Re: Speaking Notes

From: "Bromm, William (CAB)" <william.bromm2@ontario.ca>
To: "Orsini, Steve (CAB)" <steve.orsini@ontario.ca>
Date: Sat, 24 Sep 2016 14:01:59 -0400

Got it

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB)
Sent: Saturday, September 24, 2016 2:01 PM
To: Bromm, William (CAB)
Subject: RE: Speaking Notes

Drop this point. I don't want to get into the technical aspects of the issue.

- Especially since the Funding Partnership Agreement makes it clear neither party can access any of the surplus until all previous indexation restrictions have been restored.

From: Bromm, William (CAB)
Sent: September-24-16 1:44 PM
To: Orsini, Steve (CAB)
Subject: Re: Speaking Notes

Do you want me to share with Greg as well?- he might have thoughts before I send to Patrick.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB)
Sent: Saturday, September 24, 2016 1:39 PM
To: Bromm, William (CAB)
Subject: RE: Speaking Notes

Looks good. I made a few suggestions.

From: Bromm, William (CAB)
Sent: September-24-16 1:29 PM
To: Orsini, Steve (CAB)
Subject: Speaking Notes

I wanted you to see a draft before I speak to Patrick to make sure it is within the ballpark of what you would want to say.

- This has been a very complicated and stressful exercise.
- I know it has been particularly stressful for you because the responsibility for determining the proper accounting treatment of the accrued benefit asset related to the Ontario Teachers' Pension Benefit rests with you as the preparers of the Province's financial statements.
- That is a determination you need to make free of any political influence or direction. The government has made it clear that this is solely the responsibility of the public service.

- The Public Accounts have reflected a treatment and valuation that was determined to be consistent with appropriate accounting standards for the last 16 years.
- Our interpretation of the appropriate accounting standards and our valuation of the asset value have now been questioned by the Auditor General.
- Based on my understanding of our briefings to date, including the meetings with Deloitte and your briefings on the Deloitte opinion, our assertion of the Province's right to recognize the asset appears to be reasonable.
- However, it now appears that there are a range of reasonable estimates as to the valuation of the asset, particularly with respect to the valuation allowance to be taken against the asset. Especially since the Funding Partnership Agreement makes it clear neither party can access any of the surplus until all previous indexation restrictions have been restored.
- This means that the opinions of both the Auditor General and the Province are not without doubt.
- It also appears clear that further study is needed to come up with an appropriate valuation.
- We know that study cannot be done in time to complete the 2016 public accounts and obtain the necessary report of the Auditor General within the statutory deadline.
- It is also clear to me that even if the Legislative Assembly should choose to extend that deadline by several weeks, this work cannot be completed within that extended time. We also heard from the Ontario Financing Authority that any significant delay could affect Ontario's ability to borrow.
- So we need to resolve the issue of the valuation while also moving forward with the more detailed study.
- As the Head of the Ontario Public Service, I am concerned about our professionalism and integrity. I do not want them to be called into question
- The public accounts have to be tabled.
- If there are legitimate questions about the proper accounting treatment of the pension asset, I want you to know that you have my full support should you decide that, notwithstanding 16 years of precedent, a different approach to the asset is warranted for this year while the matter is studied further. Given the level of uncertainty, I would support any decision to err on the side of being more cautious or prudent until the study is completed.
- I appreciate that we need to be sensitive about the potential long-term impact of a change in this year, but that is what the further detailed study is intended to address.
- I know this is a determination you need to make using your professional judgement .
- As I said at the outset, I know this is a particularly complicated situation, and I want you to know you have our support and the support of both Deputies.