RE: Briefing FAO on Pension Asset Panel Report

From: "Hosick, Sarah (TBS)" <sarah.hosick@ontario.ca>
To: "Veinot, Cindy (TBS)" <cindy.veinot@ontario.ca>, "Tam, Nelson (TBS)" <nelson.tam@ontario.ca>
Date: Wed, 08 Feb 2017 09:24:18 -0500

Yes, I just requested MOF DMO send Tim the report. I'll work with Ryan about the Chair briefing the FAO.

From: Veinot, Cindy (TBS)
Sent: February-08-17 9:20 AM
To: Hosick, Sarah (TBS); Tam, Nelson (TBS)
Subject: FW: Briefing FAO on Pension Asset Panel Report

See below -- can you work with Tim to get a report to him for FAO -- also – my suggestion is to have the Chair brief the FAO on Monday when she is here -- before/between media and opposition briefings.

From: Schuurman, Tim (MOF)
Sent: February-08-17 8:33 AM
To: Veinot, Cindy (TBS); Hughes, Karen (TBS)
Cc: Birks, Ryan (MOF)
Subject: Re: Briefing FAO on Pension Asset Panel Report

Thanks Cindy. I don't have a copy of the report. Would you be willing to pass it along?

Also what's the best way to share with the fao? Email? Hand delivered?

Tim

From: Veinot, Cindy (TBS)
Sent: Wednesday, February 8, 2017 8:18 AM
To: Schuurman, Tim (MOF); Hughes, Karen (TBS)
Cc: Birks, Ryan (MOF)
Subject: Re: Briefing FAO on Pension Asset Panel Report

Perhaps we share the report and set up a briefing on Monday by the Panel Chair.

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Schuurman, Tim (MOF)
Sent: Wednesday, February 8, 2017 7:03 AM
To: Hughes, Karen (TBS); Veinot, Cindy (TBS)
Cc: Birks, Ryan (MOF)
Subject: Fw: Briefing FAO on Pension Asset Panel Report

Sounds like this is a go. Just let me know what time works for you on Friday and I can help set it up.

Tim

From: Thompson, Scott (MOF) <Scott.Thompson@ontario.ca>
Sent: Wednesday, February 8, 2017 6:56 AM
To: Orsini, Steve (CAB); Angus, Helen (TBS)
Cc: Bevan, Andrew (OPO); Rowe, Mary (OPO); Davidson, Steven (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB); Schuurman, Tim (MOF)
Subject: Re: Briefing FAO on Pension Asset Panel Report

Thanks Steve. Yes we're on it. Inviting them in to read ahead of release.
Thanks
Scott

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Orsini, Steve (CAB)
Sent: Wednesday, February 8, 2017 12:10 AM
To: Angus, Helen (TBS); Thompson, Scott (MOF)
Cc: Bevan, Andrew (OPO); Rowe, Mary (OPO); Davidson, Steven (CAB); Bromm, William (CAB); Kwamena, Boafoa (CAB)
Subject: Briefing FAO on Pension Asset Panel Report

I think it would be a good idea for TBS and Finance to brief or share an embargoed copy of the Panel report with the FAO.

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'More flexibility' to balance budget if pension panel sides with government, FAO says

07.02.2017 Sabrina Nanji

Should the panel studying an 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, the Financial Accountability Office (FAO) says.

The spat came to a head late last year when the government sought an independent review to help clarify a measure that adds or subtracts $10.7 billion to the province's net debt and $1.5 billion to the 2015-16 deficit, depending on your vantage point. In auditor general **Bonnie Lysyk** 's opinion, two jointly-sponsored pension plans (the Ontario Teachers' Pension and the Ontario Public Service Employees' Union Plans) should not be included on the financial statements, as the government has done for years, because the funds aren't accessible.

Multiple sources reportedly told *Toronto Star* columnist **Martin Regg Cohn** that the Pension Asset Expert Advisory Panel has made its decision and sided with the government.

David West , the FAO's chief economist, said he had not heard about any conclusions from the panel, but noted that if it has decided to count the pension assets, it gives the government more breathing room to achieve balance. He reiterated that the FAO would defer to whatever final resolution the government, auditor general and panel come to (assuming a consensus is reached).

"If it turns out that the government can indeed claim the assets of the (pension plan), then this increased expense wouldn't appear on their books, so the deficit would approve by those amounts," West said.

The FAO's economic outlook last fall proffered two economic scenarios, with and without the pension assets. With the auditor general's opinion, the deficit for 2016-17 was an estimated $5.2 billion and $2.6

billion in 2017-18.

The government's Fall Economic Statement came shortly after and projected the deficit for 2016-17 at $4.3 billion. The impact of the auditor general's opinion amounts to $2.2 billion in 2016-17, $2.8 billion in 2017-18 and $3.7 billion in 2018-19, it added. In spite of this, the Liberals say they'll balance the budget in 2017-18 and 2018-19.

"(Our) conclusions are pretty much the same," West said. "Based on our projections, we would anticipate the government having a small deficit in 17-18, but as we acknowledged, there's enough flexibility in the government's plans and even more flexibility is available to them when the number is smaller...They could schedule the timing of asset sales or restrain program spending on a temporary basis in the year. So, they are even more likely to achieve a balance in 17-18 if they don't have to claim the $2.2 billion in additional expense that they would have under the auditor general's recommended accounting treatment."

West declined to weigh in on whether he thought the pension assets should be counted on the books, or if he thought the auditor general is being political or the government undermining. He did concede that the accounting clash has not made the job of the financial accountability office easier.

Last fall, the government tabled the public accounts later than expected with the auditor's opinion, despite disagreeing with it, which required a temporary regulation. (The current public accounts for the last fiscal year show an annual deficit of $5 billion for 2015-16, whereas the government's numbers would have shown $3.5 billion, and a net debt of $305.2 billion, compared with $294.5 billion, per the government's rubric.)

Because the panel's recommendation isn't public yet, Lysyk declined to confirm or comment directly.

"I really don’t have any comment. I guess I just want to respect the process and I think that process is there is no report that’s been released," Lysyk told *QP Briefing* Tuesday.

However, Lysyk's comments last fall seemed to suggest she was digging in her heels and would not be swayed from her original opinion.
"I as well have external advice that I seek prior to addressing a significant issue, so I'm really confident that we've done our homework and that we have it right," Lysyk said at Queen's Park in October. "I have no vested interest in the outcome of this other than making sure it's right in accordance with public sector accounting standards ... at this point I'm pretty confident that we got it right."

Premier **Kathleen Wynne** gave little away when pressed at an unrelated news conference Tuesday morning, pointing out that the government's panel were experts with "vast experience in this area" and proceeded to name each expert and their qualifications. ("I anticipated this question," Wynne quipped after pulling prepared notes from the stack in front of her.)

"What we have to do as government is get the best advice that we can ... We asked an objective independent panel to weigh in on this and give us advice and we're going to take that independent advice very, very seriously," Wynne said.

Panel members include **Murray Gold** , **Uros Karadzic** , and **Paul Martin** (not the former prime minister) **,** who were each paid a $1,900 per diem, and the chair, former head of the Canadian Actuarial Standards Oversight Council, **Tricia O'Malley,** who earned $2,000 a day.

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