiscal plan."
- On December 6, 2017, the Office of the Auditor General released their 2017 Annual Report. Chapter two of the report made recommendations regarding the Public Accounts of the Province, with the first of 10 recommendations focusing on the pension asset accounting issue. From the report: "We recommend the government record valuation allowances to offset the net pension assets it has recorded from the Ontario Teachers' Pension Plan and the Ontario Public Sector Employees' Union Pension Plan until such time as it obtains formal written authorization from their pension plan co-sponsors that they are able to lower minimum contributions or withdraw surpluses from the pension funds within the next 12 months."
- On April 27, 2017 the Pension Asset Expert Advisory Panel's Supplemental Report was released. It provides the government with independent advice and

recommendations on how to account for current and potential future net pension assets related to the Healthcare of Ontario Pension Plan (HOOPP) and the Colleges of Applied Arts and Technology Pension Plan (CAATPP).

- The panel's supplemental report concludes that a net pension asset from HOOPP and CAATPP should be recognized in the province's financial statements in the same way as the net liability, but also recommends that a valuation allowance should be reported for accrued benefit assets for both of these plans in the province's financial reports.
- The panel's report on the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Sector Employees' Union Pension Plan (OPSEUPP) was made available to the public on February 13, 2017 and did not recommend that a valuation allowance be reported for either of these two plans.
- Both reports have been shared with the Auditor General of Ontario and her office.
- In the 2017 Budget, the 2015–16 actuals were restated to reflect the government's previous accounting treatment for jointly sponsored pension plans which recognized net pension assets for the Ontario Public Service Employees' Union (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) on the Province's financial statements. The restated results follow the advice of the panel and the accounting followed previously by the Province since 2001.
- On June 12, 2017, the Ontario Teachers' Federation and the Ontario Government, joint sponsors of the Ontario Teachers' Pension Plan (OTPP), announced they will use a portion of the \$11.5 billion surplus in the Plan (as of January 1, 2017) to complete the restoration of inflation protection for teachers who retired after 2009. As well, the contribution rate for the Plan's active members will be reduced by 1.1%. Both changes are effective January 1, 2018.

COSTS

Panel Member	Actuals		
	Per Diem	Travel	Total
Patricia O'Malley	83,000	1,057	84,057
Uros Karadzic	62,700		62,700
Paul Martin		3,898	3,898
Murray Gold	38,000		38,000
Procurement			32,458
Total	183,700	4,955	221,113

BACKGROUND:

- On February 17, 2017 Minister Sandals sent a memorandum to Warren (Smokey) Thomas in response to his article of February 14, 2017 in the *Toronto Sun* on pension assets.

“As you are aware, the Pension Asset Expert Advisory Panel (“Panel”) released its report on February 13, 2017, and concluded that the net pension assets of both the Ontario Teachers’ Pension Plan and the Ontario Public Sector Employees’ Union Pension Plan should be recognized in Ontario’s financial statements.

The OPSEU pension plan, which is jointly-sponsored by OPSEU and the province, clearly states that no amount of the surplus shall be paid out of the plan to either sponsor. Simply put, the province does not have the ability to make any withdrawals from the plan.

I trust that you are reassured by this news. Your February 14 press release and your subsequent comments in a February 15 *Toronto Sun* article, suggest that you were unaware of these rules.

In addition, the province has not proposed any pension contribution increases or reductions at this time. Any decisions with respect to changes to pension contributions or benefits must be made by the Plan Sponsors. A decision to reduce contributions would benefit both the employees and the employer.”

- On November 10, 2016 Ontario established the Pension Asset Expert Advisory Panel to provide advice and recommendations to the government on the application of public sector accounting standards to Ontario's net pension assets.

The panel was comprised of accounting, legal, and pension experts in the areas of jointly sponsored pension plans, actuarial modelling for pension plans and Public Sector Accounting Standards.

The following four members were appointed to the Panel:

- Tricia O'Malley (Chair)
- Murray Gold
- Uros Karadzic
- Paul Martin

Panel members also provided advice on how to value net pension assets reported on the province's books, taking into account future decisions which might be made by the plan's sponsor or sponsors.

The panel's report was delivered to the President of the Treasury Board and was shared with the Auditor General of Ontario. The panel's report was made public in early 2017.

RECENT MEDIA COVERAGE:

- January 12, 2018 – The Toronto Star ran an opinion column by Martin Regg Cohn, “Independence is not infallibility when it comes to Ontario’s financial books,” arguing Auditor General “Lysyk’s paranoia about partisan advertising is a depressing case study on how she approaches the vital role of an auditor general, which is meant to be a check and balance on the power of government — not a grudge match grounded in distortions over picayune disputes. All’s fair in politics and accounting, unless you’re an auditor gone awry.”
- December 17, 2017 – The Ottawa Sun’s Lorrie Goldstein writes that “with less than six months to go before the June 7 election, two independent, non-partisan financial watchdogs of the Ontario Legislature say the books of Premier Kathleen Wynne’s Liberal government cannot be trusted.” Goldstein highlights the disagreement between the Auditor and the government on the pension asset accounting issue, also noting the expert advisory panel: “Lysyk argues the government is improperly claiming the \$11.5 billion surplus in the Ontario Teachers’ Pension Plan as an asset, because it cannot access these funds without the permission of Ontario’s teacher unions [...] In November 2016 it hired what it described as an expert, four person pension advisory panel, with a budget of up to \$435,000 for salaries, excluding expenses, which in February 2017 backed the government’s accounting on the teachers’ pension plan.”
- December 17, 2017 – The Toronto Sun’s Jim Warren cautions that “the role of the Auditor General is shifting in troubling ways,” arguing that the Auditor General’s increasing outspoken role is “making matters worse.” Specifically referencing the pension asset accounting issue, Warren writes “For the first time in 16 years, Lysyk in 2016 decided to change her office’s opinion on how the Ontario government presents pension assets in the audited financial statements and fought the government’s claim it had balanced the budget in 2017-18. Wynne’s Liberals asked an independent expert panel to determine the appropriate accounting treatment of the pension assets and they sided with the government. Lysyk provided her advice to the government and that should have been the end of it. Instead, in her latest annual report she rehashed the same issue and has gone from proving independent oversight to being an advocate for her own position.”
- December 14, 2017 – The Record runs an opinion piece, “To sort out truth from pre-election fictions, turn to Bonnie Lysyk,” writing that the Auditor General “warned that the Liberal government is making its financial position look rosier than it really is in part because it has counted as government assets two pension plans, including the plan of Ontario’s teachers. That’s extremely sketchy accounting practice. The teachers’ pension plan is an independent organization and not owned by the provincial government. For the government to claim it as an asset is as dishonest as if you were to apply for a bank loan and, when you were asked to show what assets you own, telling the bank that you actually own your neighbour’s home and car.”
- December 13, 2017 – The Toronto Sun runs a comment piece, entitled “Liberals hiding deficit, second watchdog says” covering the Financial Accountability Officer’s (FAO) fiscal outlook report. The article highlights the pension asset accounting issue, writing that the FAO’s report “says these projections are based on weaker

revenue growth and the Wynne government's rejection of "the Auditor General of Ontario's recommended accounting treatment for both the government's Fair Hydro Plan and the net pension assets of jointly-sponsored pension plans." Defying the auditor general, the Wynne government hired what it called an expert panel, which endorsed its pension accounting."

- December 12, 2017 – The Canadian Press reports on the Financial Accountability Officer's (FAO) fiscal outlook report, writing that the report says "a long simmering accounting dispute between the Liberal government and Auditor General Bonnie Lysyk over how to count two public-sector pension plans is contributing to uncertainty."
- December 12, 2017 – The Toronto Star's Robert Benzie reports on the Financial Accountability Officer's (FAO) fiscal outlook report, noting that the FAO adopts the Auditor General's accounting treatment of pension assets, resulting in a \$4 billion deficit in 2017-18, "even though the Liberals maintain the books are in the black."
- December 12, 2017 – Ottawa Citizen's David Reevely also reports on the FAO report, writing: "We're up to three different versions of the provincial government's books, depending on how you count surpluses in a couple of public pension funds and money the government is borrowing to lower electricity prices temporarily. Without getting into the weeds on these disputes, the Liberals want to run the numbers in a way that makes them look good and they're not obviously wrong, but all the government's independent officers with anything to say about it - the auditor general, the financial accountability officer - say what they're doing is not OK."
- December 7, 2017 – Following the release of the Auditor General's 2017 Annual Report, the Toronto Star's Robert Benzie and Rob Ferguson outline the Auditor's various recommendations for the government. On the pension asset accounting front, the reporters write: "Even though a government-appointed expert panel of accountants concluded she is wrong about excluding the publicly owned assets of two joint-sponsored pension plans on the government's bottom line, Lysyk continues to claim she is in the right on the actuarial tiff."
- December 7, 2017 – CBC, The Star, and other news outlets report on the Auditor General's 2017 Annual Report, referencing the ongoing "accounting disagreements" between the Auditor General and the government, including reference to IESO accounting and pension asset accounting.
- October 25, 2017 – In follow-up to the release of the Auditor General's special report on the Fair Hydro Plan, the Toronto Sun runs a column "Number's up for Wynne's government," using disagreement regarding pension asset accounting as support for the Fair Hydro Plan not being the first time the government and the Auditor General have disagreed: Last year, the government and the auditor general publicly disagreed over the appropriate way to treat assets held by public pension plans. That dispute had implications for the important question of whether the government would post a balanced operating budget, or a deficit, this year."
- October 18, 2017 – The Toronto Star's Martin Regg Cohn writes "Watch out for watchdogs who don't like being watched," commenting "The last time Lysyk attacked the government's deficit calculations, an outside panel of experts rejected her arguments- because not even an auditor can make a surplus disappear from a balance sheet. There is no permanent arbiter for auditors, but Lysyk is no longer the

last word on accounting disputes - merely one of many voices, right or wrong. Expect that voice to grow louder next year when she formally assesses the 2018-19 spring budget - and once again challenges Liberal claims of deficit elimination."

- September 13, 2017 – The Toronto Sun runs a column, "Wage warnings won't stop Wynne," critical of the cost of the Pension Asset Expert Advisory Panel: "Indeed, her government's typical reaction to critical, non-partisan warnings it gets from independent officers of the legislature - such as the auditor general and the FAO - is to ignore them, or to attack the messenger [...] Wynne spent up to \$435,000 striking an "independent" panel that unsurprisingly agreed with her position on pension accounting, not the auditor general's."
- September 8, 2017 – David Reevely writes in the Ottawa Sun and Ottawa Citizen "Lysyk and the ministers have been volleying back and forth for a couple of years now over how to count assets on the government books. Without getting too deep into it, what's in question is whether certain public sector pension plans and some holdings in the electricity system belong to the government or not."
- September 7, 2017 – The Canadian Press' Shawn Jeffords covers the tabling of Ontario's Public Accounts 2016-17, and cites the government's ongoing disagreement with the Auditor General on pension asset accounting as the reason the Auditor has issued a qualified audit opinion two years in a row. Minister Sandals is quoted in the article: Sandals maintains the government is following established accounting practices and people don't care about the on-going squabble. "The public wants to know, are you managing your deficit?" she said. "Is your deficit getting smaller? Are you going to balance the budget this year? Quite frankly, I don't think the public is terribly hung up on accounting disagreements."
- September 7, 2017 – The Toronto Star's Robert Benzie refers to the disagreement between the Auditor General and the government over IESO market accounts assets and pension asset accounting as an "accounting slugfest". Minister Sandals is quoted in the article (same quote as The Canadian Press coverage): Sandals on Thursday shrugged off Lysyk's accounting interpretation, which led to her to issue a qualified audit opinion on the province's books for the second year in a row. "The experience last year was the books were qualified on the same issue and it didn't impact the credit ratings," the treasury board president said. "Quite frankly, I don't think the public is terribly hung up on accounting disagreements."
- September 7, 2017 – Queen's Park Briefing's Christopher Reynolds covers the disagreement between the Auditor General and the government, quoting Minister Sandals: ""The public wants to know, are you managing your deficit?" Sandals said Thursday at the release of the province's 2016-2017 public accounts. "Is your deficit getting smaller? Are you going to balance the budget this year? Quite frankly, I don't think the public is terribly hung up on accounting disagreements."
- On May 1, 2017 David Reevely writes in the Ottawa Sun that "There's also \$500 million booked in the government's favour from surpluses in a couple of pension plans for public employees. These are the subject of an arcane accounting dispute over whether the government, which couldn't grab the money easily, should be able to count them the way it's counting them. The auditor general says no. A panel of external blue-chip accounting types says yes (for a number of reasons, the easiest

of which to grasp is that if the pension plans came up short the gap, would be the government's problem). Going with the auditor general's ruling would be the safer thing, for sure, but what the government's doing is neither trick nor a one-time manoeuvre.

- On April 30, 2017 David Reevely wrote about the 2017 budget and said "the Liberals are taking advantage of a surplus in some public-employee pension funds, which Auditor General Bonnie Lysyk says is improper but which other experts say is OK. And they've adopted a sort of partial distinction between operating spending and capital spending, which used to be mashed together into each year's budget in a way they no longer are."
- On February 21, 2017 the Toronto Sun (A10) has a column by Warren Thomas (OPSEU). He writes "Ontario's public service workers and retirees feel like we are about to get robbed." He notes that the Auditor General has been turned into a lapdog from a watchdog. Thomas writes "If nobody stands up to Wynne, I'm afraid her next move could be to actually steal our pension money, giving her more cash for overpaid consultants and Sunshine List executives."
- On February 20, 2017 the Toronto Sun reports on Minister Sandals' memo to OPSEU's Warren Thomas. It recounts the minister's statement that "government has no plans on making like a bandit with his members' pension funds." The short piece includes her quote: "The OPSEU pension plan, which is jointly sponsored by OPSEU and the province, clearly states that no amount of the surplus shall be paid out of the plan to either sponsor". "I trust that you are reassured by this news."
- On February 18, 2017 the Toronto Sun has a piece by Lorrie Goldstein. He writes that Premier Wynne needs to take the advice of the Auditor General in order to demonstrate openness and transparency.
- On February 18, 2017 the Ottawa Sun (A9) reports NDP Leader Horwath trusts the Auditor General's math. She spoke up on Friday on the ongoing pension account issue between government and the AG.
- On February 18, 2017 the Toronto Sun's Antonella Artuso (A10) quotes Minister Sandals who said in a statement that she will accept the findings of the panel and: "They also concluded that the government controls access to the pension surplus which has a future economic benefit to the province and recognizing the asset will provide an accurate representation of the province's financial position."
- On February 18, 2017 the Toronto Star's Martin Regg Cohn (A12) writes about the Auditor General. He says that she is no hero – in fact her "bizarre claim turns out to be a sideshow, designed to cover up her own miscalculations after an outside panel of experts found the auditor herself had conflated facts and confused figures." He concludes: "We rely on auditors to provide value for money audits. Not to introduce their own values, making up untested accounting standards as they go along."
- On February 17, 2017 the Hamilton Spectator (A16) posted an opinion piece that is negative toward Auditor General Lysyk. It notes: "Lysyk is putting that reputation and integrity on the line in Ontario. And she's not on solid ground.... If the evidence supported Bonnie Lysyk's position, we'd be the first to back her. But it doesn't. She needs to respect that and back down."
- On February 17, 2017 QP Briefing has a piece written by Bryne Purchase, former deputy minister of finance, on the 'accounting spat'. He sides with the AG: "I think it

was regrettable that Premier Kathleen Wynne's government chose to attempt to undermine the legitimacy of our parliament's own accounting expert by appointing a panel of its own experts to review an unfavourable ruling."

- On February 17, 2017 the Windsor Star (A7) has a Canadian Press report that says the AG is not satisfied after the expert panel's report on the \$10.7 billion pension dispute. Auditor General Bonnie Lysyk's quote is used: "Show me the letter that says you can use that pension money with permission, with an agreement," she said Thursday. "Until that happens the bottom line is this office can't give its stamp of approval on this particular issue." The article notes this is not the first time the Liberal government has clashed with the AG - the former energy minister suggested the electricity file was too complicated for Lysyk, and she has frequently suggested that partisan ads are being funded by taxpayer dollars.
- On February 16, 2017 the Toronto Star reported the Auditor General is demanding proof in writing from the unions that they are okay with the government using taxpayer-funded pension surpluses for accounting purposes. The article says the AG is "escalating a \$10.7 billion standoff" with the government over taxpayer-funded pension surpluses. "There has been no suggestion the government intends to dip into the pension funds, which would be illegal. The question is whether the pension surplus can be counted as an asset or not at all." The AG was quoted: "It is not my money. That money is for the benefit of employees and retirees ... so it's not my pension. It's not my budget deficit."
- On February 16, 2017 QP Briefing reports the AG says that until she sees a letter that says government can use that pension money with permission – her office can't give its stamp of approval on this issue. The article notes the government "isn't inclined to draft" a letter. Treasury Board President Liz Sandals is quoted from her statement: "They (the panel) concluded that the government does not need a letter from either of the unions because the joint pension agreements spell out how the surplus will be dealt with. They also concluded that there are no public-sector accounting standard requirements for any additional letter to be in place specifying when or by how much contributions will be reduced beyond the joint pension plan agreements already in place." This article also includes quotes from MPP Lisa MacLeod and OPSEU's Warren Thomas.
- On February 16, 2017 the Toronto Sun (A5) has two articles on the number crunching aspect of the expert panel. It says government spent up to \$435,000 to the expert panel in the dispute with the Auditor General. The article says this has made OPSEU's Warren Smokey Thomas livid and notes that he wants a guarantee the government won't raid his members' pension fund. Ontario Treasury Board spokesman Matt Ostergard is quoted from an email, "The work of the panel is ongoing so we don't have final costs at this time but they will be in line with previous panels and will be made public."
- On February 16, 2017 The Northumberland Today.com has David Reevely's opinion piece on the pension panel's "gift" to the government. "The Ontario Liberals have an extra \$1.5 billion to spend between now and the next election and can still keep their promise to balance the provincial budget by 2018, thanks to a helpful ruling on how to handle surpluses in a couple of big provincial pension funds. The article includes a written statement from Minister Sandals "We are committed to implementing the

advice of this independent panel and will use it in preparing the province's financial statements.”

- On February 15, 2017 QP Briefing reports Treasury Board President Liz Sandals says it's too soon to weigh in on what might happen if the Auditor General stands her ground in the pension accounting dispute. "I think we're getting way ahead of ourselves – that's a total hypothetical," Sandals told reporters. "The bottom line is, the panel gave us advice, and we're going to follow the advice of the panel." Sandals added there "is no urgency" for Lysyk to weigh in on the panel's conclusion and that she was "pleased" that the auditor was giving it a thorough read. The article notes the minister was "cagey" when pressed about if the panel's report will mean a rollback on contributions for the OPSEU plan. She is quoted, "As the panel points out, that is the traditional way in which the government would access the surplus," "That's the whole premise of the panel's report, is that the way in which the government or any other employer in that situation would access the surplus is by reducing the contribution rate."
- On February 14, 2017 OPSEU's Smokey Thomas writes that Premier Wynne should remember who owns the assets of the province's jointly trusted public pension plans. He says the dispute between the government and the Auditor General is not "just a paper war". "It's a fight over who owns billions of dollars earned by workers and invested on their behalf. I'm telling the Premier right now: the money in those plans belongs to plan members. It is not hers to play with." He "unequivocally supports" the Auditor General's position. He says his "fear is that the Liberals will try to move money out of public pension plans to help wipe out the provincial deficit in time for the 2018 provincial election."
- On February 14, 2017 the Ottawa Sun's David Reevely (A11) reports "the Ontario Liberals have an extra \$1.5 billion to spend between now and the next election and can still keep their promise to balance the provincial budget by 2018, thanks to a helpful ruling on how to handle surpluses in a couple of big provincial pension funds." His article notes, "The point is, we're talking serious money - the stakes in what's otherwise the most arcane public-accounting battle ever to spill out of a comptrollers' seminar and into the streets." He writes the surpluses work in the government's favour – especially as an election approaches.
- On February 14, 2017 the Toronto Star (A7) (and online) has a negative piece about the Auditor General, written by Martin Regg Cohn. He writes the AG has been caught out in a \$10.7-billion miscalculation. "Even a watchdog can lose the scent and bark up the wrong tree. Or worse, miss the fiscal forest for the trees. For the job requires not just independence but context. To be truly credible, an auditor general must fearlessly expose government boondoggles but also fess up to her blunders." "Lysyk's lack of diligence - now overdue - is a damning indictment of an auditor gone awry."
- On February 13, 2017 QP Briefing reports the government has accepted the panel's conclusion that pension surpluses are assets. The Auditor General's stance won't be known until later in the week. The article includes comments from Tory finance critic Vic Fedeli: "Basically, they've gone out and hired people whose findings would be more convenient for them ... They have appointed a private panel of auditors to come to the province's conclusion." OPSEU president Warren (Smokey) Thomas

said he's concerned the panel's conclusion was politically motivated: "If I was going to fall on a side of advice, I'd fall on the advice of the auditor general," he said. "The government has gone to extraordinary length to have somebody try to disagree and discredit the auditor general."

- On February 13, 2017 the Toronto Star reported a panel of accounting experts says that \$10.7 billion in government-sponsored pension plans should count toward the province's bottom line. The article notes panel chair Tricia O'Malley said "We believe that an asset does exist – the net pension asset meets the definition of an economic resource, which is what an asset is." The Star noted that Auditor General Lysyk is reviewing the report and will provide comment to the media later this week.
- On February 12, 2017 the Toronto Star reports a government-appointed panel of experts will announce on Feb. 13 that joint-sponsored pension surpluses should be counted as assets for the provincial treasury. The report says the Auditor General should include billions of dollars of its assets on the government's bottom line. OPTrust says "surpluses and deficits should both be recognized on the province's balance sheet."
- On February 8, 2017 The Toronto Star (A6) reports Premier Wynne welcomes a report from four accounting experts that says a \$10.7-billion pension surplus can be counted as an asset on the province's bottom line. The article notes the AG was briefed on the report last week and it will be make public later this month. MPP Vic Fedeli is quoted: "The people of Ontario have to ask themselves who are they going to believe: the independent auditor general or a scandal-plagued Liberal government?"
- On February 8, 2017 QP Briefing reports the Financial Accountability Officers says "should the panel studying a pension accounting clash with the auditor general conclude that billions of dollars' worth of pension assets should be counted on Ontario's balance sheet after all, the government will get more flexibility to balance the budget as promised." "David West, the FAO's chief economist, said he had not heard about any conclusions from the panel but noted that if they have decided to count the pension assets, it gives the government more breathing room to achieve balance, as promised." Auditor General Lysyk declined to confirm or comment directly because the panel is not yet public.
- On February 7, 2017 The Toronto Star's (A4) Martin Regg Cohn reports billions of dollars are at stake in a dispute pitting Ontario's Auditor General against the government. He writes that despite an outside panel of top accounting and pension experts determining that Auditor General Bonnie Lysyk has gone out on a fiscal limb by effectively wiping away nearly \$11 billion in government assets – she told this reporter that "she won't climb down," and this now sets the stage for a public showdown over an accounting change that is worth \$1.5 billion to the bottom line this year alone. "The auditor told me her mind is made up and nothing she has heard so far has changed her view....which leaves her on a limb and the government in the lurch."
- On November 30, 2016 QP Briefing reported Minister Sandals appointed an expert panel to help resolve the government's standoff with the Auditor General over pension assets. The chair of the special panel tasked with settling an accounting

dispute will be paid \$2,000 per work day. The other three members of the panel will get a \$1,900 per diem, as well as reimbursement.

- On November 14, 2016 QP Briefing reported an expert panel will study the AG pension dispute.
- On October 9, 2016 Focus Ontario (Global) ran a segment on the 2015-16 Public Accounts and the disagreement with the Auditor General. Both the Premier and Patrick Brown are quoted in the segment. The Premier is quoted from Question Period saying the government “accepted the Auditor General's numbers for this year. We released the documents despite the divergence in accounting opinions, specific to pension funds between Treasury Board officials and the Auditor as part of our commitment to openness and be transparency.”
- On October 9, 2016 The Toronto Sun (A17) ran an opinion piece about the disagreement with the Auditor General. The piece notes that this kind of back and forth between ministries and the Auditor General is common. The Auditor General provides time for ministries to comment on the audit in draft form so that accounting issues can be hashed out before the final audited statement is presented to the legislature. Accounting issues are generally benign. So it's surprising that the Wynne government elevated the tussle over pensions to the political realm by tabling the financial statements without the Auditor General's unqualified opinion.
- On October 6, 2016 The Financial Post has a commentary by analysts with the Fraser Institute. “It's not surprising the Wynne government is willing to go to the mat to defend its estimate of last year's budget deficit. As Ontario approaches a provincial election in 2018, a big part of the government's PR strategy is focused on celebrating an expected return to a balanced budget in next year's budget. So Premier Kathleen Wynne's team has a big incentive to push back against dissenting views.”
- On October 6, 2016 QP Briefing reports Treasury Board President Liz Sandals tabled Ontario's public accounts for fiscal 2015-16, including the Auditor General's opinion. The tabling of the public accounts was delayed by almost two weeks after months of back and forth between the Auditor General and the government over whether the bottom line should include assets for two jointly-sponsored provincial pension plans.
- On October 3, 2016 The Globe and Mail reports Ontario's Liberal government is fighting with the province's Auditor General over a \$1.5-billion discrepancy in last year's deficit and a \$10.7-billion difference in Ontario's net debt.
- On October 3, 2016 Canadian Press ran a story in 40 media outlets reporting that the government says Auditor General Bonnie Lysyk is taking issue with their pension asset accounting, though it says these are rules that have been used for the past 14 years. “The issue is with the accounting of the Ontario Public Service Employees Union Pension Plan and the Ontario Teachers' Pension Plan, which are jointly sponsored with the government. The government says the plans have a surplus, but the auditor general says that should not be on the province's balance sheet.”

Prepared by: Jim Keates, Senior Accounting Policy Analyst, Accounting Policy and Financial Reporting.
July 21, 2017

Approved by:	Name:	Date Approved:
Director	Nadine Petsche/Mark Donaldson	July 31, 2017
ADM, Office of the Provincial Controller	Cindy Veinot	January 3, 2018
Issues Management Analyst, Communications	Alisha Tharani	January 5, 2018
A/Manager, Issues Management, Communications	Amanda Miller	January 15, 2018
Assistant Director, Communications	Bryant Sullivan	January 16, 2018
Director, Communications	Sofie Di Muzio	