Fwd: FYI - Minister Sandals' statement on the government's acceptance of the Independent Expert Panel's Pension Report sent to the Gallery.

From:	"DiMuzio, Sofie (TBS)" <sofie.dimuzio@ontario.ca>
To:	"Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>
Date:	Thu, 16 Feb 2017 15:15:18 -0500
Attachments:	image001.jpg (4.59 kB)

Sent from my iPad

Begin forwarded message:

> **From:** "Bigley, Jane (TBS)" <Jane.Bigley@ontario.ca>
> **Date:** February 16, 2017 at 12:21:02 PM EST
> **To:** "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "Blodgett, Scott (MOF)" <Scott.Blodgett@ontario.ca>, "Hosick, Sarah (TBS)" <Sarah.Hosick@ontario.ca>, "Spadoni, Peter (MOF)" <Peter.Spadoni@ontario.ca>, "Ovenden, Erin (TBS)" <Erin.Ovenden@ontario.ca>, "Pichette, Marc (MOF)" <Marc.Pichette@ontario.ca>
> **Cc:** "@TBS-L-Issues and Media" <TBS-L-IssuesandMedia@msgov.gov.on.ca>
> **Subject: FYI - Minister Sandals' statement on the government's acceptance of the Independent Expert Panel's Pension Report sent to the Gallery.**

The following statement was sent to the Gallery before noon today:

Statement from Hon. Liz Sandals, President of the Treasury Board

“We asked an independent expert panel to look into this because the advice we received from officials varied from that of the Auditor General. The Independent Expert Panel has now released its advice and has concluded that the province’s share of the surplus of the net pension assets of both the OTPP and OPSEUPP should be recognized as an asset in Ontario’s financial statements. They 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.

As Tricia O’Malley, Chair of the Independent Expert Panel, stated on Monday, “The agreements in place are sufficient to tell us that the joint plan sponsors can do this – there is history of them agreeing to reduce contributions in the past. From the accounting standards perspective, all that’s required is that these benefits from surplus can be reasonably expected.”

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.

The panel was made up of accounting, legal, and pension experts in the areas of jointly sponsored pension plans governance, actuarial modelling for pension plans and public sector accounting standards and they include;

- Tricia O’Malley - Chair of the Canadian Actuarial Standards Oversight Council
- Murray Gold – Leading Practitioner and senior pension and benefits partner at KoskieMinsky LLP
- Uros Karadzic – A pension actuary and partner at Ernst and Young
- Paul Martin – Comptroller with the Government of New Brunswick

The government is accepting the Independent Expert Panel’s recommendations in order to present its financial statements in accordance with public sector accounting standards. This means that the province will continue to represent pension assets on its financial statements as it has since 2001.”

Key background information from the Panel:

Tricia O’Malley, Chair, stated on Monday, “The agreements in place are sufficient to tell us that the joint plan sponsors can do this – there is history of them agreeing to reduce contributions in the past. From the accounting standards perspective, all that’s required is that these benefits from surplus can be reasonably expected.” She likened it to owning an income property with a friend: "Simply because you and your friend own this property together, are you going to leave your share of that rental asset, that rental property, off your net worth statement as an asset?" she said. "I doubt it, if that's something that's of value and you have a share of it."

The Panel also concluded in its report that there is no accounting standards requirement for any agreement to be in place specifying when and by how much contributions will be reduced for the government to record an asset beyond the agreements already in place (i.e., legislation and the various plan documents). The public sector accounting standards are clear that the benefits from the surplus need only be expected. In these cases, benefits can reasonably be expected based on the law, the terms of the Plans and the policies and past actions of the joint Sponsors in fulfilling their responsibilities to act fairly. Given all the uncertainties and estimates required in accounting for pensions, virtually nothing can be considered certain.

From: Bigley, Jane (TBS)
Sent: February-16-17 11:33 AM
To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Laughton, Patrick (TBS); Hosick, Sarah (TBS); Spadoni, Peter (MOF); Ovenden, Erin (TBS); Pichette, Marc (MOF); Blodgett, Scott (MOF)
Subject: FYI - Auditor refuses to back down in $10.7B pension feud (TOR Star)

Auditor refuses to back down in $10.7B pension feud

Ontario's legislative watchdog is escalating a $10.7 billion standoff with the provincial government over funded pension surpluses.

Auditor general Bonnie Lysyk is demanding proof "in writing" from the unions that they are okay with the government booking taxpayer-funded pension surpluses for accounting purposes. (NATHAN DENETTE / THE CANADIAN PRESS)

By ROBERT BENZIE Queen's Park Bureau Chief 11:25 am

Thu., Feb. 16, 2017

Ontario's legislative watchdog is escalating a $10.7 billion standoff with the provincial government over taxpayer-funded pension surpluses.

Auditor general Bonnie Lysyk insisted Thursday the co-sponsored Ontario Public Service Employees' Union Pension Plan and the Ontario Teachers' Pension Plan shouldn't be booked as assets because the government does not have ready access to the funds.

And Lysyk is demanding proof "in writing" from the unions that they are okay with the government booking the surpluses a public asset for accounting purposes.

"Show me the letter that says you can use that pension money with permission – with an agreement," the auditor told reporters at Queen's Park.

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 accounting dispute is worth $1.5 billion to the province's bottom line this year and could be the difference between Premier Kathleen Wynne's Liberals balancing the books or remaining in deficit.

On Monday, a panel of accounting experts – led by Tricia O'Malley, chair of the Canadian Actuarial Standards Oversight Council – concluded the funds are indeed a public asset.

But Lysyk, who blindsided the provincial government in September by reversing her position on surpluses that had signed off on by her and her predecessors for the previous 14 years, was defiant.

"This isn't about me," she said.

"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 Monday, O'Malley said the conflict was "a difference of a professional opinion between the professional accounting staff of government and the staff at the office of the auditor general on how the surpluses of these two plans ought to be dealt with in the public accounts."

"We believe that an asset does exist — the net pension asset meets the definition of an economic resource, which is what an asset is," she said.

"Many government assets are not accessible. A road is an asset to a government because it allows it to provide public services of transportation, but you can't move a road or you can't sell a road unless it's a toll road, but it's still an asset."

Treasury Board President Liz Sandals was not immediately available for comment Thursday.

From: Bigley, Jane (TBS)
Sent: February-16-17 11:29 AM

To: @TBS-L-Issues and Media; Balgobin, Sueanne (TBS); Cabell, Jonathan (TBS); Cusumano, Josephine (TBS); Eastwood, Alexander (TBS); MacIntyre, Kyle (TBS); Nelson, Dane (TBS); Simone, Nicole (TBS); Ostergard, Matt (TBS); Prins, Sebastian (TBS); Tedesco, Lauren (TBS)
Cc: Laughton, Patrick (TBS); Hosick, Sarah (TBS); Spadoni, Peter (MOF); Ovenden, Erin (TBS); Pichette, Marc (MOF); Blodgett, Scott (MOF)
Subject: Media Summary of Auditor General's comments on Pensions Asset Advisory Panel report

MEDIA STUDIO PRESS CONFERENCE

Thursday, February 16, 2017

TIME: 10:00 a.m.

SUBJECT: Auditor General of Ontario comments on the Government's Pension Asset Advisory Panel report regarding two

of Ontario's jointly sponsored pension plans.

MEDIA IN ATTENDANCE:

Benzie – TorStar; Nanji – QP Briefing; Bliss – CTV; Crawley – CBC; Martin Regg Cohn – Star; and 3 others.

SUMMARY:

Auditor General Bonnie Lysyk says her office is an independent non–partisan office of the legislature. This gives that office a vital safeguard to be independent of the government and its administration. She stressed it is her job in that office to give a fair opinion.

Their position is that in order to receive a clean audit opinion a signed agreement between the parties to the jointly-sponsored pension plans is required. The province needs to get written permission from OPSEU and the Ontario Teacher's Pension to use that $10.7 B surplus. She says her office has not received that evidence yet. The AG wants to see written permission from the joint sponsors that says the province can count its share of the surplus on the balance sheet.

The AG stresses two signatures are needed to get her office 's approval and she is unable to give a clean audit opinion until she sees such a letter.

"It's like a joint bank account that requires two signatures on every cheque. That's what we've been saying and we're pleased to see the Panel saying the same thing."

The AG says the big player here is the Ontario Teachers Federation because their plan makes up $10.1B of the $10.7B at issue.

Lysyk also mentioned that both New Brunswick and British Columbia are both following her accounting perspective. She says: “Show me the money”, “show me the letter that says you can use the money”.,

(Attached is the AG news release and fact sheet. Full transcript will follow in second email. IMMR will continue to follow media throughout the day.)

Questions and Answers:

Key issues:

Can the govt raid the pension plan kitty? (this was asked multiple times from various media outlets)

Answer: AG kept saying that’s up to the government how they use that money. You should ask the government.

But she did repeat the money can only be considered an asset if a letter of agreement is signed by the OTP and OPSEU to the government. We need evidence of the partnership agreement.

Benzie – what happens next if you get the letter or you don’t get the letter?

Answer: If we don’t get the letter our position is the same. We need proof. End of the day we want the statements to reflect accounting principles.

All we need is a letter to prove government has an asset on its book today.

The AG said if the government is not able to produce a letter that she would issue a qualified opinion.

Twitter Reaction:

10:40 Mike Crawley @CBCQueensPark

Auditor General Bonnie Lysyk answers $10.7B question: govt can't count joint pension surpluses against bottom line

10;37 Sabrina Nanji @sabrinananji

Ooh Auditor General says her office is working on a pre election report

10:11 am Sabrina Nanji @sabrinananji **AG says the big player in this drama is the Ontario Teachers Federation, because their plan makes up $10.1B of the $10.7B at issue**

10:03 am S abrina Nanji @sabrinananji

Auditor General says "show me the letter" # onpoli

10:02 Robert Benzie @robertbenzie

BREAKING: @OntarioAuditor **refuses to accept expert panel's conclusion $10.7B in pension surpluses a govt asset.**