

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#)
Subject: Copy of Net Debt - 2015-16 (updated Sept 13 2016)- for PA.xlsx
Date: Wednesday, September 28, 2016 10:28:20 AM
Attachments: [Copy of Net Debt - 2015-16 \(updated Sept 13 2016\)- for PA.xlsx](#)

Hi John

Assuming all of the pension adjustment is reversed for the FES, we have been informed that the GDP for 16-17 may reduce by 0.5% from the forecast, if so it appears that in order to maintain the net debt to GDP at 39.4%, in keeping with the 2015-16 ratio the 16-17 deficit has to reduce to \$2B.

Can you pls check my calculations as per the attached sheet, note that I have adjusted the 16-17 TCA by the in-year approvals less amortization.

Thanks

Ken k

Net Debt to Revenue and GDP Ratios																				
Ontario		2016 Document									2016 Public Accounts									
					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)		GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)		282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)
Actual	1990-91	287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029		287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029
Actual	1991-92	288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930		288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930
Actual	1992-93	293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428		293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428
Actual	1993-94	302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202		302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202
Actual	1994-95	319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129		319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129
Actual	1995-96	337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800		337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800
Actual	1996-97	347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905		347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905
Actual	1997-98	368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966		368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966
Actual	1998-99	389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002		389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002
Actual	1999-2000	418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)		418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)
Actual	2000-01	452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)		452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)
Actual	2001-02	469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)		469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)
Actual	2002-03	494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)		494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)
Actual	2003-04	509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483		509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483
Actual	2004-05	533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555		533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555
Actual	2005-06	556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)		556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)
Actual	2006-07	578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)		578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)
Actual	2007-08	601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)		601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)
Actual	2008-09	608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409		608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409
Actual	2009-10	597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262		597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262
Actual	2010-11	630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011		630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011
Actual	2011-12	659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969		659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969
Actual	2012-13	680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220		680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220
Actual	2013-14	693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453		693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453
Actual	2014-15	721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315		721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315
	2015-16 Interim	748,207	296,109	126,547	39.6	234.0	193,447	25.9	102,662	5,686		747,101	294,565	128,376	39.43	229.5	192,029	25.7	102,536	3,515
	2016-17 Outlook	778,417	308,315	130,589	39.6	236.1	197,753	25.4	110,562	4,306		773,380	305,020	130,589	39.44	233.6	194,035	25.1	110,985	2,006
	2017-18 Outlook	813,924	316,945	137,729	38.9	230.1	197,740	24.3	119,205	(13)		812,720	313,101	137,729	38.53	227.3	194,022	23.9	119,079	(13)
	2018-19 Outlook	848,237	326,827	141,920	38.5	230.3	197,717	23.3	129,110	(23)		846,982	322,983	141,920	38.13	227.6	193,999	22.9	128,984	(23)
	2019-20 Outlook	882,062	336,798		38.2	#DIV/0!	197,717	22.4	139,081	-		880,758	332,954		37.80	#DIV/0!	193,999	22.0	138,955	-
	2020-21 Outlook		344,907			#DIV/0!	197,717		147,190	-			341,063		#DIV/0!	#DIV/0!	193,999	#DIV/0!	147,064	-
													28,418							
		Note: 2015-16 Accumulated Deficit includes a projected ONFA unrealized loss of \$250 million for 2015/16 (Budget).																		
		Note: For 2019-20 and 2020-21, we are assuming a zero deficit.											777,266	307,371	39.55%					
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.																		
Prepared by OFA, FTD																				
	26-Aug-16																			

Net Debt to Revenue and								
Ontario			Comparison: 2016 Public Accounts vs 2016 Document					
					Accumulated	Acc Deficit		Deficit/
	Fiscal Year		GDP	Net Debt	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90		-	-	-	-	-	-
Actual	1990-91		-	-	-	-	-	-
Actual	1991-92		-	-	-	-	-	-
Actual	1992-93		-	-	-	-	-	-
Actual	1993-94		-	-	-	-	-	-
Actual	1994-95		-	-	-	-	-	-
Actual	1995-96		-	-	-	-	-	-
Actual	1996-97		-	-	-	-	-	-
Actual	1997-98		-	-	-	-	-	-
Actual	1998-99		-	-	-	-	-	-
Actual	1999-2000		-	-	-	-	-	-
Actual	2000-01		-	-	-	-	-	-
Actual	2001-02		-	-	-	-	-	-
Actual	2002-03		-	-	-	-	-	-
Actual	2003-04		-	-	-	-	-	-
Actual	2004-05		-	-	-	-	-	-
Actual	2005-06		-	-	-	-	-	-
Actual	2006-07		-	-	-	-	-	-
Actual	2007-08		-	-	-	-	-	-
Actual	2008-09		-	-	-	-	-	-
Actual	2009-10		-	-	-	-	-	-
Actual	2010-11		-	-	-	-	-	-
Actual	2011-12		-	-	-	-	-	-
Actual	2012-13		-	-	-	-	-	-
Actual	2013-14		-	-	-	-	-	-
Actual	2014-15		-	-	-	-	-	-
	2015-16 Interim		(1,106)	(1,544)	(1,418)	(0.2)	(126)	(2,171)
	2016-17 Outloo		(5,037)	(3,295)	(3,718)	(0.3)	423	(2,300)
	2017-18 Outloo		(1,204)	(3,844)	(3,718)	(0.4)	(126)	-
	2018-19 Outloo		(1,255)	(3,844)	(3,718)	(0.4)	(126)	-
	2019-20 Outloo		(1,304)	(3,844)	(3,718)	(0.4)	(126)	-
	2020-21 Outloo		-	(3,844)	(3,718)	#DIV/0!	(126)	-
Prepared by OFA, FTD					-1219			
	26-Aug-16							

Net Debt to Revenue and GDP Ratios															
Ontario		2015 Budget							2016 Public Accounts						
				Net Debt As	Accumulated	Acc Deficit		Deficit/			Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	281,837	35,409	12.6	35,409	12.6	-	(90)	282,766	35,409	12.5	35,409	12.5	-	(90)
Actual	1990-91	286,213	38,438	13.4	38,438	13.4	-	3,029	287,334	38,438	13.4	38,438	13.4	-	3,029
Actual	1991-92	286,757	49,368	17.2	49,368	17.2	-	10,930	288,217	49,368	17.1	49,368	17.1	-	10,930
Actual	1992-93	290,946	61,796	21.2	61,796	21.2	-	12,428	293,068	61,796	21.1	61,796	21.1	-	12,428
Actual	1993-94	299,924	80,599	26.9	80,599	26.9	-	11,202	302,245	80,599	26.7	80,599	26.7	-	11,202
Actual	1994-95	317,830	90,728	28.5	90,728	28.5	-	10,129	319,986	90,728	28.4	90,728	28.4	-	10,129
Actual	1995-96	335,199	101,864	30.4	101,864	30.4	-	8,800	337,400	101,864	30.2	101,864	30.2	-	8,800
Actual	1996-97	345,659	108,769	31.5	108,769	31.5	-	6,905	347,842	108,769	31.3	108,769	31.3	-	6,905
Actual	1997-98	367,098	112,735	30.7	112,735	30.7	-	3,966	368,960	112,735	30.6	112,735	30.6	-	3,966
Actual	1998-99	388,257	114,737	29.6	114,737	29.6	-	2,002	389,250	114,737	29.5	114,737	29.5	-	2,002
Actual	1999-2000	416,087	134,398	32.3	134,398	32.3	-	(668)	418,245	134,398	32.1	134,398	32.1	-	(668)
Actual	2000-01	449,159	132,496	29.5	132,496	29.5	-	(1,902)	452,238	132,496	29.3	132,496	29.3	-	(1,902)
Actual	2001-02	465,476	132,121	28.4	132,121	28.4	-	(375)	469,084	132,121	28.2	132,121	28.2	-	(375)
Actual	2002-03	490,123	132,647	27.1	118,705	24.2	13,942	(117)	494,815	132,647	26.8	118,705	24.0	13,942	(117)
Actual	2003-04	505,471	138,816	27.5	124,188	24.6	14,628	5,483	509,511	138,816	27.2	124,188	24.4	14,628	5,483
Actual	2004-05	530,243	140,921	26.6	125,743	23.7	15,178	1,555	533,365	140,921	26.4	125,743	23.6	15,178	1,555
Actual	2005-06	552,769	152,702	27.6	109,155	19.7	43,547	(298)	556,635	152,702	27.4	109,155	19.6	43,547	(298)
Actual	2006-07	574,292	153,742	26.8	106,776	18.6	46,966	(2,269)	578,241	153,742	26.6	106,776	18.5	46,966	(2,269)
Actual	2007-08	597,803	156,616	26.2	105,617	17.7	50,999	(600)	601,735	156,616	26.0	105,617	17.6	50,999	(600)
Actual	2008-09	604,282	169,585	28.1	113,238	18.7	56,347	6,409	608,446	169,585	27.9	113,238	18.6	56,347	6,409
Actual	2009-10	595,433	193,589	32.5	130,957	22.0	62,632	19,262	597,882	193,589	32.4	130,957	21.9	62,632	19,262
Actual	2010-11	629,500	214,511	34.1	144,573	23.0	69,938	14,011	630,989	214,511	34.0	144,573	22.9	69,938	14,011
Actual	2011-12	658,635	235,582	35.8	158,410	24.1	77,172	12,969	659,743	235,582	35.7	158,410	24.0	77,172	12,969
Actual	2012-13	679,616	252,088	37.1	167,132	24.6	84,956	9,220	680,084	252,088	37.1	167,132	24.6	84,956	9,220
Actual	2013-14	695,705	267,190	38.4	176,634	25.4	90,556	10,453	693,210	267,190	38.5	176,634	25.5	90,556	10,453
	2014-15 Interim	720,981	284,137	39.4	186,336	25.8	97,801	10,933	721,970	284,576	39.4	187,511	26.0	97,065	10,315
	2015-16 Outlook	751,287	298,864	39.8	194,848	25.9	104,016	8,512	747,101	294,565	39.4	192,029	25.7	102,536	3,515
	2016-17 Outlook	783,141	311,518	39.8	199,688	25.5	111,830	4,840	773,380	305,020	39.4	194,035	25.1	110,985	2,006
	2017-18 Outlook	815,736	319,524	39.2	199,688	24.5	119,836	-	812,720	313,101	38.5	194,022	23.9	119,079	(13)
	2018-19 Outlook		325,783		199,688		126,095		846,982	322,983	38.1	193,999	22.9	128,984	(23)
		Note: 2014-15 Accumulated Deficit includes the ONFA unrealized gain of \$1,231 million as at February 28, 2015.													
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.													
Prepared by OFA, FTD															
	26-Aug-16														

	Comparison: 2016 Public Accounts vs. 2015 Budget						
		Net Debt As		Accumulated	Acc Deficit		Deficit/
	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)
	929	-	(0)	-	(0)	-	-
	1,121	-	(0)	-	(0)	-	-
	1,460	-	(0)	-	(0)	-	-
	2,122	-	(0)	-	(0)	-	-
	2,321	-	(0)	-	(0)	-	-
	2,156	-	(0)	-	(0)	-	-
	2,201	-	(0)	-	(0)	-	-
	2,183	-	(0)	-	(0)	-	-
	1,862	-	(0)	-	(0)	-	-
	993	-	(0)	-	(0)	-	-
	2,158	-	(0)	-	(0)	-	-
	3,079	-	(0)	-	(0)	-	-
	3,608	-	(0)	-	(0)	-	-
	4,692	-	(0)	-	(0)	-	-
	4,040	-	(0)	-	(0)	-	-
	3,122	-	(0)	-	(0)	-	-
	3,866	-	(0)	-	(0)	-	-
	3,949	-	(0)	-	(0)	-	-
	3,932	-	(0.2)	-	(0)	-	-
	4,164	-	(0.2)	-	(0.1)	-	-
	2,449	-	(0.1)	-	(0.1)	-	-
	1,489	-	(0.1)	-	(0.1)	-	-
	1,108	-	(0.1)	-	(0.0)	-	-
	468	-	(0.0)	-	(0.0)	-	-
	(2,495)	-	0.1	-	0.1	-	-
	989	439	0.0	1,175	0.1	(736)	(618)
	(4,186)	(4,299)	(0.4)	(2,819)	(0.2)	(1,480)	(4,997)
	(9,761)	(6,498)	(0.3)	(5,653)	(0.4)	(845)	(2,834)
	(3,016)	(6,423)	(0.6)	(5,666)	(0.6)	(757)	(13)
	846,982	(2,800)	38.1	(5,689)	22.9	2,889	(23)

Net Debt to Revenue and GDP Ratios															
Ontario		2015 Public Accounts							2016 Public Accounts						
				Net Debt As	Accumulated	Acc Deficit		Deficit/			Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	281,837	35,409	12.6	35,409	12.6	-	(90)	282,766	35,409	12.5	35,409	12.5	-	(90)
Actual	1990-91	286,213	38,438	13.4	38,438	13.4	-	3,029	287,334	38,438	13.4	38,438	13.4	-	3,029
Actual	1991-92	286,757	49,368	17.2	49,368	17.2	-	10,930	288,217	49,368	17.1	49,368	17.1	-	10,930
Actual	1992-93	290,946	61,796	21.2	61,796	21.2	-	12,428	293,068	61,796	21.1	61,796	21.1	-	12,428
Actual	1993-94	299,924	80,599	26.9	80,599	26.9	-	11,202	302,245	80,599	26.7	80,599	26.7	-	11,202
Actual	1994-95	317,830	90,728	28.5	90,728	28.5	-	10,129	319,986	90,728	28.4	90,728	28.4	-	10,129
Actual	1995-96	335,199	101,864	30.4	101,864	30.4	-	8,800	337,400	101,864	30.2	101,864	30.2	-	8,800
Actual	1996-97	345,659	108,769	31.5	108,769	31.5	-	6,905	347,842	108,769	31.3	108,769	31.3	-	6,905
Actual	1997-98	367,098	112,735	30.7	112,735	30.7	-	3,966	368,960	112,735	30.6	112,735	30.6	-	3,966
Actual	1998-99	388,257	114,737	29.6	114,737	29.6	-	2,002	389,250	114,737	29.5	114,737	29.5	-	2,002
Actual	1999-2000	416,087	134,398	32.3	134,398	32.3	-	(668)	418,245	134,398	32.1	134,398	32.1	-	(668)
Actual	2000-01	449,159	132,496	29.5	132,496	29.5	-	(1,902)	452,238	132,496	29.3	132,496	29.3	-	(1,902)
Actual	2001-02	465,476	132,121	28.4	132,121	28.4	-	(375)	469,084	132,121	28.2	132,121	28.2	-	(375)
Actual	2002-03	490,123	132,647	27.1	118,705	24.2	13,942	(117)	494,815	132,647	26.8	118,705	24.0	13,942	(117)
Actual	2003-04	505,471	138,816	27.5	124,188	24.6	14,628	5,483	509,511	138,816	27.2	124,188	24.4	14,628	5,483
Actual	2004-05	530,243	140,921	26.6	125,743	23.7	15,178	1,555	533,365	140,921	26.4	125,743	23.6	15,178	1,555
Actual	2005-06	552,769	152,702	27.6	109,155	19.7	43,547	(298)	556,635	152,702	27.4	109,155	19.6	43,547	(298)
Actual	2006-07	574,292	153,742	26.8	106,776	18.6	46,966	(2,269)	578,241	153,742	26.6	106,776	18.5	46,966	(2,269)
Actual	2007-08	597,803	156,616	26.2	105,617	17.7	50,999	(600)	601,735	156,616	26.0	105,617	17.6	50,999	(600)
Actual	2008-09	604,282	169,585	28.1	113,238	18.7	56,347	6,409	608,446	169,585	27.9	113,238	18.6	56,347	6,409
Actual	2009-10	595,433	193,589	32.5	130,957	22.0	62,632	19,262	597,882	193,589	32.4	130,957	21.9	62,632	19,262
Actual	2010-11	629,500	214,511	34.1	144,573	23.0	69,938	14,011	630,989	214,511	34.0	144,573	22.9	69,938	14,011
Actual	2011-12	658,635	235,582	35.8	158,410	24.1	77,172	12,969	659,743	235,582	35.7	158,410	24.0	77,172	12,969
Actual	2012-13	679,616	252,088	37.1	167,132	24.6	84,956	9,220	680,084	252,088	37.1	167,132	24.6	84,956	9,220
Actual	2013-14	695,705	267,190	38.4	176,634	25.4	90,556	10,453	693,210	267,190	38.5	176,634	25.5	90,556	10,453
Actual	2014-15	720,938	284,576	39.5	187,511	26.0	97,065	10,315	721,970	284,576	39.4	187,511	26.0	97,065	10,315
	2015-16 Outlook	751,242	300,039	39.9	196,023	26.1	104,016	8,512	747,101	294,565	39.4	192,029	25.7	102,536	3,515
	2016-17 Outlook	783,094	312,693	39.9	200,863	25.6	111,830	4,840	773,380	305,020	39.4	194,035	25.1	110,985	2,006
	2017-18 Outlook	815,687	320,699	39.3	200,863	24.6	119,836	-	812,720	313,101	38.5	194,022	23.9	119,079	(13)
	2018-19 Outlook		326,958	#DIV/0!	200,863	#DIV/0!	126,095		846,982	322,983	38.1	193,999	22.9	128,984	(23)
		Note: 2014-15 PA Accumulated Deficit includes the ONFA fair market value increase of \$1,121 million.													
		Note: 2014-15 PA :Accum deficit also includes \$1,683 transitional impact of liabilities for Contaminated Sites													
		Note: 2015-16 PA: Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.													
Prepared by OFA, FTD															
	26-Aug-16														

	Comparison: 2016 Public Accounts vs. 2015 Public Accounts						
		Net Debt As		Accumulated	Acc Deficit		Deficit/
	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)
	929	-	(0)	-	(0)	-	-
	1,121	-	(0)	-	(0)	-	-
	1,460	-	(0)	-	(0)	-	-
	2,122	-	(0)	-	(0)	-	-
	2,321	-	(0)	-	(0)	-	-
	2,156	-	(0)	-	(0)	-	-
	2,201	-	(0)	-	(0)	-	-
	2,183	-	(0)	-	(0)	-	-
	1,862	-	(0)	-	(0)	-	-
	993	-	(0)	-	(0)	-	-
	2,158	-	(0)	-	(0)	-	-
	3,079	-	(0)	-	(0)	-	-
	3,608	-	(0)	-	(0)	-	-
	4,692	-	(0)	-	(0)	-	-
	4,040	-	(0)	-	(0)	-	-
	3,122	-	(0)	-	(0)	-	-
	3,866	-	(0)	-	(0)	-	-
	3,949	-	(0)	-	(0)	-	-
	3,932	-	(0.2)	-	(0)	-	-
	4,164	-	(0.2)	-	(0.1)	-	-
	2,449	-	(0.1)	-	(0.1)	-	-
	1,489	-	(0.1)	-	(0.1)	-	-
	1,108	-	(0.1)	-	(0.0)	-	-
	468	-	(0.0)	-	(0.0)	-	-
	(2,495)	-	0.1	-	0.1	-	-
	1,032	-	(0.1)	-	(0.0)	-	-
	(4,141)	(5,474)	(0.5)	(3,994)	(0.4)	(1,480)	(4,997)
	(9,714)	(7,673)	(0.5)	(6,828)	(0.6)	(845)	(2,834)
	(2,967)	(7,598)	(0.8)	(6,841)	(0.8)	(757)	(13)
	846,982	(3,975)	#DIV/0!	(6,864)	#DIV/0!	2,889	(23)

Net Debt to Revenue and GDP Ratios															
Ontario		2014 Budget based on GDP used by Fiscal							2016 Public Accounts						
				Net Debt As	Accumulated	Acc Deficit		Deficit/			Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)	GDP	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	281,837	35,409	12.6	35,409	12.6	-	(90)	282,766	35,409	12.5	35,409	12.5	-	(90)
Actual	1990-91	286,213	38,438	13.4	38,438	13.4	-	3,029	287,334	38,438	13.4	38,438	13.4	-	3,029
Actual	1991-92	286,757	49,368	17.2	49,368	17.2	-	10,930	288,217	49,368	17.1	49,368	17.1	-	10,930
Actual	1992-93	290,946	61,796	21.2	61,796	21.2	-	12,428	293,068	61,796	21.1	61,796	21.1	-	12,428
Actual	1993-94	299,924	80,599	26.9	80,599	26.9	-	11,202	302,245	80,599	26.7	80,599	26.7	-	11,202
Actual	1994-95	317,830	90,728	28.5	90,728	28.5	-	10,129	319,986	90,728	28.4	90,728	28.4	-	10,129
Actual	1995-96	335,199	101,864	30.4	101,864	30.4	-	8,800	337,400	101,864	30.2	101,864	30.2	-	8,800
Actual	1996-97	345,659	108,769	31.5	108,769	31.5	-	6,905	347,842	108,769	31.3	108,769	31.3	-	6,905
Actual	1997-98	367,098	112,735	30.7	112,735	30.7	-	3,966	368,960	112,735	30.6	112,735	30.6	-	3,966
Actual	1998-99	388,257	114,737	29.6	114,737	29.6	-	2,002	389,250	114,737	29.5	114,737	29.5	-	2,002
Actual	1999-2000	416,087	134,398	32.3	134,398	32.3	-	(668)	418,245	134,398	32.1	134,398	32.1	-	(668)
Actual	2000-01	449,159	132,496	29.5	132,496	29.5	-	(1,902)	452,238	132,496	29.3	132,496	29.3	-	(1,902)
Actual	2001-02	465,476	132,121	28.4	132,121	28.4	-	(375)	469,084	132,121	28.2	132,121	28.2	-	(375)
Actual	2002-03	490,123	132,647	27.1	118,705	24.2	13,942	(117)	494,815	132,647	26.8	118,705	24.0	13,942	(117)
Actual	2003-04	505,471	138,816	27.5	124,188	24.6	14,628	5,483	509,511	138,816	27.2	124,188	24.4	14,628	5,483
Actual	2004-05	530,243	140,921	26.6	125,743	23.7	15,178	1,555	533,365	140,921	26.4	125,743	23.6	15,178	1,555
Actual	2005-06	552,769	152,702	27.6	109,155	19.7	43,547	(298)	556,635	152,702	27.4	109,155	19.6	43,547	(298)
Actual	2006-07	574,292	153,742	26.8	106,776	18.6	46,966	(2,269)	578,241	153,742	26.6	106,776	18.5	46,966	(2,269)
Actual	2007-08	597,803	156,616	26.2	105,617	17.7	50,999	(600)	601,735	156,616	26.0	105,617	17.6	50,999	(600)
Actual	2008-09	604,282	169,585	28.1	113,238	18.7	56,347	6,409	608,446	169,585	27.9	113,238	18.6	56,347	6,409
Actual	2009-10	595,433	193,589	32.5	130,957	22.0	62,632	19,262	597,882	193,589	32.4	130,957	21.9	62,632	19,262
Actual	2010-11	629,500	214,511	34.1	144,573	23.0	69,938	14,011	630,989	214,511	34.0	144,573	22.9	69,938	14,011
Actual	2011-12	654,715	235,582	36.0	158,410	24.2	77,172	12,969	659,743	235,582	35.7	158,410	24.0	77,172	12,969
Actual	2012-13	674,485	252,088	37.4	167,132	24.8	84,956	9,220	680,084	252,088	37.1	167,132	24.6	84,956	9,220
	2013-14 Interim	692,418	269,155	38.9	177,260	25.6	91,895	11,300	693,210	267,190	38.5	176,634	25.5	90,556	10,453
	2014-15 Outlook	716,933	289,251	40.3	189,765	26.5	99,486	12,505	721,970	284,576	39.4	187,511	26.0	97,065	10,315
	2015-16 Outlook	748,309	305,294	40.8	198,639	26.5	106,655	8,874	747,101	294,565	39.4	192,029	25.7	102,536	3,515
	2016-17 Outlook	781,505	317,224	40.6	203,982	26.1	113,242	5,343	773,380	305,020	39.4	194,035	25.1	110,985	2,006
	2017-18 Outlook	817,417	324,526	39.7	203,982	25.0	120,544	-	812,720	313,101	38.5	194,022	23.9	119,079	(13)
	2018-19 Outlook								846,982	322,983	38.1	193,999	22.9	128,984	(23)
		Note: 2013-14 Accumulated Deficit includes the ONFA unrealized gain of \$1,172 million as at February 28, 2014.													
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.													
Prepared by OFA, FTD															
	26-Aug-16														

Net Debt to Revenue and GDP Rat								
Ontario			Comparison: 2016 Public Accounts vs. 2014 Budget based on GDP used by Fiscal					
					Net Debt As	Accumulated	Acc Deficit	
	Fiscal Year		GDP	Net Debt	% to GDP	Deficit	to GDP	TCA
								Deficit/ (Surplus)
Actual	1989-90		929	-	(0)	-	(0)	-
Actual	1990-91		1,121	-	(0)	-	(0)	-
Actual	1991-92		1,460	-	(0)	-	(0)	-
Actual	1992-93		2,122	-	(0)	-	(0)	-
Actual	1993-94		2,321	-	(0)	-	(0)	-
Actual	1994-95		2,156	-	(0)	-	(0)	-
Actual	1995-96		2,201	-	(0)	-	(0)	-
Actual	1996-97		2,183	-	(0)	-	(0)	-
Actual	1997-98		1,862	-	(0)	-	(0)	-
Actual	1998-99		993	-	(0)	-	(0)	-
Actual	1999-2000		2,158	-	(0)	-	(0)	-
Actual	2000-01		3,079	-	(0)	-	(0)	-
Actual	2001-02		3,608	-	(0)	-	(0)	-
Actual	2002-03		4,692	-	(0)	-	(0)	-
Actual	2003-04		4,040	-	(0)	-	(0)	-
Actual	2004-05		3,122	-	(0)	-	(0)	-
Actual	2005-06		3,866	-	(0)	-	(0)	-
Actual	2006-07		3,949	-	(0)	-	(0)	-
Actual	2007-08		3,932	-	(0.2)	-	(0)	-
Actual	2008-09		4,164	-	(0.2)	-	(0.1)	-
Actual	2009-10		2,449	-	(0.1)	-	(0.1)	-
Actual	2010-11		1,489	-	(0.1)	-	(0.1)	-
Actual	2011-12		5,028	-	(0.3)	-	(0.2)	-
Actual	2012-13		5,599	-	(0.3)	-	(0.2)	-
	2013-14 Interim		792	(1,965)	(0.3)	(626)	(0.1)	(1,339)
	2014-15 Outlook		5,037	(4,675)	(0.9)	(2,254)	(0.5)	(2,421)
	2015-16 Outlook		(1,208)	(10,729)	(1.4)	(6,610)	(0.8)	(4,119)
	2016-17 Outlook		(8,125)	(12,204)	(1.2)	(9,947)	(1.0)	(2,257)
	2017-18 Outlook		(4,697)	(11,425)	(1.2)	(9,960)	(1.1)	(1,465)
	2018-19 Outlook		846,982	322,983	38.1	193,999	22.9	128,984
Prepared by OFA, FTD								
	26-Aug-16							

Net Debt to Revenue and GDP Ratios																	
Ontario		2014 Public Accounts								2016 Public Accounts							
					Net Debt As	Accumulated	Acc Deficit		Deficit/				Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP *	Total Debt	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)	GDP	Total Debt	Net Debt	% to GDP	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	281,837	39,256	35,409	12.6	35,409	12.6	-	(90)	282,766	39,256	35,409	12.5	35,409	12.5	-	(90)
Actual	1990-91	286,216	42,257	38,438	13.4	38,438	13.4	-	3,029	287,334	42,257	38,438	13.4	38,438	13.4	-	3,029
Actual	1991-92	286,756	52,658	49,368	17.2	49,368	17.2	-	10,930	288,217	52,658	49,368	17.1	49,368	17.1	-	10,930
Actual	1992-93	290,945	68,169	61,796	21.2	61,796	21.2	-	12,428	293,068	68,169	61,796	21.1	61,796	21.1	-	12,428
Actual	1993-94	299,922	78,773	80,599	26.9	80,599	26.9	-	11,202	302,245	78,773	80,599	26.7	80,599	26.7	-	11,202
Actual	1994-95	317,831	87,800	90,728	28.5	90,728	28.5	-	10,129	319,986	87,800	90,728	28.4	90,728	28.4	-	10,129
Actual	1995-96	335,199	100,627	101,864	30.4	101,864	30.4	-	8,800	337,400	100,627	101,864	30.2	101,864	30.2	-	8,800
Actual	1996-97	345,660	100,448	108,769	31.5	108,769	31.5	-	6,905	347,842	100,448	108,769	31.3	108,769	31.3	-	6,905
Actual	1997-98	367,099	104,227	112,735	30.7	112,735	30.7	-	3,966	368,960	104,227	112,735	30.6	112,735	30.6	-	3,966
Actual	1998-99	388,258	107,650	114,737	29.6	114,737	29.6	-	2,002	389,250	107,650	114,737	29.5	114,737	29.5	-	2,002
Actual	1999-2000	416,087	140,240	134,398	32.3	134,398	32.3	-	(668)	418,245	140,240	134,398	32.1	134,398	32.1	-	(668)
Actual	2000-01	449,162	138,841	132,496	29.5	132,496	29.5	-	(1,902)	452,238	138,841	132,496	29.3	132,496	29.3	-	(1,902)
Actual	2001-02	465,478	139,146	132,121	28.4	132,121	28.4	-	(375)	469,084	139,146	132,121	28.2	132,121	28.2	-	(375)
Actual	2002-03	490,123	138,696	132,647	27.1	118,705	24.2	13,942	(117)	494,815	138,696	132,647	26.8	118,705	24.0	13,942	(117)
Actual	2003-04	505,470	148,733	138,816	27.5	124,188	24.6	14,628	5,483	509,511	148,733	138,816	27.2	124,188	24.4	14,628	5,483
Actual	2004-05	530,243	156,801	140,921	26.6	125,743	23.7	15,178	1,555	533,365	156,801	140,921	26.4	125,743	23.6	15,178	1,555
Actual	2005-06	552,768	155,332	152,702	27.6	109,155	19.7	43,547	(298)	556,635	155,332	152,702	27.4	109,155	19.6	43,547	(298)
Actual	2006-07	574,291	157,311	153,742	26.8	106,776	18.6	46,966	(2,269)	578,241	157,311	153,742	26.6	106,776	18.5	46,966	(2,269)
Actual	2007-08	597,803	162,217	156,616	26.2	105,617	17.7	50,999	(600)	601,735	162,217	156,616	26.0	105,617	17.6	50,999	(600)
Actual	2008-09	604,279	176,915	169,585	28.1	113,238	18.7	56,347	6,409	608,446	176,915	169,585	27.9	113,238	18.6	56,347	6,409
Actual	2009-10	595,432	212,122	193,589	32.5	130,957	22.0	62,632	19,262	597,882	212,122	193,589	32.4	130,957	21.9	62,632	19,262
Actual	2010-11	629,501	236,629	214,511	34.1	144,573	23.0	69,938	14,011	630,989	236,629	214,511	34.0	144,573	22.9	69,938	14,011
Actual	2011-12	654,716	257,278	235,582	36.0	158,410	24.2	77,172	12,969	659,743	257,278	235,582	35.7	158,410	24.0	77,172	12,969
Actual	2012-13	674,485	281,065	252,088	37.4	167,132	24.8	84,956	9,220	680,084	281,065	252,088	37.1	167,132	24.6	84,956	9,220
Actual	2013-14	692,395	295,758	267,190	38.6	176,634	25.5	90,556	10,453	693,210	295,758	267,190	38.5	176,634	25.5	90,556	10,453
	2014-15 Outlook	716,910	310,528	287,286	40.1	189,139	26.4	98,147	12,505	721,970	314,960	284,576	39.4	187,511	26.0	97,065	10,315
	2015-16 Outlook	748,285	326,547	303,329	40.5	198,013	26.5	105,316	8,874	747,101		294,565	39.4	192,029	25.7	102,536	3,515
	2016-17 Outlook	781,480	337,775	315,259	40.3	203,356	26.0	111,903	5,343	773,380		305,020	39.4	194,035	25.1	110,985	2,006
	2017-18 Outlook	817,391	343,340	322,561	39.5	203,356	24.9	119,205	-	812,720		313,101	38.5	194,022	23.9	119,079	(13)
	2018-19 Outlook									846,982		322,983	38.1	193,999	22.9	128,984	(23)
		Note: 2013-14 Accumulated Deficit includes \$951 million increase in fair value of ONFA.												10,877		6,509	(138)
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.															
Prepared by OFA, FTD																	
	26-Aug-16																

Net Debt to GDP ratio
Ontario

NOT UPDATED						
2016 Public Accounts						

Fiscal Year	GDP	Net Debt	Net Debt As % to GDP	Accumulated Deficit	Acc Def as % to GDP	Deficit/ (Surplus)
1989-90	282,766	35,409	12.5	35,409	12.5	(90)
1990-91	287,334	38,438	13.4	38,438	13.4	3,029
1991-92	288,217	49,368	17.1	49,368	17.1	10,930
1992-93	293,068	61,796	21.1	61,796	21.1	12,428
1993-94	302,245	80,599	26.7	80,599	26.7	11,202
1994-95	319,986	90,728	28.4	90,728	28.4	10,129
1995-96	337,400	101,864	30.2	101,864	30.2	8,800
1996-97	347,842	108,769	31.3	108,769	31.3	6,905
1997-98	368,960	112,735	30.6	112,735	30.6	3,966
1998-99	389,250	114,737	29.5	114,737	29.5	2,002
1999-2000	418,245	134,398	32.1	134,398	32.1	(668)
2000-01	452,238	132,496	29.3	132,496	29.3	(1,902)
2001-02	469,084	132,121	28.2	132,121	28.2	(375)
2002-03	494,815	132,647	26.8	118,705	24.0	(117)
2003-04	509,511	138,816	27.2	124,188	24.4	5,483
2004-05	533,365	140,921	26.4	125,743	23.6	1,555
2005-06	556,635	152,702	27.4	109,155	19.6	(298)
2006-07	578,241	153,742	26.6	106,776	18.5	(2,269)
2007-08	601,735	156,616	26.0	105,617	17.6	(600)
2008-09	608,446	169,585	27.9	113,238	18.6	6,409
2009-10	597,882	193,589	32.4	130,957	21.9	19,262
2010-11	630,989	214,511	34.0	144,573	22.9	14,011
2011-12	659,743	235,582	35.7	158,410	24.0	12,969
2012-13	680,084	252,088	37.1	167,132	24.6	9,220
2013-14	693,210	267,190	38.5	176,634	25.5	10,453
2014-15 Interim	721,970	284,576	39.4	187,511	26.0	10,315
2015-16 Outlook	747,101	294,565	39.4	192,029	25.7	3,515
2016-17 Outlook	773,380	305,020	39.4	194,035	25.1	2,006
2017-18 Outlook	812,720	313,101	38.5	194,022	23.9	(13)
2018-19 Outlook	846,982	322,983	38.1	193,999	22.9	(23)

TO BE UPDATED						
George's Linked Table: 2015 based on 28Feb2014						

GDP	Net Debt	Net Debt As % to GDP	Accumulated Deficit	Acc Def as % to GDP	Deficit/ (Surplus)
281,837	35,409	12.6	35,409	12.6	(90)
286,213	38,438	13.4	38,438	13.4	3,029
286,757	49,368	17.2	49,368	17.2	10,930
290,946	61,796	21.2	61,796	21.2	12,428
299,924	80,599	26.9	80,599	26.9	11,202
317,830	90,728	28.5	90,728	28.5	10,129
335,199	101,864	30.4	101,864	30.4	8,800
345,659	108,769	31.5	108,769	31.5	6,905
367,098	112,735	30.7	112,735	30.7	3,966
388,257	114,737	29.6	114,737	29.6	2,002
416,087	134,398	32.3	134,398	32.3	(668)
449,159	132,496	29.5	132,496	29.5	(1,902)
465,476	132,121	28.4	132,121	28.4	(375)
490,123	132,647	27.1	118,705	24.2	(117)
505,471	138,816	27.5	124,188	24.6	5,483
530,243	140,921	26.6	125,743	23.7	1,555
552,769	152,702	27.6	109,155	19.7	(298)
574,292	153,742	26.8	106,776	18.6	(2,269)
597,803	156,616	26.2	105,617	17.7	(600)
604,282	169,585	28.1	113,238	18.7	6,409
595,433	193,589	32.5	130,957	22.0	19,262
629,500	214,511	34.1	144,573	23.0	14,011
658,635	235,582	35.8	158,410	24.1	12,969
679,616	252,088	37.1	167,132	24.6	9,220
695,705	267,190	38.4	176,634	25.4	10,453
720,981	284,137	39.4	186,336	25.8	10,933
751,287	298,864	39.8	194,848	25.9	8,512
783,141	311,518	39.8	199,688	25.5	4,840
815,736	319,524	39.2	199,688	24.5	-

Differences

GDP	Net Debt	Net Debt As % to GDP	Accumulated Deficit	Acc Def as % to GDP	Deficit/ (Surplus)
929	-	(0.04)	-	(0.04)	-
1,121	-	(0.05)	-	(0.05)	-
1,460	-	(0.09)	-	(0.09)	-
2,122	-	(0.15)	-	(0.15)	-
2,321	-	(0.21)	-	(0.21)	-
2,156	-	(0.19)	-	(0.19)	-
2,201	-	(0.20)	-	(0.20)	-
2,183	-	(0.20)	-	(0.20)	-
1,862	-	(0.15)	-	(0.15)	-
993	-	(0.08)	-	(0.08)	-
2,158	-	(0.17)	-	(0.17)	-
3,079	-	(0.20)	-	(0.20)	-
3,608	-	(0.22)	-	(0.22)	-
4,692	-	(0.26)	-	(0.23)	-
4,040	-	(0.22)	-	(0.19)	-
3,122	-	(0.16)	-	(0.14)	-
3,866	-	(0.19)	-	(0.14)	-
3,949	-	(0.18)	-	(0.13)	-
3,932	-	(0.17)	-	(0.12)	-
4,164	-	(0.19)	-	(0.13)	-
2,449	-	(0.13)	-	(0.09)	-
1,489	-	(0.08)	-	(0.05)	-
1,108	-	(0.06)	-	(0.04)	-
468	-	(0.03)	-	(0.02)	-
(2,495)	-	0.14	-	0.09	-
989	439	0.01	1,175	0.13	(618)
(4,186)	(4,299)	(0.35)	(2,819)	(0.23)	(4,997)
(9,761)	(6,498)	(0.34)	(5,653)	(0.41)	(2,834)
(3,016)	(6,423)	(0.64)	(5,666)	(0.61)	(13)
846,982	322,983	38.13	193,999	22.90	(23)
					<u>(8,485)</u>

From: [Ken Kandeepan](#)
To: [Bonnie Lemcke](#); [Mike Manning](#); [Ronald Kwan](#); [Christina Zhang](#)
Subject: FW: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected
Date: Monday, October 03, 2016 3:04:34 PM

It's out, in case there are calls.

Thanks

Ken K

From: Ontario News [mailto:newsroom@ontario.ca]
Sent: October-03-16 2:56 PM
To: Spilkov, Heather (TBS)
Subject: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected



News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected[\[news.ontario.ca\]](http://news.ontario.ca)

October 3, 2016

Province Remains Committed to Balance the Budget Next Year in 2017-18

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18, and remain balanced in 2018-19.

In preparing the Annual Report and unaudited Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment.



Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements.

A regulation was made to allow the public service to sign-off on the impact of the Auditor General's view on accounting for pension assets in Ontario's 2015-16 financial statements. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of two jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To ensure openness and transparency, the government is releasing its unaudited financial statements to provide the public with the Province's financial position.

The unaudited statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, [Ontario's economy has grown by 6.1 per cent\[news.ontario.ca\]](#). Last year, [growth was double the national average\[news.ontario.ca\]](#). In the first quarter of this year, [Ontario's growth was greater than that of the United States and the G7\[fin.gov.on.ca\]](#).

The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation. In addition Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUICK FACTS

- The 2015-16 unaudited Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent

research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.

- The unaudited Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

BACKGROUND INFORMATION

- [Release of Ontario's 2015-16 Financial Statements \[news.ontario.ca\]](https://news.ontario.ca)

ADDITIONAL RESOURCES

- Read the Province's [2015-16 unaudited Financial Statements\[ontario.ca\]](https://www.ontario.ca) and explore supplementary information available through new data visualization tools
- Explore the more than 400 open data sets in the [Open Data Catalogue\[ontario.ca\]](https://open.ontario.ca)
- Learn about the government's [fiscal cycle\[ontario.ca\]](https://www.ontario.ca)

QUOTES

"The Annual Report and unaudited Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance next year in 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

— *Liz Sandals, President of the Treasury Board*

"Our government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget next year is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

— *Charles Sousa, Minister of Finance*

CONTACTS

Matt Ostergard
Minister's Office
416-326-3839

Jason Wesley
Communications Branch
416-327-4023

Questions about your subscription? Contact us. [\[ontario.ca\]](http://ontario.ca)

Edit your subscription preferences. [\[subscription.news.ontario.ca\]](http://subscription.news.ontario.ca)

Unsubscribe from News on Demand. [\[subscription.news.ontario.ca\]](http://subscription.news.ontario.ca)

[Follow Us On Twitter](#) [\[twitter.com\]](https://twitter.com).

Visit the Newsroom. [\[news.ontario.ca\]](http://news.ontario.ca)

Disponible en français. [\[news.ontario.ca\]](http://news.ontario.ca)

© Queen's Printer for Ontario, 2008 - 2016 [\[ontario.ca\]](http://ontario.ca)

99 Wellesley Street West 4th floor, Room 4620 Toronto ON M7A 1A1

From: [John Psinas](#)
To: [AccProv](#); [Ken Kandeepan](#)
Subject: FW: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected
Date: Monday, October 03, 2016 4:14:32 PM

FYI

--John

[416-325-8072](#)

From: Patel, Bharat (TBS) [<mailto:Bharat.Patel3@ontario.ca>]
Sent: Monday, October 03, 2016 4:11 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: FW: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected

From: Ontario News [<mailto:newsroom@ontario.ca>]
Sent: October-03-16 2:56 PM
To: Fong, Pauline (TBS)
Subject: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected



News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected[\[news.ontario.ca\]](http://news.ontario.ca)

October 3, 2016

Province Remains Committed to Balance the Budget Next Year in 2017-18

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18, and remain balanced in 2018-19.

In preparing the Annual Report and unaudited Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the

treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements.

A regulation was made to allow the public service to sign-off on the impact of the Auditor General's view on accounting for pension assets in Ontario's 2015-16 financial statements. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of two jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To ensure openness and transparency, the government is releasing its unaudited financial statements to provide the public with the Province's financial position.

The unaudited statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, [Ontario's economy has grown by 6.1 per cent\[news.ontario.ca\]](#). Last year, [growth was double the national average\[news.ontario.ca\]](#). In the first quarter of this year, [Ontario's growth was greater than that of the United States and the G7\[fin.gov.on.ca\]](#).

The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation. In addition Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUICK FACTS

- The 2015-16 unaudited Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.

- Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.
- The unaudited Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

BACKGROUND INFORMATION

- [Release of Ontario's 2015-16 Financial Statements \[news.ontario.ca\]](#)

ADDITIONAL RESOURCES

- Read the Province's [2015-16 unaudited Financial Statements\[ontario.ca\]](#) and explore supplementary information available through new data visualization tools
- Explore the more than 400 open data sets in the [Open Data Catalogue\[ontario.ca\]](#)
- Learn about the government's [fiscal cycle\[ontario.ca\]](#)

QUOTES

"The Annual Report and unaudited Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance next year in 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

— *Liz Sandals, President of the Treasury Board*

"Our government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget next year is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

— *Charles Sousa, Minister of Finance*

CONTACTS

Matt Ostergard
Minister's Office
416-326-3839

Jason Wesley
Communications Branch
416-327-4023

Questions about your subscription? Contact us. [\[ontario.ca\]](http://ontario.ca)

Edit your subscription preferences. [\[subscription.news.ontario.ca\]](http://subscription.news.ontario.ca)

Unsubscribe from News on Demand. [\[subscription.news.ontario.ca\]](http://subscription.news.ontario.ca)



Follow Us On Twitter [\[twitter.com\]](https://twitter.com).

Visit the Newsroom. [\[news.ontario.ca\]](http://news.ontario.ca)

Disponible en français. [\[news.ontario.ca\]](http://news.ontario.ca)

© Queen's Printer for Ontario, 2008 - 2016 [\[ontario.ca\]](http://ontario.ca)

99 Wellesley Street West 4th floor, Room 4620 Toronto ON M7A 1A1

From: [Christina Zhang](#)
To: [Mike Manning](#); [Ken Kandeepan](#)
Subject: FW: Latest SCOPA Comms Products
Date: Monday, October 03, 2016 5:23:40 PM
Attachments: [Friendly QAs_Moodys.docx](#)
[Gadi Maymans Speaking Points CSB edits_Oct 3 2016 5pm.docx](#)

Hi there,

FYI. DMO has confirmed that we're to keep SCOPA Q&As as is and that there's no need to update based on today's release of the unaudited consolidated financial statements. That said, I'll review and update the borrowing numbers as of September 30th. Because of the delay in SCOPA, all our borrowing numbers were as of August 31th.

In the meantime, I'll planning to share the two documents with DMO as drafts. One is Gadi's remarks (which Ken kindly reviewed and updated) and the proposed friendlies by Bonnie.

Once I've updated the Q&As, I'll send all three items to Gadi as well as a FYI. Just very reluctant to send him anything during his holiday.

Thank you,
Christina

From: Ize-Dukuze, Marilyn (MOF) [mailto:Marilyn.Ize-Dukuze@ontario.ca]
Sent: Monday, October 03, 2016 5:12 PM
To: Tara McGrath (MOF) <Tara.McGrath@ontario.ca>; Birks, Ryan (MOF) <Ryan.Birks@ontario.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Tomasz Bugajski <Tomasz.Bugajski@ofina.on.ca>; Ghufra Tarin (MOF) <Ghufra.Tarin@ontario.ca>
Subject: RE: Latest SCOPA Comms Products

Hi both –

SCOPA is still very much about the 2014-15 PA, thus current QAs do not need updating. However, additional QAs reflecting 2015-16 PA release are also now required. For this, we are asking TBS to share the QA package that was put together (with MOF input) for the 2015-16 PA release. This would be added to the SCOPA binders in addition to the QAs on 2014-15 PA.

Following up on strategy for remarks.

Thanks,
Marilyn Ize-Dukuze | ph. 416.326.8529 | bb. 416.302.3609

From: McGrath, Tara (MOF)
Sent: Monday, October 3, 2016 4:36 PM
To: Birks, Ryan (MOF); Ize-Dukuze, Marilyn (MOF)
Subject: RE: Latest SCOPA Comms Products

Hi,

I think we also need clarification as to whether materials are meant to be updated to reflect the release of the PAs or not. This would also include the DM's remarks.
Thanks,

Tara

From: Birks, Ryan (MOF)
Sent: October-03-16 3:55 PM
To: Ize-Dukuze, Marilyn (MOF)
Cc: McGrath, Tara (MOF)
Subject: Latest SCOPA Comms Products

Hi Marilyn,

Would it be possible to send us the latest package of SCOPA Comms products? We'll have updates to our Qs&As based on the release of PA.

I just want to make sure we have enough time to turn around edits.

Thanks,
Ryan

Ryan Birks
Special Policy Advisor and Executive Assistant
ADMO, Office of the Budget
416-327-0074

Q: Moody's just released a report noting that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy. Can you explain how your conservative debt management policies are keeping debt service costs manageable?

A: Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs.

The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Q: Moody's just released a report noting that Ontario's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's Aa2 rating. Can you explain how borrowing for infrastructure helps support the province's credit rating?

A: We are making the biggest investment in public infrastructure in Ontario's history. We have a plan to invest more than \$137 billion over the next 10 years, or about \$160 billion over 12 years, starting in 2014-15. This is a strategic investment will grow the economy and create jobs.

Our plan is to first balance the budget while continuing to make strategic investments in capital assets. These infrastructure investments will stimulate economic growth, resulting in GDP growing more quickly than debt, and thereby lowering the net debt-to-GDP ratio.

With capital investments, the net debt-to-GDP ratio will come down more quickly than it would have without these investments in capital assets.

Capital investments are amortized over the useful life of the assets. Once a balanced budget is achieved, the increase in debt will be limited to the difference between the cash investment to build assets, and the amortization, which is a non-cash amount.

This historic investment in public infrastructure is critical to Ontario – today and tomorrow. From an economic perspective – these infrastructure investments will certainly pay off. Our investments will support an average of 110,000 jobs per year in Ontario, as well as creating significant GDP growth.

Remarks by Gadi Mayman
CEO

Ontario Financing Authority

to the Standing Committee
on Public Accounts

Toronto, Ontario

~~September 21~~October 5, 2016

Word count: ~~740~~

Check against Delivery

Thank you, Deputy Minister Thompson and Deputy Minister Orencsak.

Good afternoon.

My name is Gadi Mayman, and I am the Chief Executive Officer of the Ontario Financing Authority.

In this role, I am responsible for overseeing Ontario's:

- borrowing and debt management strategy;
- corporate and electricity finance projects and;
- banking relationships.

I also manage the province's relationships with credit rating agencies, bond underwriters and investors.

Before I continue, I would like to thank the committee for the opportunity to discuss what we have been doing to address the points raised by the Auditor General regarding Ontario's debt.

[Net debt]

~~Ontario's net debt-to-GDP is expected to peak at 39.6 per cent in 2015-16.~~

~~This compares to the forecast of:~~

- ~~• 39.8 per cent in the 2015 Budget;~~
- ~~• 40.8 per cent in the 2014 Budget and;~~
- ~~• 40.4 per cent in the 2013 Budget.~~

~~We expect Ontario's net debt-to-GDP ratio to remain unchanged at 39.6 per cent in 2016-17, and decline further in 2017-18.~~

The government is committed towards target continues to be to ~~reduc~~inge the net debt-to-GDP ratio to its pre-recession level.

A government's net debt increases primarily for two reasons: to finance its deficits and invest in capital assets.

In the first few years after the global recession in 2008–09, the increase in the province's net debt was primarily due to Ontario's deficit. Over this period the Government continued investing in much needed improvements to the Province's capital infrastructure.

The government plans to invest more than \$137-billion in capital over 10 years, and \$160 billion over the 12-year period starting in 2014-15.

Investments in capital, supplement GDP growth and the net debt-to-GDP ratio will come down more quickly than it would without these investments.

Once a balanced budget is achieved, the increase in net debt will be limited to difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

~~Ontario's deliberate choice to invest in the economy during the recession did increase the deficit, but also resulted in Ontario experiencing the recession less harshly than we might have otherwise.~~

~~The strategy was successful-- the economy rebounded and since then, the government has been committed to eliminating the deficit by 2017–18, and remaining balanced in 2018–19.~~

~~Once balance is achieved, the increase in Ontario's net debt will be limited to its net investment in tangible capital assets.~~

This means that achieving balance will put net debt-to-GDP on a declining track.

Moody's notes in a report issued October 3, 2016 that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy.

The report also states, "The policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices outlined above, has helped to support the province's Aa2 rating."

Moody's notes that the government's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's rating.

Formatted: Font: Not Bold

Formatted: Font: (Default) Arial, 14 pt

[Borrowing Program]

Formatted: Font: Not Bold

Ontario conducts a robust and responsible borrowing program that protects the public interest.

In 2015–16 the government successfully completed its annual borrowing program, borrowing \$32.1 billion.

As of September 30, August 31, 2016, the province has borrowed \$13.3 billion of its \$24.4 billion requirement for fiscal 2016–17.

The recently released 2015-16 unaudited Financial Statements of the Province included a legislated pension adjustment that increased net debt by \$10.7 billion.

The pension adjustment was non-cash and does not impact either the Province's total debt or its borrowing requirements.

Through prudent and cost-effective debt management, Ontario has consistently kept interest on debt costs below budget projections.

Employing term extensions has allowed the Province to lock in low interest rates for longer periods, which has reduced Ontario's refinancing risks.

It also helps offset the impact of expected higher interest rates on the interest-on-debt costs.

As of August 31, September 30, 2016, the average term to maturity for new borrowing in 2016–17 was 15.63 years.

In fact, since 2010 Ontario has issued \$59.1 billion of bonds longer than 30 years' duration to lock in low rates.

As a result, we have extended Ontario's weighted-average term to maturity of long-term provincial debt significantly.

In 2009-10 it was 8.1 years; last year it was 14.2 years.

As I mentioned a moment ago, it was 15.63 years as of [September 30th August 31](#) this year.

The 2010 Ontario Budget forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar on interest.

The current forecast is 2.7 cents lower. We are currently tracking at nine cents of every revenue dollar.

This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

The Province takes a very prudent approach to managing the risks associated with its borrowing program.

Ontario limits itself to a maximum net interest rate resetting exposure level of 35 per cent of debt issued for provincial purposes.

It also limits itself to a maximum foreign exchange exposure level of five per cent of debt issued for provincial purposes.

As of [September 30, July 31](#), 2016, the actual values for Ontario's net interest rate resetting exposure and foreign exchange exposure were [10.6 9.35](#) per cent and 0.33 per cent, respectively.

As you can see, this is well below the policy limit levels.

The Province will remain flexible in its borrowing approach.

The approach includes monitoring all major markets and seeking the most cost-effective means, over the long term, to finance Ontario's borrowing program.

It also includes reaching out to investors and investment banks, domestically and globally, to ensure that Ontario bond issues remain highly

attractive, liquid and sought after, as they have been since Ontario began accessing public markets almost 25 years ago.

I am happy to answer any questions you may have.

From: [Ken Kandeepan](#)
To: [Bonnie Lemcke](#)
Subject: FW: Latest SCOPA Materials
Date: Tuesday, October 04, 2016 8:54:29 AM
Attachments: [Friendly QAs_Moodys.docx](#)
[Gadi Maymans Speaking Points CSB edits_Oct 3 2016 5pm.docx](#)
[MOF QAs_Oct 3 2016 6pm.docx](#)

From: Christina Zhang
Sent: Monday, October 03, 2016 6:11 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Cc: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: Latest SCOPA Materials

Hi Gadi,

Very, very sorry for sending you these on Rosh Hashanah. Please treat these as FYI, unless you have comments of course. =)

Please find attached the latest materials for SCOPA, including your updated remarks and a couple of friendly Q&As on the Moody's report, as requested by DMO. I've also attached the general Q&As (updated with the September 30th borrowing numbers).

There's a joint MO/DM briefing on SCOPA tomorrow at noon, which Ken will likely attend. Thanks very much to Mike and Ken for all their assistance today. Ken had kindly updated your remarks to reflect the September 30th borrowing numbers, the Moody's report and today's release of the unaudited FS.

Have a great evening and hope you're having wonderful celebration with your family.

Regards,
Christina

From: Christina Zhang
Sent: Monday, October 03, 2016 5:24 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Latest SCOPA Comms Products

Hi there,

FYI. DMO has confirmed that we're to keep SCOPA Q&As as is and that there's no need to update based on today's release of the unaudited consolidated financial statements. That said, I'll review and update the borrowing numbers as of September 30th. Because of the delay in SCOPA, all our

borrowing numbers were as of August 31th.

In the meantime, I'll planning to share the two documents with DMO as drafts. One is Gadi's remarks (which Ken kindly reviewed and updated) and the proposed friendlies by Bonnie.

Once I've updated the Q&As, I'll send all three items to Gadi as well as a FYI. Just very reluctant to send him anything during his holiday.

Thank you,
Christina

From: Ize-Dukuze, Marilyn (MOF) [<mailto:Marilyn.Ize-Dukuze@ontario.ca>]
Sent: Monday, October 03, 2016 5:12 PM
To: Tara McGrath (MOF) <Tara.McGrath@ontario.ca>; Birks, Ryan (MOF) <Ryan.Birks@ontario.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Tomasz Bugajski <Tomasz.Bugajski@ofina.on.ca>; Ghufuran Tarin (MOF) <Ghufuran.Tarin@ontario.ca>
Subject: RE: Latest SCOPA Comms Products

Hi both –

SCOPA is still very much about the 2014-15 PA, thus current QAs do not need updating. However, additional QAs reflecting 2015-16 PA release are also now required. For this, we are asking TBS to share the QA package that was put together (with MOF input) for the 2015-16 PA release. This would be added to the SCOPA binders in addition to the QAs on 2014-15 PA.

Following up on strategy for remarks.

Thanks,
Marilyn Ize-Dukuze | ph. 416.326.8529 | bb. 416.302.3609

Q: Moody's just released a report noting that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy. Can you explain how your conservative debt management policies are keeping debt service costs manageable?

A: Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs.

The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Q: Moody's just released a report noting that Ontario's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's Aa2 rating. Can you explain how borrowing for infrastructure helps support the province's credit rating?

A: We are making the biggest investment in public infrastructure in Ontario's history. We have a plan to invest more than \$137 billion over the next 10 years, or about \$160 billion over 12 years, starting in 2014-15. This is a strategic investment will grow the economy and create jobs.

Our plan is to first balance the budget while continuing to make strategic investments in capital assets. These infrastructure investments will stimulate economic growth, resulting in GDP growing more quickly than debt, and thereby lowering the net debt-to-GDP ratio.

With capital investments, the net debt-to-GDP ratio will come down more quickly than it would have without these investments in capital assets.

Capital investments are amortized over the useful life of the assets. Once a balanced budget is achieved, the increase in debt will be limited to the difference between the cash investment to build assets, and the amortization, which is a non-cash amount.

This historic investment in public infrastructure is critical to Ontario – today and tomorrow. From an economic perspective – these infrastructure investments will certainly pay off. Our investments will support an average of 110,000 jobs per year in Ontario, as well as creating significant GDP growth.

Remarks by Gadi Mayman
CEO

Ontario Financing Authority

to the Standing Committee
on Public Accounts

Toronto, Ontario

~~September 21~~October 5, 2016

Word count: ~~740~~

Check against Delivery

Thank you, Deputy Minister Thompson and Deputy Minister Orencsak.

Good afternoon.

My name is Gadi Mayman, and I am the Chief Executive Officer of the Ontario Financing Authority.

In this role, I am responsible for overseeing Ontario's:

- borrowing and debt management strategy;
- corporate and electricity finance projects and;
- banking relationships.

I also manage the province's relationships with credit rating agencies, bond underwriters and investors.

Before I continue, I would like to thank the committee for the opportunity to discuss what we have been doing to address the points raised by the Auditor General regarding Ontario's debt.

[Net debt]

~~Ontario's net debt-to-GDP is expected to peak at 39.6 per cent in 2015-16.~~

~~This compares to the forecast of:~~

- ~~• 39.8 per cent in the 2015 Budget;~~
- ~~• 40.8 per cent in the 2014 Budget and;~~
- ~~• 40.4 per cent in the 2013 Budget.~~

~~We expect Ontario's net debt-to-GDP ratio to remain unchanged at 39.6 per cent in 2016-17, and decline further in 2017-18.~~

The government is committed towards target continues to be to ~~reduc~~inge the net debt-to-GDP ratio to its pre-recession level.

A government's net debt increases primarily for two reasons: to finance its deficits and invest in capital assets.

In the first few years after the global recession in 2008–09, the increase in the province's net debt was primarily due to Ontario's deficit. Over this period the Government continued investing in much needed improvements to the Province's capital infrastructure.

The government plans to invest more than \$137-billion in capital over 10 years, and \$160 billion over the 12-year period starting in 2014-15.

Investments in capital, supplement GDP growth and the net debt-to-GDP ratio will come down more quickly than it would without these investments.

Once a balanced budget is achieved, the increase in net debt will be limited to difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

~~Ontario's deliberate choice to invest in the economy during the recession did increase the deficit, but also resulted in Ontario experiencing the recession less harshly than we might have otherwise.~~

~~The strategy was successful-- the economy rebounded and since then, the government has been committed to eliminating the deficit by 2017–18, and remaining balanced in 2018–19.~~

~~Once balance is achieved, the increase in Ontario's net debt will be limited to its net investment in tangible capital assets.~~

This means that achieving balance will put net debt-to-GDP on a declining track.

Moody's notes in a report issued October 3, 2016 that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy.

The report also states, "The policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices outlined above, has helped to support the province's Aa2 rating."

Moody's notes that the government's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's rating.

Formatted: Font: Not Bold

Formatted: Font: (Default) Arial, 14 pt

[Borrowing Program]

Formatted: Font: Not Bold

Ontario conducts a robust and responsible borrowing program that protects the public interest.

In 2015–16 the government successfully completed its annual borrowing program, borrowing \$32.1 billion.

As of September 30, August 31, 2016, the province has borrowed \$13.3 billion of its \$24.4 billion requirement for fiscal 2016–17.

The recently released 2015-16 unaudited Financial Statements of the Province included a legislated pension adjustment that increased net debt by \$10.7 billion.

The pension adjustment was non-cash and does not impact either the Province's total debt or its borrowing requirements.

Through prudent and cost-effective debt management, Ontario has consistently kept interest on debt costs below budget projections.

Employing term extensions has allowed the Province to lock in low interest rates for longer periods, which has reduced Ontario's refinancing risks.

It also helps offset the impact of expected higher interest rates on the interest-on-debt costs.

As of August 31, September 30, 2016, the average term to maturity for new borrowing in 2016–17 was 15.63 years.

In fact, since 2010 Ontario has issued \$59.1 billion of bonds longer than 30 years' duration to lock in low rates.

As a result, we have extended Ontario's weighted-average term to maturity of long-term provincial debt significantly.

In 2009-10 it was 8.1 years; last year it was 14.2 years.

As I mentioned a moment ago, it was 15.63 years as of [September 30th August 31](#) this year.

The 2010 Ontario Budget forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar on interest.

The current forecast is 2.7 cents lower. We are currently tracking at nine cents of every revenue dollar.

This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

The Province takes a very prudent approach to managing the risks associated with its borrowing program.

Ontario limits itself to a maximum net interest rate resetting exposure level of 35 per cent of debt issued for provincial purposes.

It also limits itself to a maximum foreign exchange exposure level of five per cent of debt issued for provincial purposes.

As of [September 30, July 31](#), 2016, the actual values for Ontario's net interest rate resetting exposure and foreign exchange exposure were [10.6 9.35](#) per cent and 0.33 per cent, respectively.

As you can see, this is well below the policy limit levels.

The Province will remain flexible in its borrowing approach.

The approach includes monitoring all major markets and seeking the most cost-effective means, over the long term, to finance Ontario's borrowing program.

It also includes reaching out to investors and investment banks, domestically and globally, to ensure that Ontario bond issues remain highly

attractive, liquid and sought after, as they have been since Ontario began accessing public markets almost 25 years ago.

I am happy to answer any questions you may have.

Questions and Answers

Table of Contents

Office of the Budget	1
Office of Economic Policy	3
Revenue Questions and Answers	3
2014-15 Actual Vs. 2015 Budget Interim	3
2014-15 Actual Vs. 2014 Budget Plan	4
2014-15 Actual Vs. 2013-14 Actual	5
Ontario Financing Authority	8
Friendly Questions	8
Debt Burden	8
Interest Rates	10
Financial Instruments Standard	11
Borrowing and Debt Management – General	12
Interest on Debt (IOD)	14
Credit Ratings	15
Ontario Electricity Financial Corporation	16
Friendly Question	16
Electricity Sector Stranded Debt	16
Stranded Debt and Residual Stranded Debt Qs&As	17
Residual Stranded Debt	19
Background	24
Corporate and electricity finance division	28
Asset Optimization and the Trillium Trust	28

OFFICE OF THE BUDGET

Q. Will you still be able to balance if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

A. The government is dedicated to a fiscally sound approach to managing the Province's finances, and remains committed to balancing the budget in 2017-18 and 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

From a fiscal planning perspective, Ontario incorporates prudence in its projections.

- As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan incorporates includes a reserve to protect the fiscal outlook against unforeseen adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2016–17, \$1.1 billion in 2017–18, and \$1.2 billion in 2018–19.
- The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

With the economy expected to continue to growth, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

Q. From your perspective, why is it important that the government has consistently beaten its deficit targets, in terms of the province's finances?

A. The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will:

- Provide the foundation for the long-term well-being and prosperity of Ontarians; and
- Protect the public services that Ontarians rely on.

For 2015-16, Ontario is on track to beat its deficit target for the seventh year in a row. By continuing to beat its fiscal targets, Ontario's accumulated deficit is \$30 billion lower than it otherwise would have been.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

OFFICE OF ECONOMIC POLICY

Revenue Questions and Answers

2014-15 Actual Vs. 2015 Budget Interim

	2015 Budget Interim (\$M)	2014-15 Actual (\$M)	Variance (\$M)	Variance (%)
Taxation Revenue	82,654	82,275	-379	-0.5
Government of Canada Transfers	21,713	21,615	-98	-0.5
Income from Government Business Enterprise	5,311	5,615	304	5.7
Other Non-Tax Revenue	8,839	9,041	202	2.3
Total Revenue	118,517	118,546	29	0.0

Q. Can you explain the \$29 million increase in revenue since your 2015 Budget?

A. The modest \$29 million improvement in revenues is largely due to higher net income of Government Enterprises and revenues from Other Non-Tax Revenues mainly offset by lower Taxation Revenues and Federal Payments.

- Net income from Government Enterprises is \$304 million higher mainly due to higher revenue from OPG (including favourable nuclear fund financial market performance) and OLG's higher numbers of large jackpots late in the fiscal year.
- Higher Other Non-Tax revenues of \$202 million came from a variety of sources, including consolidated agencies and electricity sector.
- Taxation revenues are \$379 million lower largely due to lower Corporations Tax revenue (-\$591M) partially offset by higher Personal Income Tax revenue (+\$285M).
- Lower Federal Payments (-\$98M) is largely due to a decline in transfers to consolidated government agencies.

Q. Why are Taxation revenues \$379 million below your Interim estimate?

- A. Most of the weakness in Taxation revenues is due to lower Corporations Tax (-\$591M) because 2014 corporate profits turned out to be lower than estimated at the time of the 2015 Budget. This is partially offset by higher Personal Income Tax revenue (+\$285M) based on results from the processing of tax returns for 2014 and prior years.

2014-15 Actual Vs. 2014 Budget Plan

	2014 Budget Plan (\$M)	2014-15 Actual (\$M)	Variance (\$M)	Variance (%)
Taxation Revenue	83,365	82,275	-1,090	-1.3
Government of Canada Transfers	21,882	21,615	-267	-1.2
Income from Government Business Enterprise	5,026	5,615	589	11.7
Other Non-Tax Revenue	8,598	9,041	443	5.2
Total Revenue	118,871	118,546	-325	-0.3

Q. Why are revenues \$325 million lower than your 2014 Budget projection?

- A. Revenues were \$325 million below the 2014 Budget Plan largely due to lower Taxation revenues and lower Federal Payments partially offset by higher net income from Government Business Enterprises (mainly OPG) and higher Other Non-Tax Revenues.

- Taxation revenues were \$1,090 million lower and Federal Payments were \$267 million weaker than projected.
- Partially offset came from higher net income from Government Business Enterprises (+\$589M) and Other Non-Tax Revenues (\$443M).

Q. What accounts for the \$1,090 million decrease in Taxation revenues from your 2014 Budget projection?

- A. Taxation revenues were \$1,090 million lower due mostly to lower Corporations Tax (-\$697M) and lower Sales Tax (-\$248M).
- The \$697 million decrease in Corporations Tax revenue is due mainly to lower 2014 profits, lower 2013 corporate income tax assessments and higher refunds to corporations for years prior to 2009.
 - The \$248 million decrease in Sales Tax Revenue is due largely to revisions to HST entitlement estimates for 2013 and prior years.

Q: Why were Federal transfers \$267 million lower than your 2014 Budget projection?

A: Lower Federal transfers were largely due to revised timelines for Building Canada Fund projects and lower transfers to government agencies, including Agricorp and Toronto 2015. These lower transfers are largely offset by lower spending associated with these transfer programs.

Q: How did net income from Government Business Enterprises increase by \$589 million from your 2014 Budget projection?

A: This was mostly attributable to Ontario Power Generation Inc., reflecting lower operating costs and better financial market performance of its nuclear funds.

Q: What accounts for the \$1.1 billion decrease in taxation revenues from your 2014 Budget projection?

A: Taxation revenues were \$1.1 billion lower due largely to lower corporations tax revenue (-\$0.7 billion) and lower sales tax revenue (-\$0.2 billion).

- Lower 2013 corporate income tax assessments resulted in a higher repayment to the Canada Revenue Agency for amounts already paid to the Province for the 2013 tax year and, refunds to corporations for tax years prior to 2009 were also higher.
- Sales tax revenue was lower due to revisions to harmonized sales tax entitlement estimates for 2013 and prior tax years.

2014-15 Actual Vs. 2013-14 Actual

	2013-14 Actual (\$M)	2014-15 Actual (\$M)	Variance (\$M)	Variance (%)
Taxation Revenue	79,966	82,275	2,309	2.9
Government of Canada Transfers	22,276	21,615	-661	-3.0
Income from Government Business Enterprise	5,337	5,615	278	5.2
Other Non-Tax Revenue	8,331	9,041	710	8.5
Total Revenue	115,911	118,546	2,635	2.3

Q: How did revenues perform in 2014-15 compared to 2013-14?

A: In 2014-15, revenues increased by \$2.6 billion or, or 2.3 per cent, from 2013-14.

- Taxation revenue increased by \$2.3 billion over the previous year. The increase was across most taxation revenue sources, partially offset by a \$1.9 billion decrease in Corporations Tax reflecting adjustments in respect of prior years.
- The combined net incomes of Government Business Enterprises were up \$0.3 billion from the previous year.
- Federal Payments declined by \$0.7 billion mainly because of a reduction in Equalization Payments, partially offset by increased health and social transfers
- Other Non-Tax revenue increased by \$0.7 billion largely due to the gain of the sale of the Province's remaining General Motors shares during 2014-15.

Q: **Why is year-over-year growth in Taxation revenue 2.9 per cent when nominal GDP growth was 3.6 per cent?**

A: Growth in Taxation revenue of 2.9 per cent is lower than 2014 nominal GDP growth of 3.6 per cent largely due to a \$1.9 billion decrease in Corporations Tax reflecting prior year adjustments. This included:

- a repayment of -\$1.3B, due to a Federal government overpayment of 2013 corporate income tax during 2013, and
- a projected repayment to the Federal government of \$0.5B for an overpayment to the Province for the 2014 tax year.

Q: **What explains the fairly strong year-over-year growth in Personal Income tax revenues of 8.9 per cent?**

A: The higher Personal Income Tax revenues growth reflects growth in personal incomes as well as the impact of the high-income measure introduced in the 2014 Budget and the net impacts of one-time prior-year adjustments in both 2013-14 and 2014-15.

Q: **Given the recent poor results for Quebec and California allowances auctions, is the Government still expecting to meet revenue targets set out in the 2016 Budget?**

A: The poor auction results suggest a risk to cap and trade revenues. However, it is too early to determine what actual impact on revenues will be.

In three joint WCI auctions held so far in 2016, allowances have gone unsold.

- In February, 94% of the allowances offered by Quebec were sold; California sold 95% of the total allowances it offered.
- In May, both Quebec and California sold about 11% of the total allowances they each offered.
- The August auction performed relatively better though still undersubscribed, selling 35% of offered allowances.

It is possible, however, that emitters are holding off on buying allowances until they get closer to the end of the compliance period (current compliance period from 2015 through 2017).

The uncertainty related to legal challenges to California's cap and trade program may have contributed to the poor sale of allowances at the May and August auction. In joint auctions prior to 2016, all the allowances that were offered for sales were sold.

Ontario is planning to hold stand-alone auctions starting in March 2017 before linking with California and Quebec in 2018. Initial stand-alone auctions could result in a higher-than-WCI domestic carbon price.

The medium-term revenue outlook includes projected cap-and-trade proceeds from the auctioning of carbon allowances beginning in 2017. The current estimate for proceeds is:

- o \$478 million in 2016-17; and
- o Between \$1.8 billion and \$1.9 billion annually starting in 2017-18.

Revenue Forecasting Unit, Economic and Revenue Forecasting and Analysis Branch, OEP

Contact: Bruno Amara (325-0766)

ONTARIO FINANCING AUTHORITY

Friendly Questions

Debt Burden

Q. — Our government has a target for reducing the net debt to GDP ratio.

— Can you tell us more about the target and how our government is doing in terms of reaching that target?

A. — Net debt, as of March 31, 2016, is forecast to be \$296.1 billion, \$2.8 billion lower than forecasted in the *2015 Budget*. Net debt was \$284.6 billion as of March 31, 2015. The net debt to GDP ratio is forecast to peak at 39.6 per cent in 2015–16, remain level in 2016–17, and decline to 38.9 per cent in 2017–18 and 38.5 per cent in 2018–19.

— Ontario conducts a robust and responsible borrowing program that protects the public interest. The government successfully completed its annual borrowing program in 2015–16, borrowing \$32.1 billion. Long-term borrowing for 2016–17 is forecast to be \$24.4 billion when factoring in \$2.0 billion pre-borrowed in 2015–16. This will be the Province's smallest borrowing program since 2007–08.

— As of August 31, 2016, the Province had borrowed \$12.5 billion for the fiscal year. Approximately 71 per cent of this year's borrowing to date has been completed in Canadian dollars. The remainder of the Province's borrowing to date has been completed in international currencies primarily through U.S. dollar global bonds, and two small Australian dollar Kangaroo bond issues.

— Through prudent and cost-effective debt management, the Province has consistently kept interest on debt costs below budget projections. The *2010 Budget* forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 2.7 cents lower, at 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

— Term extension has allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt costs.

— Going back to the beginning of fiscal 2010–11, Ontario has issued \$59.1 billion of bonds longer than 30 years to lock in low rates. As a result, the weighted-average term to maturity of long-term provincial debt issued has been extended significantly, from 8.6 years in 2008–09 to 15.6 years as of August 31.

Q: Noting that a key indicator of the government's ability to carry its debt entails examining the level of debt relative to the size of the economy, can you please explain further what the forecasted net debt to GDP ratio is for Ontario?

What effect does this have on the government's commitment to balancing the budget by 2017-18?

A: The Province's net debt to GDP ratio is expected to peak in 2015-16 at 39.6 per cent, remain unchanged in 2016-17 and begin to decline in 2017-18.

The government continues to maintain a target of reducing the net debt to GDP ratio to its pre-recession level. Net Debt increases primarily for two reasons: to finance deficits and invest in capital assets. In the first few years after the global recession in 2008-09, the increase in net debt was primarily due to the deficit. However, the government is on track to eliminate the deficit and balance the budget by 2017-18. Once a balanced budget is achieved, the increase in net debt will be limited to the net investment in tangible capital assets.

Q: Moody's just released a report noting that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy. Can you explain how your conservative debt management policies are keeping debt service costs manageable?

Formatted: Font: Bold

A: Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs.

The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Q: Moody's just released a report noting that Ontario's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's Aa2 rating. Can you explain how borrowing for infrastructure helps support the province's credit rating?

Formatted: Font: Bold

A: We are making the biggest investment in public infrastructure in Ontario's history. We have a plan to invest more than \$137 billion over the next 10 years, or about \$160 billion over 12 years, starting in 2014-15. This is a strategic investment will grow the economy and create jobs.

Our plan is to first balance the budget while continuing to make strategic investments in capital assets. These infrastructure investments will stimulate economic growth, resulting in GDP growing more quickly than debt, and thereby lowering the net debt-to-GDP ratio.

With capital investments, the net debt-to-GDP ratio will come down more quickly than it would have without these investments in capital assets.

Capital investments are amortized over the useful life of the assets. Once a balanced budget is achieved, the increase in debt will be limited to the difference between the cash investment to build assets, and the amortization, which is a non-cash amount.

This historic investment in public infrastructure is critical to Ontario – today and tomorrow. From an economic perspective – these infrastructure investments will certainly pay off. Our investments will support an average of 110,000 jobs per year in Ontario, as well as creating significant GDP growth.

Interest Rates

Q. Chapter 2 of the Auditor General's 2014 annual report speaks to the increased vulnerability of Ontario with respect to interest rates. She points to the possible rise in rates related to borrowing.

However, I am also aware that the Province has consistently kept interest on debt costs below budget projections.

What steps has the government taken to reduce borrowing and keep interest on debt costs low?

A. Through prudent and cost-effective debt management, the Province has consistently kept interest on debt costs below budget projections. The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents on interest for every revenue dollar received. The current forecast is 23 per cent lower, at 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Extending the term of the debt that the Province issues has locked in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt costs.

Going back to the beginning of fiscal 2010-11, Ontario has issued \$59.1 billion of bonds that do not mature for at least 30 years to lock in low rates. As a result, the

weighted-average term to maturity of long-term provincial debt issued has been extended significantly, from 8.6 years in 2008-09 to 15.~~36~~ years as of ~~August 31~~September 30.

Financial Instruments Standard

Q. I understand that proposed new standards by the Public Sector Accounting Board on Financial Instruments would affect interest on debt. Would it also affect other financial indicators of the provincial government?

A. The use of financial indicators helps the public and other readers of the Annual Report assess the financial health of the Province. Through the indicators' levels and trends, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government is responding to these.

The Public Sector Accounting Board's (PSAB) new standard on Financial Instruments, if implemented in its current form, would have a significant impact on how the Province uses derivatives to convert its current exposure in foreign currency debt into Canadian-dollar obligations. The proposed standard, which does not allow for hedge accounting, would introduce significant and difficult-to-forecast volatility in the accounting treatment of the Province's IOD, net debt and deficit. This is contrary to the current PSAB standard, comparable international and U.S. accounting standards, and Canadian private-sector accounting standards, all of which allow for hedge accounting.

Update to 2016 Budget, as of July 31, 2016

- The Province used derivatives to hedge approximately 98 per cent of its \$61 billion in foreign currency debt into Canadian dollars.
- While \$43 billion of this hedging would remain unaffected under the new standards, IOD and the deficit would become subject to significant swings entirely due to the type of derivative used on the remaining \$18 billion.
- The derivative instruments used to hedge this \$18 billion currently provide savings of up to 35 basis points, or over \$60 million annually, relative to the cost of instruments that would otherwise have to be used under the new standard to eliminate volatility.
- From April 1st, 2016 to July 30th, 2016, the Canadian dollar depreciated by 0.7 cents against the U.S. dollar. Under the new standard, this would have resulted in a \$1.3 billion accounting impact to the Province's IOD and deficit.

Ontario, supported by the borrowing communities of the majority of the provinces, has communicated its outstanding concerns with the standard to PSAB. It has requested that PSAB consider hedge accounting as an option, in line with comparable international, U.S. and Canadian private-sector accounting

standards. This approach would eliminate the potential accounting swings in IOD, the deficit and net debt. This would allow Ontario to continue to use the most economically efficient means of hedging its foreign exchange exposure and also ensure that the Province's financial results reflect the economic substance underlying its use of derivative instruments.

Borrowing and Debt Management – General

Q. Why was total long-term public borrowing \$32.1 billion in 2015–16 when the deficit was \$5.7 billion?

A. In addition to financing the deficit, long-term public borrowing refinances debt maturities and debt redemptions, funds the Province's investments in capital assets, and loans to agencies. The Province also pre-borrowed \$2.0 billion of its 2016-17 requirements.

~~Q. Why did the Net Debt-to-GDP ratio decline to 39.6 per cent at the end of fiscal 2015–16, compared to the 39.8 per cent forecast in the 2015 Budget?~~

~~A. The reduction in the Net Debt-to-GDP ratio was primarily due to lower than forecast deficits and investment in capital assets in 2015–16.~~

Q. The Province is projected to borrow \$24.4 billion in 2016–17. That's approximately \$1,753 for every person in Ontario. When will the Province eventually run into a debt wall like Greece, Portugal and Ireland and be forced to raise taxes and cut services?

A. There is strong demand for Ontario bonds in both the domestic and international markets. Last fiscal year Ontario was able to borrow \$32.1 billion in long-term debt while our spread, or the margin that we have to pay over the equivalent Government of Canada bond, tightened, indicating ongoing strong demand for Ontario bonds.

We expect that the liquidity of Ontario benchmark bonds and continuing confidence in the value of Ontario debt will allow us to cost-effectively complete the 2016–17 borrowing program. As of ~~August 31~~September 30, 2016, ~~\$13.32-5~~ billion or ~~54-1~~ per cent, of this year's long-term borrowing requirement has been completed.

Q. Has it been difficult to complete the Province's borrowing program?

A. The Province continues to have steady access to both domestic and international bond markets. As of ~~August 31~~September 30, 2016, the Province had borrowed ~~\$13.32-5~~ billion for the fiscal year. Approximately ~~69-7-1~~ per cent of this year's borrowing-to-date has been completed in Canadian dollars. The remainder of the Province's borrowing-to-date has been completed in international currencies primarily through U.S. dollar global bonds, and two small Australian dollar

Kangaroo bond issues. In 2015–16, the Province borrowed \$32.1 billion, with \$2.0 billion in pre-borrowing.

Q. What is the difference between total debt, net debt and accumulated deficit?

A. Total debt represents all borrowing.

Net debt is all borrowing plus other liabilities, minus the Province's financial assets.

By analogy, think of a family's finances. A mortgage, car loans and lines of credit represent total debt. Total debt partially offset by money the family has in the bank, in RRSPs and in RESPs represents the family's net debt.

Accumulated deficit is the sum of all past Provincial surpluses and deficits, adjusted for changes in accounting rules.

Q. Is the Province planning to issue any more Green Bonds in the future?

A. On January 22, 2016, the Province of Ontario successfully priced its second Global Canadian Dollar (CAD) Green Bond for \$750 million. There was strong demand for Ontario's second Green Bond issue, with 52 investors participating in the trade. Eight projects were selected as eligible and are expected to receive funding from the second Green Bond, with an emphasis on clean transportation and energy efficiency and conservation.

To date, total Green Bond financing amounts to \$1.25 billion, with up to \$1.2 billion allocated to Metrolinx for clean transportation projects.

As the first Canadian province to issue Green Bonds, Ontario continues to lead the way in establishing and developing a Canadian dollar Green Bond market with investor participation from around the world.

Q. What are unrestricted liquid reserves, and how do they ensure that Ontario will have sufficient liquidity to meet its financial obligations?

A. The Province maintains liquid reserves in the form of cash and temporary investments, which can immediately be converted to cash.

In the normal course of doing business, the Province enters into transactions that may require it or its counterparties to pledge short term investments. Although the pledged investments are technically owned by the Province, they are deducted from the total liquid reserves figure to arrive at unrestricted liquid reserves. This provides a more conservative measure of the liquidity available to meet the Province's financial obligations.

The Province ensures it always has a prudent level of unrestricted liquid reserves to cover all obligations in the short term.

Interest on Debt (IOD)

Q. What is the impact on IOD of a \$1.0 billion change in the deficit?

A. The 2016-17 impact is forecast to be approximately \$30 million.

Q. What is the impact on IOD of a one percentage point change in interest rates?

A. The 2016-17 impact is approximately \$350 million.

Q. What is your assumed interest rate for the IOD forecast in the 2016 Budget?

A. The assumed ten-year interest rates are 3.1 per cent for 2016-17 and 3.8 per cent for 2017-18, based on the forecast for Government of Canada bonds that OEP collects from the private sector, plus a spread for the Ontario credit. For 2018-19, the forecast is 4.8 per cent and is based on the average Ontario interest rates over the past 15 years. This is the same methodology that we have used for the last number of years in putting together our IOD forecast. These rates are cautious and prudent, above current market rates.

Q. Will IOD costs crowd out other expenditures as interest rates rise and debt continues to climb? How can you address this problem?

A. Ontario has a realistic plan to balance its budget while investments are made in the priorities of Ontario families – health care, education, the environment and infrastructure.

Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs. The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992–93 to 2005–06, and is forecast to remain lower through the period to balance in 2017–18.

Q. We understand that the proposed new standards by the Public Sector Accounting Board on Financial Instruments would affect IOD. Would it also affect other financial indicators of the provincial government?

A. Yes, Annual Deficit, Net Debt, Accumulated Deficit and their ratios as a percent to GDP would also be affected.

Q. If the proposed accounting change indicates savings, will the government be able to spend them?

A. The proposed accounting change introduces fair value measurement and prohibits hedge accounting. If implemented as planned, the Province's reported financial results would not accurately take into account the value of its derivatives. As a result, substantial accounting gains or losses could occur. These changes in value would be accounting changes only and not real changes in cash. This gain would only have been reflected in the Province's accounting statements, with no actual change in the cash available for program spending.

Credit Ratings

Q. What are the Province's current credit ratings?

A. The Province is rated:

	Long Term	Short Term
Moody's Investors Service:	Aa2	P-1
Standard & Poor's:	A+	A-1+
DBRS:	AA (low)	R-1 (mid)
Fitch	AA-	F1+

Q. What impact did Moody's removal of the negative outlook have on your borrowing costs?

A. Credit ratings are one of a number of factors that contribute to borrowing costs. Since the 2016 Ontario Budget was released, Ontario's credit spreads have narrowed modestly. This in part reflects the fact that all four credit rating agencies have affirmed Ontario's ratings reflecting their confidence in our plan to eliminate the deficit, with Moody's improving their outlook for Ontario's credit rating.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Friendly Question

Electricity Sector Stranded Debt

Q: The stranded debt arose under the *Energy Competition Act of 1998*, and its schedule, the *Electricity Act, 1998*. The *Electricity Act, 1998*, also enabled the implementation of the Debt Retirement Charge (DRC) on electricity ratepayers.

Since May 2002, residential and other electricity users have been paying the DRC of 0.7 cents per kilowatt hour (kWh) on their electricity bills. The DRC is paid to the Ontario Electricity Financial Corporation (OEFC) to help service and pay down the stranded debt that arose because of the restructuring of Ontario's electricity sector under the *Energy Competition Act, 1998*.

However, I know that the government eliminated the DRC from residential bills as of January 1, 2016.

This legacy charge from the Harris government was eliminated from residential bills about 2 years earlier than previously estimated – saving the average residential user about \$70/year.

Can you please inform the committee of the commitment that the government has to eliminating the debt retirement charge cost for commercial, industrial and all other electricity users by 2018?

A. Thank you for the question.

As part of its commitment to reduce electricity cost pressures, the government has removed the Debt Retirement Charge (DRC) from residential electricity users' bills as of January 1, 2016.

This would save a typical residential user about \$70 each year and meant ending the DRC earlier for these users than otherwise provided for in the *Electricity Act, 1998*, as originally enacted. As a further step to mitigate electricity cost pressures for commercial, industrial and all other users, the government introduced legislation, passed on December 10, 2015, the *Budget Measures Act, 2015* to end the DRC on April 1, 2018, nine months earlier than previously estimated.

- A large industrial using 3,000 megawatt-hours (MWh) per month could save \$21,000 per month, or about seven per cent off its electricity bills;

- For a large northern industrial in the Northern Industrial Electricity Rate program, this could be more than an eight per cent savings; and
- A small business using 20,000 kilowatt-hours (kWh) per month could save \$140 per month, or about four per cent.

Ending the DRC on a legislated fixed date provides certainty to commercial, industrial and other users, and helps them more effectively plan their investment decisions.

I would note the following context. The government's electricity sector reforms in the *Electricity Restructuring Act, 2004*, and others, have put the stranded debt recovery plan back on track. Based on interim numbers in *Budget 2016*, this is projected to be the twelfth consecutive year that the stranded debt has been reduced, to under \$5 billion as at March 31, 2016, from \$20.6 billion as at March 31, 2004. This allowed the government to follow through on its commitment to reduce electricity cost pressures.

Stranded Debt and Residual Stranded Debt Qs&As

Q. What is the impact of broadening ownership of H1 on Stranded Debt?

- A. The interim 2015–16 results reflect the upfront benefits to OEFC of broadening the ownership of Hydro One through an initial public offering (IPO). This includes the OEFC receiving in fiscal 2015-16 – that is after March 31, 2015 -- \$2.6 billion in departure tax and about \$200 million in one-time additional payments in lieu of taxes (PILs), as Hydro One exited the PILs regime and will no longer pay corporate tax PILs to the OEFC.

The upfront impact on OEFC of the departure tax and one-time PILs payments on the OEFC's unfunded liability was partly offset by lower Electricity Sector Dedicated Income. In addition, the one-time departure tax reflects that Hydro One is now a taxable corporation, so it will no longer pay payments-in-lieu of corporate taxes (PILs) to OEFC, which reduces the estimated present value of future dedicated revenues to OEFC.

The government recognizes its commitment to electricity ratepayers under section 50.3 of the *Electricity Act, 1998*, and has taken steps to clarify and ensure that the benefits of selling shares in Hydro One are recognized by OEFC to contribute to the continuing reduction of its unfunded liability.

As part of the government's commitment to using the proceeds from broadening Hydro One ownership for infrastructure investments and paying down debt, proceeds related to the book value of the shares sold and the pre-IPO special dividend payment of \$800 million paid by Hydro One to the Province will be used to pay down the Province's electricity sector debt and other payables.

This will allow the OEFC to reduce its overall debt, and contribute towards the Province's targeted \$5 billion debt paydown. This debt paydown does not affect OEFC's stranded debt, as OEFC's receivables from the Province will be reduced by an equivalent amount.

[Note, Provincial payables to OEFC are notes payable to OEFC from the Province's acquisition of the equity in Hydro One in 1999, and in respect of cumulative net income since 1999.

Note this portion of the proceeds would have no net impact on OEFC's unfunded liability, as the cash asset would be offset by the reduction in the OEFC's receivable from the Province.]

Additional details

Under a Hydro One disposition, two future dedicated streams are affected:

1. Lower Hydro One earnings: The Province has committed to direct the income it earns from Hydro One (and OPG) in excess of the interest cost of its investment in the company. Upon a divestment, the Province would only be able to dedicate the portion of the net income that reflects its ownership stake. For example, in the case of a 15 per cent divestment, only 85 per cent of Hydro One's earnings less the associated interest cost, would be dedicated to OEFC. Currently, the Province owns about 70 per cent of Hydro One.

Loss of federal portion of Payments in Lieu of Taxes: Prior to the IPO, Hydro One was exempted from regular federal and Ontario income tax and instead made payments in lieu of taxes to OEFC which helped service and paid down the stranded debt of the electricity sector. Payments in lieu of taxes to OEFC were equal to the federal and Ontario income tax Hydro One would pay if it were a taxable corporation. Following the beginning of broadening of ownership in Hydro One in November 2015, the Province's ownership of Hydro One fell below 90 per cent and the company ceased to be exempt from federal and Ontario income taxes and started to pay actual federal and provincial corporate income tax (CIT). As a result, OEFC would no longer receive the PILs from Hydro One equivalent to federal CIT. Under the amendments made to the *Electricity Act, 1998* in the *Budget Measures Act, 2015*, the Minister of Finance will pay the OEFC an amount equal to tax payable under the *Taxation Act, 2007* (i.e., the provincial CIT) by Hydro One Inc. (HOI), to continue to help service and pay down the electricity sector stranded debt. HOI is composed of Hydro One Ltd.'s regulated Ontario distribution, transmission and remotes businesses.

Q. What is the status of the old Ontario Hydro's stranded debt?

- A. The government dedicates the revenues it receives from the electricity sector to the Ontario Electricity Financial Corporation (OEFC). All OEFC revenues, including the Debt Retirement Charge (DRC) paid by electricity consumers, are used to service and retire its debt and other obligations, as provided for under the *Electricity Act, 1998*.

For the twelfth consecutive year, the stranded debt is projected to be reduced, based on the interim 2015–16 results for the OEFC showing a projected excess of revenue over expense of more than \$3 billion. The OEFC has paid down stranded debt by an estimated total of more than \$15 billion from its peak in 2003–04, reducing stranded debt to under \$5 billion as at March 31, 2016, based on interim numbers.

- The following table shows the unfunded liability (or “stranded debt”) of OEFC since the opening amount of \$19,433 million on April 1, 1999.

At March 31 (\$M unless noted)	April 1, 1999	2000	2001	2002	2003	2004	2005	2006	2007
Unfunded Liability	\$19,433	\$20,034	\$20,016	\$20,085	\$20,183	\$20,550	\$20,363	\$19,293	\$18,289
Increase / (Decrease)		\$601	(\$18)	\$69	\$98	\$367	(\$187)	(\$1,070)	(\$1,004)
At March 31 (\$M unless noted)	2008	2009	2010	2011	2012	2013	2014	2015	Interim 2015- 16
Unfunded Liability	\$17,225	\$16,182	\$14,810	\$13,448	\$12,321	\$11,257	\$9,781	\$8,185	<\$5Bn
Increase / (Decrease)	(\$1,064)	(\$1,043)	(\$1,372)	(\$1,362)	(\$1,127)	(\$1,064)	(\$1,476)	(\$1,596)	>\$3Bn

Residual Stranded Debt

Q. What is the residual stranded debt as at March 31, 2016?

- A. The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* (Bill 144) and, effective December 10, 2015, all reference to the “stranded debt” and “residual stranded debt”, were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Q. What is the current status of the residual stranded debt or what was the residual stranded debt the last time it was determined or estimated?

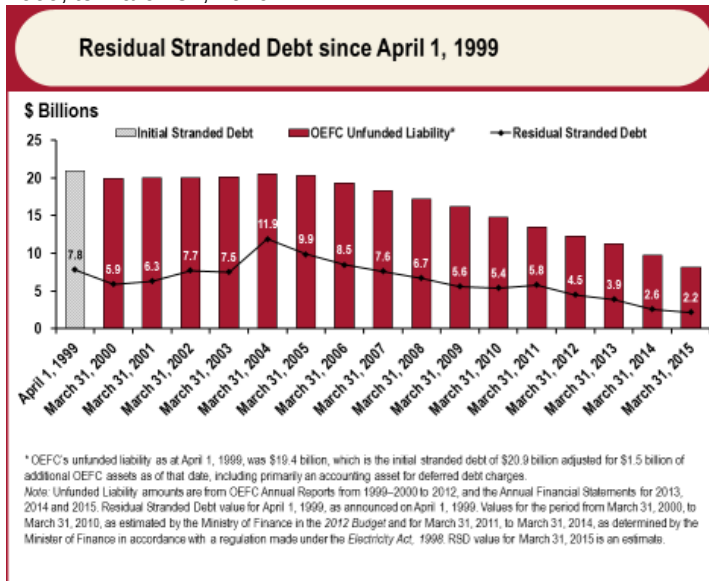
A. Prior to amendments in the *Budget Measures Act, 2015* under the *Electricity Act, 1998* the residual stranded debt was defined as the stranded debt minus the present value of projected future payments in-lieu of taxes (PILs), Gross Revenue Charge (GRC) and electricity sector dedicated income to be paid to OEFC.

In the *2015 Ontario Economic Outlook and Fiscal Review*, the residual stranded debt was estimated to be \$2.2 billion as at March 31, 2015. This was a decrease of \$0.4 billion compared to residual stranded debt of \$2.6 billion as at March 31, 2014, and was a total estimated decrease of \$9.7 billion from an estimated peak of residual stranded debt of \$11.9 billion as at March 31, 2004. Residual stranded debt was initially estimated as \$7.8 billion as at April 1, 1999.

Residual stranded debt is estimated to have increased to a peak of \$11.9 billion as at March 31, 2004, primarily due to the electricity price freeze, the downward revision in 2004 of the previous overestimation of future financial performance of Ontario Power Generation (OPG) which lowered the estimated future dedicated revenues to OEFC from the sector, and lower tax rates, resulting in lower projected future PILs to OEFC. OPG had significantly underperformed compared to its plans over the previous period of 1999 to 2004.

The estimated residual stranded debt amount and timing for its retirement were subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depend on the financial performance of Ontario Power Generation, Hydro One and municipal electricity utilities, and other factors such as interest rates and electricity consumption. The changes to the levels of unfunded liability to-date, based in part on the upfront impact on OEFC of the departure tax and one-time PILs payments, also reflect the fact that OEFC will have reduced dedicated revenues as a result of reduced ownership in Hydro One going forward.

The following chart illustrates the path of residual stranded debt from April 1, 1999, to March 31, 2016.



Q. When will the residual stranded debt be retired and the DRC end?

- A. The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* (Bill 144) and, effective December 10, 2015, all reference to the “stranded debt” and “residual stranded debt” were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12. As originally enacted, the *Electricity Act, 1998*, previously allowed for the Debt Retirement Charge (DRC) to be paid by consumers until the Minister of Finance determines that the residual stranded debt is retired.

The residual stranded debt determination was not a one-time determination. It was based on actual financial performance to-date and forecasting future OEFC results and future dedicated revenues to OEFC, which was subject to uncertainty and depended on the future financial performance of Ontario Power Generation, Hydro One and municipal electricity utilities, as well as other factors such as interest rates and electricity consumption.

As part of its commitment to reduce electricity cost pressures, the government has removed the DRC from residential electricity users' bills as of January 1, 2016.

This would save a typical residential user about \$70 each year and would mean ending the DRC earlier for these users than otherwise provided for in the *Electricity Act, 1998*.

As a further step to mitigate electricity cost pressures for non-residential users, the government introduced legislation the *Budget Measures Act, 2015*, passed in December 2015, to end the DRC for all other users on April 1, 2018, nine months earlier than previously estimated.

Ending the DRC on a legislated fixed date provides certainty to commercial, industrial and other users, and helps them more effectively plan their investment decisions.

Even after the end of the DRC, there would still be stranded debt remaining, to be serviced and paid down by OEFC's other dedicated revenues, such as payments in lieu of taxes and the Gross Revenue Charge.

Q. Why did the residual stranded debt only fall from \$2.6 billion to \$2.2 billion between March 31, 2014, and March 31, 2015, if the Ontario Electricity Financial Corporation's (OEFC) unfunded liability fell by about \$1.6 billion and the DRC collected the same year was \$0.956 billion?

A. Prior to the *Budget Measures Act, 2015* amendments of the *Electricity Act, 1998* and the revocation of Ontario Regulation 89/12, the residual stranded debt was defined under the *Electricity Act, 1998* as the stranded debt minus the estimated present value of future payments in-lieu of taxes (PILs), Gross Revenue Charge (GRC) and electricity sector dedicated income to be paid to OEFC. The Debt Retirement Charge would have been charged to consumers until the Minister of Finance determined that the residual stranded debt had been retired.

The residual stranded debt fell by less than the decrease in OEFC's unfunded liability due to a reduction in the estimated present value of future dedicated revenues to OEFC from \$7.2 billion as at March 31, 2014, to \$6.0 billion as at March 31, 2015, which reflected the uncertainty of and update to the forecast of future dedicated revenues to OEFC. These forecasted revenues depend on the financial performance of Ontario Power Generation, Hydro One and municipal electricity utilities, regulatory decisions by the Ontario Energy Board, as well as other factors such as interest rates and electricity consumption.

The residual stranded debt was not a fixed, one-time determination. Under the *Electricity Act, 1998*, and Ontario Regulation 89/12, the estimated amount of residual stranded debt depended on actual OEFC results to-date and a forecast of future revenues to OEFC.

Q. Why has the residual stranded debt only declined by \$5.6 billion since April 1, 1999, to March 31, 2015?

A. The residual stranded debt increased from \$7.8 billion as at April 1, 1999, to an estimated \$11.9 billion as at March 31, 2004, as a result of an increase in stranded debt primarily due to the electricity price freeze, as well as a reduction in the estimated present value of future dedicated revenues to the Ontario Electricity Financial Corporation (OEFC), mainly reflecting the downward revision in 2004 of the previous overestimation of future financial performance of Ontario Power Generation (OPG), and lower tax rates. OPG had significantly underperformed compared to its plans over the previous period of 1999 to 2004.

Since 2004, the government's electricity sector reforms in the *Electricity Restructuring Act, 2004*, and others, have put the stranded debt recovery plan back on track. The residual stranded debt has been reduced by an estimated \$9.3 billion, from an estimated peak of \$11.9 billion as at March 31, 2004, to \$2.2 billion as at March 31, 2015.

Prior to the *Budget Measures Act, 2015* amendments of the *Electricity Act, 1998* and the revocation of Ontario Regulation 89/12, the residual stranded debt was defined under the *Electricity Act, 1998* as the stranded debt minus the estimated present value of future payments in-lieu of taxes (PILs), Gross Revenue Charge (GRC) and electricity sector dedicated income to be paid to OEFC. The Debt Retirement Charge would have been charged to consumers until the Minister of Finance determined that the residual stranded debt had been retired.

The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* and, effective December 10, 2015, all reference to the "stranded debt" and "residual stranded debt" were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Q. Since you have collected more than \$12.5 billion in Debt Retirement Charge (DRC) revenue to March 31, 2015, why hasn't stranded debt declined by more?

A. Since 2004, the government's electricity sector reforms in the *Electricity Restructuring Act, 2004*, and others, have put the stranded debt recovery plan back on track. The Ontario Electricity Financial Corporation (OEFC) has paid down stranded debt by an estimated total of about \$12.3 billion from its peak in 2003-04, reducing stranded debt to \$8.2 billion as at March 31, 2015.

- As confirmed in the Auditor General's 2011 Annual Report, the DRC is used exclusively by OEFC to meet its mandate, as provided for under the *Electricity Act, 1998*, which includes servicing and retiring its debt and other liabilities.
- Servicing costs to the OEFC include interest expense, which is currently about \$1.4 billion per year and has totalled about \$30.5 billion between April 1, 1999 and March 31, 2015.
- Stranded debt increased by over \$1 billion between April 1, 1999, and March 31, 2004, primarily as a result of the 4.3 ¢/kilowatt-hour (kWh) price freeze, which cost OEFC about \$900 million.
- The Auditor General audits OEFC's annual financial statements and has provided an unqualified opinion every year since the initial 1999–2000 financial statements.

Q. After the removal of the DRC what is the government's plan to pay into the OEFC, to make up for that money? With the lower revenue going into the OEFC, isn't there a danger of it becoming insolvent?

A. The government has removed the Debt Retirement Charge (DRC) from residential users' electricity bills as of January 1, 2016. As a further step to mitigate electricity cost pressures for commercial, industrial and all other users, the government introduced legislation, passed on December 10, 2015, the *Budget Measures Act, 2015* to end the DRC on April 1, 2018, nine months earlier than previously estimated.

Prior to the *Budget Measures Act, 2015* amendments of the *Electricity Act, 1998*, the DRC would have been charged to consumers until the Minister of Finance determined that the residual stranded debt had been retired.

Even after the end of the DRC, there would still be stranded debt remaining, to be serviced and paid down by OEFC's other dedicated revenues, such as payments in lieu of taxes and the Gross Revenue Charge. The government expects that the stranded debt will continue to decline following the end of the DRC.

Background

Q. What is OEFC?

A. The Ontario Electricity Financial Corporation (OEFC) is an agency of the Province and was established by the *Electricity Act, 1998* as the legal continuation of the former Ontario Hydro.

OEFC's mandate includes servicing and retiring the former Ontario Hydro's debt and certain other liabilities.

- OEFC inherited \$38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured on April 1, 1999. The debt was accumulated by building Ontario's electricity generation and transmission infrastructure.
- A portion of the \$38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving \$20.9 billion of stranded debt not supported by those assets

OEFC receives dedicated revenues to service and retire the stranded debt from a number of sources, including payments in lieu of taxes (PILs) from Ontario Power Generation (OPG), Hydro One and municipal electricity utilities (MEUs); Electricity Sector Dedicated Income from the Province in respect of the net incomes of OPG and Hydro One; and the Debt Retirement Charge paid by electricity users, as provided for by the *Electricity Act, 1998*.

Q. When will the OEFC's 2015-16 Annual Report be released publicly?

- A. The 2015-16 Annual Report is currently being prepared. Under the Electricity Act, 1998, the time frame for preparing and submitting the Annual Report may be extended to reflect the timeframe for Public Accounts. Given the changes to the Electricity Act and significant activities during 2015-16 that affected OEFC, it was prudent to take additional time to review the impacts on OEFC in preparing the financial results for 2015-16..
- OEFC's annual reports contain OEFC's audited financial statements which are also released as part of the Province's Public Accounts
 - OEFC's audited 2014-2015 financial statements, including the notes to the financial statements, were released on Sep 28, 2015 in Volume Two of the 2014-15 Public Accounts.
 - The Auditor General audits OEFC's annual financial statements and has provided an unqualified opinion every year since the initial 1999-2000 financial statements.
 - Public Accounts may be downloaded from the Ministry of Finance web site (<http://www.fin.gov.on.ca/en/budget/paccts/>).
 - OEFC's past Annual Reports (1999-2000 to 2014-2015) can be downloaded from the OEFC website. (<http://www.oefc.on.ca/publications.html>).
 - A spreadsheet containing OEFC's historical financial statements can be accessed on OEFC's website (http://www.oefc.on.ca/pdf/OEFC_financials_historicals_en.xls)

Q. What is the difference between stranded debt and unfunded liability?

- A. The Ontario Electricity Financial Corporation (OEFC) inherited \$38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured on April 1, 1999. The debt was accumulated by building Ontario's electricity generation and transmission infrastructure. This amount included \$30.5 billion in total debt.

A portion of the \$38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving \$20.9 billion of stranded debt not supported by those assets.

OEFC's initial unfunded liability of \$19.4 billion as at April 1, 1999, was the stranded debt adjusted for \$1.5 billion of additional assets, including primarily an accounting asset for deferred debt charges.

Q. What was the origin of the residual stranded debt?

- A. The Ontario Electricity Financial Corporation (OEFC) is one of five entities established by the *Electricity Act, 1998*, as part of the restructuring of the former Ontario Hydro. OEFC's mandate includes servicing and retiring the debt and other liabilities of the former Ontario Hydro.
- OEFC inherited \$38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured on April 1, 1999. A portion of the \$38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving \$20.9 billion of stranded debt not supported by those assets.
 - As of April 1, 1999, the present value of future payments-in-lieu of taxes and electricity sector dedicated income was estimated at \$13.1 billion. Subtracting the \$13.1 billion from stranded debt of \$20.9 billion resulted in a difference of \$7.8 billion, the initial estimated residual stranded debt.

The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* and, effective December 10, 2015, all reference to the "stranded debt" and "residual stranded debt", including the regulation-making authority of Ontario Regulation 89/12, were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Q. How does OEFC provide financial assistance to the successor corporations of Ontario Hydro? Are these loans added to residual stranded debt/outstanding liabilities?

- A. Consistent with its mandate, OEFC provides financial assistance to the successor corporations of Ontario Hydro, namely Ontario Power Generation (OPG) and the Independent Electricity System Operator (IESO). For example, financing is provided by OEFC for new generation development projects such as the Niagara tunnel project.

OEFC borrows to provide these loans, thereby increasing its debt portfolio, but with an offsetting asset (Notes and Loan Receivables) from the companies, thereby not affecting the unfunded liability ("stranded debt") on OEFC's balance sheet.

Q. What is the "due from the Province of Ontario" payment?

- A. Due from Province

The Due from Province of Ontario that appears in OEFC's financial statements represents the cumulative value of the Electricity Sector Dedicated Income (ESDI) since April 1, 1999.

ESDI reflects the Province's commitment to dedicate its cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC.

- For example, the combined net incomes of OPG and Hydro One in 2014-15 was \$1,558M, and the Province's interest cost in acquiring the equity in the two companies totals about \$520 million annually. This resulted in an ESDI of \$1,038 million in 2014-15, so the ESDI Due from Province of Ontario increased from \$3,865 million as of March 31, 2014, to \$4,903 million as of March 31, 2015.

The ESDI commitment is reflected in Public Accounts as a transfer payment to OEFC from the Province's Consolidated Revenue Fund and is authorized by a voted appropriation.

CORPORATE AND ELECTRICITY FINANCE DIVISION

Asset Optimization and the Trillium Trust

Q: What asset optimization initiatives did the Province move forward with in 2014-15?

A: On February 4, 2015, the Province completed the sale of its remaining 36.7 million GM common shares for total proceeds of \$1.55 billion, resulting in a fiscal gain of \$1.08 billion.

General Motors also redeemed the Province's preferred shares on December 31, 2014, for total proceeds of \$0.16 billion, including a gain of \$0.02 billion.

The \$1.1 billion gain on the sale of the common and preferred shares exceeded the \$900 million asset optimization target included in the 2014 Budget for 2014–15 Net Revenue Gains from Asset Optimization.

The Ontario government directed the gain from the sale, including the additional \$200 million generated above the 2014 target, to the Trillium Trust. The Province also directed to the Trillium Trust the \$249 million net proceeds from the September 2013 sale of the Province's interest in 10 million shares of GM.

Q: The 2014-15 Public Accounts showed that the sale of GM shares provided revenue benefits to the Province. Is the Province selling assets to improve the path to balance?

A: The government's plan to balance the budget is centred on:

- Responsibly Managing Spending
- Transforming and Modernizing Government
- Addressing the Underground Economic and Tax Compliance
- Investing Strategically to Grow the Economy

The government's plan to eliminate the deficit does not depend on the revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The *Trillium Trust Act, 2014*, provides for the dedication of net revenue gains associated with the sale of designated assets to the Trust to help fund investments in transit, transportation and other priority infrastructure under Moving Ontario Forward.

Q: What's the status of the funds in the Trillium Trust?

A: The Public Accounts of Ontario 2014-2015, published in September 2015, show that \$1.35 billion has been dedicated to the Trillium Trust.

These are the net proceeds from the sale of the Province's remaining General Motors common shares in early 2015, combined with net proceeds from a September 2013 GM share sale and the redemption of preferred shares in late 2014.

On August 30, 2016, the Province announced the dedication of \$3.2 billion from the sale of Hydro One shares in 2015 to the Trillium Trust.

This brings the total balance of the Trillium Trust to over \$4.5 billion, to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

- The \$3.2 billion credit to the Trillium Trust comes from:
 - o About \$0.8 billion in gains on sale from the sale of Hydro One shares in November 2015.
 - o The net benefit to the Province of about \$2.4 billion from Hydro One's recognition of the deferred tax benefit.

Q: When will the government actually start using funds from the Trillium Trust to pay for transit and infrastructure?

A: As outlined in the 2016 Budget, the government plans to begin drawing down on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history. Based on planned expenditures, in 2016-17 the Trillium Trust would support Moving Ontario Forward initiatives, such as

- Regional Express Rail (RER);
- Hurontario Light Rail Transit (LRT); and
- Ontario Community Infrastructure Fund.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. This will allow for identification for expenditures, as this preliminary work is completed and construction activity

becomes underway, and for cash flow timing requirements from the Trillium Trust during 2016-17 and subsequent years.

Q: What is the current status of broadening Hydro One ownership?

A: The Province completed the Hydro One initial public offering (IPO) in November 2015 and raised approximately \$1.83 billion in gross proceeds and about \$116 million from related share sales. As announced in early May, a secondary offering of Hydro One shares raised approximately \$1.97 billion in gross proceeds, and as announced in July, the Province has an agreement in principle to sell to First Nations in Ontario up to 2.5% of Hydro One shares at a price of \$18 per share.

There were other associated benefits in connection with the IPO, including a positive impact to the Province's income from Hydro One as a result of a deferred tax benefit recorded by Hydro One. The Province also received cash of \$1 billion in special payments from Hydro One, including \$800 million in a special dividend paid prior to the IPO, and about \$200 million in additional payments in lieu of taxes to the Ontario Electricity Financial Corporation (OEFC).

On August 30, 2016, the Province announced the dedication of \$3.2 billion from the sale of Hydro One shares in 2015 to the Trillium Trust, bringing total balance of the Trillium Trust to over \$4.5 billion. The net revenue gains from the secondary offering in April 2016 will be credited to the Trillium Trust in the future.

The Province will proceed with future offerings in a staged and prudent manner, over time reducing its stake to 40 per cent while remaining the largest shareholder.

Through this initiative, the Province expects to generate \$4 billion in net revenue gains that, through the Trillium Trust, will be reinvested in infrastructure under Moving Ontario Forward, and \$5 billion to reduce debt.

Q: In April 2015, the Premier's Advisory Council on Government Assets estimated Hydro One's valuation at between \$13.5 billion and \$15 billion; using this estimate, the province could realize up to \$9 billion from the sale of 60% of Hydro One. Does the Province still expect these benefits?

A: The Province is on track to generate approximately \$9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One, while remaining the largest single shareholder.

Through this initiative, the Province expects to generate \$4 billion in net revenue gains that, through the Trillium Trust, will be reinvested in infrastructure under Moving Ontario Forward, and \$5 billion to reduce debt.

Q: In moving forward with broadening Hydro One ownership, isn't the government giving up future revenues from the company?

A: While broadening ownership in a revenue generating asset means that there may be an impact on revenues over the longer term, the fiscal impact of an asset sale includes upfront gains that the government will reinvest into public infrastructure, improving the lives of Ontarians where they live, work and play. In turn, this will create jobs, generate economic growth and additional revenues for the Province.

- The Province would also retain 40 per cent of Hydro One, following the IPO and subsequent share offerings, which would continue generating revenue for the Province.

Q: Why did the government remove certain oversight powers of the Office of the Auditor General over Hydro One?

A: To support Hydro One's transition from being wholly-owned by the Province to being publicly traded, the government agreed with the Premier Advisory Council's recommendations that the company should operate, to the extent possible, in the same legislative and regulatory environment as other publicly-traded, rate-regulated entities.

However, the Province has ensured Hydro One oversight measures are in place. Hydro One continues to be subject rate regulation by the Ontario Energy Board (OEB) and as a publicly traded company Hydro One is subject to requirements of the Business Corporations Act (Ontario) and the Securities Act (Ontario).

To further ensure the protection of ratepayers, the government required Hydro One to create a dedicated Ombudsperson, similar to those found at other publicly traded companies. The Ombudsperson is able to receive and investigate customer complaints.

The government has also put in place a governance agreement and registration rights agreement with Hydro One to clarify the Province's role as investor, including the process through which the Province nominates 40 per cent of the board of directors and the Province's rights related to future share sales by the Province or Hydro One.

The government will remain, by law, the largest single shareholder in Hydro One – and no other single shareholder or group of shareholders will be permitted to hold more than 10 per cent of the company's shares.

Q: What is the status of the potential merger between Hydro One Brampton and a group of urban local distribution companies (LDCs)?

A: The proposed merger of Hydro One Brampton with PowerStream, Enersource, and Horizon Utilities, continues to move forward.

The municipal councils for the cities of Barrie, Markham, Vaughan, Mississauga, Hamilton and St. Catharines have all voted to proceed with the merger. Ontario has also executed a Share Purchase Agreement with PowerStream, Enersource, and Horizon.

Commercial closing of the transaction would be subject to certain closing conditions, including Ontario Energy Board (OEB) approval. The proposed merger is currently being reviewed by the OEB.

- The proposed merger of these three strong performing utilities with Hydro One Brampton would create the second-largest electricity distributor in Ontario by number of customers. The merged entity would deliver efficiencies and economies of scale while continuing to provide safe, reliable and clean electricity.

Q: Will the Province realize any up-front benefit from the sale / merger of Hydro One Brampton with other local distribution companies (LDCs)? Would these benefits go to the Trillium Trust or to the Ontario Electricity Financial Corporation (OEFC)?

A: The purchasers have agreed to pay \$607 million for Hydro One Brampton, subject to post-closing adjustments and regulatory approval from the Ontario Energy Board (OEB).

The *Trillium Trust Act, 2014*, ensures that net revenue gains from the sale of Hydro One Brampton shares would be credited to the Trillium Trust. Under the Act, the net revenue gains would take into account the gross proceeds less the book value of the asset and costs incurred in the disposition of the asset.

The *Electricity Act, 1998*, also allows the Province to meet its obligations to OEFC by, for example, relieving OEFC of certain debt obligations that it currently owes to the Province.

Q: Why is Hydro One Brampton being merged with three other urban local distribution companies – Powerstream, Horizon Utilities, and Enersource? Why wasn't there a competitive process for the sale/merger of Hydro One Brampton?

Together these utilities can take advantage of efficiencies of scale and resources sharing, which in turn could translate into savings for their respective ratepayers.

In the course of its Phase 2 consultations, the Premier's Advisory Council received a strong pre-emptive bid from the consortium of local distribution companies (LDCs) at the higher end of the indicative values identified in the Council's market soundings.

Such a merger will provide a much needed catalyst for wider Local Distribution Company consolidation.

As noted by the Auditor General in her 2015 Annual Report, based on information provided to the Office of the Auditor General (OAG) by Hydro One and the Ministry of Energy, the OAG's estimates that the purchase price is reasonable for Hydro One Brampton Networks, and would provide the province with a fair return on its investment.

From: [Bonnie Lemcke](#)
To: [Gadi Mayman](#)
Cc: [Ken Kandeepan](#); [Christina Zhang](#); [Mike Manning](#)
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16
Date: Monday, October 03, 2016 5:25:37 PM

We provided some feedback to Warren Lovely about the accounting change.

Bonnie

From: Bonnie Lemcke
Sent: Monday, October 03, 2016 5:22 PM
To: Warren Lovely (Warren.Lovely@nbc.ca) <Warren.Lovely@nbc.ca>
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

I asked Ken to review. He had a few suggestions. FYI There is a good description of the adjustment on page 82 of the document I sent you (see below)

18. Change in Accounting for Pension Assets of Jointly Sponsored Pension Plans

For 2015-16 fiscal, the government legislated the accounting treatment for pension assets of its jointly sponsored pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension assets, therefore writing off the value of the assets. As described in Public Sector Accounting Standards (PSAS), a pension asset arises when the government's total contributions to a plan, including income earned thereon, are greater than the cumulative retirement benefit expense recognized since the start of the plan. Contributions reflect the funding objectives of the plan. The benefit expense reflects the estimated cost of the pensions earned during the year that will be paid out to retirees in the future. In prior years, the government recorded pension assets to the extent the government expected to benefit from the asset through future reductions in contributions to the plan.

Unaudited Consolidated Financial Statements, 2015-2016 83

These plans are now accounted for in accordance with PSAS and legislation requiring a full valuation allowance be recorded. The change was made to reflect the Auditor General of Ontario's view that a full valuation allowance is required if the government does not have the legally enforceable right to unilaterally access the assets of the jointly sponsored pension plans, or in absence of that right, an irrevocable agreement in place at year-end with the joint sponsors of the plans to reduce contributions.

From: Ken Kandeepan
Sent: Monday, October 03, 2016 5:15 PM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Looks pretty good, a few very minor edits

Thanks

Ken k

From: Bonnie Lemcke
Sent: Monday, October 03, 2016 5:10 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

From: Lovely, Warren [<mailto:warren.lovely@nbc.ca>]
Sent: Monday, October 03, 2016 5:10 PM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Fwd: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

This is incomplete as I've been pulled away on calls. Will flesh out and add more detes. See anything tho??

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:05:48 PM EDT
To: "Lovely, Warren" <warren.lovely@nbc.ca>
Subject: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February

2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.

- So what's the deal with pensions? Specifically, the dispute centres around the accounting treatment of the pension assets held by two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that ~~temporary~~ temporarily adopts the AG's fiscal treatment of pension assets for 2015-16. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting. The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force on study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. So stay tuned for more info.
- In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of excess assets in the two aforementioned plans. Not that the accounting change has no impact on the Province's borrowing requirement or total or gross provincial debt, which is the preferred debt metric for some rating agencies.
- Refer to consolidated financial statements for greater information on the accounting change.

Additional highlights:

-

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
130 King Street W, 4th Floor Podium | Toronto, ON | M5X 1J9 | T: 416-869-8598 | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures

http://www.nbcn.ca/disclosure_english.jhtml

http://www.nbcn.ca/disclosure_french.jhtml

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@nbc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Bonnie Lemcke](#)
To: [Ken Kandeepan](#)
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16
Date: Monday, October 03, 2016 5:10:29 PM

From: Lovely, Warren [mailto:warren.lovely@nbc.ca]
Sent: Monday, October 03, 2016 5:10 PM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Fwd: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

This is incomplete as I've been pulled away on calls. Will flesh out and add more detes. See anything tho??

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:05:48 PM EDT
To: "Lovely, Warren" <warren.lovely@nbc.ca>
Subject: **NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16**

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February 2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.
- So what's the deal with pensions? Specifically, the dispute centres around the accounting treatment of the pension assets held by two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that *temporary* adopts the AG's

fiscal treatment of pension assets. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting. The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force on study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. So stay tuned for more info.

- In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of excess assets in the two aforementioned plans. Not that the accounting change has no impact on total or gross provincial debt, which is the preferred debt metric for some rating agencies.
- Refer to consolidated financial statements for greater information on the accounting change.

Additional highlights:

-

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
130 King Street W, 4th Floor Podium | Toronto, ON | M5X 1J9 | T: 416-869-8598 | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures
http://www.nbcn.ca/disclosure_english.jhtml
http://www.nbcn.ca/disclosure_french.jhtml

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@nbc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Bonnie Lemcke](#)
To: [Ken Kandeepan](#)
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16
Date: Tuesday, October 04, 2016 8:28:32 AM

When you get in let's chat about this.

Bonnie

-----Original Message-----

From: Lovely, Warren [<mailto:warren.lovely@nbc.ca>]
Sent: Tuesday, October 04, 2016 8:05 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Have a question for you actually

Hypothetically speaking, were the AG's preferred approach to be adopted permanently, would we expect to see incremental pension expenses year in and year out...akin to the \$1.5 billion extra expense recorded in 2015-16?

I understand that current and future year accounting treatment hasn't been formally settled, just trying to get a sense of risks for 2016-17 and beyond under different accounting scenarios

As we discussed, the revenue picture is fairly compelling, and hopefully you would have got from my note the emphasis on this stronger hand off. I highlighted the encouraging aspects of the report on our morning bond sales/trading call. Really, the way I'm looking at it, there's got to be a good chance the province could be in balance this year isn't there?

W

-----Original Message-----

From: Bonnie Lemcke [<mailto:Bonnie.Lemcke@ofina.on.ca>]
Sent: October 4, 2016 7:59 AM
To: Lovely, Warren <warren.lovely@nbc.ca>
Subject: Re: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Thanks.
Bonnie

On Oct 4, 2016, at 7:56 AM, Lovely, Warren <warren.lovely@nbc.ca<<mailto:warren.lovely@nbc.ca>>> wrote:

fyi

From: Lovely, Warren
Sent: October 4, 2016 7:21 AM
Subject: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16 Faced with an ongoing dispute with the provincial Auditor General (AG) over pension accounting, Ontario took the unusual step of releasing unaudited financial statements for the 2015-16 fiscal year. If you can look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, you'll see an underlying improvement in the budget balance and a better revenue hand-off for the current fiscal year. Meanwhile, the government reiterated once more its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- The unaudited statements show Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a noteworthy, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a somewhat healthier fiscal result than that telegraphed in the February 2016 budget (a \$5.7 billion deficit). The deficit would have been even narrower, down to just \$3.5 billion or less than half that originally planned, were it not for a disagreement with the AG over pension accounting.

- So what's the deal with this "accounting issue"? As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." More specifically, the dispute centres around the accounting treatment of pension assets for two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). There's a difference of opinion on how pension assets should be treated when plans are in an accounting surplus. In the past, Ontario recognized pension assets (which arise when a government's total contributions exceed the recognized cumulative benefit expense of a plan), since these assets were viewed as providing scope for future contribution decreases. The AG prefers a "full valuation" approach, which writes off the value of excess pension assets of jointly-sponsored plans, since the government does not have unilateral access/claim to the assets of such plans. Faced with this accounting impasse, and rather than delay release of the financial statements further (they should have been out last week), the province approved a regulation that temporarily adopts the AG's recommended treatment of pension assets. So, while they're unaudited, the financial statements effectively incorporate the AG's preferred approach to pension accounting. The government is now actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force to study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. Nor is this the first time a provincial government has clashed with the local AG over pensions. So stay tuned for more info.

- Back to the numbers. In addition to the above-noted impact on the budget balance—a deficit of \$5.0 billion in 2015-16 rather than a smaller \$3.5 billion shortfall had the accounting treatment used during the prior decade and a half been retained—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. Again, this results from writing off the value of pension assets in the two aforementioned plans. So provincial net debt jumped up \$20.6 billion vs the \$5 billion budgetary shortfall, with much of the difference traced to the perhaps temporary legislated treatment of pension assets. At \$305 billion, Ontario's net debt was equivalent to 40.9% of GDP, up from the 39.6% level estimated most recently (in February).

- Note that the legislated pension accounting change has no impact on total or gross provincial debt, which is the preferred debt metric for some rating agencies. Nor does the legislated change alter Ontario's cash requirements or borrowing needs. Moreover, a stronger revenue base means a better handoff to 2016-17, which (all else equal) supports achievement of this year's fiscal targets. Residual reserves and contingencies also protect current and future year budget targets.

- Refer to the consolidated financial statements for greater information on the accounting change.

Additional highlights:

- The finer details reveal a buoyant revenue picture, reflecting a solid economic expansion and proceeds from government asset sales to support an ambitious infrastructure plan. Top line revenue surged nearly 10% year-on-year, coming in \$4 billion or 4% above the original budget plan. Excluding proceeds from the first step towards partial privatization of Hydro One, taxation revenues stood \$1.7 billion above plan. It should also be noted that total revenue ended 2015-16 on a stronger footing than had been estimated more recently; there's almost \$2 billion of extra revenue compared to February's interim estimate. That's a stronger revenue handoff to be sure.

- Federal transfers were largely in line with plan, accounting for 17.8% of provincial revenue. That's the lowest share in five years, reducing the so-called vulnerability to shifts in federal transfer policy.

- On the spending side, it's important to distinguish the pension expense impact from the legislated change in pension accounting from underlying, some might say real, program spending. The pension asset adjustment is largely to blame for the \$1.9 billion in above-plan program outlays last fiscal year. A look at key spending areas shows some extra health outlays (linked to drug costs), with health accounting for a bit more than 40% of program spending. Still, Ontario has the lowest level of per capita program spending of all the provinces.

- Notwithstanding the accounting adjustment to net debt, interest costs remain a source of fiscal relief. While interest charges rose year-on-year, the rate of increase was less than expected, as the government took full advantage of demand for its debt to lock in low interest rates for longer. That theme will remain decidedly intact in 2016-17. Given the revenue surge, the province's interest bite (the share of revenue eaten up by interest costs) once again moved lower, to just 8.5% or the lowest level in a quarter century.

- In recent years, a greater focus on domestic debt markets has seen the foreign currency share of total debt step lower. Over five years, that ratio has moved from 25.4% to 18.8% as at 2015-16. What hasn't changed is the province's hedging policy, which effectively negates the province's exposure to foreign currency moves. (FX exposure is a scant 0.3% of Ontario's debt.)

Don't confuse these unaudited financial statements, which are backward looking, with a forward-looking assessment of Ontario's fiscal fortunes. Again, set aside the accounting noise and temporary adoption of the AG's preferred approach on pension assets, and there are some encouraging developments on provincial revenue. A stronger prior-year revenue hand-off, and an upbeat economy, bolster the province's 2016-17 fiscal outlook and give the government confidence that its key commitment of erasing the deficit by 2017-18 remains within reach. This fiscal commitment should remain front and centre as we go through a fall update and ultimately digest a 2017 provincial budget. In the meantime, we'll see how this pension accounting issue is resolved. Finally, for those looking for details on the province's economic performance, we'll be treated to the Q2 economic accounts any day now. Looking back, the second quarter wasn't a great one for North America, but most private sector forecasters- including National Bank-see Ontario sitting at or very near the top of the provincial growth charts in 2016, with real GDP growth running nicely above potential. That relatively enviable provincial growth ranking is quite likely to remain intact through 2017 as well.

To unsubscribe please click here<<mailto:NBF.EconomicsStrategy@nbc.ca?subject=Please%20unsubscribe%20from%20Economics%20and%20Strategy%20publications>>

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
130 King Street W, 4th Floor Podium | Toronto, ON | M5X 1J9 | T: 416-869-8598 | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures

https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Fenglish.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GXeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=yCDpbCsRG3ltfCk0sdEGFLG_O-vy8GJcEzLky2RjW4A&e=https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Ffrench.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GXeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=p9ZTtCKnvBALE-lzXXbR2P0ZSEn3bqLL5UAmS0sbfOc&e

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement. CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Sales and Marketing Disclosures

https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Fenglish.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GXeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=yCDpbCsRG3ltfCk0sdEGFLG_O-vy8GJcEzLky2RjW4A&e=https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Ffrench.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GXeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=p9ZTtCKnvBALE-lzXXbR2P0ZSEn3bqLL5UAmS0sbfOc&e

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement. CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Ken Kandeepan](#)
To: [Nadine Petsche \(MOF\)](#)
Cc: [John Psinas](#); [George Sakura](#)
Subject: FW: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 9:42:22 AM
Attachments: [Pension Adjustment Charts_Oct 3_V2.pptx](#)

Hi Nadine

I know that you must be very busy today however, we have a couple of issue with the slides.

The net debt impact of 12.7 appears to be from 2009-10 onwards, the years before that are ignored.

Our net debt for 14-15 and 15-16 are slightly different than the numbers that you are presenting on the slides. If Alicia prepared this pls request her to call John/George.

Thanks

Ken k

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

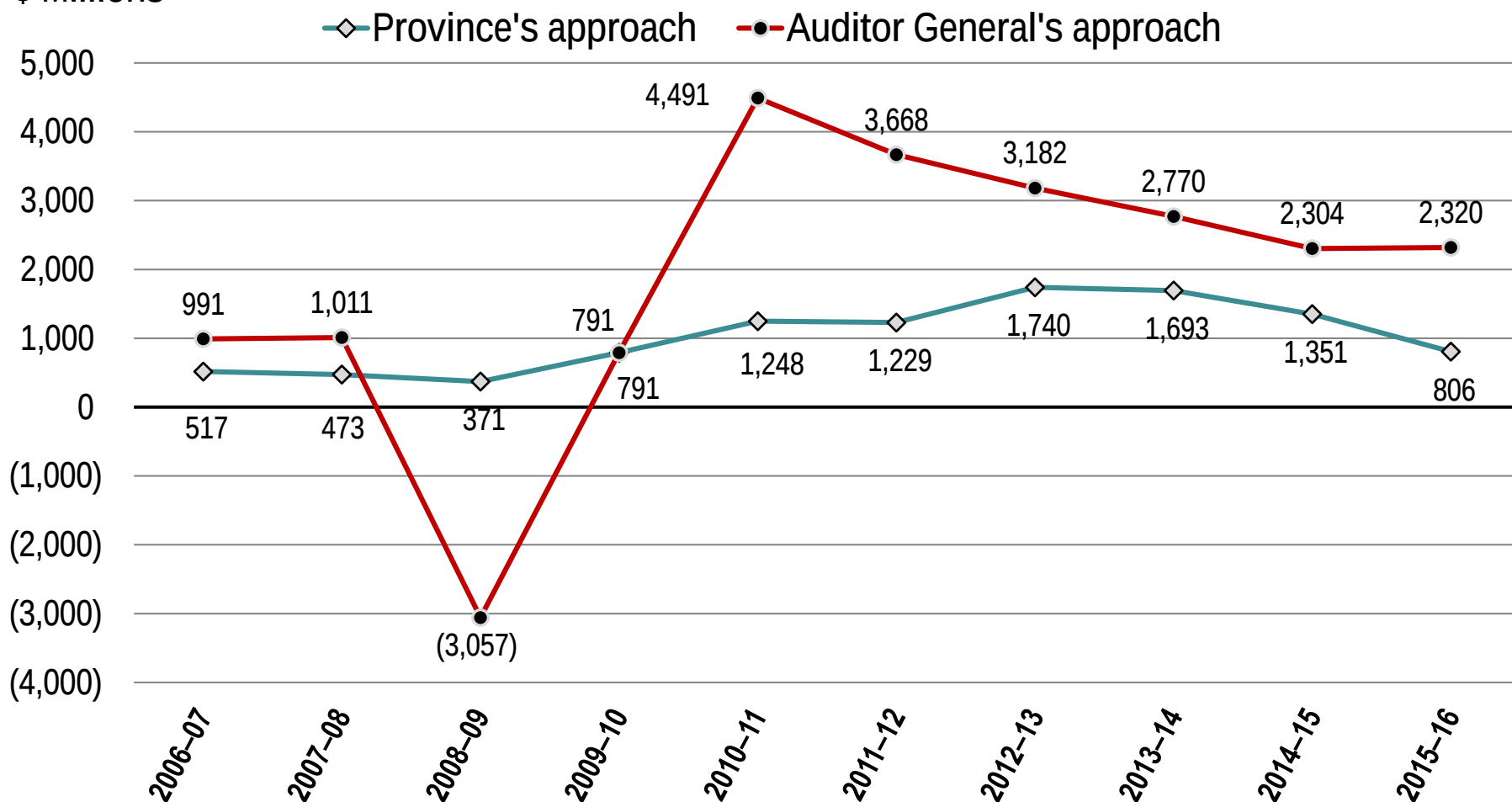
Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach. Nadine

Pension expense comparison — 10-year

Chart 1

\$ Millions

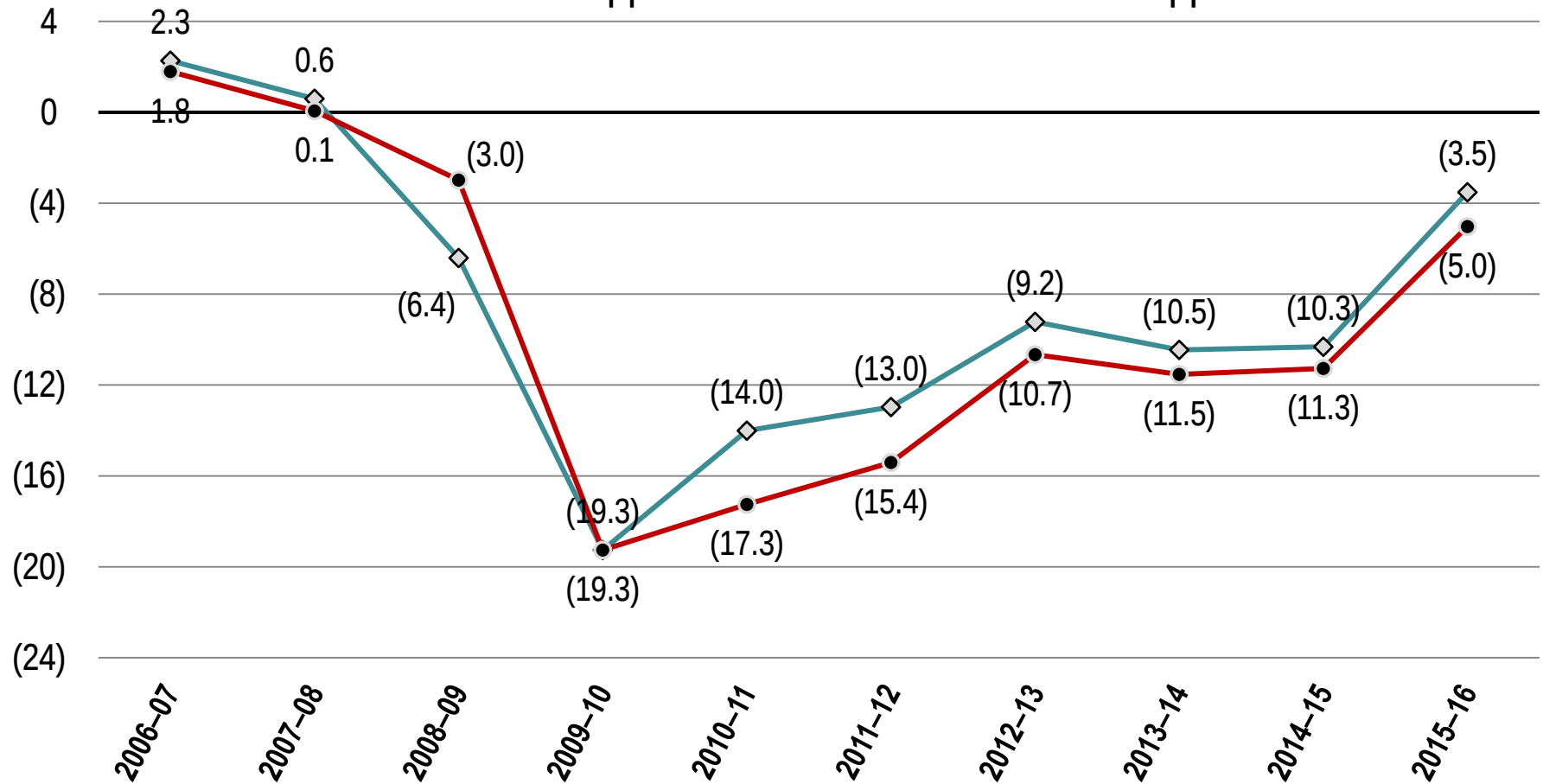


Surplus/(deficit) comparison — 10-year

Chart 2

\$ Billions

◆ Province's approach ● Auditor General's approach

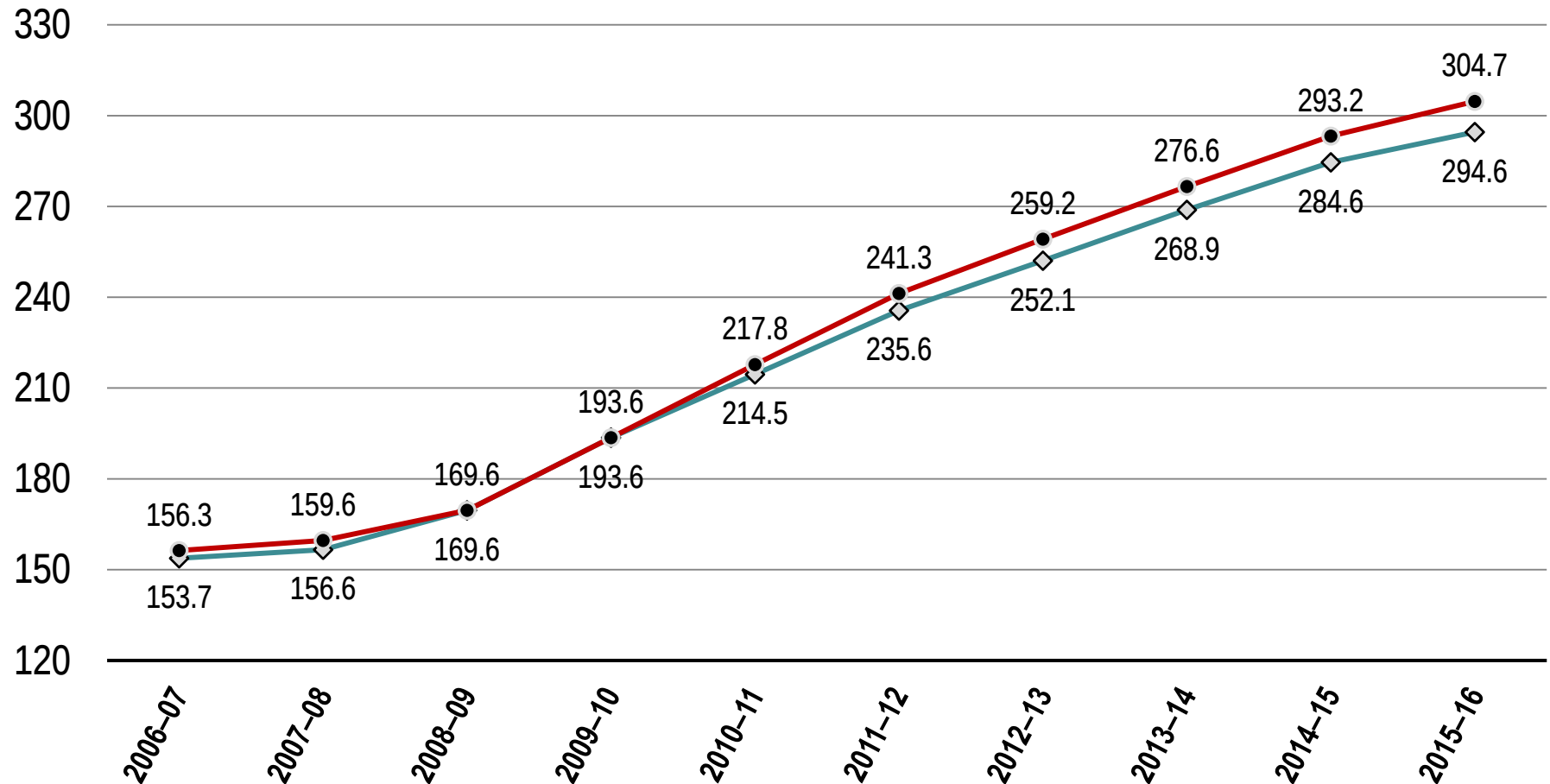


Net debt comparison — 10-year

Chart 3

\$ Billions

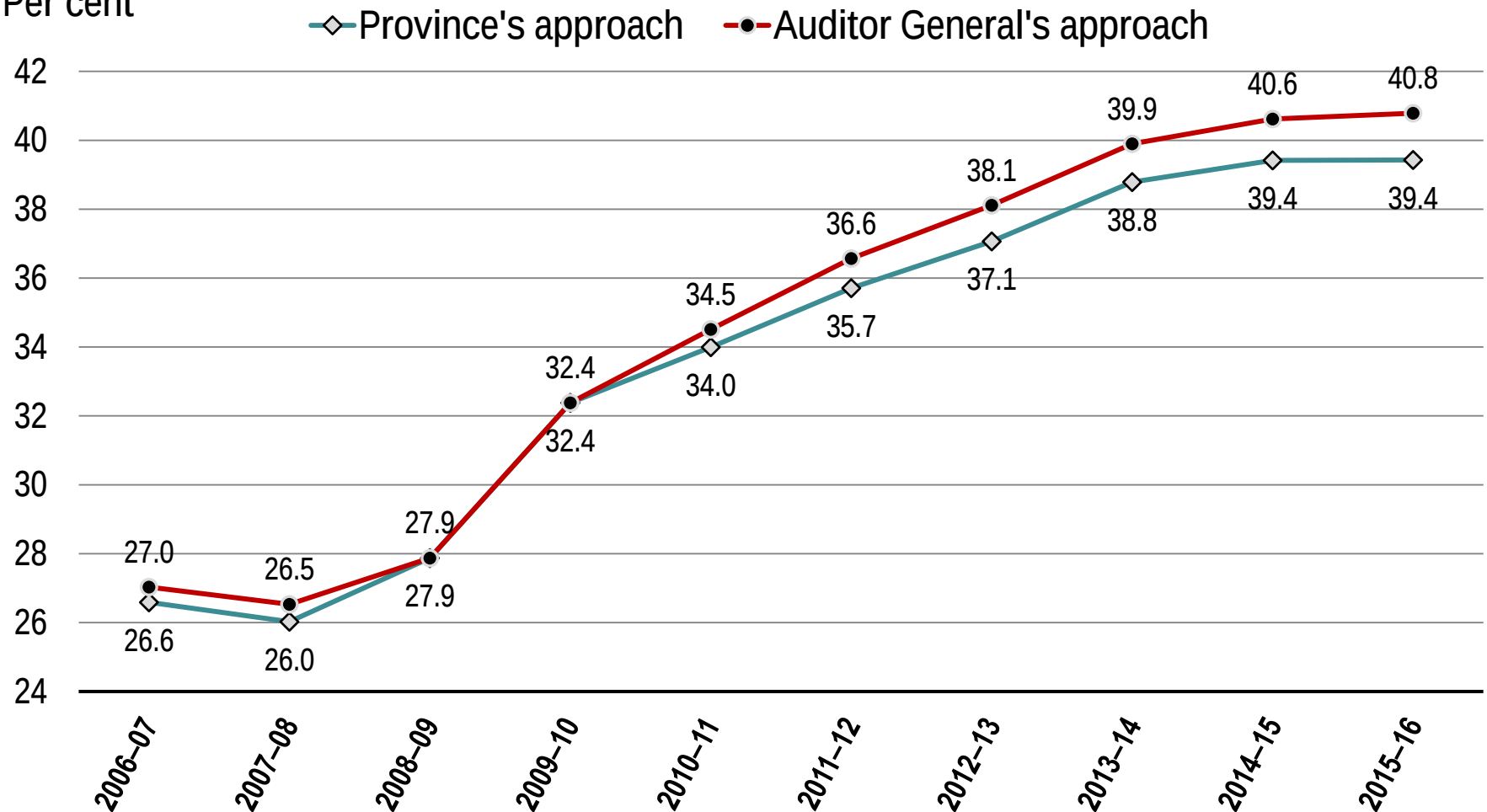
◆ Province's approach ● Auditor General's approach



Net debt-to-GDP comparison — 10-year

Chart 4

Per cent



From: [John Psinas](#)
To: [Wendy Li \(MOF\)](#)
Cc: [Ken Kandeepan](#); [George Sakura](#); [Shemin Meralli](#)
Subject: FW: Please update technical Q&As
Date: Monday, October 03, 2016 11:42:29 AM

Wendy,

I have not heard back from you. You may not have had a chance to talk to Nadine. Anyways, we just have some small edits in the wording in case we are using these Q&A assuming the pension adjustment will go through.

Thanks.

John

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]
Sent: Wednesday, September 28, 2016 4:27 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Please update technical Q&As

Hi John,

Please review the Q&As revised to align with FSD&A wording.

Thank you.

DEBT

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, the non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in

the ratio would have **remained unchanged**. ~~been minimal~~. The government continues to **be committed towards** eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has total debt gone up by \$12.4 billion while the accumulated deficit has gone up by \$15.2billion?

A. Total debt represents all borrowing that is used to fund the deficit, as well as to invest in capital assets and cash reserves. Accumulated deficit is the sum of all deficits less surpluses since Confederation. Total debt increased by \$12.4 billion in order to fund the deficit as well as the Province's investments in capital assets plus pre-borrowing of \$2 billion.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.76 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by **the** \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

Wendy Li
Senior Policy Analyst
Accounting Policy and Financial Reporting Branch
Office of Provincial Controller
416.325.5480

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Ken Kandeepan](#)
To: [Mike Manning](#); [Bonnie Lemcke](#)
Cc: [Christina Zhang](#)
Subject: FW: Release of 2015-16 Annual Report and Consolidated Financial Statements - Revised Communications Materials
Date: Monday, October 03, 2016 9:32:25 AM
Attachments: [PA2015 - Media Products - No Opinion w Reg \(Oct 3 12 10 am\).docx](#)
[ATT00001.htm](#)

Pls see attached, pls don't raise this issue until after the public announcement.

Thanks

Ken k

From: Gadi Mayman
Sent: Monday, October 03, 2016 12:24 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Fwd: Release of 2015-16 Annual Report and Consolidated Financial Statements - Revised Communications Materials

Begin forwarded message:

From: "DiMuzio, Sofie (TBS)" <Sofie.DiMuzio@ontario.ca>
Date: October 3, 2016 at 12:17:03 AM EDT
To: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Jancik, Mike (TBS)" <Mike.Jancik@ontario.ca>, "Ghiassi, Ali (MOF)" <Ali.Ghiassi@ontario.ca>, "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>, "Betzner, Lynn (CAB)" <Lynn.Betzner@ontario.ca>, "Tedesco, Lauren (TBS)" <Lauren.Tedesco@ontario.ca>, "Ingram, Kelsey (MOF)" <Kelsey.Ingram@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>, "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>, "Bardeesy, Karim (OPO)" <Karim.Bardeesy@ontario.ca>, "Maddock, Michael (CAB)" <Michael.Maddock@ontario.ca>, "MacKenzie, Rebecca (OPO)" <Rebecca.MacKenzie@ontario.ca>, "McEachern, Gillian (OPO)" <Gillian.McEachern@ontario.ca>, "Killorn, Bill (OPO)" <Bill.Killorn@ontario.ca>, "Mksyartinian, Jacob (OPO)" <Jacob.Mksyartinian@ontario.ca>, "Ostergard, Matt (TBS)" <Matt.Ostergard@ontario.ca>, "Pichelli, Jason (TBS)" <Jason.Pichelli@ontario.ca>, "Farrow, Alicia (CAB)" <Alicia.Farrow@ontario.ca>, "Petsche, Nadine (TBS)"

<Nadine.Petsche@ontario.ca>, "Bossin, Bryan (OPO)" <Bryan.Bossin@ontario.ca>

**Subject: Release of 2015-16 Annual Report and Consolidated Financial Statements -
Revised Communications Materials**

Please find attached the revised communications materials incorporating all the latest edits. Qs and As still require a few missing pieces of information and will be updated first thing in the morning.

Thank you

Sofie Di Muzio
Director (A), Communications Branch
Treasury Board Secretariat

Treasury Board Secretariat

2015-16 Annual Report and Consolidated Financial Statements Regulatory Amendment, No Opinion

Communications products

Monday, October 03, 2016

Table of Contents

Current holding messaging for Minister Sandals	4
Post technical-briefing speaking points.....	5
Minister Sandals' Statement – Release of 2015-16 Financial Statements	5
Minister Sousa's Statement – Ontario's Fiscal Outlook.....	6
Key messages – post release.....	8
News Release	9
Newsroom Backgrounder	12
The Release of Ontario's 2015-16 Financial Statements	12
Improving Outcomes for Ontarians	14
Top Media Qs&As	18
Releasing Unaudited Financial Statements	18
General Media Qs&As	33
Hydro One	39
Bargaining and Compensation	40
Ontario's Financial Position	42
Contingency Fund / Reserve	47
Program, Review, Renewal and Transformation	48
Government Assets.....	49
Trillium Trust	50
Moving Ontario Forward	51
Transparency.....	53
Pan Am Games	54
Underground Economy	54

Ontario.ca landing page	56
Ontario's unaudited 2015-16 Annual Report	56
Overview	56
Financial statement, discussion and analysis	56
Unaudited Consolidated financial statements	56
Volume 1: ministry statements and schedules (unaudited)	57
Volume 2: financial statements of government organizations and business enterprises.....	57
Volume 3: detailed schedules of payments (unaudited)	57
2015-16 Annual Report: financial statement, discussion and analysis	58
2015-16 Annual Report: unaudited consolidated financial statements.....	59
2015-16 Annual Report: Volume 2	60
Volume 2 PDFs	60
Government Organizations Summary	60
Government Business Enterprises Summary.....	60
Trusts Summary	60
2015-16 Annual Report: Volume 3	61
Detailed Schedules of Payments.....	61

Current holding messaging for Minister Sandals

- As you know, Treasury Board and Ministry of Finance staff prepare the Public Accounts which are subject to independent audit by the Auditor General.
- As I announced to the House last week, there are still some ongoing discussions happening around a complex accounting issue.
- Earlier today I met with the Auditor General and senior ministry officials to discuss the importance of resolving this issue and releasing the 2015-16 Public Accounts.
- Ministry officials will continue to work with the Auditor General and her staff to resolve the outstanding issue over the next several months.
- What I can tell you now is that Ontario is on track to beat its deficit targets and we are committed to balancing the budget in 2017-18.
- Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance in 2017-18 is working, while we continue to invest in the programs and services that matter to Ontarians.
- Keeping the public informed through transparent financial reporting remains a priority.
- In that spirit, as part of the 2015-16 Annual Report which includes the unaudited Consolidated Financial Statements we have built new data visualization tools to help the public understand Ontario's finances. These tools will be available when our financials are released.

Post technical-briefing speaking points

Minister Sandals' Statement – Release of 2015-16 Financial Statements

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion.

This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection. As I assured in the House last week, this marks the seventh year in a row that Ontario has beaten its deficit target. We are committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the 2015-16 Annual Report and unaudited Consolidated Financial Statements, Treasury Board staff work with their colleagues in ministries across government to assemble financial information for the Annual Report and unaudited Consolidated Financial Statements. The Auditor General, who issues an opinion on the government's adherence to independently established accounting standards, then reviews this.

Earlier today, Minister Sousa and I met with the Auditor General to discuss finalization of the 2015-16 Public Accounts. We did so because this year, the Auditor General the Province' with a new interpretation of public sector accounting standards as related to the accounting treatment of jointly-sponsored pension plans and are subject to a range of interpretations.

Despite our best efforts to try to resolve concerns raised by the Auditor General, the Province's professional accounting staff and the Auditor General continue to have differences of opinion.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

To be clear, Ontario had followed the same pension accounting treatment for the past 14 years. The current Auditor General has accepted this treatment for the last two

years, resulting in unqualified – or clean audit opinions. Three previous Auditors General have also accepted it. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances as soon as possible.

The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Although these financial statements are unaudited, it is important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remain balanced in 2018-19.

It is also important to stress that the two pension plans in question – the Ontario Public Service Employees Union Pension Plan and the Ontario Teachers' Pension Plan – are both healthy and well funded.

Based on our respective positions at this time, we believe that this accounting matter would benefit from additional discussions, information and consideration.

Our officials and professional accounting staff will continue to work with the Auditor General's office to resolve this complex accounting issue related to pension assets so that we can table the audited Public Accounts with the Lieutenant Governor in Council as soon as possible.

Minister Sousa's Statement – Ontario's Fiscal Outlook

(TBC input by MOF comms)

The government is dedicated to a fiscally sound approach to managing the Province's finances.

As outlined in the 2016 Budget, the government is committed to eliminating the deficit by 2017-18 and remaining balanced in 2018-19.

The 2016–17 First Quarter Finances also confirmed that the government is projecting a deficit of \$4.3 billion in 2016–17, unchanged from the 2016 Budget forecast.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries.

The government's path to a balanced budget is being achieved through responsible fiscal management, which involves:

- Managing growth in program spending, and
- Maintaining the integrity of Provincial revenues.

At the same time, the government continues to make investments in the economy, its people, and a healthy, clean and prosperous low-carbon future.

Key messages – post release

- The government has released its 2015-16 Annual Report and Consolidated Financial Statements to ensure transparency with respect to the province's financial position.
- To align with the Auditor General, statutory authority has been used to regulate the accounting treatment for the 2015-16 financial statements.
- The regulation resolves the outstanding accounting issue for this year in a manner that is consistent with the fiscal outcome proposed by the Auditor General.
- This marks the seventh year in a row that Ontario has beaten its deficit target.
- Ontario remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

If pressed about why a regulation was needed:

- Based on their professional judgement, public servants could not agree with the Auditor General's interpretation of Public Sector Accounting Standards as it relates to jointly-sponsored pension plans. The regulation was needed to allow civil service accountants to sign off on the Public Accounts without compromising their professional credentials.
- The Province has applied consistent accounting treatment for these plans for the past 14 years, and has consistently received unqualified, or clean audit opinions from the Auditor General, without exception.
- To remain clear and transparent, we have reflected the Auditor General's view of the issue for this year. In order to do so, the government regulated the treatment of the pension assets for 2015-16.
- This is an accounting issue. However we remain optimistic that by studying the issue further and gathering third party professional opinions, we will be able to reach an agreement on the treatment with the Auditor General in the coming months.

News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected *Province Remains Committed to Balance the Budget by 2017-18*

News

Ontario's Annual Report and Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the Annual Report and Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of Province's financial statements.

A regulation is required to allow civil service accountants to sign off on the financial statements without compromising their professional credentials. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements.

The statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, Ontario's economy has grown by

6.1 per cent. Last year, growth was double the national average. In the first quarter of this year, Ontario's growth was faster than that of the United States and the G7.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this national discussion. The Province will also consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUOTE

"The Annual Report and Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance by 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

- Liz Sandals, President of the Treasury Board

"The government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

- Charles Sousa, Minister of Finance

QUICK FACTS

- The 2015-16 Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- The Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

LEARN MORE

- Read the Province's [2015-16 Financial Statements](#) [update hyperlink]
- Explore supplementary information available through new data visualization tools [insert hyperlink]
- Explore the more than 400 open data sets in the [Open Data Catalogue](#)
- Learn about the government's [fiscal cycle](#)
- [Learn about how the government is investing in vital programs and services](#) [insert link to backgrounder]

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Newsroom Backgrounder

Ontario's 2015-16 Financial Statements

The 2015-16 Annual Report and Consolidated Financial Statements show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, and \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

Accounting Standards

Treasury Board Secretariat prepares the financial statements of Ontario in accordance with the legislation and accounting principles and standards for governments recommended by the Public Sector Accounting Board.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting.

The Release of Ontario's 2015-16 Financial Statements

The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB). PSAB independently establishes accounting standards for the public sector in Canada.

PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.

The objective of PSAB standards is to meet the needs of the users of financial statements by providing the information needed for accountability and decision making.

In preparing the Annual Report and Consolidated Financial Statements for 2015-16, professional public servants and the Auditor General engaged in discussions regarding the accounting treatment of pension assets, a topic subject to a range of interpretations.

The Ontario Public Service Employees Union Pension Plan (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) are jointly-sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of OPSEUPP and OTPP are held in trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.

During the 2015-16 Public Accounts audit, the Auditor General raised some concerns with regards to Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of interpretation.

Given the differences in interpretation of the application of PSAB standards for the OTPP and OPSEUPP pension assets, the provincial Cabinet approved a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. This is consistent with the fiscal outcome proposed by the Auditor General in the last ten days.

The effect of the legislation is to reflect the fiscal impact of the AG's position pending further review and analysis on this accounting matter. The change in accounting treatment is not a reflection on the funding status of the plans, or the quality of financial reporting by the Province. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Prior to this change, Ontario had followed the same pension accounting treatment for all of the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

The Auditor General has not provided an audit opinion on the province's financial statements for 2015-16. However the government is releasing these unaudited financial statements to ensure openness and transparency with respect to province's financial position, and because it has passed the deadline to table the Public Accounts with the Lieutenant Governor in Council. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that it can table the Public Accounts with the Lieutenant Governor in Council.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this

national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policies practices, has acknowledged the consistent basis used by Ontario for its Budget, Estimates and Public Accounts as a best practice to supporting transparency and accountability.

Openness and Transparency

As part of its commitment to Open Government, digital technology was used for the first time to visualize the province's financial information in an interactive and easy to understand way. This year, Ontario is further increasing the openness and transparency of the Annual Report and Consolidated Financial Statements by:

- Creating new data visualizations, including interactive bar charts and interactive data tables.
- Releasing data sets through Ontario's [Open Data Catalogue](#), including data on government organizations, government business enterprises and Trusts.

Improving Outcomes for Ontarians

As the Province's 2015-16 Financial Statements show, the government remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

Health Care

Building on [Ontario's Patient's First: Action Plan](#), the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: \$250 million in 2015-16, for a total of \$750 million over three years.
- Increasing the hourly wages of publicly funded personal support workers caring for patients at home and in the community by \$1.50 per hour in 2015-16 to at least \$15.50 per hour, in the second of three annual increases totalling up to at least \$16.50 per hour by April 1, 2016.

- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education.

Over the past 12 years, government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early-years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten.

In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a \$1 per hour wage increase for eligible child care workers bringing the total wage increase up to \$2 per hour, plus benefits.
- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province's history.
- Doubling the funding for school renewal projects to \$500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about \$160 billion over 12 years, starting in 2014-15. Planned investments are supporting over 110,000 jobs, on average, every year across the province.

In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the \$1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country's busiest land border crossing.
- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.
- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.
- Completing the new Humber River Hospital, which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations.

But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care, education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients' access to drugs by making the program more efficient and effective. The changes saved approximately \$100 million in 2015-16 and will enable over \$200 million in savings annually when fully implemented.
- Changing the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately \$40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.
- Reducing the government's office footprint by over 820,000 rentable square feet, which generated approximately \$24 million in savings in 2015-16.

CONFIDENTIAL ADVICE TO CABINET

- Achieving approximately \$56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.
- Achieving \$7 million in savings from contracts related to government cell phone plans and toll free lines.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would mean free tuition. These changes will start in the 2017-18 academic year.

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Top Media Qs&As

Releasing Unaudited Financial Statements

1. It sounds to me like the government is yet again fighting with the Auditor General. What do you say to this?

This is not true from the government's perspective. And let me explain why: The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. And in this case for this set of final accounts, while one specific issue is being sorted through, we actually are agreeing with the Auditor General's numbers.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional staff and the Auditor General continue to have differences of interpretation

Given these differences of opinion, the Province filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

We believe that this accounting matter would benefit from additional discussions, information and consideration.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. Why are you releasing your financial statements without the Auditor approving them?

Earlier today I met with the Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new

interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

Ontario has followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

3. If PSAB is studying this issue, are other Canadian jurisdictions dealing with this as well?

No other province has similar governance frameworks for their jointly-sponsored pension plans that are in a surplus position.

Nadine to provide response re BC / New Brunswick

4. What is the professional judgment that exists out there to interpreting jointly-sponsored pensions?

Nadine to provide response

5. Are you saying the Auditor General is misinterpreting PSAB standards?

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of interpretation.

Nadine to provide response

6. If the Auditor General had agreed with you, what would the differences have been in the deficit or net debt?

If the Auditor General had agreed with us, the province's deficit for 2015-16 would have been \$3.5 billion.

7. The province has been treating pensions the same way since 2001. When did the Auditor tell you about this new accounting treatment?

Well into this year's audit, the AG came to a view which she communicated to the Province on September 13.

8. What does this mean for the Fall Economic Statement?

We're in the middle of completing the fiscal plan. We need to account for all financial consideration before we can finalize it. These results will be included as part of that process. **(TBC MOF)**

9. Is this Public Accounts or not?

No. However, the treatment applied is consistent with the fiscal outcome proposed by the Auditor General.

10. Were you aware of this before the Speech from the Throne? Had you known about this, would that have changed the government's commitments announced in the speech?

Response TBC

11. Why are you doing this today, four days after you announced the delay?

We wanted to allow the Auditor General time to provide an audit opinion on the Province's financial statements. Given we have not received an opinion, we felt it was in the public interest to release our financial statements in order to be open and transparent.

12. On what exactly do you disagree with the Auditor?

This year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General in the last 10 days.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

13. If you think you're right, why would you change the numbers?

We are releasing now to ensure transparency about the province's financial position. Our results are consistent with the fiscal outcome proposed by the Auditor General. We also want to be transparent that there is still a disagreement about the treatment of pension assets.

We believe it's in the public that there be no disagreement in order to finalize the numbers. We will continue to work with the Auditor General to resolve this matter.

14. Was there something wrong with the accounting rules that the government was using before?

No.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

15. Why hasn't the Auditor General raised this with you in the past two years?

I cannot speak for the Auditor General. Please refer your questions to the Auditor General's Office.

16. What is the government trying to hide by releasing unaudited books?

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. Our Financial Statements reflect the fiscal outcome proposed by the Auditor General.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The government is now including five-year trends in its Public Accounts. The increased disclosure and discussion on five-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs.

In addition to the disclosure in the Annual Report, the government is also making available supplementary information through online data visualizations.

17. Are you fudging the books to try and show your finances are better than they really are – is that why the AG won't sign off?

No.

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. In fact, we have implemented legislation that allows our officials to sign off in a way that is consistent with the fiscal outcome proposed by the Auditor General.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditor Generals. There has been no change to the relevant accounting standards over the past 14 years.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

18. Is this even legal – are you in contempt of the house by releasing your financial statements before you table them in the Legislature?

We are not releasing Public Accounts, we are releasing our financial statements to ensure openness and transparency with respect to province's financial position.

The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that we can table the Public Accounts with the Lieutenant Governor in Council as soon as possible

TBC Legal

19. Has this ever happened before in Ontario? Anywhere else in Canada?

This has never happened before in Ontario.

TBC Nadine re other experience in Canadian jurisdictions

20. How are we supposed to trust your numbers if the Auditor General hasn't approved them?

We are presenting the numbers that the Auditor General requested.

In the course of developing its 2015-16 financial statements, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province filed a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

This is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review it. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

21. So what happens next? When will you table the actual Public Accounts?

The government will continue to work with the Auditor General to expedite the tabling of the 2015-16 Public Accounts.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

22. Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?

Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Public Service Pension Plan is nearly fully funded at 98%.

Both plans exceeded their target long-term rates of return in 2015. The Public Service Pension Plan achieved a 6.14% return and the OPSEU Pension Plan achieved an 8.0% return.

23. You hired outside experts to give you a third-party accounting opinion, but you paid to get this advice. Didn't they just tell you what you wanted to hear?

TBC OPCD

24. The Auditor General has implied your Provincial Controller is in a position of conflict because she used to work for Deloitte. How do you respond?

All employees that are hired into the Ontario Public Service swear two oaths, an Oath of Allegiance and an Oath of Office. These oaths affirm that public servants will faithfully discharge their duties, and comply with all laws and confidentiality obligations.

25. The Auditor General says she raised this issue with you months ago. Why haven't you fixed this problem by now?

We have been working with the Office of the Auditor General to try to come to an agreement on this issue since it was first raised.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to

ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension asset in question.

26. If you say you're open and transparent, why didn't you invite the Auditor General to your media technical briefing?

The technical briefing was for the purposes of updating media and members of the Opposition and the third party. However it was held in a public space in a government building, and anyone was free to attend.

27. Is the government still committed to balancing the budget by 2017-18?

Yes. The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

28. The financial results show that the net debt and accumulated deficit has ballooned by \$10.7 billion? How did this happen and what are you doing to address it?

This year, the Auditor General presented the province with a new fiscal interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to adopt the Auditor General's fiscal interpretation. The government made a regulatory amendment to allow us to amend our accounting policies for the 2015-16 Public Accounts in order to comply with the Auditor's fiscal interpretation. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Despite this change, and as our results show, the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Total debt remains unchanged by the pension adjustment.

The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.

29. How can the accumulated deficit and net debt increase by \$10.7 billion without causing an increase in total debt?

Total debt is cash based – it is how much money we've borrowed and is owed to our creditors.

Net debt takes into account the difference between our financial assets and liabilities, whether they are cash or not.

The province has changed the valuation of the net pension liability by reducing the pension assets by \$10.7 billion, but because there is no cash involved in that valuation, the total debt does not change.

30. Should taxpayers be concerned about the rise in net debt and accumulated deficit?

No.

The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult

individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

31. How does the Province plan to reduce its net debt-to-GDP ratio to its pre-recession level of 27 per cent?

The first step in returning to the targeted 27 per cent net debt-to-GDP ratio is to balance the budget. Once the budget is balanced, debt will continue to rise by the difference between the annual cash investment in capital and the amortization of these investments. These investments will contribute to the debt rising at a slower rate than the increase in the Province's GDP, over time lowering the net debt-to-GDP ratio to the government's 27 per cent target.

32. What is the difference between "Public Accounts" and "Financial Statements"?

Answer below needs fact check by OPCD

Our financial statements include the Province's annual report and consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The full Public Accounts would also include these components, as well as a report by the Auditor General containing an audit opinion.

The full Public Accounts will be tabled with the house once the Auditor General's audit opinion is available.

33. You say you're releasing your financial results in the public interest. Aren't you creating confusion by having two sets of books – yours and the AG's?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

34. How different will the AG's numbers be?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

35. Why didn't you just release Public Accounts last week to meet your legislated timelines?

As stated in the house there will be delay in tabling the Public Accounts because of ongoing discussions with the Auditor General to work through an accounting issue related to pension assets.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

36. Clearly the government is in a spat with the AG – releasing unaudited financial statements seems like a slap in the face. What does this say about your relationship with the AG?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

Our officials continue to work with the AG's office to resolve this accounting issue related to pension assets. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

37. The Auditor General claims you have been using creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current

Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It has also been accepted by three previous Auditors General.

There has been no change to the relevant accounting standards over the past 14 years.

38. So at the end of the day if your numbers are the same as the Auditor General's what's the issue?

TBC Nadine

39. What's the difference between "audited" and "unaudited" financial results?

In practice, there should be no difference between audited and unaudited results.

An independent audit of an organization's financial results provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

40. What's the difference between a "qualified" and "unqualified" audit opinion?

Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.

41. Why didn't the Auditor General issue an audit opinion? Is this even legal?

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

TBC Legal on question of whether it is legal for AG not to issue an opinion

42. What is a jointly-sponsored pension plan?

The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

43. How does the Auditor General want you to account for jointly-sponsored pension plans?

During the 2015-16 Public Accounts audit, the Auditor General expressed a different interpretation of the existing PSAB standards which would impact the accounting for pension assets of jointly-sponsored pension plans.

The Auditor General's view is that the government does not have legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the Auditor General believes that the pension asset should be removed from the Province's balance sheet.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this complex accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

General Media Qs&As

44. Is the government artificially balancing the budget through the one-time sale of assets like Hydro One?

The government's plan to eliminate the deficit does not depend on revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The government is committed to dedicating the net revenue gains from asset optimization activities, including the broadening of ownership of Hydro One and real estate sales to the Trillium Trust which will be used to invest in transit, transportation and other priority infrastructure projects under Moving Ontario Forward.

45. According to your numbers the deficit was down \$3.5 billion from the \$8.5 billion projected in last year's budget. Where did this money come from?

The improvement over plan was largely due to revenues that were \$4.0 billion above the forecast of \$124.4 billion.

This reflects higher than expected tax revenue and net revenues from the first phase of broadening Hydro One ownership, and stronger overall performance from government business enterprises. Maximizing the value of these assets is part of the government's economic plan for Ontario.

46. Does the fact that your deficit is \$3.5 billion lower than projected mean you have more money to bring to the table in labour negotiations (e.g. doctors)?

It is important to point out that through the Public Accounts process, we are reporting on past performance, whereas labour negotiations impact future fiscal pressures.

Our government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19. We know we have difficult choices ahead, but people can be assured that their government will take a fair and balanced approach, one that protects and improves the services that matter to Ontarians.

Managing compensation costs is critical to balancing the budget, as over half of government spending goes to salaries and benefits in the Ontario Public Service (OPS) and the broader public sector (BPS).

Compensation costs must be addressed within Ontario's existing fiscal framework and all public-sector partners must continue to work together to control current and future compensation costs.

While continuing to work to achieve fiscal balance by 2017–18, the government is achieving significant results in priority areas for Ontarians.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

47. Will you still be able to balance the budget if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

The government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

With the economy expected to continue to grow, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

48. Are you cutting back on vital services like health care to balance the budget?

No. Through Program Review, Renewal and Transformation (PRRT), we are helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered

efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care.

49. This is the seventh year in a row that you have reported a deficit lower than forecast. Are you purposefully overestimating your deficit projections?

The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will provide the foundation for the long-term well-being and prosperity of Ontarians, and protect the public services that Ontarians rely on.

The government's fiscal projections are based on the best economic and fiscal information available at the time. They reflect a realistic and responsible plan to manage the Province's resources, while still protecting the vital services that Ontarians rely on.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

50. You spent \$433 million more than you budgeted for programs. How is your government keeping spending in check?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education, and by retaining the lowest per capita program spending in Canada.

51. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget? How will the province pay for this \$1 billion rebate?

We have incorporated that expenditure into our fiscal plan starting in 2017. The government remains committed to balancing the budget by 2017-18 and remaining balanced in 2018-19 by continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Questions related to the Ontario Rebate for Electricity Consumers should be referred to my colleague, the Minister of Energy.

52. How is the money spent on the now defunct Ontario Retirement Pension Plan reflected in Public Accounts? How does the government justify this expense?

TBC OPCD + MOF

53. Was the delay in tabling Public Accounts because you can't afford the childcare commitment and the electricity rebate?

No. Public Accounts is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan and finalize the Public Accounts as soon as possible.

54. In 2003, your government brought in legislated timelines for Public Accounts, yet you're past the deadline and you still haven't tabled them. Why didn't you adhere to your own legislation?

We have been working with the Office of the Auditor General to try to come to an agreement on the treatment of pension assets.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

55. Disagreement with officers of the legislature seems to be a recurring theme – at least with the AG – what's your position on this? Does this government have a problem with officers of the legislature?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

56. Is the fact that you've changed your accounting standards an indication of financial mismanagement on the part of government?

No. The Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous

Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

For 2015-16 financial statements, the government legislated its accounting treatment for pension assets of its jointly-sponsored pension plans.

57. Are you concerned about how the credit rating agencies will view this issue?

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

58. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

The government remains committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. The deficit is also a \$0.7 billion improvement compared to the interim results for 2015-16 contained in the 2016 Budget, which formed the basis for three rating agencies to confirm the Province's credit rating, and the fourth to improve their assessment of the Province's credit outlook.

This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

The rating agencies and bondholders will understand that the change in the Province's accounting treatment for pension assets of jointly-sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements or total debt outstanding.

Hydro One

59. Why are you selling off Hydro One?

The government is broadening the ownership in Hydro One to improve the company's long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.

The net revenue gains from broadening the ownership of Hydro One shares will provide the government with approximately \$4 billion to be credited to the Trillium Trust to invest in key infrastructure and create thousands of jobs, as well as \$5 billion to reduce debt.

60. What is the Hydro One deferred tax benefit?

As a result of Hydro One exiting the Payment in Lieu (PILs) regime and the revaluation of its fixed assets upon entering the corporate tax regime, the company recognized a deferred tax benefit in fiscal 2015-16, which positively affected its net income.

At consolidation in Public Accounts of the Province's portion of Hydro One's net income, Hydro One's recognition of a deferred tax benefit increased the Province's revenues by \$2.4 billion. The gain associated with Deferred Tax Benefit from the IPO has been allocated to the Trillium Trust.

61. Why did you loan the electricity unions money to buy shares of Hydro One?

In connection with the IPO, the Province sold \$116 million worth of Hydro One shares to trusts of the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts. Of the shares sold to the Trusts, about \$108 million was purchased using loans provided by the Province. The gains from those share sales will be credited to the Trillium Trust over time as the loans are repaid.

The government is fully committed to dedicating net revenue gains from the sale of designated assets to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

The \$3.2 billion being credited to the Trust at this time does not include amounts associated with shares purchased by the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts using loans provided by the Province.

62. The government is being sued over the sale of Hydro One. Was the sale worth it to balance your budget now that you're being sued?

I understand Ontario has been served with a notice of claim. As this matter may be subject to litigation, it would be inappropriate to comment further.

63. The FAO has warned that the partial sale of Hydro One will have direct implications on the province's debt and ability to balance the budget. What do you say to these concerns?

To date, Ontario has sold approximately 30 per cent, or about half of the 60 per cent of shares the government intends to sell, and with this \$3.2 billion credited to the Trillium Trust is well on track to meet its multi-year asset optimization target to generate \$5.7 billion over time to support investments in infrastructure.

Crediting the \$3.2 billion to the Trillium Trust demonstrates Ontario's commitment to investing in infrastructure projects that help stimulate economic growth and create good, well-paying jobs.

The government acknowledges the important role played by the FAO in providing independent analysis to the Assembly on the state of the Province's finances.

Bargaining and Compensation

64. What is the government doing to control executive compensation in the Broader Public Sector?

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) into force. This legislation allows the government to establish compensation frameworks for designated senior executives in the broader public sector.

An Executive Compensation Framework came into force on September 6, 2016. The framework reinforces that designated BPS employers are accountable for compensation decisions, sets caps and prohibitions on certain types of compensation, requires enhanced public transparency and allows impacted employers to balance the need to attract the necessary talent to deliver high quality public services while managing public dollars responsibly.

The framework applies to all designated employers under BPSECA, including hospitals, school boards, colleges and universities, community care access corporations, provincial agencies and named hydro entities.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits elements like signing bonuses and pay in lieu of perquisites.

The framework also requires that each designated employer engage in public consultation on their compensation program before it is finalized and requires final programs to be posted on the designated employer's website. These requirements enhance transparency and give Ontarians the opportunity to provide input on executive compensation in the BPS.

BPSECA includes significant compliance and enforcement measures: employers will be required to complete reports concerning compliance with the framework and individuals could be subject to penalties if they willfully fail to provide a report, provide a false report or obstruct an auditor.

65. How are you managing the costs of public sector compensation?

Managing compensation costs is critical to balancing the budget, as more than half of government spending goes to salaries and benefits, including those of both the Ontario Public Service (OPS) and broader public sector (BPS). All public-sector partners must continue to work together to control current and future compensation costs.

Since July 2012, the average annual negotiated wage increase across Ontario's provincial public sector has been 0.6 per cent. This is lower than:

- Ontario's municipal public sector (1.7 per cent)
- the federal public sector in Ontario (1.7 per cent)

- Ontario's private sector (1.9 per cent)

66. Where is the agreement with OPSEU reported in Public Accounts? Was this truly net-zero?

The agreement reached with OPSEU's Central and Unified bargaining units on October 30, 2015 is net-zero and remains consistent with the fiscal plan outlined in both the 2014 and 2015 Budgets.

To achieve a net-zero outcome, there are no wage increases in 2015 and 2016. In 2016 there will be a modest 1.4% one-time lump sum payment that does not form part of employees' base salaries, and in 2017 there is a 1.4% pay increase. Both are offset through changes to employee benefits and entitlements over the three-year term of the contract, including a freeze on salary progression in 2016 and 2017 and capping of termination payments.

This agreement will support the government's ongoing efforts to eliminate the deficit while protecting the valued public services Ontario families rely on.

67. The Premier recently said the era of net zero is over. How will this affect labour negotiations?

As a government, we'll continue to do what we've always done in terms of negotiations. As the time comes to negotiate new contracts, whether it's Treasury Board Secretariat that's negotiating or an individual ministry, they always come to Treasury Board to get an approved mandate. So we'll carry on with that practice of coming to Treasury Board for an approved mandate that will fit within the fiscal plan.

Ontario's Financial Position

68. The FAO has warned that if Ontario's fiscal position deteriorates beyond 2017-18, the four international credit rating agencies could lower Ontario's credit rating, which could lead to higher borrowing costs and more challenging fiscal position. What is the government doing to manage the debt?

The government remains firmly committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its annual

deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Given ongoing challenges in the broader economic environment, the government recognizes that now is the time to be making investments in people, modern infrastructure and a dynamic and innovative business climate — investments that will help to spur economic growth and create the new jobs necessary to support eliminating the deficit.

Alongside these strategic investments, the government is also taking deliberate actions to ensure it can continue to manage spending and improve outcomes for Ontarians. Together, these investments and deliberate actions will help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated.

69. Some have said your government has a spending problem, not a revenue problem. As the largest subnational borrower, what do you say to that?

The government beat its deficit target for the seventh year in a row. Last fiscal year's deficit is \$5 billion, down \$3.5 billion from the \$8.5 billion projected in last year's budget.

The government is projecting a deficit of \$4.3 billion in 2016-17 and a return to a balanced budget in 2017-18.

The improvement over plan was due in large part to the Ontario government's strong focus on managing growth in spending. Ontario consistently has the lowest per capita program spending among all Canadian provinces.

Over the past four years the Province has held the average annual growth in program spending to 1.9 per cent, less than the rate of inflation, while investing in services that people rely on.

Key elements of the government's plan to eliminate the deficit are:

- Program Review, Renewal and Transformation
- managing compensation costs
- maintaining tax fairness and a level playing field for business
- strengthening government transparency, financial management and fiscal accountability

70. How much did government spend in 2015-16?

TBC OPCD

71. Why was total expense \$300 million higher than projected in the 2015 Budget plan?

Total expense in 2015–16 was \$133.4 billion, \$1.5 billion higher than the 2015 Budget plan. Program spending was \$122.4 billion, up by \$1.9 billion from a planned spending of \$120.5 billion.

The increase largely reflects the government's decision, announced in the 2015 Ontario Economic Outlook and Fiscal Review, to invest \$0.3 billion through the new Green Investment Fund. As well, spending in the health, children's and social services, justice sectors and other programs was higher than planned.

Total program spending was \$1.9 billion higher than the Budget, resulting in actual program expense of \$122.4 billion. The increases were attributable to:

- \$1.5 billion pension asset valuation allowance for OTPP and OPSEU.
- Health sector expense was \$294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, partially offset by underspending in agencies.
- Children's and social services sector expense that was \$124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program and the cost of prescription drugs for social assistance recipients.
- Justice sector expense increased by \$120 million, mainly due to settlements under the Proceedings Against the Crown Act and higher-than expected bad debt provisions related to unpaid fines.
- Other programs expense was \$628 million higher than expected. The increase was due to one-time investments through the Green Investment Fund, higher than anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were offset by:

- Education sector expense was \$233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges, and slightly lower-than-projected enrolment.
- Post-secondary and training sector expense was \$176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

72. What are you going to do if Ontario's economy does not perform as strongly as you forecast?

The Province has included prudence as part of the fiscal plan to help ensure it meets future fiscal targets as it moves towards a balanced budget in 2017–18.

As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan continues to incorporate prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2016–17, and \$1.2 billion in each of 2018–19.

The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

In keeping with sound fiscal practices, the Province's revenue outlook is based on prudent economic assumptions. The Ontario Economic Forecast Council, established under the FTAA, reviewed the Ministry of Finance's economic assumptions in February 2015. All council members found the assumptions to be reasonable.

73. What if interest rates go up? What affect would higher interest rates have on debt?

The Province is operating under a historically low interest rate environment, however, if interest rates did increase, a one percentage point change will result in an impact of approximately \$350 million to the Province's interest expense.

74. What is the government's annual borrowing program?

The amount of money the government borrows varies from year to year and is dependent on the deficit, proposed investments in capital and amount of debt that is maturing.

Over the three years 2016-17 to 2018-19 average long term public borrowings are estimated to be \$26 billion per annum, considerably lower than what the Government borrowed over the past three years which averaged at \$33 billion per annum. The lower borrowings are primarily due to the Government's efforts in reducing the deficit and balancing in 2017-18.

75. Did you use your reserve fund to pad your fiscal results and pay down the debt?

For planning purposes, a reserve is included in the budgeted surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance. The 2015 Budget plan included a \$1.0 billion reserve. Without the reserve, the actual deficit result of \$5.0 billion would not have been affected.

Budget Surplus and Revenue Increase

76. Can you explain the \$4.0 billion increase in revenue since your 2015 Budget?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

77. How did net income from government business enterprises increase by \$100 million from your 2015 Budget projection?

This increase was mostly attributable to combined higher net income from the Liquor Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG) and Ontario Power Generation Inc. (OPG).

Higher net income from these business enterprises, however, was partially offset by lower net income from Hydro One, primarily reflecting impacts from broadening Hydro One ownership.

Contingency Fund / Reserve

78. What is the difference between the contingency fund and the reserve?

The contingency fund is an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover expenses due to unforeseen events (e.g. fighting forest fires). This approved spending limit is allocated during the year to ministries for their programs and activities.

The reserve is an amount included in the forecast each year to protect the plan against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance.

Budget Projections vs. Public Accounts Reporting

79. What accounts for the \$4.4 billion increase in taxation revenues from your 2015 Budget projection?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

80. Why did Ontario's net debt increase by \$20.6 billion in 2015-16?

Net debt is the Province's total debt and other liabilities, less its financial assets, including cash and investments. The increase was primarily due to a \$10.9 billion increase in liability and a \$10.7 billion pension accounting adjustment, which was primarily offset by a \$1.0 billion increase in financial assets.

81. How do you explain the \$12.4 billion increase in total debt in 2015-16?

The increase of \$12.4 billion in total debt is due to borrowing for the deficit and investments in capital assets for 2015-16. It also includes pre-borrowing of \$2 billion to take advantage of low interest rates and continuing demand for the Province's Debt.

82. Why is the government now including 5-year trends in the Public Accounts?

The increased disclosure and discussion on 5-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs. In addition to the disclosure in the Annual Report, the government is also making available supplementary information through data visualization.

83. Why is the interest on debt for 2015-16 \$400 million lower than forecast in the 2015 Budget?

Interest on debt expense was \$0.4 billion below plan in 2015-16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost effective borrowing and debt management.

84. Why is interest on debt for 2015-16 \$400 million higher than in 2014-15?

Interest of debt is higher by \$332 million from last year, mainly due to the funding of the deficit and investment in capital assets and partly offset by the impact of lower interest rates.

Program, Review, Renewal and Transformation

85. How are you reviewing and transforming government programs?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

86. Has PRRT achieved any tangible results/savings?

The government has achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

But PRRT is about more than saving money — it is a continuous planning approach focused on improving outcomes for government programs and services to ensure they are effective, efficient, relevant and sustainable.

87. What do you have to say to those public sector workers who have lost their jobs or are at risk of losing their jobs because of PRRT?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Government Assets

88. What is the government doing to extract value from any government assets?

With the 2014 Budget, the government began the process of unlocking the economic value of the Province's assets, including setting up the Premier's Advisory Council on Government Assets, chaired by Ed Clark, former Group President and Chief Executive Officer of TD Bank Group.

The council delivered recommendations on the electricity sector to the Province in advance of the 2015 Budget, including broadening the ownership of Hydro One. This would involve an initial public offering of about 15 per cent of the voting securities in Hydro One, with additional share sales in subsequent years. Over time, share offerings would total up to 60 per cent of the voting securities in Hydro One.

The Province is also moving forward with its plans to unlock value from its real estate assets, including OPG's head office building, and the Seaton and Lakeview lands. In June 2016, the Province closed the sale for the Liquor Control Board of Ontario's (LCBO) head office lands, raising \$260 million in gross proceeds.

All net revenue gains from the sale of qualifying assets will be dedicated to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of the Moving Ontario Forward initiative.

Trillium Trust

89. Have the net proceeds from the sale of the GM holdings and the partial sale of Hydro One been dedicated to the Trillium Trust, and how is that being reported in Public Accounts?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains from the sale of qualifying assets to help support key infrastructure priorities, such as roads, bridges and public transit. A schedule in Volume 1 of the Public Accounts reports on the financial activities of the Trillium Trust.

Volume 1 shows that \$1.35 billion was available for the Trillium Trust at March 31, 2016, to help fund investments. This reflects the sale and redemption of the Province's shares in General Motors in earlier years.

In August 2016, a regulation was put in place that credited the trust with \$3.2 billion from the net revenue gains resulting from the Hydro One IPO, the gain on sale of shares in November 2015 and the share of the deferred tax benefit to Hydro One that has been recognized by Ontario through its share of Hydro One net income as a result of its ownership position in Hydro One.

The net revenue gains from the secondary offering in April 2016 will be reported in the 2016-17 Public Accounts and credited to the Trillium Trust.

90. How have you spent the funds dedicated to the Trillium Trust?

As announced in the 2016 Budget, the government plans to begin drawing on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history.

Based on planned expenditures, in 2016–17 the Trillium Trust would support Moving Ontario Forward initiatives, such as GO Transit Regional Express Rail, Hurontario Light Rail Transit and the Ontario Community Infrastructure Fund.

91. Why are you allocating non-cash items like the deferred tax asset generated in the Hydro One transaction to the Trillium Trust?

TBC OPCD

Moving Ontario Forward

92. In the 2015 Budget, the government stated that \$3.5 billion would be dedicated to the Moving Ontario Forward plan. So far, only \$1.35 billion has been dedicated to the Trillium Trust. How do you propose to supply the \$2.15 billion difference?

Moving Ontario Forward dedicated funds would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- The government's asset optimization strategy, with net revenue gains dedicated to the Trillium Trust to help support investments in public infrastructure.

- Working with the federal government to secure federal funding through the Building Canada Plan.

93. How much did the government spend on Moving Ontario Forward in 2015-16?

Moving Ontario Forward is part of the government's commitment to invest more than \$137 billion in public infrastructure over the next 10 years. Investments are underway, including providing \$100 million per year to small, rural and northern municipalities through the Ontario Community Infrastructure Fund to build and repair critical infrastructure.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. Spending would ramp up significantly once this preliminary work is completed and construction activity is underway. Over the 10-year Moving Ontario Forward period, all of the dedicated funds are expected to be spent on priority infrastructure projects.

94. Why aren't the additional \$2.2 billion in revenues dedicated to the Moving Ontario Forward plan reported in the Public Accounts?

In the 2015 Budget, the government committed to dedicate \$31.5B over 10 years to support infrastructure projects under the Moving Ontario Forward plan, which included \$5.7B from its asset optimization strategy. In 2014-15, this amounts to about \$3.5B in dedicated funds including \$1.3B from asset optimization. The remaining \$2.2B in 2014-15 would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- Working with the federal government to secure federal funding through the Building Canada Plan.

These additional amounts are largely taxation revenues and are reflected in the total revenue figures in the 2014-15 Public Accounts.

95. How does investing in public infrastructure impact the economy?

A large and growing body of independent research shows that infrastructure investments support jobs, augment personal incomes and produce real growth in the economy. For example, a September 2015 report by the Broadbent Institute and the Centre for Spatial Economics showed that, on average, investing a dollar in public infrastructure in Canada raises gross domestic product (GDP) by \$1.43 in the short term and up to \$3.83 in the long term.

The Province's planned investments in infrastructure are expected to support over 110,000 jobs, on average, each year.

96. The Public Accounts makes reference that the Province's investment in capital assets is guided by sound asset management planning principles, so why is the education sector facing large renewal needs?

The Province has announced new renewal investment, including: increased investments in GO Transit rehabilitation and renewal; additional annual funding of \$50 million to assist hospitals in maintaining their facilities in good repair; and a \$1.1 billion investment to repair and renew schools across the province (allocated to school boards in proportion to their renewal needs).

In the education sector, the School Condition Improvement program addresses renewal needs focusing on ensuring that facilities are in good condition, energy efficient and accessible and meet modern service standards. The funding will enable school boards to repair roofs, update HVAC units and modernize electrical and plumbing systems. It will also significantly improve more visible elements of schools that impact students' learning and well-being, including flooring, walls, ceilings, playing fields and more. To support transparency, the government has also released detailed information regarding the condition and renewal needs of each of Ontario's publicly funded schools.

Transparency

97. You say the Province's Annual Report is a central element in demonstrating transparency in reporting financial activities and accountability, yet the FAO continues to criticize your government for withholding information. What do you say to these criticisms?

The relationship between the FAO's office and our government is very important.

Our door is open to meet with the FAO and his staff upon request, and our government has tried to be proactive in reaching out to provide clarification when it could be of use.

We want to be accommodating and helpful, while also respecting the requirements of the 2013 FAO Act. With this in mind, Treasury Board has provided additional information to complement and/or further clarify our responses to the FAO when we've received follow-up requests from his office.

We have also reformatted information into machine-readable charts upon request, when it was possible and consistent with legislation. All requests from the FAO office to the Treasury Board Secretariat have been responded to.

Pan Am Games

98. How much was spent on the games, where does it appear in Public Accounts? And how does your government justify this expense?

These were the largest, most successful Pan/Parapan Am Games ever – creating 26,000 jobs, boosting Ontario's GDP by \$3.7B and leaving a lasting legacy that will benefit Ontario for years to come. The economic boost that resulted from the Games acted as a catalyst for economic, social, infrastructure and athletic development and we were proud to host these Games.

Questions related to the Pan Am Games should be referred to my colleague, the Minister of Tourism, Culture and Sport.

Underground Economy

99. How are you ensuring revenue integrity?

A fair and efficient tax system is critical to sustaining public services. The 2014 Budget noted that when businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall, putting the competitiveness of legitimate businesses at risk.

Since 2013–14, the Province has taken concrete measures to help ensure tax fairness and a level playing field for business. These include enhanced auditing and compliance activities, such as a multi-year agreement with the Canada Revenue Agency to address the underground economy and corporate tax avoidance in Ontario. The Province has also targeted areas at high risk of underground economic activity with pilot initiatives that focus on mitigating unfair and unsafe circumstances for Ontario's workers and consumers.

In total, these efforts have generated an estimated \$1.1 billion for Ontario to date. The Province will build on these successful initiatives with new approaches to ensuring revenue integrity.

Ontario.ca landing page

Ontario's unaudited 2015-16 Annual Report

The Annual Report looks back at the government's revenues and expenses. It compares and explains the province's financial performance with the goals outlined in the budget.

Overview

The unaudited 2015-16 Annual Report presents the government's financial statements and provides a picture of how finances were managed over the last fiscal year (April 1 to March 31).

The unaudited Annual Report is made up of:

- a financial statement, discussion and analysis
- consolidated financial statements
- three supporting volumes

As part of our [Open Government initiative](#), you can find additional tools, features and tables to make the government's financial information easier to access, use and understand.

Financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

Read the financial statement, discussion and analysis (2015-16) <insert link>

See the government's five-year trends <insert link>

Unaudited Consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit. These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

Volume 1: ministry statements and schedules (unaudited)

Volume 1 contains ministry statements, detailed schedules of debt and other items. This volume details where government revenue comes from, including taxes, non-tax revenue and income from enterprises (such as the LCBO), alongside the expenses of ministries.

Read Volume 1 (2015-16) <[insert link](#)>

This graphic visualizes ministry spending information in Volume 1 of the unaudited 2015-16 Annual Report, not including financial reimbursements or recoveries. Financial reimbursements or recoveries include internal chargebacks between ministries for shared services, as well as reimbursements from external sources for the delivery of services. As a result, some amounts may differ from those in the unaudited Annual Report.

[[data tree map visualization](#)]

Select a ministry to learn more about their spending. You can also download the 2015-16 Annual Report data to create your own visualization.

Get Volume 1 data <[insert link](#)>

Volume 2: financial statements of government organizations and business enterprises

Volume 2 contains the individual financial statements of government organizations, business enterprises and other financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Read Volume 2 (2015-16) <[insert link](#)>

Volume 3: detailed schedules of payments (unaudited)

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Read Volume 3 (2015-16) <[insert link](#)>

2015-16 Annual Report: financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

See the government's five-year trends <insert link>

2015-16 Annual Report: unaudited consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit.

These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

2015-16 Annual Report: Volume 2

Volume 2 contains the individual financial statements of government organizations, business enterprises and other miscellaneous financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Volume 2 PDFs

- Read Volume 2a: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2b: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2c: Financial Statements of Government Business Enterprises, Trusts and Miscellaneous statements (2015-16) [<insert link>](#)

Government Organizations Summary

<Insert DATA TABLE from “PA vol2 government organizations MMDDYYYY.csv” here>

Government Business Enterprises Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

Trusts Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

2015-16 Annual Report: Volume 3

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Download the PDF for Volume 3: Detailed Schedules of Payments <insert link>

Detailed Schedules of Payments

<Insert DATA TABLE from "PA vol3 MMDDYYYY.csv">

From: [John Psinas](#)
To: [Alicia Sun \(MOF\)](#)
Cc: [Ken Kandeepan](#); [Kevin Hwang](#); [George Sakura](#); [Nadine Petsche \(MOF\)](#)
Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 11:45:14 AM
Attachments: [image001.png](#)
[Acc Def 1.jpg](#)
[Acc Deficit 2.jpg](#)

Alicia

We can't comment on the pension adjustment numbers per se and its impact on accumulated deficit. As we mentioned last week, the adjustment does not seem well correlated with the market, but we leave it to OPCD to calculate the adjustment on the yearly write-downs.

Based on your revised net debt numbers however, the ratios in the chart match up to the chart. Net Debt to Revenue as well appears to be correct based on the changes rounded up (though I believe revenue for this year is 128,377 (not 128,366) based on the numbers read to me yesterday).

I'd like to point out that I am not getting consistent numbers with what the amounts Patricia gave me on the pension adjustment (see attached).

Happy to discuss.

Thanks.

Accumulated Deficit	original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me
1989-90	35,409	35,409	-	
1990-91	38,438	38,438	-	
1991-92	49,368	49,368	-	
1992-93	61,796	61,796	-	
1993-94	80,599	80,599	-	
1994-95	90,728	90,728	-	
1995-96	101,864	101,864	-	
1996-97	108,769	108,769	-	
1997-98	112,735	112,735	-	
1998-99	114,737	114,737	-	
1999-2000	134,398	134,398	-	
2000-01	132,496	132,496	-	
2001-02	132,121	132,675	(554)	554
2002-03	118,705	118,764	(59)	1074
2003-04	124,188	125,727	(1,539)	1539
2004-05	125,743	127,757	(2,014)	2014
2005-06	109,155	111,571	(2,416)	2416
2006-07	106,776	109,666	(2,890)	2890
2007-08	105,617	109,045	(3,428)	3428
2008-09	113,238	113,238	-	4540
2009-10	130,957	130,957	-	5573
2010-11	144,573	147,816	(3,243)	6392
2011-12	158,410	164,092	(5,682)	7226
2012-13	167,132	174,256	(7,124)	7694
2013-14	178,317	186,518	(8,201)	8201
2014-15	187,511	196,665	(9,154)	9154
2015-16	192,029	202,697	(10,668)	10667

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)

Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca
Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

Accumulated Deficit			original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me		
			1989-90	35,409	-			
			1990-91	38,438	-			
			1991-92	49,368	-			
			1992-93	61,796	-			
			1993-94	80,599	-			
			1994-95	90,728	-			
			1995-96	101,864	-			
			1996-97	108,769	-			
			1997-98	112,735	-			
			1998-99	114,737	-			
			1999-2000	134,398	-			
			2000-01	132,496	-			
			2001-02	132,121	(554)	554		
			2002-03	118,705	(59)	1074		
			2003-04	124,188	(1,539)	1539		
			2004-05	125,743	(2,014)	2014		
			2005-06	109,155	(2,416)	2416		
			2006-07	106,776	(2,890)	2890		
			2007-08	105,617	(3,428)	3428		
			2008-09	113,238	-	4540		
			2009-10	130,957	-	5573		
			2010-11	144,573	(3,243)	6392		
			2011-12	158,410	(5,682)	7226		
			2012-13	167,132	(7,124)	7694		
			2013-14	178,317	(8,201)	8201		
			2014-15	187,511	(9,154)	9154		
			2015-16	192,029	(10,668)	10667		

Fiscal Year
Calendar year

2001-02
2001

2002-03
2002

2003-04
2003

2004-05
2004

2005-06
2005

2006-07
2006

2007-08
2007

2008-09
2008

2009-10
2009

2010-11
2010

2011-12
2011

2012-13
2012

2013-14
2013

Allowance to bring net pension asset to zero.

OTPP	336	791	1,233	1,691	2,128	2,562	3,016	4,027	5,006	5,799	6,623	7,124	7,664	8,165
OPSEU	218	283	306	323	290	328	412	513	568	593	603	670	7,664	8,165
Total Allowance	554	1,074	1,539	2,014	2,418	2,890	3,428	4,540	5,573	6,392	7,226	7,664	7,664	8,165
Change in Allowance	554	520	466	474	402	474	538	1,112	1,034	818	834	468	468	468

Net Debt

Reported per "vs 2015 Actual Tab"	132,121	132,647	138,816	140,921	152,702	153,742	156,616	169,585	193,589	214,511	235,592	252,080	267,808	287,808
Adjustment for Total Allowance	554	1,074	1,539	2,014	2,418	2,890	3,428	4,540	5,573	6,392	7,226	7,664	7,664	8,165
Restated Net Debt Number	132,675	133,721	140,355	142,935	155,118	156,632	160,044	174,125	199,162	220,903	242,808	259,742	275,472	295,973

Accumulated Deficit

Reported per "vs 2015 Actual Tab"	132,121	118,705	124,188	125,743	109,155	106,776	105,617	113,238	130,957	144,573	158,410	167,132	176,808	184,808
Reported	132,121	118,705	124,188	125,743	109,155	106,776	105,617	113,238	130,957	144,573	158,410	167,132	176,808	184,808
Accum. Increase (Decrease) in Deficit	554	1,074	1,539	2,014	2,418	2,890	3,428	4,540	5,573	6,392	7,226	7,664	7,664	8,165
Restated Accumulated Deficit	132,675	119,779	125,727	127,757	111,571	109,666	109,045	117,778	136,530	150,965	165,636	174,826	184,472	192,973

2007-08 2007	2008-09 2008	2009-10 2009	2010-11 2010	2011-12 2011	2012-13 2012	2013-14 2013	2014-15 2014	2015-16 2015

3,016	4,027	5,005	5,709	6,623	7,124	7,711	8,667	10,147
412	513	568	593	603	570	490	487	520
3,428	4,540	5,573	6,302	7,226	7,694	8,201	9,154	10,667
538	1,112	1,034	818	834	468	508	953	1,513

156,616	169,585	193,589	214,511	235,582	252,068	267,190	284,576
3,428	4,540	5,573	6,302	7,226	7,694	8,201	9,154
160,044	174,125	199,162	220,903	242,808	259,782	275,391	293,730

294,566
10,667
305,233

105,617	113,238	130,957	144,573	158,410	167,132	176,634	187,511
105,617	113,238	130,957	144,573	158,410	167,132	176,634	187,511
3,428	4,540	5,573	6,302	7,226	7,694	8,201	9,154
109,045	117,778	136,530	150,965	165,636	174,826	184,835	196,665

192,030
10,667
202,697

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Cc: [Christina Zhang](#)
Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 11:49:19 AM
Attachments: [FSDA- Key Financial Ratios Chart 9 - Updated with Pension Adj sep 24.docx](#)

Hi Gadi

FYI, in case you want to take a quick look at the narrative it's the Budget PW.

Thanks

Ken k

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:46 AM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi

Pls find attached the revised narrative for the net debt to GDP ratios, John has sent by separate email to Alicia his review of the underlying numbers.

When we review the changes to the Accumulated Deficit arising from the Pension adjustment we note that there are no adjustments for 2008-09 and 2009-10, which represent the peak of the recession. My understanding of this particular adjustment is very limited, however, this does raise the question that if there are adjustments for the years in which the pension plans incurred a surplus shouldn't there be the same adjustment in opposite direction for those years where the assets diminished as a result of negative returns.

If my understanding is flawed pls feel free to ignore this observation.

Thanks

Ken K

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Friday, September 23, 2016 4:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Patricia Ma

(MOF) <Patricia.Ma2@ontario.ca>

Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155



FSD&A

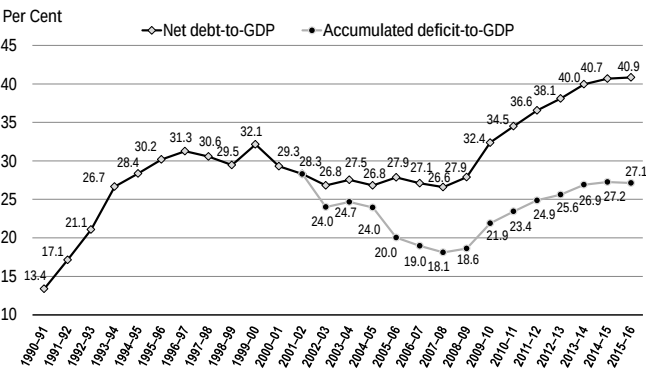
Infrastructure Expenditure

Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).

Net debt-to-GDP and accumulated deficit-to-GDP

Chart 9



Note: Historical net debt-to-GDP were revised to reflect historical GDP released by Statistics Canada in November 2015. Net debt has been restated to include broader public sector net debt, starting in 2005-06. Net debt and accumulated deficit has been restated from 2001-02 to 2014-15 to reflect the Province's accounting policy change for jointly sponsored pension plans.

Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios <i>as at the end of the fiscal period</i>		2011–12	2012–13	2013–14	2014–15	2015–16
Sustainability	Net Debt to GDP (%)	36.6%	38.1%	40.0%	40.7%	40.9%
	Net Debt to Total Revenue (%)	219.8%	228.6%	239.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 18,051	\$ 19,195	\$ 20,316	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

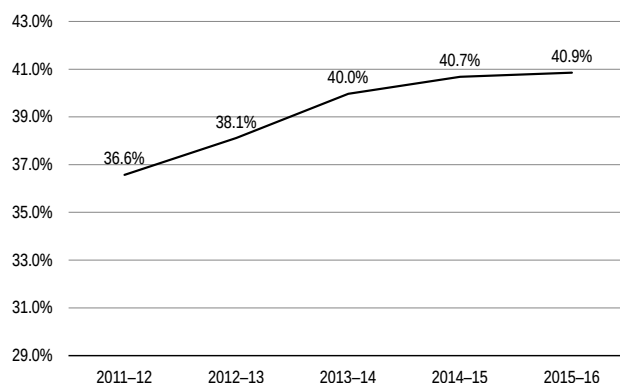
Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 40.9 per cent at the end of fiscal year 2015–16. In 2011–12, it was 36.8 per cent. Over this period, the deficit and other adjustments such as those arising from the change in the Province's accounting policy for pensions contributed close to approximately 60 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011–12 and 2014–15, because net debt grew more quickly than GDP, the ratio increased from 36.86 per cent to 40.7 per cent. There was a slight increase to the ratio from 2014–15 to 2015–16, since net debt and GDP grew approximately at the same rate. The ratios for this trend analysis have all increased due to the impact of restated prior year's results reflecting the elimination of accrued benefit pension assets from the Province's balance sheet to reflect a change in the Province's accounting policy for pensions in the 2015-16 Public Accounts. (See Chart 11.)

Commented [PM21]: Still true?

Net debt-to-GDP — 5-year trend

Chart 11



The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. Those capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

Commented [NP2]: What messaging would be included here? There should be no change, as I understand the Government is remains committed to this target. Hence no change in the messaging

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on both balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

Commented [NP3]: TBD –change/reflect upon messaging related to this target ratio. Pls see above

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011–12, the ratio was 221.2 per cent. It rose to 247.8 per cent in 2014–15, as net debt grew more quickly than revenue, including the impact of the Province's change in accounting policy for pensions. However, the ratio fell to 237.8 per cent in 2015–16, indicating that total revenues increased at a greater rate than did net debt.

Commented [NP4]: TBD

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in 2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

From: [Gadi Mayman](#)
To: [Mike Manning](#); [Ken Kandeepan](#); [Bonnie Lemcke](#)
Cc: [Christina Zhang](#)
Subject: Fw: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected
Date: Monday, October 03, 2016 3:04:33 PM

In case you haven't seen this.

From: Ontario News <newsroom@ontario.ca>
Sent: Monday, October 3, 2016 2:54 PM
To: Gadi Mayman
Subject: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected



Newsroom

News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected[\[news.ontario.ca\]](http://news.ontario.ca)

October 3, 2016

Province Remains Committed to Balance the Budget Next Year in 2017-18

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18, and remain balanced in 2018-19.

In preparing the Annual Report and unaudited Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements.

A regulation was made to allow the public service to sign-off on the impact of the Auditor General's view on accounting for pension assets in Ontario's 2015-16 financial statements. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of two jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To ensure openness and transparency, the government is releasing its unaudited financial statements to provide the public with the Province's financial position.

The unaudited statements show the government is beating its deficit targets through sound financial

management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, [Ontario's economy has grown by 6.1 per cent\[news.ontario.ca\]](#). Last year, [growth was double the national average\[news.ontario.ca\]](#). In the first quarter of this year, [Ontario's growth was greater than that of the United States and the G7\[fin.gov.on.ca/finances/2016/ofin16_1.html\]](#).

The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation. In addition Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUICK FACTS

- The 2015-16 unaudited Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.
- The unaudited Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

BACKGROUND INFORMATION

- [Release of Ontario's 2015-16 Financial Statements \[news.ontario.ca\]](#)

ADDITIONAL RESOURCES

- Read the Province's [2015-16 unaudited Financial Statements\[ontario.ca\]](#) and explore supplementary information available through new data visualization tools
- Explore the more than 400 open data sets in the [Open Data Catalogue\[ontario.ca\]](#)

- Learn about the government's [fiscal cycle\[ontario.ca\]](#)

QUOTES

"The Annual Report and unaudited Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance next year in 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

— *Liz Sandals, President of the Treasury Board*

"Our government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget next year is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

— *Charles Sousa, Minister of Finance*

CONTACTS

Matt Ostergard
Minister's Office
416-326-3839

Jason Wesley
Communications Branch
416-327-4023

Questions about your subscription? Contact us. [\[ontario.ca\]](#)

Edit your subscription preferences. [\[subscription.news.ontario.ca\]](#)

Unsubscribe from News on Demand. [\[subscription.news.ontario.ca\]](#)



Follow Us On Twitter [\[twitter.com\]](#).

Visit the Newsroom. [\[news.ontario.ca\]](#)

Disponible en français. [\[news.ontario.ca\]](#)

© Queen's Printer for Ontario, 2008 - 2016 [\[ontario.ca\]](#)

99 Wellesley Street West 4th floor, Room 4620 Toronto ON M7A 1A1

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fw: MM&P: Public Accounts Communications Products
Date: Sunday, October 02, 2016 11:07:03 AM

I'll send the original message from Kyle in a moment.

Christina, could you please make sure Mike and Bonnie are kept up-to-date on this on Monday and Tuesday while I'm away?

Thanks,
Gadi

Original Message

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Sent: Sunday, October 2, 2016 10:49 AM
To: Kyle MacIntyre (MOF)
Cc: Scott Thompson (CAB); Greg Orensak (MOF)
Subject: Re: MM&P: Public Accounts Communications Products

Based on the answers to Q19 and 58, I'd suggest the following in answer to Q48 which is currently blank: Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

The government remains committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion [as an aside, those numbers were transposed in the answers to Q58 and 59] improvement compared to the 2015 Budget. The deficit is also a \$0.7 billion improvement compared to the interim results for 2015-16 contained in the 2016 Budget, which formed the basis for three rating agencies to confirm the Province's credit rating, and the fourth to improve their assessment of the Province's credit outlook.

This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Also, the rating agencies and bondholders will understand that the change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements or total debt outstanding.

On a separate note, Minister Sousa's statement near the end of this package still has the old numbers on net debt-to-GDP with an expected peak at 39.6 per cent, and remaining level after that. I'd suggest that whole paragraph be dropped from his statement, rather than putting in the new ratio, especially since, depending on what we include, or reverse or not, in FES it may not level off in 16-17 before beginning to drop in 17-18.

Gadi

Original Message

From: MacIntyre, Kyle (TBS)
Sent: Sunday, October 2, 2016 7:25 AM
To: Greg Orensak (MOF); Scott Thompson (CAB); Karen Hughes (MGS); Veinot, Cindy (TBS); Nadine Petsche (MOF); Gadi Mayman; Patrick Laughton (MOF); David McLean (MOF); Mike Jancik (OPO); Ghiassi, Ali (MOF); Steve Orsini (MOF); Lynn Betzner (CAB); Lauren Tedesco (EDU); William Bromm (CAB); Andrew Bevan (OPO); Karim Bardeesy (OPO); Michael Maddock (ENE); Rebecca MacKenzie (GHLO); McEachern, Gillian (OPO); Bill Killorn (OPO); Jacob Mksyartinian (MOHLTC); Ostergard, Matt (TBS); Jason Pichelli (MOF); Alicia Farrow (CAB); Kelsey Ingram (OPO)

Subject: MM&P: Public Accounts Communications Products

Please find attached the communications products for the MM&P meeting this afternoon.

Kyle

From: [Sun, Alicia \(TBS\)](#)
To: [John Psinas](#)
Cc: [Ken Kandeepan](#); [Bharat Patel \(MOF\)](#); [Nadine Petsche \(MOF\)](#)
Subject: Fw: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 1:38:41 PM
Attachments: [Pension Adjustment Charts Data.xlsx](#)

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>

Sent: Friday, September 23, 2016 7:31 PM

To: Sun, Alicia (TBS)

Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

Public Accounts															
							Pension Liability/(Asset)			Expense					
												OTPP+ OPSEU	Pension		
Fiscal Year	GDP	Net Debt	Accumulated Deficit	Net Debt As % to GDP	Acc Deficit to GDP	Deficit/ (Surplus)	OTPP	OPSEU	Total	OTPP	OPSEU	Total	Total	OEFB	Pension+ OEFB Total
1989-90	282,766	35,409	35,409	12.5	12.5	(90)									
1990-91	287,334	38,438	38,438	13.4	13.4	3,029									
1991-92	288,217	49,368	49,368	17.1	17.1	10,930									
1992-93	293,068	61,796	61,796	21.1	21.1	12,428									
1993-94	302,245	80,599	80,599	26.7	26.7	11,202									
1994-95	319,986	90,728	90,728	28.4	28.4	10,129	4,758		4,758	491		491			
1995-96	337,400	101,864	101,864	30.2	30.2	8,800	4,569	501	5,070	496	157	653			
1996-97	347,842	108,769	108,769	31.3	31.3	6,905	4,018	539	4,556	375	96	471			
1997-98	368,960	112,735	112,735	30.6	30.6	3,966	3,130	441	3,570	244	63	307			
1998-99	389,250	114,737	114,737	29.5	29.5	2,002	2,147	338	2,485	126	63	189			
1999-2000	418,245	134,398	134,398	32.1	32.1	(668)	1,322	177	1,499	(158)	2	(156)			
2000-01	452,238	132,496	132,496	29.3	29.3	(1,902)	282	17	299	(405)	(5)	(410)			
2001-02	469,084	132,121	132,121	28.2	28.2	(375)	(336)	(218)	(554)	29	11	40			
2002-03	494,815	132,647	118,705	26.8	24.0	(117)	(791)	(283)	(1,074)	221	55	276			
2003-04	509,511	138,816	124,188	27.2	24.4	5,483	(1,233)	(306)	(1,539)	241	94	335			
2004-05	533,365	140,921	125,743	26.4	23.6	1,555	(1,691)	(323)	(2,014)	250	119	369			
2005-06	556,635	152,702	109,155	27.4	19.6	(298)	(2,126)	(290)	(2,416)	305	176	481			
2006-07	578,241	153,742	106,776	26.6	18.5	(2,269)	(2,562)	(328)	(2,890)	359	106	465	517	645	1,162
2007-08	601,735	156,616	105,617	26.0	17.6	(600)	(3,016)	(412)	(3,428)	354	69	423	473	631	1,104
2008-09	608,446	169,585	113,238	27.9	18.6	6,409	(4,027)	(513)	(4,539)	60	56	116	371	843	1,214
2009-10	597,882	193,589	130,957	32.4	21.9	19,262	(5,005)	(568)	(5,574)	266	102	367	791	705	1,496
2010-11	630,989	214,511	144,573	34.0	22.9	14,011	(5,799)	(593)	(6,391)	523	159	682	1,248	786	2,034
2011-12	659,743	235,582	158,410	35.7	24.0	12,969	(6,623)	(603)	(7,225)	519	201	721	1,229	945	2,174
2012-13	680,084	252,088	167,132	37.1	24.6	9,220	(7,124)	(570)	(7,693)	892	264	1,156	1,740	1,046	2,786
2013-14	693,210	268,873	178,317	38.8	25.7	10,453	(7,711)	(490)	(8,201)	875	298	1,173	1,693	516	2,209
2014-15	721,970	284,576	187,511	39.4	26.0	10,315	(8,667)	(487)	(9,154)	569	222	791	1,351	484	1,835
2015-16	747,101	294,565	192,029	39.4	25.7	3,515	(10,147)	(521)	(10,668)	118	180	299	806	356	1,162

Public Accounts - AG's Approach															
							Pension Liability/(Asset)			Expense					
												OTPP+ OPSEU	Pension	OEFB	Pension+ OEFB
Fiscal Year	GDP	Net Debt	Accumulated Deficit	Net Debt As % to GDP	Acc Deficit to GDP	Deficit/ (Surplus)	OTPP	OPSEU	Total	OTPP	OPSEU	Total	Total		Total
1989-90	282,766	35,409	35,409	12.5	12.5	(90)									
1990-91	287,334	38,438	38,438	13.4	13.4	3,029									
1991-92	288,217	49,368	49,368	17.1	17.1	10,930									
1992-93	293,068	61,796	61,796	21.1	21.1	12,428									
1993-94	302,245	80,599	80,599	26.7	26.7	11,202									
1994-95	319,986	90,728	90,728	28.4	28.4	10,129	4,758		4,758	491		491			
1995-96	337,400	101,864	101,864	30.2	30.2	8,800	4,569	501	5,070	496	157	653			
1996-97	347,842	108,769	108,769	31.3	31.3	6,905	4,018	539	4,556	375	96	471			
1997-98	368,960	112,735	112,735	30.6	30.6	3,966	3,130	441	3,570	244	63	307			
1998-99	389,250	114,737	114,737	29.5	29.5	2,002	2,147	338	2,485	126	63	189			
1999-2000	418,245	134,398	134,398	32.1	32.1	(668)	1,322	177	1,499	(158)	2	(156)			
2000-01	452,238	132,496	132,496	29.3	29.3	(1,902)	282	17	299	(405)	(5)	(410)			
2001-02	469,084	132,675	132,675	28.3	28.3	179	-	-	-	365	229	594			
2002-03	494,815	132,706	118,764	26.8	24.0	(613)	(791)	(224)	(1,015)	(115)	(105)	(220)			
2003-04	509,511	140,355	125,727	27.5	24.7	6,964	-	-	-	1,475	342	1,816			
2004-05	533,365	142,935	127,757	26.8	24.0	2,029	-	-	-	708	135	843			
2005-06	556,635	155,118	111,571	27.9	20.0	104	-	-	-	740	143	883			
2006-07	578,241	156,632	109,666	27.1	19.0	(1,795)	-	-	-	795	143	938	991	645	1,636
2007-08	601,735	160,044	109,045	26.6	18.1	(62)	-	-	-	808	153	961	1,011	631	1,642
2008-09	608,446	169,585	113,238	27.9	18.6	2,981	(4,027)	(513)	(4,539)	(2,957)	(355)	(3,312)	(3,057)	843	(2,214)
2009-10	597,882	193,589	130,957	32.4	21.9	19,262	(5,005)	(568)	(5,574)	266	102	367	791	705	1,496
2010-11	630,989	217,754	147,816	34.5	23.4	17,254	(2,556)	(593)	(3,148)	3,766	159	3,926	4,491	786	5,277
2011-12	659,743	241,264	164,092	36.6	24.9	15,408	(941)	(603)	(1,544)	2,958	201	3,159	3,668	945	4,613
2012-13	680,084	259,212	174,256	38.1	25.6	10,662	-	(570)	(570)	2,334	264	2,598	3,182	1,046	4,228
2013-14	693,210	277,074	186,518	40.0	26.9	11,530	-	-	-	1,462	788	2,250	2,770	516	3,286
2014-15	721,970	293,730	196,665	40.7	27.2	11,268	-	-	-	1,525	218	1,744	2,304	484	2,788
2015-16	747,101	305,233	202,697	40.9	27.1	5,029	-	-	-	1,598	214	1,812	2,320	356	2,676

Variance/Allowance inc/(dec)								
Fiscal Year	Pension Liability/(Asset)			Expense				
	OTPP	OPSEU	Total	OTPP	OPSEU	OTPP+ OPSEU Total	Pension Total	Pension+ OEFB Total
1989-90								
1990-91								
1991-92								
1992-93								
1993-94								
1994-95	-	-	-	-	-	-		
1995-96	-	-	-	-	-	-		
1996-97	-	-	-	-	-	-		
1997-98	-	-	-	-	-	-		
1998-99	-	-	-	-	-	-		
1999-2000	-	-	-	-	-	-		
2000-01	-	-	-	-	-	-		
2001-02	336	218	554	336	218	554		
2002-03	-	59	59	(336)	(159)	(496)		
2003-04	1,233	306	1,539	1,233	247	1,481		
2004-05	1,691	323	2,014	458	16	474		
2005-06	2,126	290	2,416	435	(33)	402		
2006-07	2,562	328	2,890	436	38	474	474 -	474
2007-08	3,016	412	3,428	454	84	538	538 -	538
2008-09	-	-	-	(3,016)	(412)	(3,428)	(3,428) -	(3,428)
2009-10	-	-	-	-	-	-	- -	-
2010-11	3,243	-	3,243	3,243	-	3,243	3,243 -	3,243
2011-12	5,682	-	5,682	2,439	-	2,439	2,439 -	2,439
2012-13	7,124	-	7,124	1,442	-	1,442	1,442 -	1,442
2013-14	7,711	490	8,201	587	490	1,077	1,077 -	1,077
2014-15	8,667	487	9,154	956	(3)	953	953 -	953
2015-16	10,147	521	10,668	1,480	34	1,514	1,514 -	1,514

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fw: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 7:21:07 AM
Attachments: [Pension Ajustment Charts_Oct 3_V2.pptx](#)

I'm not sure what it is that is being shown here. The amounts don't seem to have any relationship to the numbers contained in the Budget, unless I'm missing something fundamental.

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

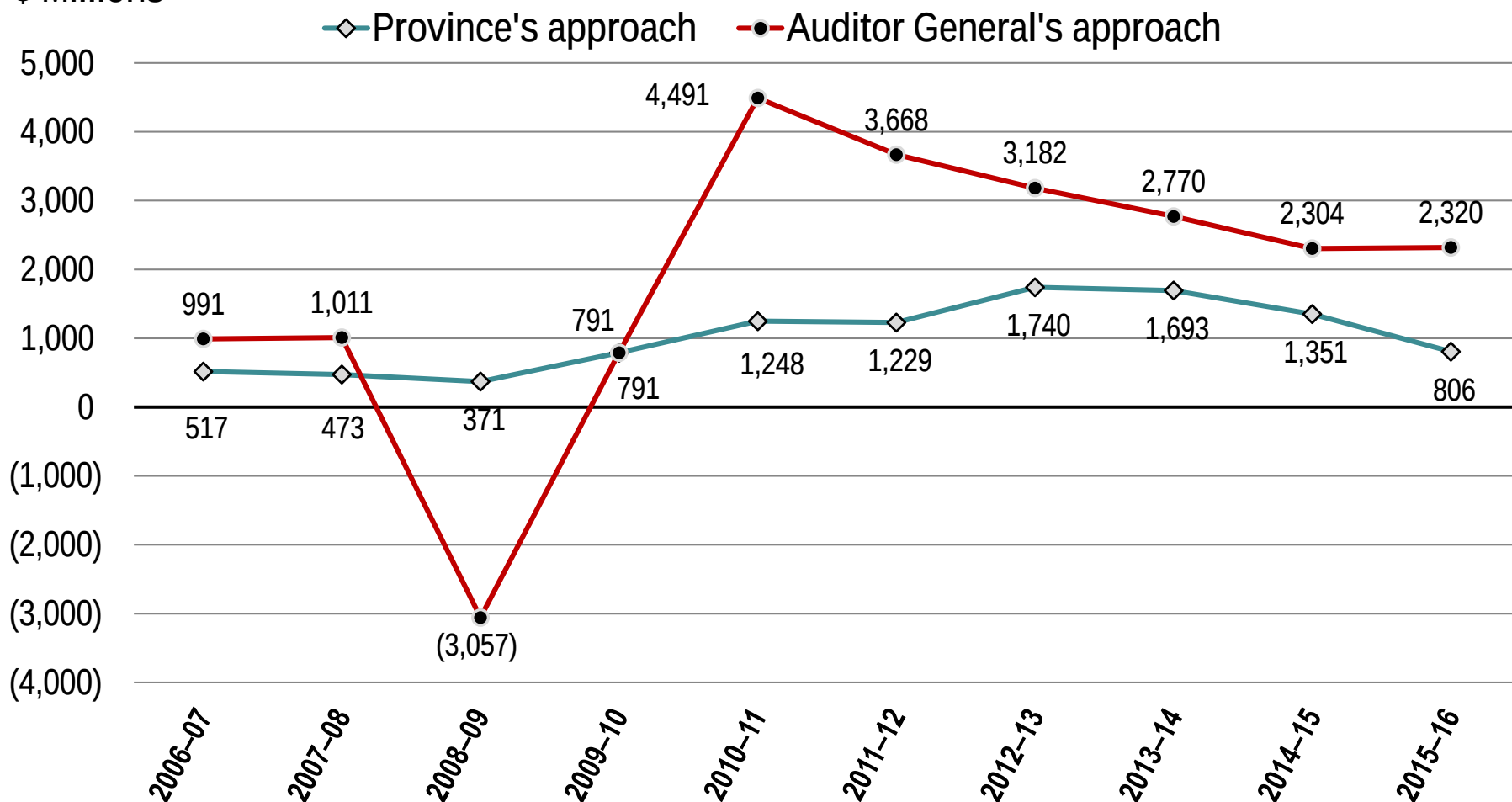
Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach. Nadine

Pension expense comparison — 10-year

Chart 1

\$ Millions

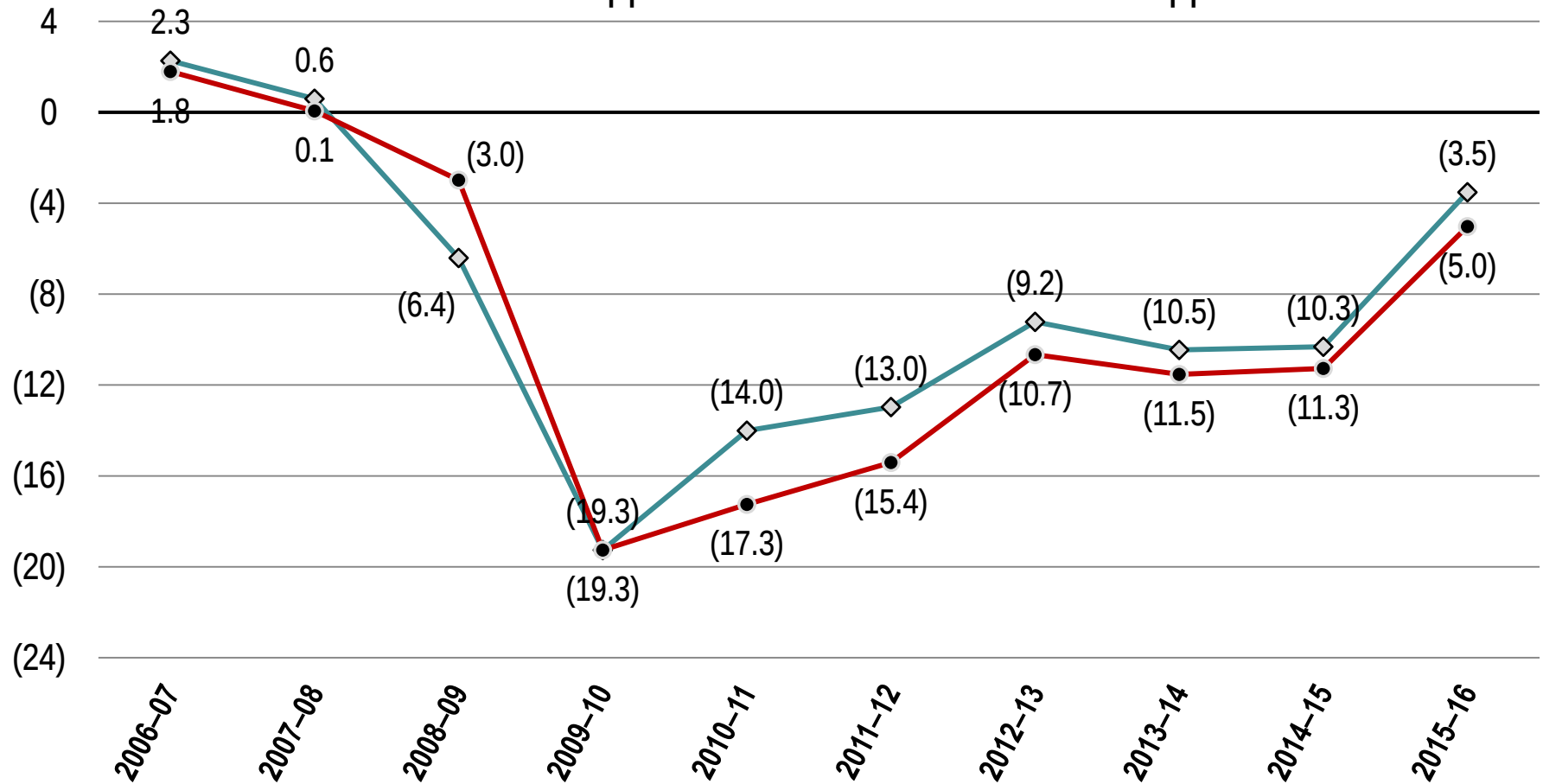


Surplus/(deficit) comparison — 10-year

Chart 2

\$ Billions

◆ Province's approach ● Auditor General's approach

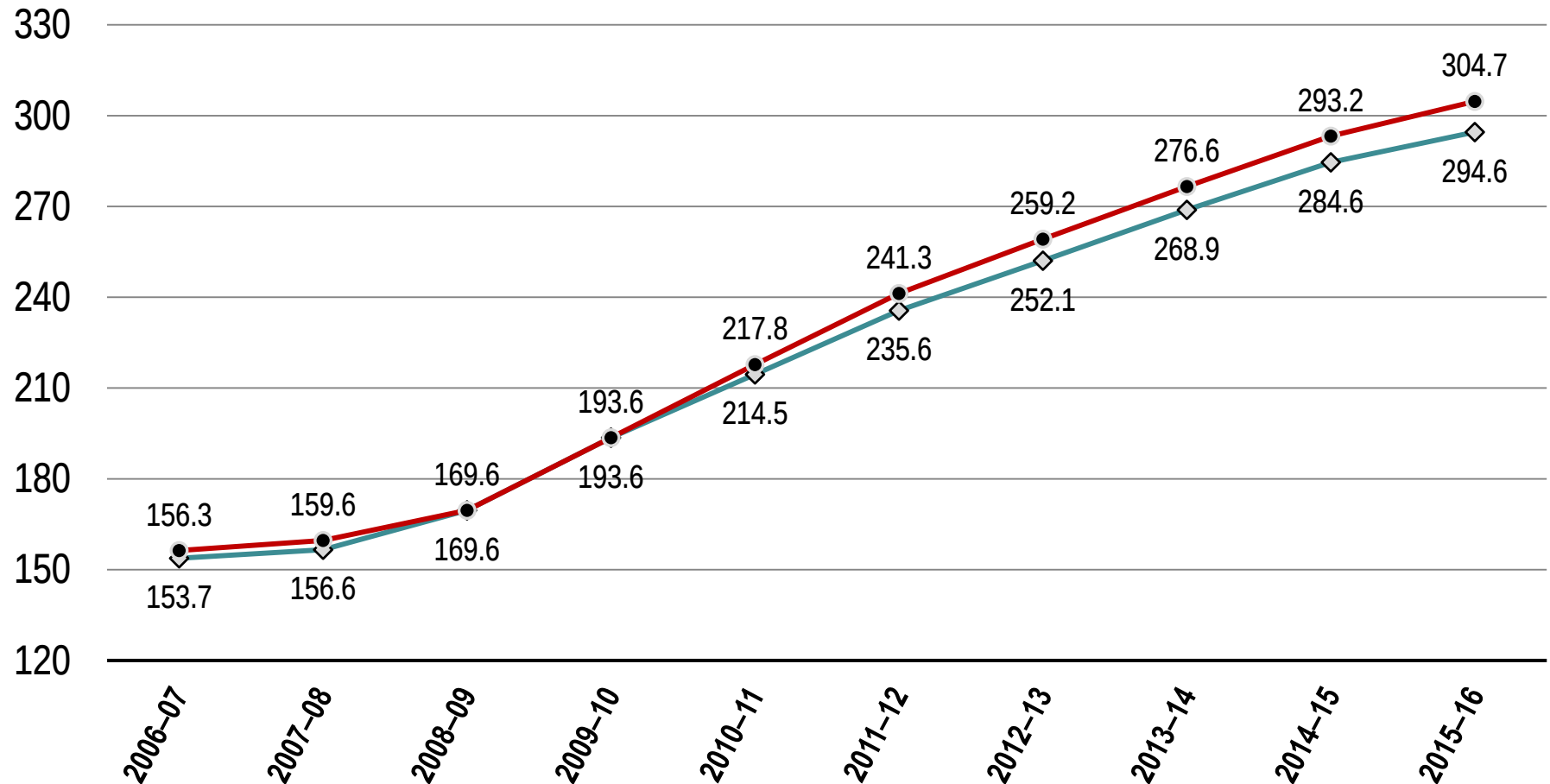


Net debt comparison — 10-year

Chart 3

\$ Billions

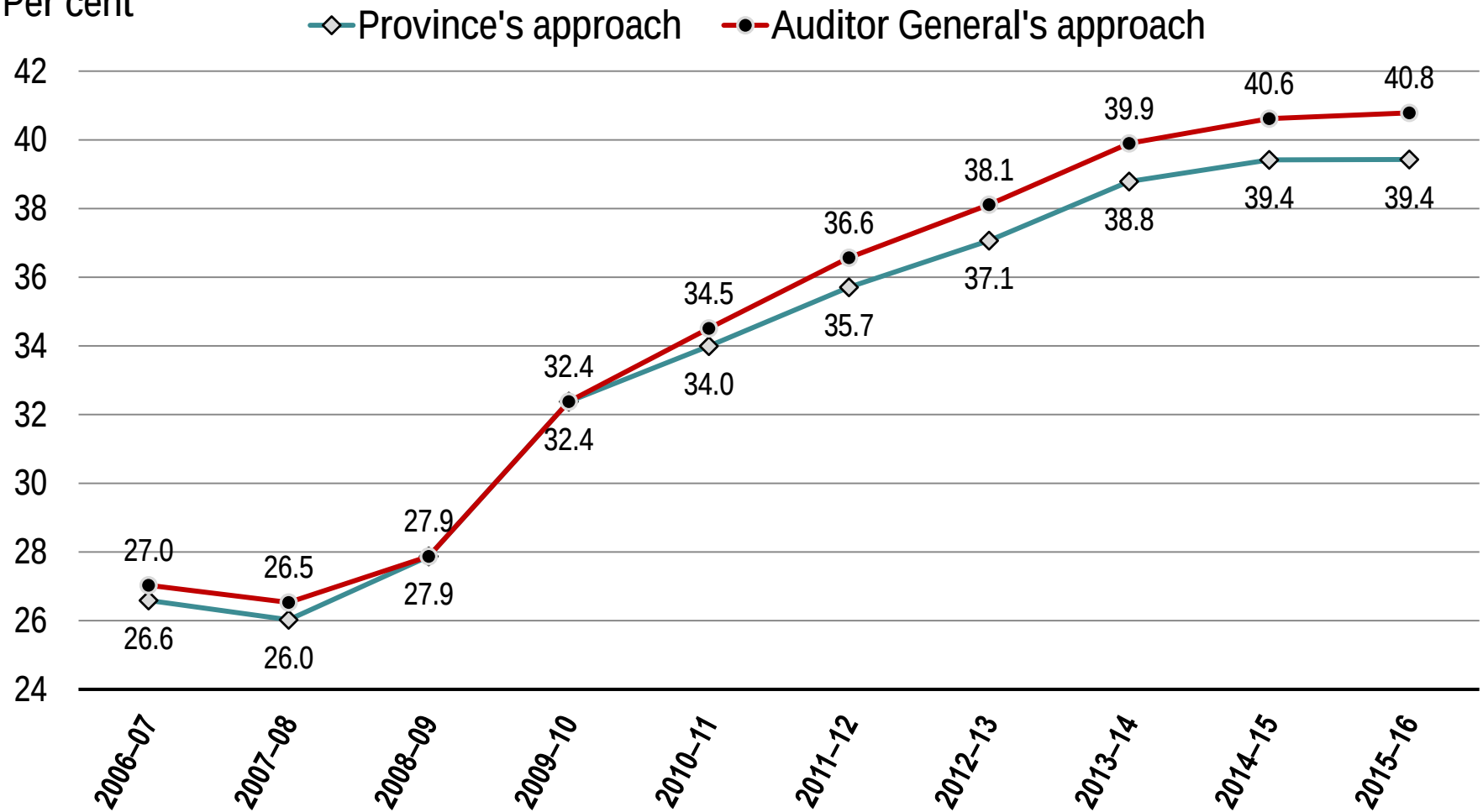
◆ Province's approach ● Auditor General's approach



Net debt-to-GDP comparison — 10-year

Chart 4

Per cent



From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)
Date: Tuesday, October 04, 2016 12:21:33 AM
Attachments: [New Brunswick adopts new pension accounting approach \(Oct 3, 2016\).pdf](#)
[ATT00001.htm](#)

I know it's a complex subject, but are NB and their AG going in the opposite direction of where our AG is?

Begin forwarded message:

From: CIBC CM Macro Strategy <Mailbox.CIBCMacroStrategy@cibc.com>
Date: October 3, 2016 at 10:57:28 AM EDT
To: Undisclosed recipients;;
Subject: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)

CIBC Capital Markets

Macro Strategy Research

New Brunswick adopts new pension accounting approach (October 3, 2016)

For Fiscal 2015-16, New Brunswick received an unqualified opinion from the auditor general. This is a reversal from the previous year when the province was flagged for their 'defined contribution accounting' approach. New Brunswick transitioned its four largest defined benefit pension plans to a shared risk model (i.e. target benefit plans) in order to improve the plans' long-term "sustainability, affordability and security while ensuring inter-generational fairness." The plans represented about 95% of its pension liabilities. New Brunswick's Auditor General concluded, however, that the "financial statements do not reflect the risk inherent in the design of a Shared Risk Pension Plan." In the end, the Auditor General concluded that there was not enough analysis done to justify a change in accounting treatment from defined benefit to defined contribution, whereby the province could de-recognize its obligations in the financial statements. It is the first time in 17 years that New Brunswick has received a qualified opinion.

Effective April 1, 2015, the Province retroactively changed its accounting policy for its Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment. As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2mln (\$-113.7mln 2015). This change in the accounting policy has caused the Province's 2015 consolidated financial statements to be restated by an increase of \$221.3mln in closing net debt, accumulated deficit and pension liability, and a decrease of \$3.4mln in pension expense. Opening net debt and accumulated deficit as at April 1, 2014, also increased by \$224.7mln. We consider this modest as it only represents an increase of 1.7% to restated beginning of year net debt for 2016 (1.8% for 2015).

We consider this to be a positive development in New Brunswick's accounting practices as the province is no longer derecognizing its pension obligations. The Auditor general feels the same way, thus, restoring the unqualified opinion for the province.

For more information on Canadian government sector accounting practices, please refer to our Macro Strategy research note "Accounting for Government Transfers, August 8, 2016" by clicking [here\[cibcmacro.com\]](http://www.cibcmacro.com)

Maria Berlettano, CFA

416 594-8041

maria.berlettano@cibc.com

www.cibcmacro.com/cibcmacro.com/

Tom Bognar, CFA

416 956-6032

tom.bognar@cibc.com

www.cibcmacro.com/cibcmacro.com/

If you no longer wish to receive these emails, please email us at unsubscribe-macro-strategy@cibc.com and request to be removed from this distribution list. Note that you will be permanently removed from the distribution list within 10 days of your request.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Global Markets group at CIBC Capital Markets.

CIBC World Markets Inc. is a legal entity name. CIBC Capital Markets is a trademark brand name under which different legal entities provide different services under this umbrella brand. Products and/or services offered through CIBC Capital Markets include products and/or services offered by the Canadian Imperial Bank of Commerce, the parent bank of CIBC World Markets Inc. and various other subsidiaries of the Canadian Imperial Bank of Commerce. Services offered by the Canadian Imperial Bank of Commerce include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and commodities, equity options and OTC derivatives. Canadian exchange-traded equity options are executed through CIBC World Markets Inc. Equity and fixed income securities are executed through CIBC World Markets Inc. and other directly or indirectly held subsidiaries of CIBC.

The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. research department nor should it be construed as a research report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc. branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Japan: This communication is distributed in Japan by CIBC World Markets (Japan) Inc., a registered Type1 Financial Product Provider with the registration number Director General of Kanto Finance Bureau #218.

Distribution in Australia: Communications concerning derivatives and foreign exchange contracts are distributed in Australia to "professional investors" within the meaning of the Corporations Act 2001 by CIBC World Markets Inc. Communications concerning securities are distributed in Australia by CIBC

Australia Ltd (License no. 240603; ACN 000 067 256) to CIBC Capital Markets clients.

CIBC World Markets Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. CIBC World Markets Corp. is a member of the Financial Industry Regulatory Authority. CIBC World Markets plc is regulated by the Prudential Regulation Authority and Financial Conduct Authority. CIBC World Markets Securities Ireland Limited is regulated by the Central Bank of Ireland. CIBC Australia Ltd is regulated by the Australia Securities and Investment Commission. CIBC World Markets (Japan) Inc. is a member of the Japanese Securities Dealer Association. Canadian Imperial Bank of Commerce, Hong Kong Branch, is a registered institution under the Securities and Futures Ordinance, Cap 571. Canadian Imperial Bank of Commerce, Singapore Branch, is an offshore bank licensed and regulated by the Monetary Authority of Singapore.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited and may result in prosecution.

New Brunswick adopts new pension accounting approach (October 3, 2016)

For Fiscal 2015-16, New Brunswick received an unqualified opinion from the auditor general. This is a reversal from the previous year when the province was flagged for their 'defined contribution accounting' approach. New Brunswick transitioned its four largest defined benefit pension plans to a shared risk model (i.e. target benefit plans) in order to improve the plans' long-term "sustainability, affordability and security while ensuring inter-generational fairness." The plans represented about 95% of its pension liabilities. New Brunswick's Auditor General concluded, however, that the "financial statements do not reflect the risk inherent in the design of a Shared Risk Pension Plan." In the end, the Auditor General concluded that there was not enough analysis done to justify a change in accounting treatment from defined benefit to defined contribution, whereby the province could de-recognize its obligations in the financial statements. It is the first time in 17 years that New Brunswick has received a qualified opinion.

Effective April 1, 2015, the Province retroactively changed its accounting policy for its Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment. As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2mln (\$-113.7mln 2015). This change in the accounting policy has caused the Province's 2015 consolidated financial statements to be restated by an increase of \$221.3mln in closing net debt, accumulated deficit and pension liability, and a decrease of \$3.4mln in pension expense. Opening net debt and accumulated deficit as at April 1, 2014, also increased by \$224.7mln. We consider this modest as it only represents an increase of 1.7% to restated beginning of year net debt for 2016 (1.8% for 2015).

We consider this to be a positive development in New Brunswick's accounting practices as the province is no longer derecognizing its pension obligations. The Auditor general feels the same way, thus, restoring the unqualified opinion for the province.

For more information on Canadian government sector accounting practices, please refer to our Macro Strategy research note "Accounting for Government Transfers, August 8, 2016" by clicking [here](#)

Maria Berlettano, CFA
416 594-8041
maria.berlettano@cibc.com
www.cibcmacro.com

Tom Bognar, CFA
416 956-6032
tom.bognar@cibc.com
www.cibcmacro.com

If you no longer wish to receive these emails, please email us at unsubscribe-macro-strategy@cibc.com and request to be removed from this distribution list. Note that you will be permanently removed from the distribution list within 10 days of your request.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Global Markets group at CIBC Capital Markets.

CIBC World Markets Inc. is a legal entity name. CIBC Capital Markets is a trademark brand name under which different legal entities provide different services under this umbrella brand. Products and/or services offered through CIBC Capital Markets include products and/or services offered by the Canadian Imperial Bank of Commerce, the parent bank of CIBC World Markets Inc. and various other subsidiaries of the Canadian Imperial Bank of Commerce. Services offered by the Canadian Imperial Bank of Commerce include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and commodities, equity options and OTC derivatives. Canadian exchange-traded equity options are executed through CIBC World Markets Inc. Equity and fixed income securities are executed through CIBC World Markets Inc. and other directly or indirectly held subsidiaries of CIBC.

The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. research department nor should it be construed as a research report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc. branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Japan: This communication is distributed in Japan by CIBC World Markets (Japan) Inc., a registered Type1 Financial Product Provider with the registration number Director General of Kanto Finance Bureau #218.

Distribution in Australia: Communications concerning derivatives and foreign exchange contracts are distributed in Australia to "professional investors" within the meaning of the Corporations Act 2001 by CIBC World Markets Inc. Communications concerning securities are distributed in Australia by CIBC Australia Ltd (License no. 240603; ACN 000 067 256) to CIBC Capital Markets clients.

CIBC World Markets Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. CIBC World Markets Corp. is a member of the Financial Industry Regulatory Authority. CIBC World Markets plc is regulated by the Prudential Regulation Authority and Financial Conduct Authority. CIBC World Markets Securities Ireland Limited is regulated by the Central Bank of Ireland. CIBC Australia Ltd is regulated by the Australia Securities and Investment Commission. CIBC World Markets (Japan) Inc. is a member of the Japanese Securities Dealer Association. Canadian Imperial Bank of Commerce, Hong Kong Branch, is a registered institution under the Securities and Futures Ordinance, Cap 571. Canadian Imperial Bank of Commerce, Singapore Branch, is an offshore bank licensed and regulated by the Monetary Authority of Singapore.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited and may result in prosecution.

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)
Date: Tuesday, October 04, 2016 12:21:33 AM
Attachments: [New Brunswick adopts new pension accounting approach \(Oct 3, 2016\).pdf](#)
[ATT00001.htm](#)

I know it's a complex subject, but are NB and their AG going in the opposite direction of where our AG is?

Begin forwarded message:

From: CIBC CM Macro Strategy <Mailbox.CIBCMacroStrategy@cibc.com>
Date: October 3, 2016 at 10:57:28 AM EDT
To: Undisclosed recipients;;
Subject: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)

CIBC Capital Markets

Macro Strategy Research

New Brunswick adopts new pension accounting approach (October 3, 2016)

For Fiscal 2015-16, New Brunswick received an unqualified opinion from the auditor general. This is a reversal from the previous year when the province was flagged for their 'defined contribution accounting' approach. New Brunswick transitioned its four largest defined benefit pension plans to a shared risk model (i.e. target benefit plans) in order to improve the plans' long-term "sustainability, affordability and security while ensuring inter-generational fairness." The plans represented about 95% of its pension liabilities. New Brunswick's Auditor General concluded, however, that the "financial statements do not reflect the risk inherent in the design of a Shared Risk Pension Plan." In the end, the Auditor General concluded that there was not enough analysis done to justify a change in accounting treatment from defined benefit to defined contribution, whereby the province could de-recognize its obligations in the financial statements. It is the first time in 17 years that New Brunswick has received a qualified opinion.

Effective April 1, 2015, the Province retroactively changed its accounting policy for its Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment. As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2mln (\$-113.7mln 2015). This change in the accounting policy has caused the Province's 2015 consolidated financial statements to be restated by an increase of \$221.3mln in closing net debt, accumulated deficit and pension liability, and a decrease of \$3.4mln in pension expense. Opening net debt and accumulated deficit as at April 1, 2014, also increased by \$224.7mln. We consider this modest as it only represents an increase of 1.7% to restated beginning of year net debt for 2016 (1.8% for 2015).

We consider this to be a positive development in New Brunswick's accounting practices as the province is no longer derecognizing its pension obligations. The Auditor general feels the same way, thus, restoring the unqualified opinion for the province.

For more information on Canadian government sector accounting practices, please refer to our Macro Strategy research note "Accounting for Government Transfers, August 8, 2016" by clicking [here\[cibcmacro.com\]](http://www.cibcmacro.com)

Maria Berlettano, CFA

416 594-8041

maria.berlettano@cibc.com

www.cibcmacro.com/cibcmacro.com/

Tom Bognar, CFA

416 956-6032

tom.bognar@cibc.com

www.cibcmacro.com/cibcmacro.com/

If you no longer wish to receive these emails, please email us at unsubscribe-macro-strategy@cibc.com and request to be removed from this distribution list. Note that you will be permanently removed from the distribution list within 10 days of your request.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Global Markets group at CIBC Capital Markets.

CIBC World Markets Inc. is a legal entity name. CIBC Capital Markets is a trademark brand name under which different legal entities provide different services under this umbrella brand. Products and/or services offered through CIBC Capital Markets include products and/or services offered by the Canadian Imperial Bank of Commerce, the parent bank of CIBC World Markets Inc. and various other subsidiaries of the Canadian Imperial Bank of Commerce. Services offered by the Canadian Imperial Bank of Commerce include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and commodities, equity options and OTC derivatives. Canadian exchange-traded equity options are executed through CIBC World Markets Inc. Equity and fixed income securities are executed through CIBC World Markets Inc. and other directly or indirectly held subsidiaries of CIBC.

The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. research department nor should it be construed as a research report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc. branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Japan: This communication is distributed in Japan by CIBC World Markets (Japan) Inc., a registered Type1 Financial Product Provider with the registration number Director General of Kanto Finance Bureau #218.

Distribution in Australia: Communications concerning derivatives and foreign exchange contracts are distributed in Australia to "professional investors" within the meaning of the Corporations Act 2001 by CIBC World Markets Inc. Communications concerning securities are distributed in Australia by CIBC

Australia Ltd (License no. 240603; ACN 000 067 256) to CIBC Capital Markets clients.

CIBC World Markets Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. CIBC World Markets Corp. is a member of the Financial Industry Regulatory Authority. CIBC World Markets plc is regulated by the Prudential Regulation Authority and Financial Conduct Authority. CIBC World Markets Securities Ireland Limited is regulated by the Central Bank of Ireland. CIBC Australia Ltd is regulated by the Australia Securities and Investment Commission. CIBC World Markets (Japan) Inc. is a member of the Japanese Securities Dealer Association. Canadian Imperial Bank of Commerce, Hong Kong Branch, is a registered institution under the Securities and Futures Ordinance, Cap 571. Canadian Imperial Bank of Commerce, Singapore Branch, is an offshore bank licensed and regulated by the Monetary Authority of Singapore.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited and may result in prosecution.

New Brunswick adopts new pension accounting approach (October 3, 2016)

For Fiscal 2015-16, New Brunswick received an unqualified opinion from the auditor general. This is a reversal from the previous year when the province was flagged for their 'defined contribution accounting' approach. New Brunswick transitioned its four largest defined benefit pension plans to a shared risk model (i.e. target benefit plans) in order to improve the plans' long-term "sustainability, affordability and security while ensuring inter-generational fairness." The plans represented about 95% of its pension liabilities. New Brunswick's Auditor General concluded, however, that the "financial statements do not reflect the risk inherent in the design of a Shared Risk Pension Plan." In the end, the Auditor General concluded that there was not enough analysis done to justify a change in accounting treatment from defined benefit to defined contribution, whereby the province could de-recognize its obligations in the financial statements. It is the first time in 17 years that New Brunswick has received a qualified opinion.

Effective April 1, 2015, the Province retroactively changed its accounting policy for its Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment. As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2mln (\$-113.7mln 2015). This change in the accounting policy has caused the Province's 2015 consolidated financial statements to be restated by an increase of \$221.3mln in closing net debt, accumulated deficit and pension liability, and a decrease of \$3.4mln in pension expense. Opening net debt and accumulated deficit as at April 1, 2014, also increased by \$224.7mln. We consider this modest as it only represents an increase of 1.7% to restated beginning of year net debt for 2016 (1.8% for 2015).

We consider this to be a positive development in New Brunswick's accounting practices as the province is no longer derecognizing its pension obligations. The Auditor general feels the same way, thus, restoring the unqualified opinion for the province.

For more information on Canadian government sector accounting practices, please refer to our Macro Strategy research note "Accounting for Government Transfers, August 8, 2016" by clicking [here](#)

Maria Berlettano, CFA
416 594-8041
maria.berlettano@cibc.com
www.cibcmacro.com

Tom Bognar, CFA
416 956-6032
tom.bognar@cibc.com
www.cibcmacro.com

If you no longer wish to receive these emails, please email us at unsubscribe-macro-strategy@cibc.com and request to be removed from this distribution list. Note that you will be permanently removed from the distribution list within 10 days of your request.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Global Markets group at CIBC Capital Markets.

CIBC World Markets Inc. is a legal entity name. CIBC Capital Markets is a trademark brand name under which different legal entities provide different services under this umbrella brand. Products and/or services offered through CIBC Capital Markets include products and/or services offered by the Canadian Imperial Bank of Commerce, the parent bank of CIBC World Markets Inc. and various other subsidiaries of the Canadian Imperial Bank of Commerce. Services offered by the Canadian Imperial Bank of Commerce include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and commodities, equity options and OTC derivatives. Canadian exchange-traded equity options are executed through CIBC World Markets Inc. Equity and fixed income securities are executed through CIBC World Markets Inc. and other directly or indirectly held subsidiaries of CIBC.

The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. research department nor should it be construed as a research report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc. branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Japan: This communication is distributed in Japan by CIBC World Markets (Japan) Inc., a registered Type1 Financial Product Provider with the registration number Director General of Kanto Finance Bureau #218.

Distribution in Australia: Communications concerning derivatives and foreign exchange contracts are distributed in Australia to "professional investors" within the meaning of the Corporations Act 2001 by CIBC World Markets Inc. Communications concerning securities are distributed in Australia by CIBC Australia Ltd (License no. 240603; ACN 000 067 256) to CIBC Capital Markets clients.

CIBC World Markets Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. CIBC World Markets Corp. is a member of the Financial Industry Regulatory Authority. CIBC World Markets plc is regulated by the Prudential Regulation Authority and Financial Conduct Authority. CIBC World Markets Securities Ireland Limited is regulated by the Central Bank of Ireland. CIBC Australia Ltd is regulated by the Australia Securities and Investment Commission. CIBC World Markets (Japan) Inc. is a member of the Japanese Securities Dealer Association. Canadian Imperial Bank of Commerce, Hong Kong Branch, is a registered institution under the Securities and Futures Ordinance, Cap 571. Canadian Imperial Bank of Commerce, Singapore Branch, is an offshore bank licensed and regulated by the Monetary Authority of Singapore.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited and may result in prosecution.

From: [Ken Kandeepan](#)
To: [John Psinas](#); [George Sakura](#)
Subject: Fwd: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 7:46:36 AM
Attachments: [Pension Ajustment Charts_Oct 3_V2.pptx](#)
[ATT00001.htm](#)

Hi George

Since you get in first can you pls take a look at the numbers.

Thanks

Ken

Begin forwarded message:

From: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Date: October 3, 2016 at 7:21:06 AM EDT
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Fw: Pension Adjustment Charts_Oct 3_V2.pptx

I'm not sure what it is that is being shown here. The amounts don't seem to have any relationship to the numbers contained in the Budget, unless I'm missing something fundamental.

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

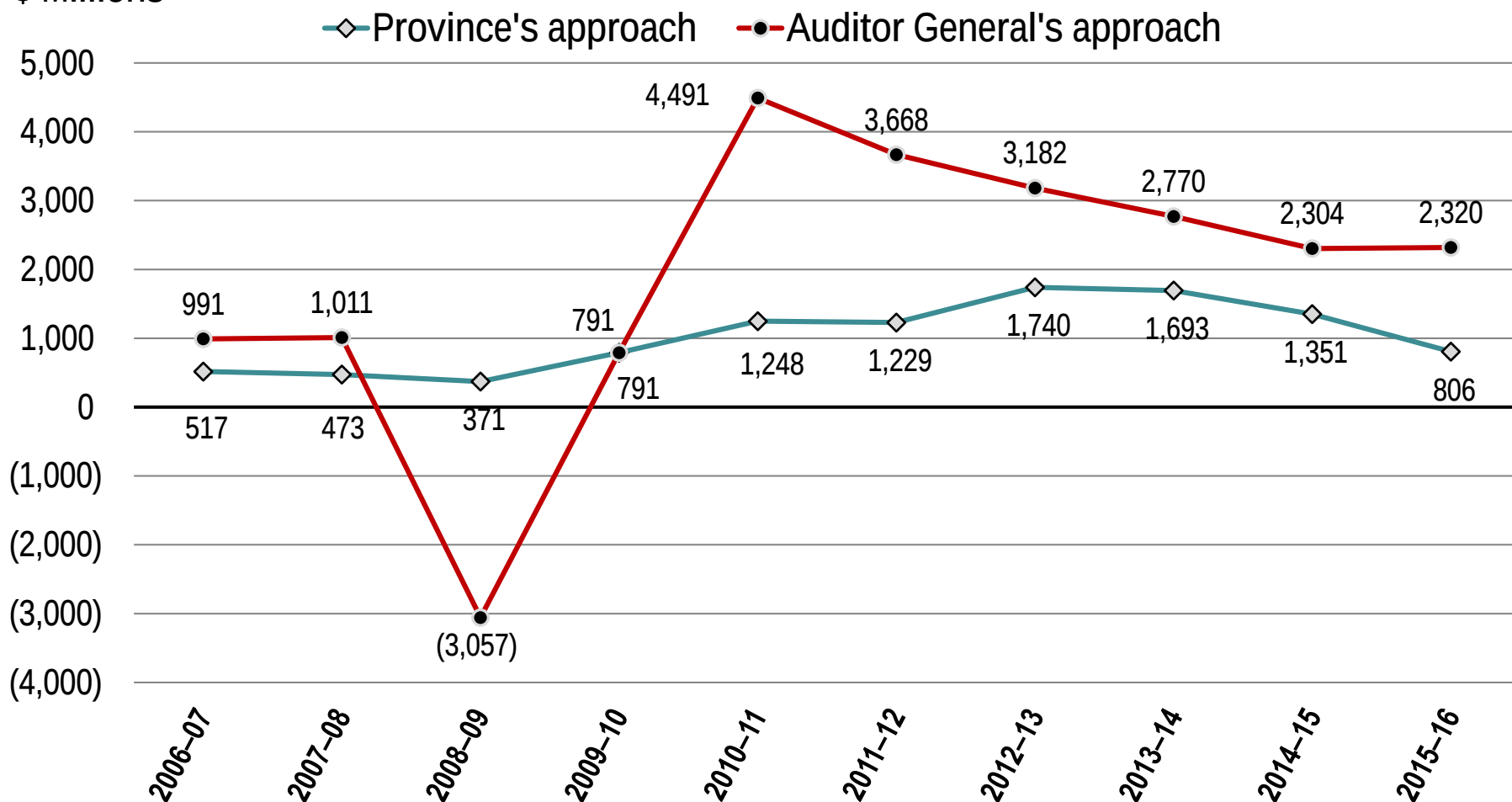
Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach. Nadine

Pension expense comparison — 10-year

Chart 1

\$ Millions

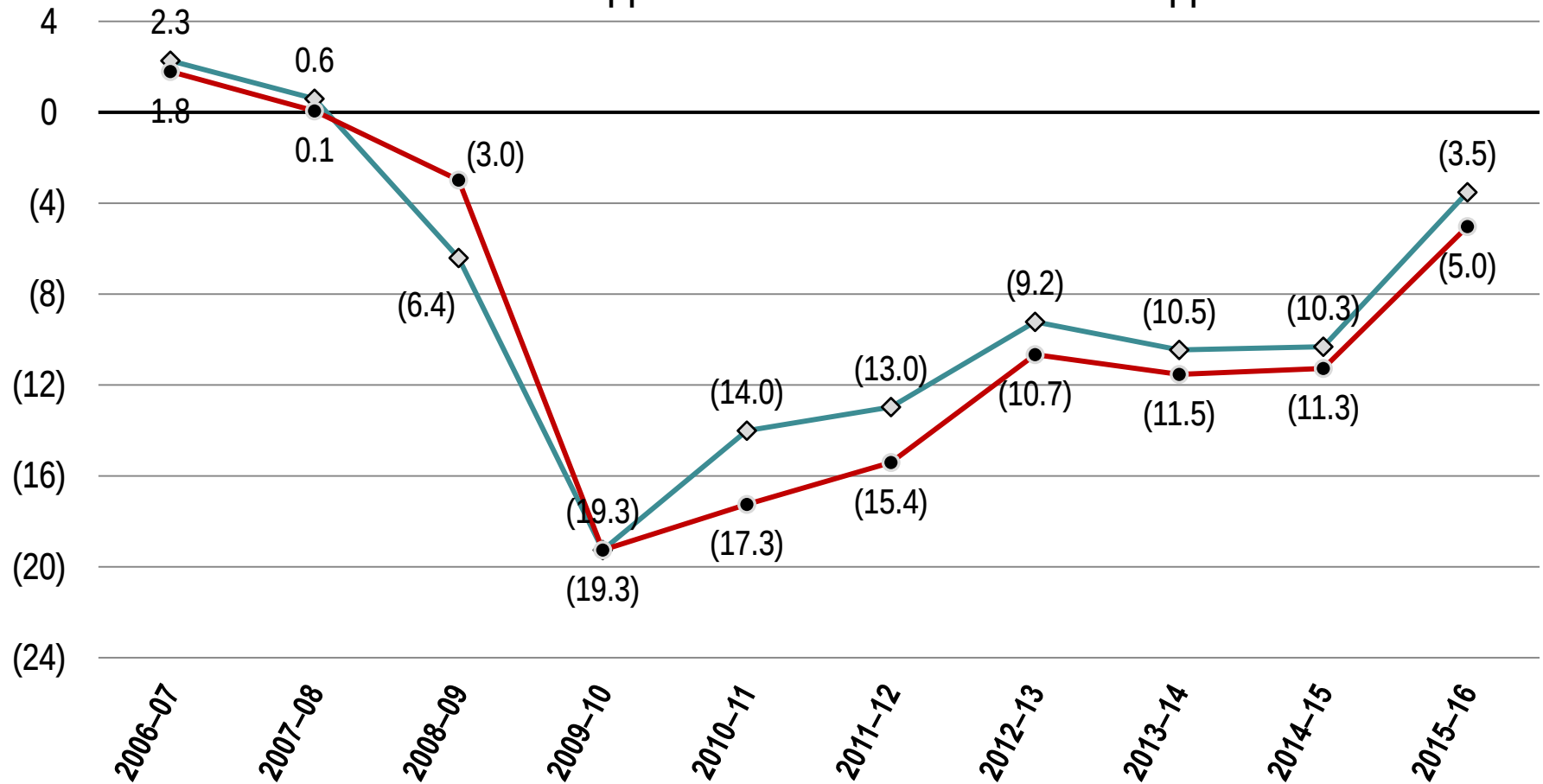


Surplus/(deficit) comparison — 10-year

Chart 2

\$ Billions

◆ Province's approach ● Auditor General's approach

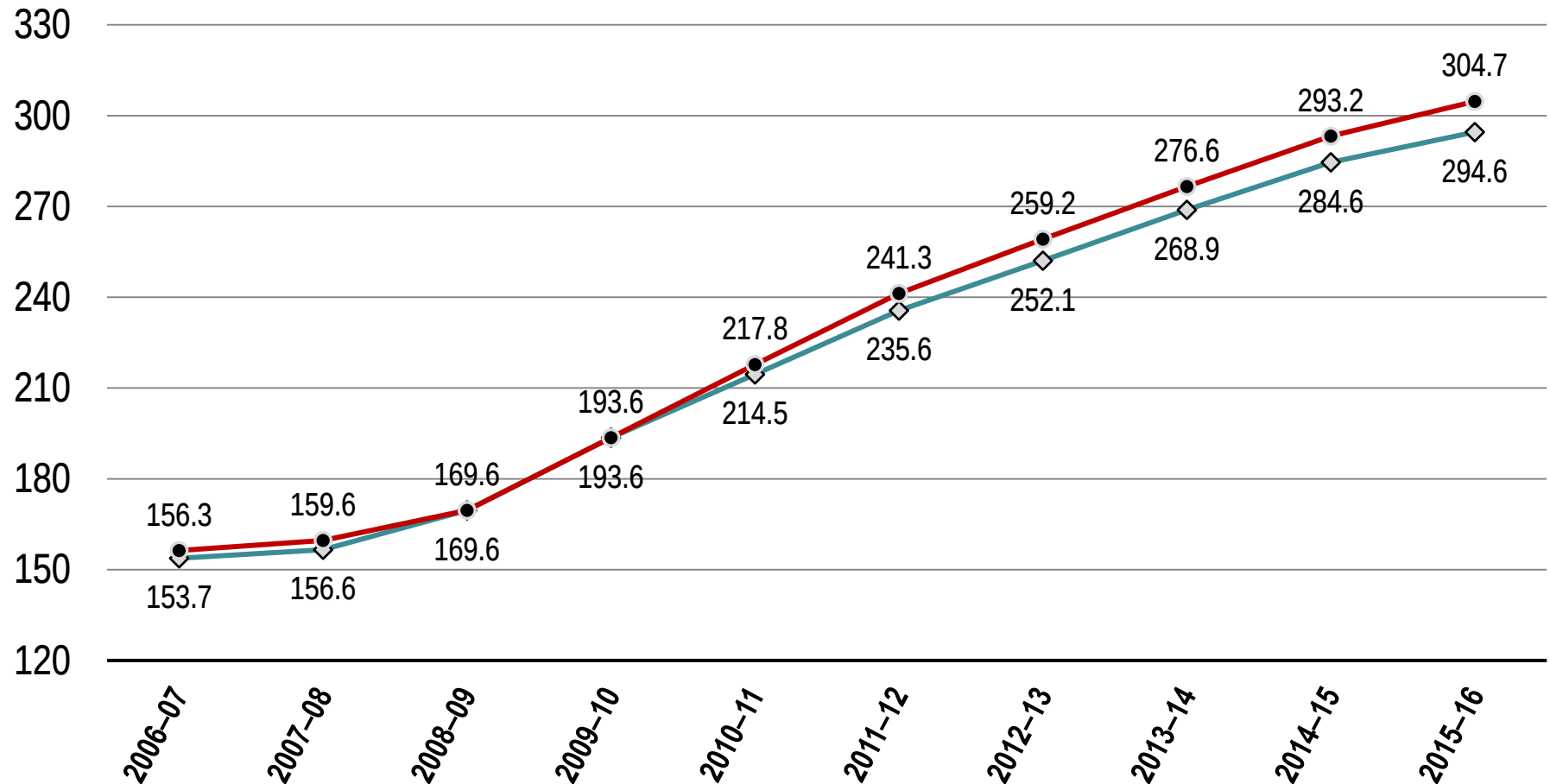


Net debt comparison — 10-year

Chart 3

\$ Billions

◆ Province's approach ● Auditor General's approach

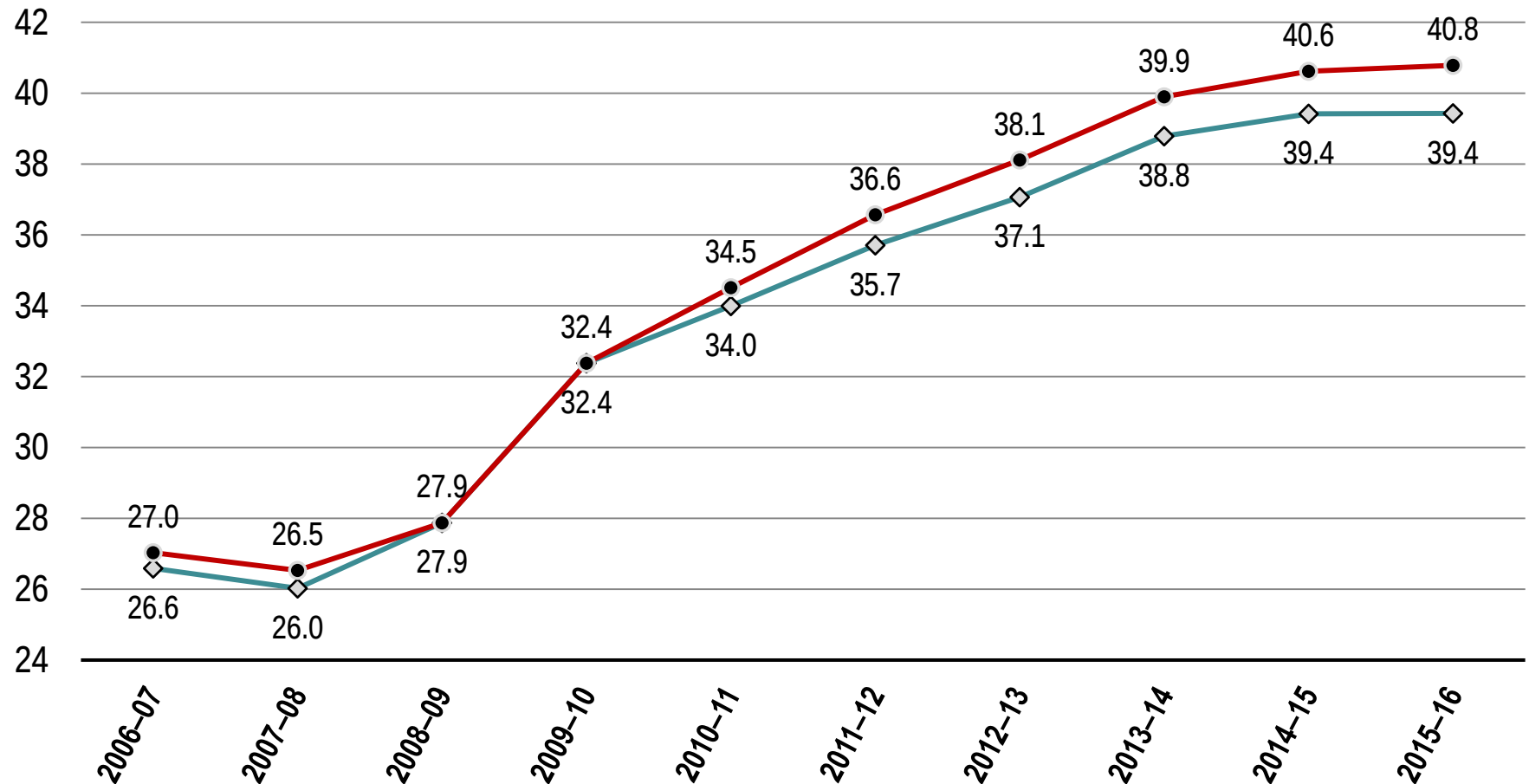


Net debt-to-GDP comparison — 10-year

Chart 4

Per cent

—◇— Province's approach —●— Auditor General's approach



From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 8:40:31 AM

Begin forwarded message:

From: "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>
Date: October 3, 2016 at 8:39:34 AM EDT
To: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>
Cc: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>
Subject: RE: Pension Adjustment Charts_Oct 3_V2.pptx

Yes. I asked staff to redo #2 so it more clearly reflects the impact. N

From: MacIntyre, Kyle (TBS)
Sent: October 3, 2016 8:25 AM
To: Petsche, Nadine (TBS)
Cc: Orencsak, Greg (TBS); Veinot, Cindy (TBS); Mayman, Gadi (OFA); Thompson, Scott (MOF)
Subject: RE: Pension Adjustment Charts_Oct 3_V2.pptx

Thanks, Nadine. Have these changed from an earlier version you shared?

From: Petsche, Nadine (TBS)
Sent: October-03-16 7:06 AM
To: MacIntyre, Kyle (TBS)
Cc: Orencsak, Greg (TBS); Veinot, Cindy (TBS); Mayman, Gadi (OFA); Thompson, Scott (MOF)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach. Nadine

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: Release of 2015-16 Annual Report and Consolidated Financial Statements - Revised Communications Materials
Date: Monday, October 03, 2016 12:24:17 AM
Attachments: [PA2015 - Media Products - No Opinion w Reg \(Oct 3 12 10 am\).docx](#)
[ATT00001.htm](#)

Begin forwarded message:

From: "DiMuzio, Sofie (TBS)" <Sofie.DiMuzio@ontario.ca>
Date: October 3, 2016 at 12:17:03 AM EDT
To: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Jancik, Mike (TBS)" <Mike.Jancik@ontario.ca>, "Ghiassi, Ali (MOF)" <Ali.Ghiassi@ontario.ca>, "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>, "Betzner, Lynn (CAB)" <Lynn.Betzner@ontario.ca>, "Tedesco, Lauren (TBS)" <Lauren.Tedesco@ontario.ca>, "Ingram, Kelsey (MOF)" <Kelsey.Ingram@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>, "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>, "Bardeesy, Karim (OPO)" <Karim.Bardeesy@ontario.ca>, "Maddock, Michael (CAB)" <Michael.Maddock@ontario.ca>, "MacKenzie, Rebecca (OPO)" <Rebecca.MacKenzie@ontario.ca>, "McEachern, Gillian (OPO)" <Gillian.McEachern@ontario.ca>, "Killorn, Bill (OPO)" <Bill.Killorn@ontario.ca>, "Mksyartinian, Jacob (OPO)" <Jacob.Mksyartinian@ontario.ca>, "Ostergard, Matt (TBS)" <Matt.Ostergard@ontario.ca>, "Pichelli, Jason (TBS)" <Jason.Pichelli@ontario.ca>, "Farrow, Alicia (CAB)" <Alicia.Farrow@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Bossin, Bryan (OPO)" <Bryan.Bossin@ontario.ca>
Subject: Release of 2015-16 Annual Report and Consolidated Financial Statements - Revised Communications Materials

Please find attached the revised communications materials incorporating all the latest edits. Qs and As still require a few missing pieces of information and will be updated first thing in the morning.

Thank you

Sofie Di Muzio
Director (A), Communications Branch
Treasury Board Secretariat

Treasury Board Secretariat

2015-16 Annual Report and Consolidated Financial Statements Regulatory Amendment, No Opinion

Communications products

Monday, October 03, 2016

Table of Contents

Current holding messaging for Minister Sandals	4
Post technical-briefing speaking points.....	5
Minister Sandals' Statement – Release of 2015-16 Financial Statements	5
Minister Sousa's Statement – Ontario's Fiscal Outlook.....	6
Key messages – post release.....	8
News Release	9
Newsroom Backgrounder	12
The Release of Ontario's 2015-16 Financial Statements	12
Improving Outcomes for Ontarians	14
Top Media Qs&As	18
Releasing Unaudited Financial Statements	18
General Media Qs&As	33
Hydro One	39
Bargaining and Compensation	40
Ontario's Financial Position	42
Contingency Fund / Reserve	47
Program, Review, Renewal and Transformation	48
Government Assets.....	49
Trillium Trust	50
Moving Ontario Forward	51
Transparency.....	53
Pan Am Games	54
Underground Economy	54

Ontario.ca landing page	56
Ontario's unaudited 2015-16 Annual Report	56
Overview	56
Financial statement, discussion and analysis	56
Unaudited Consolidated financial statements	56
Volume 1: ministry statements and schedules (unaudited)	57
Volume 2: financial statements of government organizations and business enterprises.....	57
Volume 3: detailed schedules of payments (unaudited)	57
2015-16 Annual Report: financial statement, discussion and analysis	58
2015-16 Annual Report: unaudited consolidated financial statements.....	59
2015-16 Annual Report: Volume 2	60
Volume 2 PDFs	60
Government Organizations Summary	60
Government Business Enterprises Summary.....	60
Trusts Summary	60
2015-16 Annual Report: Volume 3	61
Detailed Schedules of Payments.....	61

Current holding messaging for Minister Sandals

- As you know, Treasury Board and Ministry of Finance staff prepare the Public Accounts which are subject to independent audit by the Auditor General.
- As I announced to the House last week, there are still some ongoing discussions happening around a complex accounting issue.
- Earlier today I met with the Auditor General and senior ministry officials to discuss the importance of resolving this issue and releasing the 2015-16 Public Accounts.
- Ministry officials will continue to work with the Auditor General and her staff to resolve the outstanding issue over the next several months.
- What I can tell you now is that Ontario is on track to beat its deficit targets and we are committed to balancing the budget in 2017-18.
- Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance in 2017-18 is working, while we continue to invest in the programs and services that matter to Ontarians.
- Keeping the public informed through transparent financial reporting remains a priority.
- In that spirit, as part of the 2015-16 Annual Report which includes the unaudited Consolidated Financial Statements we have built new data visualization tools to help the public understand Ontario's finances. These tools will be available when our financials are released.

Post technical-briefing speaking points

Minister Sandals' Statement – Release of 2015-16 Financial Statements

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion.

This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection. As I assured in the House last week, this marks the seventh year in a row that Ontario has beaten its deficit target. We are committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the 2015-16 Annual Report and unaudited Consolidated Financial Statements, Treasury Board staff work with their colleagues in ministries across government to assemble financial information for the Annual Report and unaudited Consolidated Financial Statements. The Auditor General, who issues an opinion on the government's adherence to independently established accounting standards, then reviews this.

Earlier today, Minister Sousa and I met with the Auditor General to discuss finalization of the 2015-16 Public Accounts. We did so because this year, the Auditor General the Province' with a new interpretation of public sector accounting standards as related to the accounting treatment of jointly-sponsored pension plans and are subject to a range of interpretations.

Despite our best efforts to try to resolve concerns raised by the Auditor General, the Province's professional accounting staff and the Auditor General continue to have differences of opinion.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

To be clear, Ontario had followed the same pension accounting treatment for the past 14 years. The current Auditor General has accepted this treatment for the last two

years, resulting in unqualified – or clean audit opinions. Three previous Auditors General have also accepted it. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances as soon as possible.

The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Although these financial statements are unaudited, it is important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remain balanced in 2018-19.

It is also important to stress that the two pension plans in question – the Ontario Public Service Employees Union Pension Plan and the Ontario Teachers' Pension Plan – are both healthy and well funded.

Based on our respective positions at this time, we believe that this accounting matter would benefit from additional discussions, information and consideration.

Our officials and professional accounting staff will continue to work with the Auditor General's office to resolve this complex accounting issue related to pension assets so that we can table the audited Public Accounts with the Lieutenant Governor in Council as soon as possible.

Minister Sousa's Statement – Ontario's Fiscal Outlook

(TBC input by MOF comms)

The government is dedicated to a fiscally sound approach to managing the Province's finances.

As outlined in the 2016 Budget, the government is committed to eliminating the deficit by 2017-18 and remaining balanced in 2018-19.

The 2016–17 First Quarter Finances also confirmed that the government is projecting a deficit of \$4.3 billion in 2016–17, unchanged from the 2016 Budget forecast.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries.

The government's path to a balanced budget is being achieved through responsible fiscal management, which involves:

- Managing growth in program spending, and
- Maintaining the integrity of Provincial revenues.

At the same time, the government continues to make investments in the economy, its people, and a healthy, clean and prosperous low-carbon future.

Key messages – post release

- The government has released its 2015-16 Annual Report and Consolidated Financial Statements to ensure transparency with respect to the province's financial position.
- To align with the Auditor General, statutory authority has been used to regulate the accounting treatment for the 2015-16 financial statements.
- The regulation resolves the outstanding accounting issue for this year in a manner that is consistent with the fiscal outcome proposed by the Auditor General.
- This marks the seventh year in a row that Ontario has beaten its deficit target.
- Ontario remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

If pressed about why a regulation was needed:

- Based on their professional judgement, public servants could not agree with the Auditor General's interpretation of Public Sector Accounting Standards as it relates to jointly-sponsored pension plans. The regulation was needed to allow civil service accountants to sign off on the Public Accounts without compromising their professional credentials.
- The Province has applied consistent accounting treatment for these plans for the past 14 years, and has consistently received unqualified, or clean audit opinions from the Auditor General, without exception.
- To remain clear and transparent, we have reflected the Auditor General's view of the issue for this year. In order to do so, the government regulated the treatment of the pension assets for 2015-16.
- This is an accounting issue. However we remain optimistic that by studying the issue further and gathering third party professional opinions, we will be able to reach an agreement on the treatment with the Auditor General in the coming months.

News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected *Province Remains Committed to Balance the Budget by 2017-18*

News

Ontario's Annual Report and Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the Annual Report and Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of Province's financial statements.

A regulation is required to allow civil service accountants to sign off on the financial statements without compromising their professional credentials. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements.

The statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, Ontario's economy has grown by

6.1 per cent. Last year, growth was double the national average. In the first quarter of this year, Ontario's growth was faster than that of the United States and the G7.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this national discussion. The Province will also consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUOTE

"The Annual Report and Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance by 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

- Liz Sandals, President of the Treasury Board

"The government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

- Charles Sousa, Minister of Finance

QUICK FACTS

- The 2015-16 Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- The Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

LEARN MORE

- Read the Province's [2015-16 Financial Statements](#) [update hyperlink]
- Explore supplementary information available through new data visualization tools [insert hyperlink]
- Explore the more than 400 open data sets in the [Open Data Catalogue](#)
- Learn about the government's [fiscal cycle](#)
- [Learn about how the government is investing in vital programs and services](#) [insert link to backgrounder]

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Newsroom Backgrounder

Ontario's 2015-16 Financial Statements

The 2015-16 Annual Report and Consolidated Financial Statements show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, and \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

Accounting Standards

Treasury Board Secretariat prepares the financial statements of Ontario in accordance with the legislation and accounting principles and standards for governments recommended by the Public Sector Accounting Board.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting.

The Release of Ontario's 2015-16 Financial Statements

The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB). PSAB independently establishes accounting standards for the public sector in Canada.

PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.

The objective of PSAB standards is to meet the needs of the users of financial statements by providing the information needed for accountability and decision making.

In preparing the Annual Report and Consolidated Financial Statements for 2015-16, professional public servants and the Auditor General engaged in discussions regarding the accounting treatment of pension assets, a topic subject to a range of interpretations.

The Ontario Public Service Employees Union Pension Plan (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) are jointly-sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of OPSEUPP and OTPP are held in trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.

During the 2015-16 Public Accounts audit, the Auditor General raised some concerns with regards to Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of interpretation.

Given the differences in interpretation of the application of PSAB standards for the OTPP and OPSEUPP pension assets, the provincial Cabinet approved a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. This is consistent with the fiscal outcome proposed by the Auditor General in the last ten days.

The effect of the legislation is to reflect the fiscal impact of the AG's position pending further review and analysis on this accounting matter. The change in accounting treatment is not a reflection on the funding status of the plans, or the quality of financial reporting by the Province. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Prior to this change, Ontario had followed the same pension accounting treatment for all of the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

The Auditor General has not provided an audit opinion on the province's financial statements for 2015-16. However the government is releasing these unaudited financial statements to ensure openness and transparency with respect to province's financial position, and because it has passed the deadline to table the Public Accounts with the Lieutenant Governor in Council. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that it can table the Public Accounts with the Lieutenant Governor in Council.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this

national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policies practices, has acknowledged the consistent basis used by Ontario for its Budget, Estimates and Public Accounts as a best practice to supporting transparency and accountability.

Openness and Transparency

As part of its commitment to Open Government, digital technology was used for the first time to visualize the province's financial information in an interactive and easy to understand way. This year, Ontario is further increasing the openness and transparency of the Annual Report and Consolidated Financial Statements by:

- Creating new data visualizations, including interactive bar charts and interactive data tables.
- Releasing data sets through Ontario's [Open Data Catalogue](#), including data on government organizations, government business enterprises and Trusts.

Improving Outcomes for Ontarians

As the Province's 2015-16 Financial Statements show, the government remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

Health Care

Building on [Ontario's Patient's First: Action Plan](#), the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: \$250 million in 2015-16, for a total of \$750 million over three years.
- Increasing the hourly wages of publicly funded personal support workers caring for patients at home and in the community by \$1.50 per hour in 2015-16 to at least \$15.50 per hour, in the second of three annual increases totalling up to at least \$16.50 per hour by April 1, 2016.

- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education.

Over the past 12 years, government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early-years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten.

In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a \$1 per hour wage increase for eligible child care workers bringing the total wage increase up to \$2 per hour, plus benefits.
- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province's history.
- Doubling the funding for school renewal projects to \$500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about \$160 billion over 12 years, starting in 2014-15. Planned investments are supporting over 110,000 jobs, on average, every year across the province.

In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the \$1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country's busiest land border crossing.
- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.
- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.
- Completing the new Humber River Hospital, which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations.

But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care, education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients' access to drugs by making the program more efficient and effective. The changes saved approximately \$100 million in 2015-16 and will enable over \$200 million in savings annually when fully implemented.
- Changing the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately \$40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.
- Reducing the government's office footprint by over 820,000 rentable square feet, which generated approximately \$24 million in savings in 2015-16.

CONFIDENTIAL ADVICE TO CABINET

- Achieving approximately \$56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.
- Achieving \$7 million in savings from contracts related to government cell phone plans and toll free lines.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would mean free tuition. These changes will start in the 2017-18 academic year.

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Top Media Qs&As

Releasing Unaudited Financial Statements

1. It sounds to me like the government is yet again fighting with the Auditor General. What do you say to this?

This is not true from the government's perspective. And let me explain why: The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. And in this case for this set of final accounts, while one specific issue is being sorted through, we actually are agreeing with the Auditor General's numbers.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional staff and the Auditor General continue to have differences of interpretation

Given these differences of opinion, the Province filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

We believe that this accounting matter would benefit from additional discussions, information and consideration.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. Why are you releasing your financial statements without the Auditor approving them?

Earlier today I met with the Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new

interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

Ontario has followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

3. If PSAB is studying this issue, are other Canadian jurisdictions dealing with this as well?

No other province has similar governance frameworks for their jointly-sponsored pension plans that are in a surplus position.

Nadine to provide response re BC / New Brunswick

4. What is the professional judgment that exists out there to interpreting jointly-sponsored pensions?

Nadine to provide response

5. Are you saying the Auditor General is misinterpreting PSAB standards?

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of interpretation.

Nadine to provide response

6. If the Auditor General had agreed with you, what would the differences have been in the deficit or net debt?

If the Auditor General had agreed with us, the province's deficit for 2015-16 would have been \$3.5 billion.

7. The province has been treating pensions the same way since 2001. When did the Auditor tell you about this new accounting treatment?

Well into this year's audit, the AG came to a view which she communicated to the Province on September 13.

8. What does this mean for the Fall Economic Statement?

We're in the middle of completing the fiscal plan. We need to account for all financial consideration before we can finalize it. These results will be included as part of that process. **(TBC MOF)**

9. Is this Public Accounts or not?

No. However, the treatment applied is consistent with the fiscal outcome proposed by the Auditor General.

10. Were you aware of this before the Speech from the Throne? Had you known about this, would that have changed the government's commitments announced in the speech?

Response TBC

11. Why are you doing this today, four days after you announced the delay?

We wanted to allow the Auditor General time to provide an audit opinion on the Province's financial statements. Given we have not received an opinion, we felt it was in the public interest to release our financial statements in order to be open and transparent.

12. On what exactly do you disagree with the Auditor?

This year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General in the last 10 days.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

13. If you think you're right, why would you change the numbers?

We are releasing now to ensure transparency about the province's financial position. Our results are consistent with the fiscal outcome proposed by the Auditor General. We also want to be transparent that there is still a disagreement about the treatment of pension assets.

We believe it's in the public that there be no disagreement in order to finalize the numbers. We will continue to work with the Auditor General to resolve this matter.

14. Was there something wrong with the accounting rules that the government was using before?

No.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

15. Why hasn't the Auditor General raised this with you in the past two years?

I cannot speak for the Auditor General. Please refer your questions to the Auditor General's Office.

16. What is the government trying to hide by releasing unaudited books?

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. Our Financial Statements reflect the fiscal outcome proposed by the Auditor General.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The government is now including five-year trends in its Public Accounts. The increased disclosure and discussion on five-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs.

In addition to the disclosure in the Annual Report, the government is also making available supplementary information through online data visualizations.

17. Are you fudging the books to try and show your finances are better than they really are – is that why the AG won't sign off?

No.

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. In fact, we have implemented legislation that allows our officials to sign off in a way that is consistent with the fiscal outcome proposed by the Auditor General.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditor Generals. There has been no change to the relevant accounting standards over the past 14 years.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

18. Is this even legal – are you in contempt of the house by releasing your financial statements before you table them in the Legislature?

We are not releasing Public Accounts, we are releasing our financial statements to ensure openness and transparency with respect to province's financial position.

The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that we can table the Public Accounts with the Lieutenant Governor in Council as soon as possible

TBC Legal

19. Has this ever happened before in Ontario? Anywhere else in Canada?

This has never happened before in Ontario.

TBC Nadine re other experience in Canadian jurisdictions

20. How are we supposed to trust your numbers if the Auditor General hasn't approved them?

We are presenting the numbers that the Auditor General requested.

In the course of developing its 2015-16 financial statements, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province filed a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

This is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review it. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

21. So what happens next? When will you table the actual Public Accounts?

The government will continue to work with the Auditor General to expedite the tabling of the 2015-16 Public Accounts.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

22. Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?

Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Public Service Pension Plan is nearly fully funded at 98%.

Both plans exceeded their target long-term rates of return in 2015. The Public Service Pension Plan achieved a 6.14% return and the OPSEU Pension Plan achieved an 8.0% return.

23. You hired outside experts to give you a third-party accounting opinion, but you paid to get this advice. Didn't they just tell you what you wanted to hear?

TBC OPCD

24. The Auditor General has implied your Provincial Controller is in a position of conflict because she used to work for Deloitte. How do you respond?

All employees that are hired into the Ontario Public Service swear two oaths, an Oath of Allegiance and an Oath of Office. These oaths affirm that public servants will faithfully discharge their duties, and comply with all laws and confidentiality obligations.

25. The Auditor General says she raised this issue with you months ago. Why haven't you fixed this problem by now?

We have been working with the Office of the Auditor General to try to come to an agreement on this issue since it was first raised.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to

ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension asset in question.

26. If you say you're open and transparent, why didn't you invite the Auditor General to your media technical briefing?

The technical briefing was for the purposes of updating media and members of the Opposition and the third party. However it was held in a public space in a government building, and anyone was free to attend.

27. Is the government still committed to balancing the budget by 2017-18?

Yes. The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

28. The financial results show that the net debt and accumulated deficit has ballooned by \$10.7 billion? How did this happen and what are you doing to address it?

This year, the Auditor General presented the province with a new fiscal interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to adopt the Auditor General's fiscal interpretation. The government made a regulatory amendment to allow us to amend our accounting policies for the 2015-16 Public Accounts in order to comply with the Auditor's fiscal interpretation. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Despite this change, and as our results show, the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Total debt remains unchanged by the pension adjustment.

The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.

29. How can the accumulated deficit and net debt increase by \$10.7 billion without causing an increase in total debt?

Total debt is cash based – it is how much money we've borrowed and is owed to our creditors.

Net debt takes into account the difference between our financial assets and liabilities, whether they are cash or not.

The province has changed the valuation of the net pension liability by reducing the pension assets by \$10.7 billion, but because there is no cash involved in that valuation, the total debt does not change.

30. Should taxpayers be concerned about the rise in net debt and accumulated deficit?

No.

The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult

individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

31. How does the Province plan to reduce its net debt-to-GDP ratio to its pre-recession level of 27 per cent?

The first step in returning to the targeted 27 per cent net debt-to-GDP ratio is to balance the budget. Once the budget is balanced, debt will continue to rise by the difference between the annual cash investment in capital and the amortization of these investments. These investments will contribute to the debt rising at a slower rate than the increase in the Province's GDP, over time lowering the net debt-to-GDP ratio to the government's 27 per cent target.

32. What is the difference between "Public Accounts" and "Financial Statements"?

Answer below needs fact check by OPCD

Our financial statements include the Province's annual report and consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The full Public Accounts would also include these components, as well as a report by the Auditor General containing an audit opinion.

The full Public Accounts will be tabled with the house once the Auditor General's audit opinion is available.

33. You say you're releasing your financial results in the public interest. Aren't you creating confusion by having two sets of books – yours and the AG's?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

34. How different will the AG's numbers be?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

35. Why didn't you just release Public Accounts last week to meet your legislated timelines?

As stated in the house there will be delay in tabling the Public Accounts because of ongoing discussions with the Auditor General to work through an accounting issue related to pension assets.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

36. Clearly the government is in a spat with the AG – releasing unaudited financial statements seems like a slap in the face. What does this say about your relationship with the AG?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

Our officials continue to work with the AG's office to resolve this accounting issue related to pension assets. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

37. The Auditor General claims you have been using creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current

Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It has also been accepted by three previous Auditors General.

There has been no change to the relevant accounting standards over the past 14 years.

38. So at the end of the day if your numbers are the same as the Auditor General's what's the issue?

TBC Nadine

39. What's the difference between "audited" and "unaudited" financial results?

In practice, there should be no difference between audited and unaudited results.

An independent audit of an organization's financial results provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

40. What's the difference between a "qualified" and "unqualified" audit opinion?

Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.

41. Why didn't the Auditor General issue an audit opinion? Is this even legal?

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

TBC Legal on question of whether it is legal for AG not to issue an opinion

42. What is a jointly-sponsored pension plan?

The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

43. How does the Auditor General want you to account for jointly-sponsored pension plans?

During the 2015-16 Public Accounts audit, the Auditor General expressed a different interpretation of the existing PSAB standards which would impact the accounting for pension assets of jointly-sponsored pension plans.

The Auditor General's view is that the government does not have legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the Auditor General believes that the pension asset should be removed from the Province's balance sheet.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this complex accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

General Media Qs&As

44. Is the government artificially balancing the budget through the one-time sale of assets like Hydro One?

The government's plan to eliminate the deficit does not depend on revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The government is committed to dedicating the net revenue gains from asset optimization activities, including the broadening of ownership of Hydro One and real estate sales to the Trillium Trust which will be used to invest in transit, transportation and other priority infrastructure projects under Moving Ontario Forward.

45. According to your numbers the deficit was down \$3.5 billion from the \$8.5 billion projected in last year's budget. Where did this money come from?

The improvement over plan was largely due to revenues that were \$4.0 billion above the forecast of \$124.4 billion.

This reflects higher than expected tax revenue and net revenues from the first phase of broadening Hydro One ownership, and stronger overall performance from government business enterprises. Maximizing the value of these assets is part of the government's economic plan for Ontario.

46. Does the fact that your deficit is \$3.5 billion lower than projected mean you have more money to bring to the table in labour negotiations (e.g. doctors)?

It is important to point out that through the Public Accounts process, we are reporting on past performance, whereas labour negotiations impact future fiscal pressures.

Our government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19. We know we have difficult choices ahead, but people can be assured that their government will take a fair and balanced approach, one that protects and improves the services that matter to Ontarians.

Managing compensation costs is critical to balancing the budget, as over half of government spending goes to salaries and benefits in the Ontario Public Service (OPS) and the broader public sector (BPS).

Compensation costs must be addressed within Ontario's existing fiscal framework and all public-sector partners must continue to work together to control current and future compensation costs.

While continuing to work to achieve fiscal balance by 2017–18, the government is achieving significant results in priority areas for Ontarians.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

47. Will you still be able to balance the budget if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

The government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

With the economy expected to continue to grow, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

48. Are you cutting back on vital services like health care to balance the budget?

No. Through Program Review, Renewal and Transformation (PRRT), we are helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered

efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care.

49. This is the seventh year in a row that you have reported a deficit lower than forecast. Are you purposefully overestimating your deficit projections?

The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will provide the foundation for the long-term well-being and prosperity of Ontarians, and protect the public services that Ontarians rely on.

The government's fiscal projections are based on the best economic and fiscal information available at the time. They reflect a realistic and responsible plan to manage the Province's resources, while still protecting the vital services that Ontarians rely on.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

50. You spent \$433 million more than you budgeted for programs. How is your government keeping spending in check?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education, and by retaining the lowest per capita program spending in Canada.

51. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget? How will the province pay for this \$1 billion rebate?

We have incorporated that expenditure into our fiscal plan starting in 2017. The government remains committed to balancing the budget by 2017-18 and remaining balanced in 2018-19 by continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Questions related to the Ontario Rebate for Electricity Consumers should be referred to my colleague, the Minister of Energy.

52. How is the money spent on the now defunct Ontario Retirement Pension Plan reflected in Public Accounts? How does the government justify this expense?

TBC OPCD + MOF

53. Was the delay in tabling Public Accounts because you can't afford the childcare commitment and the electricity rebate?

No. Public Accounts is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan and finalize the Public Accounts as soon as possible.

54. In 2003, your government brought in legislated timelines for Public Accounts, yet you're past the deadline and you still haven't tabled them. Why didn't you adhere to your own legislation?

We have been working with the Office of the Auditor General to try to come to an agreement on the treatment of pension assets.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

55. Disagreement with officers of the legislature seems to be a recurring theme – at least with the AG – what's your position on this? Does this government have a problem with officers of the legislature?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

56. Is the fact that you've changed your accounting standards an indication of financial mismanagement on the part of government?

No. The Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous

Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

For 2015-16 financial statements, the government legislated its accounting treatment for pension assets of its jointly-sponsored pension plans.

57. Are you concerned about how the credit rating agencies will view this issue?

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

58. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

The government remains committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. The deficit is also a \$0.7 billion improvement compared to the interim results for 2015-16 contained in the 2016 Budget, which formed the basis for three rating agencies to confirm the Province's credit rating, and the fourth to improve their assessment of the Province's credit outlook.

This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

The rating agencies and bondholders will understand that the change in the Province's accounting treatment for pension assets of jointly-sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements or total debt outstanding.

Hydro One

59. Why are you selling off Hydro One?

The government is broadening the ownership in Hydro One to improve the company's long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.

The net revenue gains from broadening the ownership of Hydro One shares will provide the government with approximately \$4 billion to be credited to the Trillium Trust to invest in key infrastructure and create thousands of jobs, as well as \$5 billion to reduce debt.

60. What is the Hydro One deferred tax benefit?

As a result of Hydro One exiting the Payment in Lieu (PILs) regime and the revaluation of its fixed assets upon entering the corporate tax regime, the company recognized a deferred tax benefit in fiscal 2015-16, which positively affected its net income.

At consolidation in Public Accounts of the Province's portion of Hydro One's net income, Hydro One's recognition of a deferred tax benefit increased the Province's revenues by \$2.4 billion. The gain associated with Deferred Tax Benefit from the IPO has been allocated to the Trillium Trust.

61. Why did you loan the electricity unions money to buy shares of Hydro One?

In connection with the IPO, the Province sold \$116 million worth of Hydro One shares to trusts of the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts. Of the shares sold to the Trusts, about \$108 million was purchased using loans provided by the Province. The gains from those share sales will be credited to the Trillium Trust over time as the loans are repaid.

The government is fully committed to dedicating net revenue gains from the sale of designated assets to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

The \$3.2 billion being credited to the Trust at this time does not include amounts associated with shares purchased by the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts using loans provided by the Province.

62. The government is being sued over the sale of Hydro One. Was the sale worth it to balance your budget now that you're being sued?

I understand Ontario has been served with a notice of claim. As this matter may be subject to litigation, it would be inappropriate to comment further.

63. The FAO has warned that the partial sale of Hydro One will have direct implications on the province's debt and ability to balance the budget. What do you say to these concerns?

To date, Ontario has sold approximately 30 per cent, or about half of the 60 per cent of shares the government intends to sell, and with this \$3.2 billion credited to the Trillium Trust is well on track to meet its multi-year asset optimization target to generate \$5.7 billion over time to support investments in infrastructure.

Crediting the \$3.2 billion to the Trillium Trust demonstrates Ontario's commitment to investing in infrastructure projects that help stimulate economic growth and create good, well-paying jobs.

The government acknowledges the important role played by the FAO in providing independent analysis to the Assembly on the state of the Province's finances.

Bargaining and Compensation

64. What is the government doing to control executive compensation in the Broader Public Sector?

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) into force. This legislation allows the government to establish compensation frameworks for designated senior executives in the broader public sector.

An Executive Compensation Framework came into force on September 6, 2016. The framework reinforces that designated BPS employers are accountable for compensation decisions, sets caps and prohibitions on certain types of compensation, requires enhanced public transparency and allows impacted employers to balance the need to attract the necessary talent to deliver high quality public services while managing public dollars responsibly.

The framework applies to all designated employers under BPSECA, including hospitals, school boards, colleges and universities, community care access corporations, provincial agencies and named hydro entities.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits elements like signing bonuses and pay in lieu of perquisites.

The framework also requires that each designated employer engage in public consultation on their compensation program before it is finalized and requires final programs to be posted on the designated employer's website. These requirements enhance transparency and give Ontarians the opportunity to provide input on executive compensation in the BPS.

BPSECA includes significant compliance and enforcement measures: employers will be required to complete reports concerning compliance with the framework and individuals could be subject to penalties if they willfully fail to provide a report, provide a false report or obstruct an auditor.

65. How are you managing the costs of public sector compensation?

Managing compensation costs is critical to balancing the budget, as more than half of government spending goes to salaries and benefits, including those of both the Ontario Public Service (OPS) and broader public sector (BPS). All public-sector partners must continue to work together to control current and future compensation costs.

Since July 2012, the average annual negotiated wage increase across Ontario's provincial public sector has been 0.6 per cent. This is lower than:

- Ontario's municipal public sector (1.7 per cent)
- the federal public sector in Ontario (1.7 per cent)

- Ontario's private sector (1.9 per cent)

66. Where is the agreement with OPSEU reported in Public Accounts? Was this truly net-zero?

The agreement reached with OPSEU's Central and Unified bargaining units on October 30, 2015 is net-zero and remains consistent with the fiscal plan outlined in both the 2014 and 2015 Budgets.

To achieve a net-zero outcome, there are no wage increases in 2015 and 2016. In 2016 there will be a modest 1.4% one-time lump sum payment that does not form part of employees' base salaries, and in 2017 there is a 1.4% pay increase. Both are offset through changes to employee benefits and entitlements over the three-year term of the contract, including a freeze on salary progression in 2016 and 2017 and capping of termination payments.

This agreement will support the government's ongoing efforts to eliminate the deficit while protecting the valued public services Ontario families rely on.

67. The Premier recently said the era of net zero is over. How will this affect labour negotiations?

As a government, we'll continue to do what we've always done in terms of negotiations. As the time comes to negotiate new contracts, whether it's Treasury Board Secretariat that's negotiating or an individual ministry, they always come to Treasury Board to get an approved mandate. So we'll carry on with that practice of coming to Treasury Board for an approved mandate that will fit within the fiscal plan.

Ontario's Financial Position

68. The FAO has warned that if Ontario's fiscal position deteriorates beyond 2017-18, the four international credit rating agencies could lower Ontario's credit rating, which could lead to higher borrowing costs and more challenging fiscal position. What is the government doing to manage the debt?

The government remains firmly committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its annual

deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Given ongoing challenges in the broader economic environment, the government recognizes that now is the time to be making investments in people, modern infrastructure and a dynamic and innovative business climate — investments that will help to spur economic growth and create the new jobs necessary to support eliminating the deficit.

Alongside these strategic investments, the government is also taking deliberate actions to ensure it can continue to manage spending and improve outcomes for Ontarians. Together, these investments and deliberate actions will help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated.

69. Some have said your government has a spending problem, not a revenue problem. As the largest subnational borrower, what do you say to that?

The government beat its deficit target for the seventh year in a row. Last fiscal year's deficit is \$5 billion, down \$3.5 billion from the \$8.5 billion projected in last year's budget.

The government is projecting a deficit of \$4.3 billion in 2016-17 and a return to a balanced budget in 2017-18.

The improvement over plan was due in large part to the Ontario government's strong focus on managing growth in spending. Ontario consistently has the lowest per capita program spending among all Canadian provinces.

Over the past four years the Province has held the average annual growth in program spending to 1.9 per cent, less than the rate of inflation, while investing in services that people rely on.

Key elements of the government's plan to eliminate the deficit are:

- Program Review, Renewal and Transformation
- managing compensation costs
- maintaining tax fairness and a level playing field for business
- strengthening government transparency, financial management and fiscal accountability

70. How much did government spend in 2015-16?

TBC OPCD

71. Why was total expense \$300 million higher than projected in the 2015 Budget plan?

Total expense in 2015–16 was \$133.4 billion, \$1.5 billion higher than the 2015 Budget plan. Program spending was \$122.4 billion, up by \$1.9 billion from a planned spending of \$120.5 billion.

The increase largely reflects the government's decision, announced in the 2015 Ontario Economic Outlook and Fiscal Review, to invest \$0.3 billion through the new Green Investment Fund. As well, spending in the health, children's and social services, justice sectors and other programs was higher than planned.

Total program spending was \$1.9 billion higher than the Budget, resulting in actual program expense of \$122.4 billion. The increases were attributable to:

- \$1.5 billion pension asset valuation allowance for OTPP and OPSEU.
- Health sector expense was \$294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, partially offset by underspending in agencies.
- Children's and social services sector expense that was \$124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program and the cost of prescription drugs for social assistance recipients.
- Justice sector expense increased by \$120 million, mainly due to settlements under the Proceedings Against the Crown Act and higher-than expected bad debt provisions related to unpaid fines.
- Other programs expense was \$628 million higher than expected. The increase was due to one-time investments through the Green Investment Fund, higher than anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were offset by:

- Education sector expense was \$233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges, and slightly lower-than-projected enrolment.
- Post-secondary and training sector expense was \$176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

72. What are you going to do if Ontario's economy does not perform as strongly as you forecast?

The Province has included prudence as part of the fiscal plan to help ensure it meets future fiscal targets as it moves towards a balanced budget in 2017–18.

As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan continues to incorporate prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2016–17, and \$1.2 billion in each of 2018–19.

The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

In keeping with sound fiscal practices, the Province's revenue outlook is based on prudent economic assumptions. The Ontario Economic Forecast Council, established under the FTAA, reviewed the Ministry of Finance's economic assumptions in February 2015. All council members found the assumptions to be reasonable.

73. What if interest rates go up? What affect would higher interest rates have on debt?

The Province is operating under a historically low interest rate environment, however, if interest rates did increase, a one percentage point change will result in an impact of approximately \$350 million to the Province's interest expense.

74. What is the government's annual borrowing program?

The amount of money the government borrows varies from year to year and is dependent on the deficit, proposed investments in capital and amount of debt that is maturing.

Over the three years 2016-17 to 2018-19 average long term public borrowings are estimated to be \$26 billion per annum, considerably lower than what the Government borrowed over the past three years which averaged at \$33 billion per annum. The lower borrowings are primarily due to the Government's efforts in reducing the deficit and balancing in 2017-18.

75. Did you use your reserve fund to pad your fiscal results and pay down the debt?

For planning purposes, a reserve is included in the budgeted surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance. The 2015 Budget plan included a \$1.0 billion reserve. Without the reserve, the actual deficit result of \$5.0 billion would not have been affected.

Budget Surplus and Revenue Increase

76. Can you explain the \$4.0 billion increase in revenue since your 2015 Budget?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

77. How did net income from government business enterprises increase by \$100 million from your 2015 Budget projection?

This increase was mostly attributable to combined higher net income from the Liquor Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG) and Ontario Power Generation Inc. (OPG).

Higher net income from these business enterprises, however, was partially offset by lower net income from Hydro One, primarily reflecting impacts from broadening Hydro One ownership.

Contingency Fund / Reserve

78. What is the difference between the contingency fund and the reserve?

The contingency fund is an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover expenses due to unforeseen events (e.g. fighting forest fires). This approved spending limit is allocated during the year to ministries for their programs and activities.

The reserve is an amount included in the forecast each year to protect the plan against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance.

Budget Projections vs. Public Accounts Reporting

79. What accounts for the \$4.4 billion increase in taxation revenues from your 2015 Budget projection?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

80. Why did Ontario's net debt increase by \$20.6 billion in 2015-16?

Net debt is the Province's total debt and other liabilities, less its financial assets, including cash and investments. The increase was primarily due to a \$10.9 billion increase in liability and a \$10.7 billion pension accounting adjustment, which was primarily offset by a \$1.0 billion increase in financial assets.

81. How do you explain the \$12.4 billion increase in total debt in 2015-16?

The increase of \$12.4 billion in total debt is due to borrowing for the deficit and investments in capital assets for 2015-16. It also includes pre-borrowing of \$2 billion to take advantage of low interest rates and continuing demand for the Province's Debt.

82. Why is the government now including 5-year trends in the Public Accounts?

The increased disclosure and discussion on 5-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs. In addition to the disclosure in the Annual Report, the government is also making available supplementary information through data visualization.

83. Why is the interest on debt for 2015-16 \$400 million lower than forecast in the 2015 Budget?

Interest on debt expense was \$0.4 billion below plan in 2015-16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost effective borrowing and debt management.

84. Why is interest on debt for 2015-16 \$400 million higher than in 2014-15?

Interest of debt is higher by \$332 million from last year, mainly due to the funding of the deficit and investment in capital assets and partly offset by the impact of lower interest rates.

Program, Review, Renewal and Transformation

85. How are you reviewing and transforming government programs?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

86. Has PRRT achieved any tangible results/savings?

The government has achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

But PRRT is about more than saving money — it is a continuous planning approach focused on improving outcomes for government programs and services to ensure they are effective, efficient, relevant and sustainable.

87. What do you have to say to those public sector workers who have lost their jobs or are at risk of losing their jobs because of PRRT?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Government Assets

88. What is the government doing to extract value from any government assets?

With the 2014 Budget, the government began the process of unlocking the economic value of the Province's assets, including setting up the Premier's Advisory Council on Government Assets, chaired by Ed Clark, former Group President and Chief Executive Officer of TD Bank Group.

The council delivered recommendations on the electricity sector to the Province in advance of the 2015 Budget, including broadening the ownership of Hydro One. This would involve an initial public offering of about 15 per cent of the voting securities in Hydro One, with additional share sales in subsequent years. Over time, share offerings would total up to 60 per cent of the voting securities in Hydro One.

The Province is also moving forward with its plans to unlock value from its real estate assets, including OPG's head office building, and the Seaton and Lakeview lands. In June 2016, the Province closed the sale for the Liquor Control Board of Ontario's (LCBO) head office lands, raising \$260 million in gross proceeds.

All net revenue gains from the sale of qualifying assets will be dedicated to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of the Moving Ontario Forward initiative.

Trillium Trust

89. Have the net proceeds from the sale of the GM holdings and the partial sale of Hydro One been dedicated to the Trillium Trust, and how is that being reported in Public Accounts?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains from the sale of qualifying assets to help support key infrastructure priorities, such as roads, bridges and public transit. A schedule in Volume 1 of the Public Accounts reports on the financial activities of the Trillium Trust.

Volume 1 shows that \$1.35 billion was available for the Trillium Trust at March 31, 2016, to help fund investments. This reflects the sale and redemption of the Province's shares in General Motors in earlier years.

In August 2016, a regulation was put in place that credited the trust with \$3.2 billion from the net revenue gains resulting from the Hydro One IPO, the gain on sale of shares in November 2015 and the share of the deferred tax benefit to Hydro One that has been recognized by Ontario through its share of Hydro One net income as a result of its ownership position in Hydro One.

The net revenue gains from the secondary offering in April 2016 will be reported in the 2016-17 Public Accounts and credited to the Trillium Trust.

90. How have you spent the funds dedicated to the Trillium Trust?

As announced in the 2016 Budget, the government plans to begin drawing on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history.

Based on planned expenditures, in 2016–17 the Trillium Trust would support Moving Ontario Forward initiatives, such as GO Transit Regional Express Rail, Hurontario Light Rail Transit and the Ontario Community Infrastructure Fund.

91. Why are you allocating non-cash items like the deferred tax asset generated in the Hydro One transaction to the Trillium Trust?

TBC OPCD

Moving Ontario Forward

92. In the 2015 Budget, the government stated that \$3.5 billion would be dedicated to the Moving Ontario Forward plan. So far, only \$1.35 billion has been dedicated to the Trillium Trust. How do you propose to supply the \$2.15 billion difference?

Moving Ontario Forward dedicated funds would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- The government's asset optimization strategy, with net revenue gains dedicated to the Trillium Trust to help support investments in public infrastructure.

- Working with the federal government to secure federal funding through the Building Canada Plan.

93. How much did the government spend on Moving Ontario Forward in 2015-16?

Moving Ontario Forward is part of the government's commitment to invest more than \$137 billion in public infrastructure over the next 10 years. Investments are underway, including providing \$100 million per year to small, rural and northern municipalities through the Ontario Community Infrastructure Fund to build and repair critical infrastructure.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. Spending would ramp up significantly once this preliminary work is completed and construction activity is underway. Over the 10-year Moving Ontario Forward period, all of the dedicated funds are expected to be spent on priority infrastructure projects.

94. Why aren't the additional \$2.2 billion in revenues dedicated to the Moving Ontario Forward plan reported in the Public Accounts?

In the 2015 Budget, the government committed to dedicate \$31.5B over 10 years to support infrastructure projects under the Moving Ontario Forward plan, which included \$5.7B from its asset optimization strategy. In 2014-15, this amounts to about \$3.5B in dedicated funds including \$1.3B from asset optimization. The remaining \$2.2B in 2014-15 would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- Working with the federal government to secure federal funding through the Building Canada Plan.

These additional amounts are largely taxation revenues and are reflected in the total revenue figures in the 2014-15 Public Accounts.

95. How does investing in public infrastructure impact the economy?

A large and growing body of independent research shows that infrastructure investments support jobs, augment personal incomes and produce real growth in the economy. For example, a September 2015 report by the Broadbent Institute and the Centre for Spatial Economics showed that, on average, investing a dollar in public infrastructure in Canada raises gross domestic product (GDP) by \$1.43 in the short term and up to \$3.83 in the long term.

The Province's planned investments in infrastructure are expected to support over 110,000 jobs, on average, each year.

96. The Public Accounts makes reference that the Province's investment in capital assets is guided by sound asset management planning principles, so why is the education sector facing large renewal needs?

The Province has announced new renewal investment, including: increased investments in GO Transit rehabilitation and renewal; additional annual funding of \$50 million to assist hospitals in maintaining their facilities in good repair; and a \$1.1 billion investment to repair and renew schools across the province (allocated to school boards in proportion to their renewal needs).

In the education sector, the School Condition Improvement program addresses renewal needs focusing on ensuring that facilities are in good condition, energy efficient and accessible and meet modern service standards. The funding will enable school boards to repair roofs, update HVAC units and modernize electrical and plumbing systems. It will also significantly improve more visible elements of schools that impact students' learning and well-being, including flooring, walls, ceilings, playing fields and more. To support transparency, the government has also released detailed information regarding the condition and renewal needs of each of Ontario's publicly funded schools.

Transparency

97. You say the Province's Annual Report is a central element in demonstrating transparency in reporting financial activities and accountability, yet the FAO continues to criticize your government for withholding information. What do you say to these criticisms?

The relationship between the FAO's office and our government is very important.

Our door is open to meet with the FAO and his staff upon request, and our government has tried to be proactive in reaching out to provide clarification when it could be of use.

We want to be accommodating and helpful, while also respecting the requirements of the 2013 FAO Act. With this in mind, Treasury Board has provided additional information to complement and/or further clarify our responses to the FAO when we've received follow-up requests from his office.

We have also reformatted information into machine-readable charts upon request, when it was possible and consistent with legislation. All requests from the FAO office to the Treasury Board Secretariat have been responded to.

Pan Am Games

98. How much was spent on the games, where does it appear in Public Accounts? And how does your government justify this expense?

These were the largest, most successful Pan/Parapan Am Games ever – creating 26,000 jobs, boosting Ontario's GDP by \$3.7B and leaving a lasting legacy that will benefit Ontario for years to come. The economic boost that resulted from the Games acted as a catalyst for economic, social, infrastructure and athletic development and we were proud to host these Games.

Questions related to the Pan Am Games should be referred to my colleague, the Minister of Tourism, Culture and Sport.

Underground Economy

99. How are you ensuring revenue integrity?

A fair and efficient tax system is critical to sustaining public services. The 2014 Budget noted that when businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall, putting the competitiveness of legitimate businesses at risk.

Since 2013–14, the Province has taken concrete measures to help ensure tax fairness and a level playing field for business. These include enhanced auditing and compliance activities, such as a multi-year agreement with the Canada Revenue Agency to address the underground economy and corporate tax avoidance in Ontario. The Province has also targeted areas at high risk of underground economic activity with pilot initiatives that focus on mitigating unfair and unsafe circumstances for Ontario's workers and consumers.

In total, these efforts have generated an estimated \$1.1 billion for Ontario to date. The Province will build on these successful initiatives with new approaches to ensuring revenue integrity.

Ontario.ca landing page

Ontario's unaudited 2015-16 Annual Report

The Annual Report looks back at the government's revenues and expenses. It compares and explains the province's financial performance with the goals outlined in the budget.

Overview

The unaudited 2015-16 Annual Report presents the government's financial statements and provides a picture of how finances were managed over the last fiscal year (April 1 to March 31).

The unaudited Annual Report is made up of:

- a financial statement, discussion and analysis
- consolidated financial statements
- three supporting volumes

As part of our [Open Government initiative](#), you can find additional tools, features and tables to make the government's financial information easier to access, use and understand.

Financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

Read the financial statement, discussion and analysis (2015-16) <insert link>

See the government's five-year trends <insert link>

Unaudited Consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit. These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

Volume 1: ministry statements and schedules (unaudited)

Volume 1 contains ministry statements, detailed schedules of debt and other items. This volume details where government revenue comes from, including taxes, non-tax revenue and income from enterprises (such as the LCBO), alongside the expenses of ministries.

Read Volume 1 (2015-16) <insert link>

This graphic visualizes ministry spending information in Volume 1 of the unaudited 2015-16 Annual Report, not including financial reimbursements or recoveries. Financial reimbursements or recoveries include internal chargebacks between ministries for shared services, as well as reimbursements from external sources for the delivery of services. As a result, some amounts may differ from those in the unaudited Annual Report.

[data tree map visualization]

Select a ministry to learn more about their spending. You can also download the 2015-16 Annual Report data to create your own visualization.

Get Volume 1 data <insert link>

Volume 2: financial statements of government organizations and business enterprises

Volume 2 contains the individual financial statements of government organizations, business enterprises and other financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Read Volume 2 (2015-16) <insert link>

Volume 3: detailed schedules of payments (unaudited)

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Read Volume 3 (2015-16) <insert link>

2015-16 Annual Report: financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

See the government's five-year trends <insert link>

2015-16 Annual Report: unaudited consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit.

These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

2015-16 Annual Report: Volume 2

Volume 2 contains the individual financial statements of government organizations, business enterprises and other miscellaneous financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Volume 2 PDFs

- Read Volume 2a: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2b: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2c: Financial Statements of Government Business Enterprises, Trusts and Miscellaneous statements (2015-16) [<insert link>](#)

Government Organizations Summary

<Insert DATA TABLE from “PA vol2 government organizations MMDDYYYY.csv” here>

Government Business Enterprises Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

Trusts Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

2015-16 Annual Report: Volume 3

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Download the PDF for Volume 3: Detailed Schedules of Payments <insert link>

Detailed Schedules of Payments

<Insert DATA TABLE from "PA vol3 MMDDYYYY.csv">

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: Release of 2015-16 Annual Report and Consolidated Financial Statements - Revised Communications Materials
Date: Monday, October 03, 2016 12:24:17 AM
Attachments: [PA2015 - Media Products - No Opinion w Reg \(Oct 3 12 10 am\).docx](#)
[ATT00001.htm](#)

Begin forwarded message:

From: "DiMuzio, Sofie (TBS)" <Sofie.DiMuzio@ontario.ca>
Date: October 3, 2016 at 12:17:03 AM EDT
To: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Jancik, Mike (TBS)" <Mike.Jancik@ontario.ca>, "Ghiassi, Ali (MOF)" <Ali.Ghiassi@ontario.ca>, "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>, "Betzner, Lynn (CAB)" <Lynn.Betzner@ontario.ca>, "Tedesco, Lauren (TBS)" <Lauren.Tedesco@ontario.ca>, "Ingram, Kelsey (MOF)" <Kelsey.Ingram@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>, "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>, "Bardeesy, Karim (OPO)" <Karim.Bardeesy@ontario.ca>, "Maddock, Michael (CAB)" <Michael.Maddock@ontario.ca>, "MacKenzie, Rebecca (OPO)" <Rebecca.MacKenzie@ontario.ca>, "McEachern, Gillian (OPO)" <Gillian.McEachern@ontario.ca>, "Killorn, Bill (OPO)" <Bill.Killorn@ontario.ca>, "Mksyartinian, Jacob (OPO)" <Jacob.Mksyartinian@ontario.ca>, "Ostergard, Matt (TBS)" <Matt.Ostergard@ontario.ca>, "Pichelli, Jason (TBS)" <Jason.Pichelli@ontario.ca>, "Farrow, Alicia (CAB)" <Alicia.Farrow@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Bossin, Bryan (OPO)" <Bryan.Bossin@ontario.ca>
Subject: Release of 2015-16 Annual Report and Consolidated Financial Statements - Revised Communications Materials

Please find attached the revised communications materials incorporating all the latest edits. Qs and As still require a few missing pieces of information and will be updated first thing in the morning.

Thank you

Sofie Di Muzio
Director (A), Communications Branch
Treasury Board Secretariat

Treasury Board Secretariat

2015-16 Annual Report and Consolidated Financial Statements Regulatory Amendment, No Opinion

Communications products

Monday, October 03, 2016

Table of Contents

Current holding messaging for Minister Sandals	4
Post technical-briefing speaking points.....	5
Minister Sandals' Statement – Release of 2015-16 Financial Statements	5
Minister Sousa's Statement – Ontario's Fiscal Outlook.....	6
Key messages – post release.....	8
News Release	9
Newsroom Backgrounder	12
The Release of Ontario's 2015-16 Financial Statements	12
Improving Outcomes for Ontarians	14
Top Media Qs&As	18
Releasing Unaudited Financial Statements	18
General Media Qs&As	33
Hydro One	39
Bargaining and Compensation	40
Ontario's Financial Position	42
Contingency Fund / Reserve	47
Program, Review, Renewal and Transformation	48
Government Assets.....	49
Trillium Trust	50
Moving Ontario Forward	51
Transparency.....	53
Pan Am Games	54
Underground Economy	54

Ontario.ca landing page	56
Ontario's unaudited 2015-16 Annual Report	56
Overview	56
Financial statement, discussion and analysis	56
Unaudited Consolidated financial statements	56
Volume 1: ministry statements and schedules (unaudited)	57
Volume 2: financial statements of government organizations and business enterprises.....	57
Volume 3: detailed schedules of payments (unaudited)	57
2015-16 Annual Report: financial statement, discussion and analysis	58
2015-16 Annual Report: unaudited consolidated financial statements.....	59
2015-16 Annual Report: Volume 2	60
Volume 2 PDFs	60
Government Organizations Summary	60
Government Business Enterprises Summary.....	60
Trusts Summary	60
2015-16 Annual Report: Volume 3	61
Detailed Schedules of Payments.....	61

Current holding messaging for Minister Sandals

- As you know, Treasury Board and Ministry of Finance staff prepare the Public Accounts which are subject to independent audit by the Auditor General.
- As I announced to the House last week, there are still some ongoing discussions happening around a complex accounting issue.
- Earlier today I met with the Auditor General and senior ministry officials to discuss the importance of resolving this issue and releasing the 2015-16 Public Accounts.
- Ministry officials will continue to work with the Auditor General and her staff to resolve the outstanding issue over the next several months.
- What I can tell you now is that Ontario is on track to beat its deficit targets and we are committed to balancing the budget in 2017-18.
- Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance in 2017-18 is working, while we continue to invest in the programs and services that matter to Ontarians.
- Keeping the public informed through transparent financial reporting remains a priority.
- In that spirit, as part of the 2015-16 Annual Report which includes the unaudited Consolidated Financial Statements we have built new data visualization tools to help the public understand Ontario's finances. These tools will be available when our financials are released.

Post technical-briefing speaking points

Minister Sandals' Statement – Release of 2015-16 Financial Statements

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion.

This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection. As I assured in the House last week, this marks the seventh year in a row that Ontario has beaten its deficit target. We are committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the 2015-16 Annual Report and unaudited Consolidated Financial Statements, Treasury Board staff work with their colleagues in ministries across government to assemble financial information for the Annual Report and unaudited Consolidated Financial Statements. The Auditor General, who issues an opinion on the government's adherence to independently established accounting standards, then reviews this.

Earlier today, Minister Sousa and I met with the Auditor General to discuss finalization of the 2015-16 Public Accounts. We did so because this year, the Auditor General the Province' with a new interpretation of public sector accounting standards as related to the accounting treatment of jointly-sponsored pension plans and are subject to a range of interpretations.

Despite our best efforts to try to resolve concerns raised by the Auditor General, the Province's professional accounting staff and the Auditor General continue to have differences of opinion.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

To be clear, Ontario had followed the same pension accounting treatment for the past 14 years. The current Auditor General has accepted this treatment for the last two

years, resulting in unqualified – or clean audit opinions. Three previous Auditors General have also accepted it. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances as soon as possible.

The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Although these financial statements are unaudited, it is important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remain balanced in 2018-19.

It is also important to stress that the two pension plans in question – the Ontario Public Service Employees Union Pension Plan and the Ontario Teachers' Pension Plan – are both healthy and well funded.

Based on our respective positions at this time, we believe that this accounting matter would benefit from additional discussions, information and consideration.

Our officials and professional accounting staff will continue to work with the Auditor General's office to resolve this complex accounting issue related to pension assets so that we can table the audited Public Accounts with the Lieutenant Governor in Council as soon as possible.

Minister Sousa's Statement – Ontario's Fiscal Outlook

(TBC input by MOF comms)

The government is dedicated to a fiscally sound approach to managing the Province's finances.

As outlined in the 2016 Budget, the government is committed to eliminating the deficit by 2017-18 and remaining balanced in 2018-19.

The 2016–17 First Quarter Finances also confirmed that the government is projecting a deficit of \$4.3 billion in 2016–17, unchanged from the 2016 Budget forecast.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries.

The government's path to a balanced budget is being achieved through responsible fiscal management, which involves:

- Managing growth in program spending, and
- Maintaining the integrity of Provincial revenues.

At the same time, the government continues to make investments in the economy, its people, and a healthy, clean and prosperous low-carbon future.

Key messages – post release

- The government has released its 2015-16 Annual Report and Consolidated Financial Statements to ensure transparency with respect to the province's financial position.
- To align with the Auditor General, statutory authority has been used to regulate the accounting treatment for the 2015-16 financial statements.
- The regulation resolves the outstanding accounting issue for this year in a manner that is consistent with the fiscal outcome proposed by the Auditor General.
- This marks the seventh year in a row that Ontario has beaten its deficit target.
- Ontario remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

If pressed about why a regulation was needed:

- Based on their professional judgement, public servants could not agree with the Auditor General's interpretation of Public Sector Accounting Standards as it relates to jointly-sponsored pension plans. The regulation was needed to allow civil service accountants to sign off on the Public Accounts without compromising their professional credentials.
- The Province has applied consistent accounting treatment for these plans for the past 14 years, and has consistently received unqualified, or clean audit opinions from the Auditor General, without exception.
- To remain clear and transparent, we have reflected the Auditor General's view of the issue for this year. In order to do so, the government regulated the treatment of the pension assets for 2015-16.
- This is an accounting issue. However we remain optimistic that by studying the issue further and gathering third party professional opinions, we will be able to reach an agreement on the treatment with the Auditor General in the coming months.

News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected *Province Remains Committed to Balance the Budget by 2017-18*

News

Ontario's Annual Report and Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the Annual Report and Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of Province's financial statements.

A regulation is required to allow civil service accountants to sign off on the financial statements without compromising their professional credentials. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements.

The statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, Ontario's economy has grown by

6.1 per cent. Last year, growth was double the national average. In the first quarter of this year, Ontario's growth was faster than that of the United States and the G7.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this national discussion. The Province will also consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUOTE

"The Annual Report and Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance by 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

- Liz Sandals, President of the Treasury Board

"The government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

- Charles Sousa, Minister of Finance

QUICK FACTS

- The 2015-16 Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- The Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

LEARN MORE

- Read the Province's [2015-16 Financial Statements](#) [update hyperlink]
- Explore supplementary information available through new data visualization tools [insert hyperlink]
- Explore the more than 400 open data sets in the [Open Data Catalogue](#)
- Learn about the government's [fiscal cycle](#)
- [Learn about how the government is investing in vital programs and services](#) [insert link to backgrounder]

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Newsroom Backgrounder

Ontario's 2015-16 Financial Statements

The 2015-16 Annual Report and Consolidated Financial Statements show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, and \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

Accounting Standards

Treasury Board Secretariat prepares the financial statements of Ontario in accordance with the legislation and accounting principles and standards for governments recommended by the Public Sector Accounting Board.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting.

The Release of Ontario's 2015-16 Financial Statements

The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB). PSAB independently establishes accounting standards for the public sector in Canada.

PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.

The objective of PSAB standards is to meet the needs of the users of financial statements by providing the information needed for accountability and decision making.

In preparing the Annual Report and Consolidated Financial Statements for 2015-16, professional public servants and the Auditor General engaged in discussions regarding the accounting treatment of pension assets, a topic subject to a range of interpretations.

The Ontario Public Service Employees Union Pension Plan (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) are jointly-sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of OPSEUPP and OTPP are held in trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.

During the 2015-16 Public Accounts audit, the Auditor General raised some concerns with regards to Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of interpretation.

Given the differences in interpretation of the application of PSAB standards for the OTPP and OPSEUPP pension assets, the provincial Cabinet approved a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. This is consistent with the fiscal outcome proposed by the Auditor General in the last ten days.

The effect of the legislation is to reflect the fiscal impact of the AG's position pending further review and analysis on this accounting matter. The change in accounting treatment is not a reflection on the funding status of the plans, or the quality of financial reporting by the Province. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Prior to this change, Ontario had followed the same pension accounting treatment for all of the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

The Auditor General has not provided an audit opinion on the province's financial statements for 2015-16. However the government is releasing these unaudited financial statements to ensure openness and transparency with respect to province's financial position, and because it has passed the deadline to table the Public Accounts with the Lieutenant Governor in Council. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that it can table the Public Accounts with the Lieutenant Governor in Council.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this

national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policies practices, has acknowledged the consistent basis used by Ontario for its Budget, Estimates and Public Accounts as a best practice to supporting transparency and accountability.

Openness and Transparency

As part of its commitment to Open Government, digital technology was used for the first time to visualize the province's financial information in an interactive and easy to understand way. This year, Ontario is further increasing the openness and transparency of the Annual Report and Consolidated Financial Statements by:

- Creating new data visualizations, including interactive bar charts and interactive data tables.
- Releasing data sets through Ontario's [Open Data Catalogue](#), including data on government organizations, government business enterprises and Trusts.

Improving Outcomes for Ontarians

As the Province's 2015-16 Financial Statements show, the government remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

Health Care

Building on [Ontario's Patient's First: Action Plan](#), the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: \$250 million in 2015-16, for a total of \$750 million over three years.
- Increasing the hourly wages of publicly funded personal support workers caring for patients at home and in the community by \$1.50 per hour in 2015-16 to at least \$15.50 per hour, in the second of three annual increases totalling up to at least \$16.50 per hour by April 1, 2016.

- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education.

Over the past 12 years, government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early-years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten.

In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a \$1 per hour wage increase for eligible child care workers bringing the total wage increase up to \$2 per hour, plus benefits.
- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province's history.
- Doubling the funding for school renewal projects to \$500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about \$160 billion over 12 years, starting in 2014-15. Planned investments are supporting over 110,000 jobs, on average, every year across the province.

In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the \$1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country's busiest land border crossing.
- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.
- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.
- Completing the new Humber River Hospital, which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations.

But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care, education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients' access to drugs by making the program more efficient and effective. The changes saved approximately \$100 million in 2015-16 and will enable over \$200 million in savings annually when fully implemented.
- Changing the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately \$40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.
- Reducing the government's office footprint by over 820,000 rentable square feet, which generated approximately \$24 million in savings in 2015-16.

CONFIDENTIAL ADVICE TO CABINET

- Achieving approximately \$56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.
- Achieving \$7 million in savings from contracts related to government cell phone plans and toll free lines.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would mean free tuition. These changes will start in the 2017-18 academic year.

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Top Media Qs&As

Releasing Unaudited Financial Statements

1. It sounds to me like the government is yet again fighting with the Auditor General. What do you say to this?

This is not true from the government's perspective. And let me explain why: The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. And in this case for this set of final accounts, while one specific issue is being sorted through, we actually are agreeing with the Auditor General's numbers.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional staff and the Auditor General continue to have differences of interpretation

Given these differences of opinion, the Province filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

We believe that this accounting matter would benefit from additional discussions, information and consideration.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. Why are you releasing your financial statements without the Auditor approving them?

Earlier today I met with the Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new

interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

Ontario has followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

3. If PSAB is studying this issue, are other Canadian jurisdictions dealing with this as well?

No other province has similar governance frameworks for their jointly-sponsored pension plans that are in a surplus position.

Nadine to provide response re BC / New Brunswick

4. What is the professional judgment that exists out there to interpreting jointly-sponsored pensions?

Nadine to provide response

5. Are you saying the Auditor General is misinterpreting PSAB standards?

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of interpretation.

Nadine to provide response

6. If the Auditor General had agreed with you, what would the differences have been in the deficit or net debt?

If the Auditor General had agreed with us, the province's deficit for 2015-16 would have been \$3.5 billion.

7. The province has been treating pensions the same way since 2001. When did the Auditor tell you about this new accounting treatment?

Well into this year's audit, the AG came to a view which she communicated to the Province on September 13.

8. What does this mean for the Fall Economic Statement?

We're in the middle of completing the fiscal plan. We need to account for all financial consideration before we can finalize it. These results will be included as part of that process. **(TBC MOF)**

9. Is this Public Accounts or not?

No. However, the treatment applied is consistent with the fiscal outcome proposed by the Auditor General.

10. Were you aware of this before the Speech from the Throne? Had you known about this, would that have changed the government's commitments announced in the speech?

Response TBC

11. Why are you doing this today, four days after you announced the delay?

We wanted to allow the Auditor General time to provide an audit opinion on the Province's financial statements. Given we have not received an opinion, we felt it was in the public interest to release our financial statements in order to be open and transparent.

12. On what exactly do you disagree with the Auditor?

This year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General in the last 10 days.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

13. If you think you're right, why would you change the numbers?

We are releasing now to ensure transparency about the province's financial position. Our results are consistent with the fiscal outcome proposed by the Auditor General. We also want to be transparent that there is still a disagreement about the treatment of pension assets.

We believe it's in the public that there be no disagreement in order to finalize the numbers. We will continue to work with the Auditor General to resolve this matter.

14. Was there something wrong with the accounting rules that the government was using before?

No.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

15. Why hasn't the Auditor General raised this with you in the past two years?

I cannot speak for the Auditor General. Please refer your questions to the Auditor General's Office.

16. What is the government trying to hide by releasing unaudited books?

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. Our Financial Statements reflect the fiscal outcome proposed by the Auditor General.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The government is now including five-year trends in its Public Accounts. The increased disclosure and discussion on five-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs.

In addition to the disclosure in the Annual Report, the government is also making available supplementary information through online data visualizations.

17. Are you fudging the books to try and show your finances are better than they really are – is that why the AG won't sign off?

No.

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. In fact, we have implemented legislation that allows our officials to sign off in a way that is consistent with the fiscal outcome proposed by the Auditor General.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditor Generals. There has been no change to the relevant accounting standards over the past 14 years.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

18. Is this even legal – are you in contempt of the house by releasing your financial statements before you table them in the Legislature?

We are not releasing Public Accounts, we are releasing our financial statements to ensure openness and transparency with respect to province's financial position.

The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that we can table the Public Accounts with the Lieutenant Governor in Council as soon as possible

TBC Legal

19. Has this ever happened before in Ontario? Anywhere else in Canada?

This has never happened before in Ontario.

TBC Nadine re other experience in Canadian jurisdictions

20. How are we supposed to trust your numbers if the Auditor General hasn't approved them?

We are presenting the numbers that the Auditor General requested.

In the course of developing its 2015-16 financial statements, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province filed a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

This is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review it. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

21. So what happens next? When will you table the actual Public Accounts?

The government will continue to work with the Auditor General to expedite the tabling of the 2015-16 Public Accounts.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

22. Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?

Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Public Service Pension Plan is nearly fully funded at 98%.

Both plans exceeded their target long-term rates of return in 2015. The Public Service Pension Plan achieved a 6.14% return and the OPSEU Pension Plan achieved an 8.0% return.

23. You hired outside experts to give you a third-party accounting opinion, but you paid to get this advice. Didn't they just tell you what you wanted to hear?

TBC OPCD

24. The Auditor General has implied your Provincial Controller is in a position of conflict because she used to work for Deloitte. How do you respond?

All employees that are hired into the Ontario Public Service swear two oaths, an Oath of Allegiance and an Oath of Office. These oaths affirm that public servants will faithfully discharge their duties, and comply with all laws and confidentiality obligations.

25. The Auditor General says she raised this issue with you months ago. Why haven't you fixed this problem by now?

We have been working with the Office of the Auditor General to try to come to an agreement on this issue since it was first raised.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to

ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension asset in question.

26. If you say you're open and transparent, why didn't you invite the Auditor General to your media technical briefing?

The technical briefing was for the purposes of updating media and members of the Opposition and the third party. However it was held in a public space in a government building, and anyone was free to attend.

27. Is the government still committed to balancing the budget by 2017-18?

Yes. The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

28. The financial results show that the net debt and accumulated deficit has ballooned by \$10.7 billion? How did this happen and what are you doing to address it?

This year, the Auditor General presented the province with a new fiscal interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to adopt the Auditor General's fiscal interpretation. The government made a regulatory amendment to allow us to amend our accounting policies for the 2015-16 Public Accounts in order to comply with the Auditor's fiscal interpretation. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Despite this change, and as our results show, the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Total debt remains unchanged by the pension adjustment.

The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.

29. How can the accumulated deficit and net debt increase by \$10.7 billion without causing an increase in total debt?

Total debt is cash based – it is how much money we've borrowed and is owed to our creditors.

Net debt takes into account the difference between our financial assets and liabilities, whether they are cash or not.

The province has changed the valuation of the net pension liability by reducing the pension assets by \$10.7 billion, but because there is no cash involved in that valuation, the total debt does not change.

30. Should taxpayers be concerned about the rise in net debt and accumulated deficit?

No.

The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult

individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

31. How does the Province plan to reduce its net debt-to-GDP ratio to its pre-recession level of 27 per cent?

The first step in returning to the targeted 27 per cent net debt-to-GDP ratio is to balance the budget. Once the budget is balanced, debt will continue to rise by the difference between the annual cash investment in capital and the amortization of these investments. These investments will contribute to the debt rising at a slower rate than the increase in the Province's GDP, over time lowering the net debt-to-GDP ratio to the government's 27 per cent target.

32. What is the difference between "Public Accounts" and "Financial Statements"?

Answer below needs fact check by OPCD

Our financial statements include the Province's annual report and consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The full Public Accounts would also include these components, as well as a report by the Auditor General containing an audit opinion.

The full Public Accounts will be tabled with the house once the Auditor General's audit opinion is available.

33. You say you're releasing your financial results in the public interest. Aren't you creating confusion by having two sets of books – yours and the AG's?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

34. How different will the AG's numbers be?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

35. Why didn't you just release Public Accounts last week to meet your legislated timelines?

As stated in the house there will be delay in tabling the Public Accounts because of ongoing discussions with the Auditor General to work through an accounting issue related to pension assets.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

36. Clearly the government is in a spat with the AG – releasing unaudited financial statements seems like a slap in the face. What does this say about your relationship with the AG?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

Our officials continue to work with the AG's office to resolve this accounting issue related to pension assets. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

37. The Auditor General claims you have been using creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current

Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It has also been accepted by three previous Auditors General.

There has been no change to the relevant accounting standards over the past 14 years.

38. So at the end of the day if your numbers are the same as the Auditor General's what's the issue?

TBC Nadine

39. What's the difference between "audited" and "unaudited" financial results?

In practice, there should be no difference between audited and unaudited results.

An independent audit of an organization's financial results provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

40. What's the difference between a "qualified" and "unqualified" audit opinion?

Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.

41. Why didn't the Auditor General issue an audit opinion? Is this even legal?

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

TBC Legal on question of whether it is legal for AG not to issue an opinion

42. What is a jointly-sponsored pension plan?

The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

43. How does the Auditor General want you to account for jointly-sponsored pension plans?

During the 2015-16 Public Accounts audit, the Auditor General expressed a different interpretation of the existing PSAB standards which would impact the accounting for pension assets of jointly-sponsored pension plans.

The Auditor General's view is that the government does not have legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the Auditor General believes that the pension asset should be removed from the Province's balance sheet.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this complex accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

General Media Qs&As

44. Is the government artificially balancing the budget through the one-time sale of assets like Hydro One?

The government's plan to eliminate the deficit does not depend on revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The government is committed to dedicating the net revenue gains from asset optimization activities, including the broadening of ownership of Hydro One and real estate sales to the Trillium Trust which will be used to invest in transit, transportation and other priority infrastructure projects under Moving Ontario Forward.

45. According to your numbers the deficit was down \$3.5 billion from the \$8.5 billion projected in last year's budget. Where did this money come from?

The improvement over plan was largely due to revenues that were \$4.0 billion above the forecast of \$124.4 billion.

This reflects higher than expected tax revenue and net revenues from the first phase of broadening Hydro One ownership, and stronger overall performance from government business enterprises. Maximizing the value of these assets is part of the government's economic plan for Ontario.

46. Does the fact that your deficit is \$3.5 billion lower than projected mean you have more money to bring to the table in labour negotiations (e.g. doctors)?

It is important to point out that through the Public Accounts process, we are reporting on past performance, whereas labour negotiations impact future fiscal pressures.

Our government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19. We know we have difficult choices ahead, but people can be assured that their government will take a fair and balanced approach, one that protects and improves the services that matter to Ontarians.

Managing compensation costs is critical to balancing the budget, as over half of government spending goes to salaries and benefits in the Ontario Public Service (OPS) and the broader public sector (BPS).

Compensation costs must be addressed within Ontario's existing fiscal framework and all public-sector partners must continue to work together to control current and future compensation costs.

While continuing to work to achieve fiscal balance by 2017–18, the government is achieving significant results in priority areas for Ontarians.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

47. Will you still be able to balance the budget if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

The government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

With the economy expected to continue to grow, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

48. Are you cutting back on vital services like health care to balance the budget?

No. Through Program Review, Renewal and Transformation (PRRT), we are helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered

efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care.

49. This is the seventh year in a row that you have reported a deficit lower than forecast. Are you purposefully overestimating your deficit projections?

The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will provide the foundation for the long-term well-being and prosperity of Ontarians, and protect the public services that Ontarians rely on.

The government's fiscal projections are based on the best economic and fiscal information available at the time. They reflect a realistic and responsible plan to manage the Province's resources, while still protecting the vital services that Ontarians rely on.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

50. You spent \$433 million more than you budgeted for programs. How is your government keeping spending in check?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education, and by retaining the lowest per capita program spending in Canada.

51. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget? How will the province pay for this \$1 billion rebate?

We have incorporated that expenditure into our fiscal plan starting in 2017. The government remains committed to balancing the budget by 2017-18 and remaining balanced in 2018-19 by continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Questions related to the Ontario Rebate for Electricity Consumers should be referred to my colleague, the Minister of Energy.

52. How is the money spent on the now defunct Ontario Retirement Pension Plan reflected in Public Accounts? How does the government justify this expense?

TBC OPCD + MOF

53. Was the delay in tabling Public Accounts because you can't afford the childcare commitment and the electricity rebate?

No. Public Accounts is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan and finalize the Public Accounts as soon as possible.

54. In 2003, your government brought in legislated timelines for Public Accounts, yet you're past the deadline and you still haven't tabled them. Why didn't you adhere to your own legislation?

We have been working with the Office of the Auditor General to try to come to an agreement on the treatment of pension assets.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

55. Disagreement with officers of the legislature seems to be a recurring theme – at least with the AG – what's your position on this? Does this government have a problem with officers of the legislature?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

56. Is the fact that you've changed your accounting standards an indication of financial mismanagement on the part of government?

No. The Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous

Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

For 2015-16 financial statements, the government legislated its accounting treatment for pension assets of its jointly-sponsored pension plans.

57. Are you concerned about how the credit rating agencies will view this issue?

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

58. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

The government remains committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. The deficit is also a \$0.7 billion improvement compared to the interim results for 2015-16 contained in the 2016 Budget, which formed the basis for three rating agencies to confirm the Province's credit rating, and the fourth to improve their assessment of the Province's credit outlook.

This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

The rating agencies and bondholders will understand that the change in the Province's accounting treatment for pension assets of jointly-sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements or total debt outstanding.

Hydro One

59. Why are you selling off Hydro One?

The government is broadening the ownership in Hydro One to improve the company's long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.

The net revenue gains from broadening the ownership of Hydro One shares will provide the government with approximately \$4 billion to be credited to the Trillium Trust to invest in key infrastructure and create thousands of jobs, as well as \$5 billion to reduce debt.

60. What is the Hydro One deferred tax benefit?

As a result of Hydro One exiting the Payment in Lieu (PILs) regime and the revaluation of its fixed assets upon entering the corporate tax regime, the company recognized a deferred tax benefit in fiscal 2015-16, which positively affected its net income.

At consolidation in Public Accounts of the Province's portion of Hydro One's net income, Hydro One's recognition of a deferred tax benefit increased the Province's revenues by \$2.4 billion. The gain associated with Deferred Tax Benefit from the IPO has been allocated to the Trillium Trust.

61. Why did you loan the electricity unions money to buy shares of Hydro One?

In connection with the IPO, the Province sold \$116 million worth of Hydro One shares to trusts of the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts. Of the shares sold to the Trusts, about \$108 million was purchased using loans provided by the Province. The gains from those share sales will be credited to the Trillium Trust over time as the loans are repaid.

The government is fully committed to dedicating net revenue gains from the sale of designated assets to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

The \$3.2 billion being credited to the Trust at this time does not include amounts associated with shares purchased by the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts using loans provided by the Province.

62. The government is being sued over the sale of Hydro One. Was the sale worth it to balance your budget now that you're being sued?

I understand Ontario has been served with a notice of claim. As this matter may be subject to litigation, it would be inappropriate to comment further.

63. The FAO has warned that the partial sale of Hydro One will have direct implications on the province's debt and ability to balance the budget. What do you say to these concerns?

To date, Ontario has sold approximately 30 per cent, or about half of the 60 per cent of shares the government intends to sell, and with this \$3.2 billion credited to the Trillium Trust is well on track to meet its multi-year asset optimization target to generate \$5.7 billion over time to support investments in infrastructure.

Crediting the \$3.2 billion to the Trillium Trust demonstrates Ontario's commitment to investing in infrastructure projects that help stimulate economic growth and create good, well-paying jobs.

The government acknowledges the important role played by the FAO in providing independent analysis to the Assembly on the state of the Province's finances.

Bargaining and Compensation

64. What is the government doing to control executive compensation in the Broader Public Sector?

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) into force. This legislation allows the government to establish compensation frameworks for designated senior executives in the broader public sector.

An Executive Compensation Framework came into force on September 6, 2016. The framework reinforces that designated BPS employers are accountable for compensation decisions, sets caps and prohibitions on certain types of compensation, requires enhanced public transparency and allows impacted employers to balance the need to attract the necessary talent to deliver high quality public services while managing public dollars responsibly.

The framework applies to all designated employers under BPSECA, including hospitals, school boards, colleges and universities, community care access corporations, provincial agencies and named hydro entities.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits elements like signing bonuses and pay in lieu of perquisites.

The framework also requires that each designated employer engage in public consultation on their compensation program before it is finalized and requires final programs to be posted on the designated employer's website. These requirements enhance transparency and give Ontarians the opportunity to provide input on executive compensation in the BPS.

BPSECA includes significant compliance and enforcement measures: employers will be required to complete reports concerning compliance with the framework and individuals could be subject to penalties if they willfully fail to provide a report, provide a false report or obstruct an auditor.

65. How are you managing the costs of public sector compensation?

Managing compensation costs is critical to balancing the budget, as more than half of government spending goes to salaries and benefits, including those of both the Ontario Public Service (OPS) and broader public sector (BPS). All public-sector partners must continue to work together to control current and future compensation costs.

Since July 2012, the average annual negotiated wage increase across Ontario's provincial public sector has been 0.6 per cent. This is lower than:

- Ontario's municipal public sector (1.7 per cent)
- the federal public sector in Ontario (1.7 per cent)

- Ontario's private sector (1.9 per cent)

66. Where is the agreement with OPSEU reported in Public Accounts? Was this truly net-zero?

The agreement reached with OPSEU's Central and Unified bargaining units on October 30, 2015 is net-zero and remains consistent with the fiscal plan outlined in both the 2014 and 2015 Budgets.

To achieve a net-zero outcome, there are no wage increases in 2015 and 2016. In 2016 there will be a modest 1.4% one-time lump sum payment that does not form part of employees' base salaries, and in 2017 there is a 1.4% pay increase. Both are offset through changes to employee benefits and entitlements over the three-year term of the contract, including a freeze on salary progression in 2016 and 2017 and capping of termination payments.

This agreement will support the government's ongoing efforts to eliminate the deficit while protecting the valued public services Ontario families rely on.

67. The Premier recently said the era of net zero is over. How will this affect labour negotiations?

As a government, we'll continue to do what we've always done in terms of negotiations. As the time comes to negotiate new contracts, whether it's Treasury Board Secretariat that's negotiating or an individual ministry, they always come to Treasury Board to get an approved mandate. So we'll carry on with that practice of coming to Treasury Board for an approved mandate that will fit within the fiscal plan.

Ontario's Financial Position

68. The FAO has warned that if Ontario's fiscal position deteriorates beyond 2017-18, the four international credit rating agencies could lower Ontario's credit rating, which could lead to higher borrowing costs and more challenging fiscal position. What is the government doing to manage the debt?

The government remains firmly committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its annual

deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Given ongoing challenges in the broader economic environment, the government recognizes that now is the time to be making investments in people, modern infrastructure and a dynamic and innovative business climate — investments that will help to spur economic growth and create the new jobs necessary to support eliminating the deficit.

Alongside these strategic investments, the government is also taking deliberate actions to ensure it can continue to manage spending and improve outcomes for Ontarians. Together, these investments and deliberate actions will help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated.

69. Some have said your government has a spending problem, not a revenue problem. As the largest subnational borrower, what do you say to that?

The government beat its deficit target for the seventh year in a row. Last fiscal year's deficit is \$5 billion, down \$3.5 billion from the \$8.5 billion projected in last year's budget.

The government is projecting a deficit of \$4.3 billion in 2016-17 and a return to a balanced budget in 2017-18.

The improvement over plan was due in large part to the Ontario government's strong focus on managing growth in spending. Ontario consistently has the lowest per capita program spending among all Canadian provinces.

Over the past four years the Province has held the average annual growth in program spending to 1.9 per cent, less than the rate of inflation, while investing in services that people rely on.

Key elements of the government's plan to eliminate the deficit are:

- Program Review, Renewal and Transformation
- managing compensation costs
- maintaining tax fairness and a level playing field for business
- strengthening government transparency, financial management and fiscal accountability

70. How much did government spend in 2015-16?

TBC OPCD

71. Why was total expense \$300 million higher than projected in the 2015 Budget plan?

Total expense in 2015–16 was \$133.4 billion, \$1.5 billion higher than the 2015 Budget plan. Program spending was \$122.4 billion, up by \$1.9 billion from a planned spending of \$120.5 billion.

The increase largely reflects the government's decision, announced in the 2015 Ontario Economic Outlook and Fiscal Review, to invest \$0.3 billion through the new Green Investment Fund. As well, spending in the health, children's and social services, justice sectors and other programs was higher than planned.

Total program spending was \$1.9 billion higher than the Budget, resulting in actual program expense of \$122.4 billion. The increases were attributable to:

- \$1.5 billion pension asset valuation allowance for OTPP and OPSEU.
- Health sector expense was \$294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, partially offset by underspending in agencies.
- Children's and social services sector expense that was \$124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program and the cost of prescription drugs for social assistance recipients.
- Justice sector expense increased by \$120 million, mainly due to settlements under the Proceedings Against the Crown Act and higher-than expected bad debt provisions related to unpaid fines.
- Other programs expense was \$628 million higher than expected. The increase was due to one-time investments through the Green Investment Fund, higher than anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were offset by:

- Education sector expense was \$233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges, and slightly lower-than-projected enrolment.
- Post-secondary and training sector expense was \$176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

72. What are you going to do if Ontario's economy does not perform as strongly as you forecast?

The Province has included prudence as part of the fiscal plan to help ensure it meets future fiscal targets as it moves towards a balanced budget in 2017–18.

As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan continues to incorporate prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2016–17, and \$1.2 billion in each of 2018–19.

The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

In keeping with sound fiscal practices, the Province's revenue outlook is based on prudent economic assumptions. The Ontario Economic Forecast Council, established under the FTAA, reviewed the Ministry of Finance's economic assumptions in February 2015. All council members found the assumptions to be reasonable.

73. What if interest rates go up? What affect would higher interest rates have on debt?

The Province is operating under a historically low interest rate environment, however, if interest rates did increase, a one percentage point change will result in an impact of approximately \$350 million to the Province's interest expense.

74. What is the government's annual borrowing program?

The amount of money the government borrows varies from year to year and is dependent on the deficit, proposed investments in capital and amount of debt that is maturing.

Over the three years 2016-17 to 2018-19 average long term public borrowings are estimated to be \$26 billion per annum, considerably lower than what the Government borrowed over the past three years which averaged at \$33 billion per annum. The lower borrowings are primarily due to the Government's efforts in reducing the deficit and balancing in 2017-18.

75. Did you use your reserve fund to pad your fiscal results and pay down the debt?

For planning purposes, a reserve is included in the budgeted surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance. The 2015 Budget plan included a \$1.0 billion reserve. Without the reserve, the actual deficit result of \$5.0 billion would not have been affected.

Budget Surplus and Revenue Increase

76. Can you explain the \$4.0 billion increase in revenue since your 2015 Budget?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

77. How did net income from government business enterprises increase by \$100 million from your 2015 Budget projection?

This increase was mostly attributable to combined higher net income from the Liquor Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG) and Ontario Power Generation Inc. (OPG).

Higher net income from these business enterprises, however, was partially offset by lower net income from Hydro One, primarily reflecting impacts from broadening Hydro One ownership.

Contingency Fund / Reserve

78. What is the difference between the contingency fund and the reserve?

The contingency fund is an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover expenses due to unforeseen events (e.g. fighting forest fires). This approved spending limit is allocated during the year to ministries for their programs and activities.

The reserve is an amount included in the forecast each year to protect the plan against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance.

Budget Projections vs. Public Accounts Reporting

79. What accounts for the \$4.4 billion increase in taxation revenues from your 2015 Budget projection?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

80. Why did Ontario's net debt increase by \$20.6 billion in 2015-16?

Net debt is the Province's total debt and other liabilities, less its financial assets, including cash and investments. The increase was primarily due to a \$10.9 billion increase in liability and a \$10.7 billion pension accounting adjustment, which was primarily offset by a \$1.0 billion increase in financial assets.

81. How do you explain the \$12.4 billion increase in total debt in 2015-16?

The increase of \$12.4 billion in total debt is due to borrowing for the deficit and investments in capital assets for 2015-16. It also includes pre-borrowing of \$2 billion to take advantage of low interest rates and continuing demand for the Province's Debt.

82. Why is the government now including 5-year trends in the Public Accounts?

The increased disclosure and discussion on 5-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs. In addition to the disclosure in the Annual Report, the government is also making available supplementary information through data visualization.

83. Why is the interest on debt for 2015-16 \$400 million lower than forecast in the 2015 Budget?

Interest on debt expense was \$0.4 billion below plan in 2015-16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost effective borrowing and debt management.

84. Why is interest on debt for 2015-16 \$400 million higher than in 2014-15?

Interest of debt is higher by \$332 million from last year, mainly due to the funding of the deficit and investment in capital assets and partly offset by the impact of lower interest rates.

Program, Review, Renewal and Transformation

85. How are you reviewing and transforming government programs?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

86. Has PRRT achieved any tangible results/savings?

The government has achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

But PRRT is about more than saving money — it is a continuous planning approach focused on improving outcomes for government programs and services to ensure they are effective, efficient, relevant and sustainable.

87. What do you have to say to those public sector workers who have lost their jobs or are at risk of losing their jobs because of PRRT?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Government Assets

88. What is the government doing to extract value from any government assets?

With the 2014 Budget, the government began the process of unlocking the economic value of the Province's assets, including setting up the Premier's Advisory Council on Government Assets, chaired by Ed Clark, former Group President and Chief Executive Officer of TD Bank Group.

The council delivered recommendations on the electricity sector to the Province in advance of the 2015 Budget, including broadening the ownership of Hydro One. This would involve an initial public offering of about 15 per cent of the voting securities in Hydro One, with additional share sales in subsequent years. Over time, share offerings would total up to 60 per cent of the voting securities in Hydro One.

The Province is also moving forward with its plans to unlock value from its real estate assets, including OPG's head office building, and the Seaton and Lakeview lands. In June 2016, the Province closed the sale for the Liquor Control Board of Ontario's (LCBO) head office lands, raising \$260 million in gross proceeds.

All net revenue gains from the sale of qualifying assets will be dedicated to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of the Moving Ontario Forward initiative.

Trillium Trust

89. Have the net proceeds from the sale of the GM holdings and the partial sale of Hydro One been dedicated to the Trillium Trust, and how is that being reported in Public Accounts?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains from the sale of qualifying assets to help support key infrastructure priorities, such as roads, bridges and public transit. A schedule in Volume 1 of the Public Accounts reports on the financial activities of the Trillium Trust.

Volume 1 shows that \$1.35 billion was available for the Trillium Trust at March 31, 2016, to help fund investments. This reflects the sale and redemption of the Province's shares in General Motors in earlier years.

In August 2016, a regulation was put in place that credited the trust with \$3.2 billion from the net revenue gains resulting from the Hydro One IPO, the gain on sale of shares in November 2015 and the share of the deferred tax benefit to Hydro One that has been recognized by Ontario through its share of Hydro One net income as a result of its ownership position in Hydro One.

The net revenue gains from the secondary offering in April 2016 will be reported in the 2016-17 Public Accounts and credited to the Trillium Trust.

90. How have you spent the funds dedicated to the Trillium Trust?

As announced in the 2016 Budget, the government plans to begin drawing on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history.

Based on planned expenditures, in 2016–17 the Trillium Trust would support Moving Ontario Forward initiatives, such as GO Transit Regional Express Rail, Hurontario Light Rail Transit and the Ontario Community Infrastructure Fund.

91. Why are you allocating non-cash items like the deferred tax asset generated in the Hydro One transaction to the Trillium Trust?

TBC OPCD

Moving Ontario Forward

92. In the 2015 Budget, the government stated that \$3.5 billion would be dedicated to the Moving Ontario Forward plan. So far, only \$1.35 billion has been dedicated to the Trillium Trust. How do you propose to supply the \$2.15 billion difference?

Moving Ontario Forward dedicated funds would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- The government's asset optimization strategy, with net revenue gains dedicated to the Trillium Trust to help support investments in public infrastructure.

- Working with the federal government to secure federal funding through the Building Canada Plan.

93. How much did the government spend on Moving Ontario Forward in 2015-16?

Moving Ontario Forward is part of the government's commitment to invest more than \$137 billion in public infrastructure over the next 10 years. Investments are underway, including providing \$100 million per year to small, rural and northern municipalities through the Ontario Community Infrastructure Fund to build and repair critical infrastructure.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. Spending would ramp up significantly once this preliminary work is completed and construction activity is underway. Over the 10-year Moving Ontario Forward period, all of the dedicated funds are expected to be spent on priority infrastructure projects.

94. Why aren't the additional \$2.2 billion in revenues dedicated to the Moving Ontario Forward plan reported in the Public Accounts?

In the 2015 Budget, the government committed to dedicate \$31.5B over 10 years to support infrastructure projects under the Moving Ontario Forward plan, which included \$5.7B from its asset optimization strategy. In 2014-15, this amounts to about \$3.5B in dedicated funds including \$1.3B from asset optimization. The remaining \$2.2B in 2014-15 would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- Working with the federal government to secure federal funding through the Building Canada Plan.

These additional amounts are largely taxation revenues and are reflected in the total revenue figures in the 2014-15 Public Accounts.

95. How does investing in public infrastructure impact the economy?

A large and growing body of independent research shows that infrastructure investments support jobs, augment personal incomes and produce real growth in the economy. For example, a September 2015 report by the Broadbent Institute and the Centre for Spatial Economics showed that, on average, investing a dollar in public infrastructure in Canada raises gross domestic product (GDP) by \$1.43 in the short term and up to \$3.83 in the long term.

The Province's planned investments in infrastructure are expected to support over 110,000 jobs, on average, each year.

96. The Public Accounts makes reference that the Province's investment in capital assets is guided by sound asset management planning principles, so why is the education sector facing large renewal needs?

The Province has announced new renewal investment, including: increased investments in GO Transit rehabilitation and renewal; additional annual funding of \$50 million to assist hospitals in maintaining their facilities in good repair; and a \$1.1 billion investment to repair and renew schools across the province (allocated to school boards in proportion to their renewal needs).

In the education sector, the School Condition Improvement program addresses renewal needs focusing on ensuring that facilities are in good condition, energy efficient and accessible and meet modern service standards. The funding will enable school boards to repair roofs, update HVAC units and modernize electrical and plumbing systems. It will also significantly improve more visible elements of schools that impact students' learning and well-being, including flooring, walls, ceilings, playing fields and more. To support transparency, the government has also released detailed information regarding the condition and renewal needs of each of Ontario's publicly funded schools.

Transparency

97. You say the Province's Annual Report is a central element in demonstrating transparency in reporting financial activities and accountability, yet the FAO continues to criticize your government for withholding information. What do you say to these criticisms?

The relationship between the FAO's office and our government is very important.

Our door is open to meet with the FAO and his staff upon request, and our government has tried to be proactive in reaching out to provide clarification when it could be of use.

We want to be accommodating and helpful, while also respecting the requirements of the 2013 FAO Act. With this in mind, Treasury Board has provided additional information to complement and/or further clarify our responses to the FAO when we've received follow-up requests from his office.

We have also reformatted information into machine-readable charts upon request, when it was possible and consistent with legislation. All requests from the FAO office to the Treasury Board Secretariat have been responded to.

Pan Am Games

98. How much was spent on the games, where does it appear in Public Accounts? And how does your government justify this expense?

These were the largest, most successful Pan/Parapan Am Games ever – creating 26,000 jobs, boosting Ontario's GDP by \$3.7B and leaving a lasting legacy that will benefit Ontario for years to come. The economic boost that resulted from the Games acted as a catalyst for economic, social, infrastructure and athletic development and we were proud to host these Games.

Questions related to the Pan Am Games should be referred to my colleague, the Minister of Tourism, Culture and Sport.

Underground Economy

99. How are you ensuring revenue integrity?

A fair and efficient tax system is critical to sustaining public services. The 2014 Budget noted that when businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall, putting the competitiveness of legitimate businesses at risk.

Since 2013–14, the Province has taken concrete measures to help ensure tax fairness and a level playing field for business. These include enhanced auditing and compliance activities, such as a multi-year agreement with the Canada Revenue Agency to address the underground economy and corporate tax avoidance in Ontario. The Province has also targeted areas at high risk of underground economic activity with pilot initiatives that focus on mitigating unfair and unsafe circumstances for Ontario's workers and consumers.

In total, these efforts have generated an estimated \$1.1 billion for Ontario to date. The Province will build on these successful initiatives with new approaches to ensuring revenue integrity.

Ontario.ca landing page

Ontario's unaudited 2015-16 Annual Report

The Annual Report looks back at the government's revenues and expenses. It compares and explains the province's financial performance with the goals outlined in the budget.

Overview

The unaudited 2015-16 Annual Report presents the government's financial statements and provides a picture of how finances were managed over the last fiscal year (April 1 to March 31).

The unaudited Annual Report is made up of:

- a financial statement, discussion and analysis
- consolidated financial statements
- three supporting volumes

As part of our [Open Government initiative](#), you can find additional tools, features and tables to make the government's financial information easier to access, use and understand.

Financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

Read the financial statement, discussion and analysis (2015-16) <insert link>

See the government's five-year trends <insert link>

Unaudited Consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit. These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

Volume 1: ministry statements and schedules (unaudited)

Volume 1 contains ministry statements, detailed schedules of debt and other items. This volume details where government revenue comes from, including taxes, non-tax revenue and income from enterprises (such as the LCBO), alongside the expenses of ministries.

Read Volume 1 (2015-16) <insert link>

This graphic visualizes ministry spending information in Volume 1 of the unaudited 2015-16 Annual Report, not including financial reimbursements or recoveries. Financial reimbursements or recoveries include internal chargebacks between ministries for shared services, as well as reimbursements from external sources for the delivery of services. As a result, some amounts may differ from those in the unaudited Annual Report.

[data tree map visualization]

Select a ministry to learn more about their spending. You can also download the 2015-16 Annual Report data to create your own visualization.

Get Volume 1 data <insert link>

Volume 2: financial statements of government organizations and business enterprises

Volume 2 contains the individual financial statements of government organizations, business enterprises and other financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Read Volume 2 (2015-16) <insert link>

Volume 3: detailed schedules of payments (unaudited)

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Read Volume 3 (2015-16) <insert link>

2015-16 Annual Report: financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

See the government's five-year trends <insert link>

2015-16 Annual Report: unaudited consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit.

These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

2015-16 Annual Report: Volume 2

Volume 2 contains the individual financial statements of government organizations, business enterprises and other miscellaneous financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Volume 2 PDFs

- Read Volume 2a: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2b: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2c: Financial Statements of Government Business Enterprises, Trusts and Miscellaneous statements (2015-16) [<insert link>](#)

Government Organizations Summary

<Insert DATA TABLE from “PA vol2 government organizations MMDDYYYY.csv” here>

Government Business Enterprises Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

Trusts Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

2015-16 Annual Report: Volume 3

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Download the PDF for Volume 3: Detailed Schedules of Payments <insert link>

Detailed Schedules of Payments

<Insert DATA TABLE from "PA vol3 MMDDYYYY.csv">

From: [Bonnie Lemcke](#)
To: [Ken Kandeepan](#)
Subject: Fwd: Still tweaking but thx for ken's comments
Date: Monday, October 03, 2016 6:00:07 PM

I think he is wrong about the point that says we have additional cash on hand. It is near the end of this email.

Bonnie

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:45:02 PM EDT
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Still tweaking but thx for ken's comments

This is not formatted as u might have guessed

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February 2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.
- So what's the deal with pensions? As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." The dispute centres around the accounting treatment of pension assets for two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). Really, there's a fundamental difference of opinion on how pension assets should be treated. In the past, Ontario

recognized pension assets (which arise when a government's total contributions exceed the recognized cumulative benefit expense of a plan), since they were viewed as providing scope for future contribution decreases. The AG prefers a "full valuation" approach, which writes off the value of pension assets of jointly-sponsored plans, since the government does not have unilateral access/claim to the assets of such plans.

Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that *temporary adopts* the AG's recommended treatment of pension assets. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting.

The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force to study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. So stay tuned for more info.

- In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of pension assets in the two aforementioned plans and explains the larger-than-planned year-on-year increase in net debt.

Note that the accounting change has no impact on total or gross provincial debt, which is the preferred debt metric for some rating agencies. Nor does the legislated change alter Ontario's cash requirements or borrowing needs. Rather, the improvement in the 2015-16 budget balance implies more cash on hand than previously envisioned. Likewise, a stronger revenue base marks a better handoff to 2016-17, which would (all else equal) support achievement of this year's fiscal targets. (Residual reserves and contingencies also protect current and future year budget targets.)

- Refer to the consolidated financial statements for greater information on the accounting change.

Additional highlights:

-

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy
| National Bank Financial
[130 King Street W, 4th Floor Podium](#) | Toronto, ON | M5X 1J9 | T: [416-869-8598](#) | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures

http://www.nbcn.ca/disclosure_english.jhtml

http://www.nbcn.ca/disclosure_french.jhtml

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé.

L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: Technical briefing deck
Date: Sunday, October 02, 2016 10:31:04 PM
Attachments: [Pension Asset Technical Briefing_Oct 2.v3.ppt](#)
[ATT00001.htm](#)

Begin forwarded message:

From: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>
Date: October 2, 2016 at 5:18:28 PM EDT
To: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Jancik, Mike (TBS)" <Mike.Jancik@ontario.ca>, "Ghiassi, Ali (MOF)" <Ali.Ghiassi@ontario.ca>, "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>, "Betzner, Lynn (CAB)" <Lynn.Betzner@ontario.ca>, "Tedesco, Lauren (TBS)" <Lauren.Tedesco@ontario.ca>, "Ingram, Kelsey (MOF)" <Kelsey.Ingram@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>, "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>, "Bardeesy, Karim (OPO)" <Karim.Bardeesy@ontario.ca>, "Maddock, Michael (CAB)" <Michael.Maddock@ontario.ca>, "MacKenzie, Rebecca (OPO)" <Rebecca.MacKenzie@ontario.ca>, "McEachern, Gillian (OPO)" <Gillian.McEachern@ontario.ca>, "Killorn, Bill (OPO)" <Bill.Killorn@ontario.ca>, "Mksyartinian, Jacob (OPO)" <Jacob.Mksyartinian@ontario.ca>, "Ostergard, Matt (TBS)" <Matt.Ostergard@ontario.ca>, "Pichelli, Jason (TBS)" <Jason.Pichelli@ontario.ca>, "Farrow, Alicia (CAB)" <Alicia.Farrow@ontario.ca>
Subject: Technical briefing deck

Here is the version of the briefing deck reflecting comments coming out of the briefing with the P and Ministers.

No further updates to this deck will be circulated today, but the deck may change slightly depending on tomorrow's events.

Greg

Greg Orencsak

Deputy Minister, Treasury Board
Secretary of Treasury Board and Management Board of Cabinet
416.325.1607 | greg.orencsak@ontario.ca<<mailto:greg.orencsak@ontario.ca>>
Treasury Board Secretariat
[Title: TBS logo]

The contents of this email may be confidential and/or commercially sensitive. If received in error or you are not the intended recipient, please notify sender and delete any copies immediately.



2015-16 Annual Report

Consolidated Financial Statements

Technical Briefing

October 3, 2016

What is the Annual Report?

- The Annual Report provides an update on the Province's financial activities against the approved Budget plan for 2015-16.
- The Report is unaudited because the Auditor General has said that she cannot provide her audit opinion on these financial statements, that were submitted to her on September 29.
- An audit opinion is a requirement to table the Public Accounts with the Lieutenant-Governor-in-Council.
- In the absence of the Auditor General's audit report, the unaudited Report is being released to support transparency and accountability.

Actions to Enhance Transparency and Accountability

- This year, the Province is using additional tools and features to enhance its financial reporting:
 - Expanded comparison of the current year's results to prior year(s) including expanded trend analysis over a five-year period.
 - Enhanced descriptions of the Province's capital assets.
 - A description of key risks that could impact the Province's financial results.
 - Discussion of key financial indicators.
 - Additional data visualization tools and data tables.
 - Increased number of open data sets for download.

Summary 2015-16 Results

2015-16 Actual Results*					
\$ Billions	2015-16 Budget	2015-16 Actual	2014-15 Actual	Change from Budget	% Change
Revenues	124.4	128.4	118.5	4.0	3.2%
Expenses	131.9	133.4	128.8	1.5	1.1%
Reserve	1.0	-	-	(1.0)	
Annual Deficit	<u>(8.5)</u>	<u>(5.0)</u>	<u>(10.3)</u>	<u>3.5</u>	-41.2%
Net Debt		(305.2)	(284.6)		
Accumulated Deficit		(202.7)	(187.5)		

*unaudited

Preparation of the Financial Statements

- The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB).
- PSAB independently establishes accounting standards for the public sector in Canada.
- PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.
- The objective of PSAB standards is to meet the needs of users of financial statements by providing the information needed for accountability and decision making.

Jointly-Sponsored Pension Plans (JSPPs)

- Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.
- The plans are funded on a 50/50 basis, co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.
- Well into the 2015-16 audit, the Auditor General raised some concerns with regards to Ontario's accounting practices, based on ways the province can recognize a future benefit for assets such as pension assets for the OPSEUPP and OTPP plans.
- Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, professional staff and the Auditor General continue to have differences of opinion on how the pension assets for these plans should be accounted for under PSAB.

Accounting in Ontario for JSPPs

- Since 2001-02, the Province's share of pension assets reflected on the audited consolidated financial statements of the Province has been based on a policy considered to be appropriate and consistent with PSAB standards related to accounting for retirement benefits, which have not changed since their inception in 2001.
- Under PSAB, an asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the pension expense recognized since the start of the plan.
- The OPSEUPP and OTPP have both been reported in an asset position on the Province's consolidated financial statements for the past 14 years.
- The Province has received clean audit opinions for each of the past 22 years by four different Auditors General.
- Pension assets of OTPP and OPSEUPP were \$10.7 billion as of March 31, 2016.

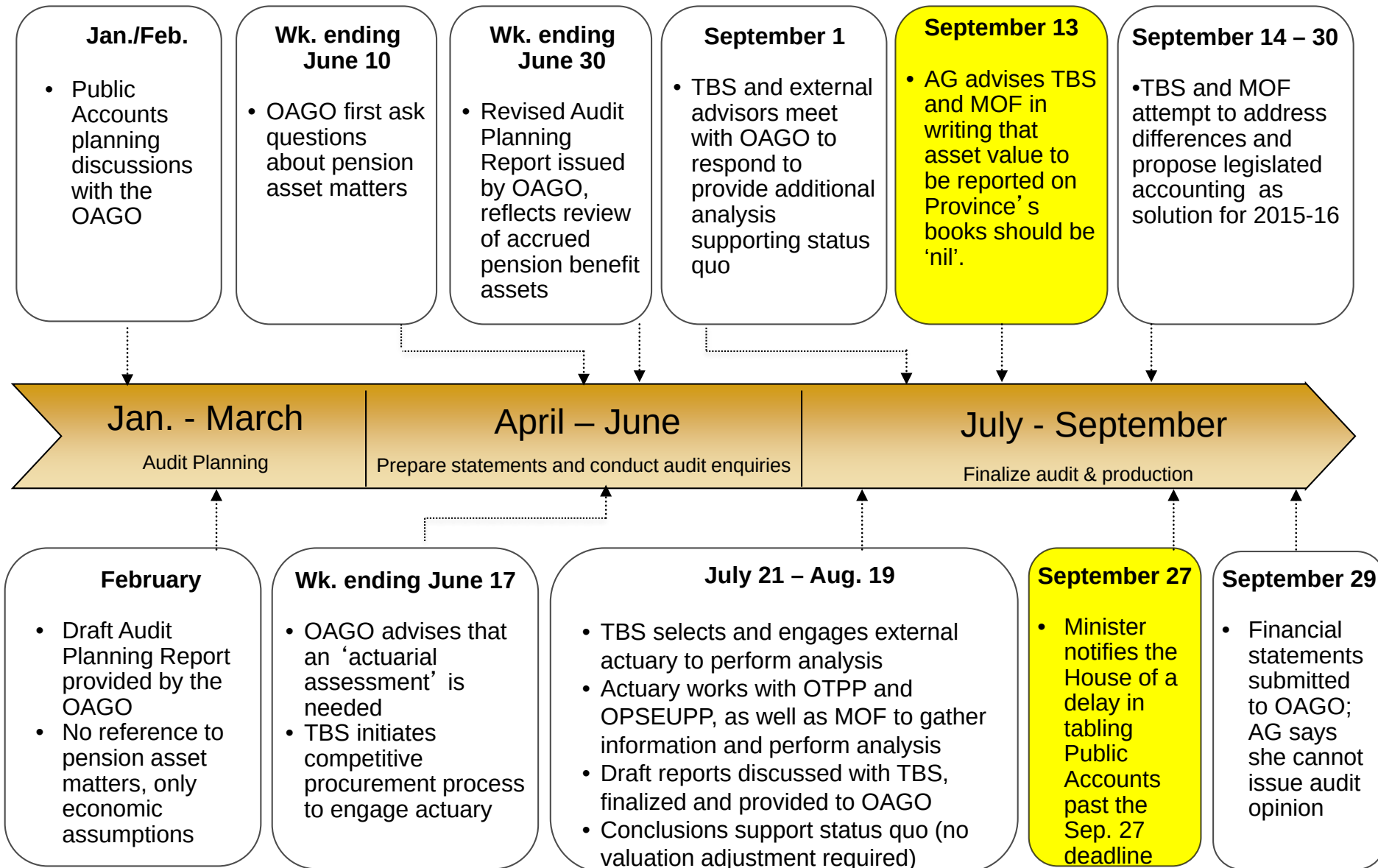
Auditor General's Position

- Well into the 2015-16 audit, the Auditor General (AG) expressed a different interpretation of the existing PSAB standards which would materially impact the Province's reporting of pension assets of jointly sponsored pension plans.
- The AG communicated a view in writing on September 13 that:
 - The government does not have a legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the AG believes that the pension asset should be removed from the Province's balance sheet.
 - Agreements to reduce future contributions would need to be in place with plan sponsors by each year end, before an asset could be reported in the Public Accounts.
 - The Province would need to take a full valuation allowance of the \$10.7 billion pension assets currently reported for OTPP and OPSEUPP, which would eliminate these assets from the Province's consolidated financial statements.

Province's Position

- Based on professional staff's interpretation of PSAB, the government believes that pension assets for OPSEUPP and OTPP exist and should be reported in order to fairly present the Province's financial position.
- Despite measurement uncertainty, the assets resulting from the application of PSAB standards to OTPP and OPSEUPP do have value, which reflects management's future expectations as required by PSAB.
- The Province has reported pension assets for OPSEUPP and OTPP on its books consistently since 2001, based on expected future benefits including reduced future contributions.
- The applicable standard (PS 3250) does acknowledge that an asset can exist and provides guidance on assessing whether a pension asset is impaired.
- Professional staff do not agree that irrevocable agreements to reduce future contributions need to be in place in order for an asset to be reflected on the Province's books under PSAB.

Timeline



Legislated Accounting for Jointly-Sponsored Pension Plans

- Given the differences in interpretation of the application of PSAB standards for OTPP and OPSEUPP pension assets, Cabinet has approved a time-limited regulation which legislates the accounting for pension assets of jointly sponsored pension plans for 2015-16.
- The effect of the regulation is to reflect the fiscal impact of the AG's position pending further review and analysis on this complex accounting matter.
- The regulation requires a full valuation allowance be recorded against the pension assets for 2015-16, therefore writing off the value of the assets.
The \$9.2 billion amount of the asset that was built up over time has been added to opening net debt and accumulated deficit for 2015-16.
- The increase in the asset during the year (\$1.5 billion) has been written off to increase pension expense in 2015-16.
- The change in accounting treatment is not any reflection on the funding status of the plans, or the quality of financial reporting by the Province.

Fiscal Impact of Accounting Treatment Change

- The regulated accounting change results in the exact same fiscal impact as the AG's interpretation of the PSAB standards.
- Impact of regulated accounting 2015-16 consolidated financial statements:
 - Increase in opening net debt and accumulated deficit by \$9.2 billion (audited value of OTPP and OPSEUPP pension assets at March 31, 2015)
 - Increase in annual pension expense by \$1.5 billion, which increases the annual deficit by the same amount
 - Increase in ending net debt, accumulated deficit and pension liabilities by \$10.7 billion (as at March 31, 2016)
- The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.
- Total debt remains unchanged by the pension adjustment.

Impact of Regulated Accounting on 2015-16 Annual Report

(\$ Millions)	Balance before Legislated Adjustment	Adjustment in accordance with Legislation	2015-16 Annual Report
Consolidated Statement of Operations			
Total Expenses	131,892	1,514	133,406
Annual Deficit	(3,515)	(1,514)	(5,029)
Consolidated Statement of Financial Position			
Pensions and Other Employee Future Benefits	1,439	10,668	12,107
Total Debt	327,413	-	327,413
Net Debt	(294,565)	(10,668)	(305,233)
Accumulated Deficit	(192,029)	(10,668)	(202,697)

In-Depth Review of the Application of Accounting Standards

- The regulation for the legislated accounting treatment of jointly sponsored pension plans was made for 2015-16 only.
- The Province will initiate a review of the application of PSAB's pension accounting standards to Ontario's jointly sponsored pension plans and will conduct a valuation review of the pension assets.
- The review will seek the expert advice of individuals with a range of backgrounds and experience, including pension administrators, preparers and auditors of public sector financial reports.
- To support an informed discussion, participants would have an in-depth knowledge of public sector accounting standards as related to pension accounting and/or the specifics of the OTPP and OPSEUPP joint sponsor arrangements, as well as similar pension plans in other jurisdictions.

Audited vs. Unaudited Financial Statements

- In practice, there should be no difference between audited and unaudited results.
- However, an audit of an entity's financial results provides assurance by an independent party that the results of the entity present fairly, in all material respects, the financial position of the entity and the results of its operations in accordance with generally accepted accounting principles.
- The Province's unaudited financial statements include a Statement of Responsibility which describes the basis upon which the financial statements are prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.
- The government also attests to its responsibility for maintaining systems of internal control which support the integrity and completeness of the financial information reported.

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Fwd: Technical briefing deck
Date: Sunday, October 02, 2016 10:31:04 PM
Attachments: [Pension Asset Technical Briefing_Oct 2.v3.ppt](#)
[ATT00001.htm](#)

Begin forwarded message:

From: "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>
Date: October 2, 2016 at 5:18:28 PM EDT
To: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca>, "McLean, David (MOF)" <David.McLean@ontario.ca>, "Jancik, Mike (TBS)" <Mike.Jancik@ontario.ca>, "Ghiassi, Ali (MOF)" <Ali.Ghiassi@ontario.ca>, "Orsini, Steve (CAB)" <Steve.Orsini@ontario.ca>, "Betzner, Lynn (CAB)" <Lynn.Betzner@ontario.ca>, "Tedesco, Lauren (TBS)" <Lauren.Tedesco@ontario.ca>, "Ingram, Kelsey (MOF)" <Kelsey.Ingram@ontario.ca>, "Bromm, William (CAB)" <William.Bromm2@ontario.ca>, "Bevan, Andrew (OPO)" <Andrew.Bevan@ontario.ca>, "Bardeesy, Karim (OPO)" <Karim.Bardeesy@ontario.ca>, "Maddock, Michael (CAB)" <Michael.Maddock@ontario.ca>, "MacKenzie, Rebecca (OPO)" <Rebecca.MacKenzie@ontario.ca>, "McEachern, Gillian (OPO)" <Gillian.McEachern@ontario.ca>, "Killorn, Bill (OPO)" <Bill.Killorn@ontario.ca>, "Mksyartinian, Jacob (OPO)" <Jacob.Mksyartinian@ontario.ca>, "Ostergard, Matt (TBS)" <Matt.Ostergard@ontario.ca>, "Pichelli, Jason (TBS)" <Jason.Pichelli@ontario.ca>, "Farrow, Alicia (CAB)" <Alicia.Farrow@ontario.ca>
Subject: Technical briefing deck

Here is the version of the briefing deck reflecting comments coming out of the briefing with the P and Ministers.

No further updates to this deck will be circulated today, but the deck may change slightly depending on tomorrow's events.

Greg

Greg Orencsak

Deputy Minister, Treasury Board
Secretary of Treasury Board and Management Board of Cabinet
416.325.1607 | greg.orencsak@ontario.ca<<mailto:greg.orencsak@ontario.ca>>
Treasury Board Secretariat
[Title: TBS logo]

The contents of this email may be confidential and/or commercially sensitive. If received in error or you are not the intended recipient, please notify sender and delete any copies immediately.



2015-16 Annual Report

Consolidated Financial Statements

Technical Briefing

October 3, 2016

What is the Annual Report?

- The Annual Report provides an update on the Province's financial activities against the approved Budget plan for 2015-16.
- The Report is unaudited because the Auditor General has said that she cannot provide her audit opinion on these financial statements, that were submitted to her on September 29.
- An audit opinion is a requirement to table the Public Accounts with the Lieutenant-Governor-in-Council.
- In the absence of the Auditor General's audit report, the unaudited Report is being released to support transparency and accountability.

Actions to Enhance Transparency and Accountability

- This year, the Province is using additional tools and features to enhance its financial reporting:
 - Expanded comparison of the current year's results to prior year(s) including expanded trend analysis over a five-year period.
 - Enhanced descriptions of the Province's capital assets.
 - A description of key risks that could impact the Province's financial results.
 - Discussion of key financial indicators.
 - Additional data visualization tools and data tables.
 - Increased number of open data sets for download.

Summary 2015-16 Results

2015-16 Actual Results*					
\$ Billions	2015-16 Budget	2015-16 Actual	2014-15 Actual	Change from Budget	% Change
Revenues	124.4	128.4	118.5	4.0	3.2%
Expenses	131.9	133.4	128.8	1.5	1.1%
Reserve	1.0	-	-	(1.0)	
Annual Deficit	<u>(8.5)</u>	<u>(5.0)</u>	<u>(10.3)</u>	<u>3.5</u>	-41.2%
Net Debt		(305.2)	(284.6)		
Accumulated Deficit		(202.7)	(187.5)		

*unaudited

Preparation of the Financial Statements

- The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB).
- PSAB independently establishes accounting standards for the public sector in Canada.
- PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.
- The objective of PSAB standards is to meet the needs of users of financial statements by providing the information needed for accountability and decision making.

Jointly-Sponsored Pension Plans (JSPPs)

- Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.
- The plans are funded on a 50/50 basis, co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.
- Well into the 2015-16 audit, the Auditor General raised some concerns with regards to Ontario's accounting practices, based on ways the province can recognize a future benefit for assets such as pension assets for the OPSEUPP and OTPP plans.
- Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, professional staff and the Auditor General continue to have differences of opinion on how the pension assets for these plans should be accounted for under PSAB.

Accounting in Ontario for JSPPs

- Since 2001-02, the Province's share of pension assets reflected on the audited consolidated financial statements of the Province has been based on a policy considered to be appropriate and consistent with PSAB standards related to accounting for retirement benefits, which have not changed since their inception in 2001.
- Under PSAB, an asset arises when the government's total contributions to a plan, including interest earned thereon, are greater than the pension expense recognized since the start of the plan.
- The OPSEUPP and OTPP have both been reported in an asset position on the Province's consolidated financial statements for the past 14 years.
- The Province has received clean audit opinions for each of the past 22 years by four different Auditors General.
- Pension assets of OTPP and OPSEUPP were \$10.7 billion as of March 31, 2016.

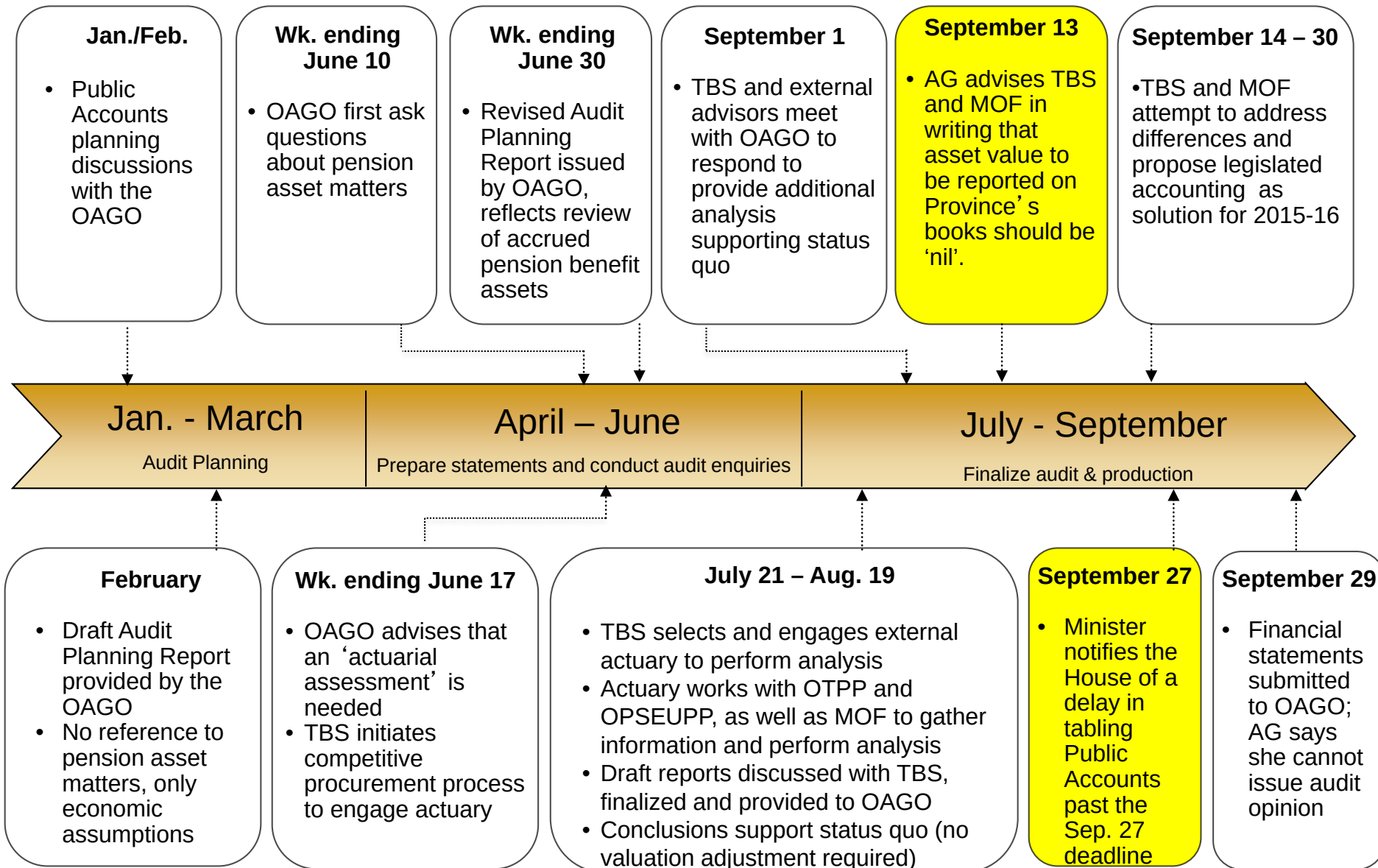
Auditor General's Position

- Well into the 2015-16 audit, the Auditor General (AG) expressed a different interpretation of the existing PSAB standards which would materially impact the Province's reporting of pension assets of jointly sponsored pension plans.
- The AG communicated a view in writing on September 13 that:
 - The government does not have a legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the AG believes that the pension asset should be removed from the Province's balance sheet.
 - Agreements to reduce future contributions would need to be in place with plan sponsors by each year end, before an asset could be reported in the Public Accounts.
 - The Province would need to take a full valuation allowance of the \$10.7 billion pension assets currently reported for OTPP and OPSEUPP, which would eliminate these assets from the Province's consolidated financial statements.

Province's Position

- Based on professional staff's interpretation of PSAB, the government believes that pension assets for OPSEUPP and OTPP exist and should be reported in order to fairly present the Province's financial position.
- Despite measurement uncertainty, the assets resulting from the application of PSAB standards to OTPP and OPSEUPP do have value, which reflects management's future expectations as required by PSAB.
- The Province has reported pension assets for OPSEUPP and OTPP on its books consistently since 2001, based on expected future benefits including reduced future contributions.
- The applicable standard (PS 3250) does acknowledge that an asset can exist and provides guidance on assessing whether a pension asset is impaired.
- Professional staff do not agree that irrevocable agreements to reduce future contributions need to be in place in order for an asset to be reflected on the Province's books under PSAB.

Timeline



Legislated Accounting for Jointly-Sponsored Pension Plans

- Given the differences in interpretation of the application of PSAB standards for OTPP and OPSEUPP pension assets, Cabinet has approved a time-limited regulation which legislates the accounting for pension assets of jointly sponsored pension plans for 2015-16.
- The effect of the regulation is to reflect the fiscal impact of the AG's position pending further review and analysis on this complex accounting matter.
- The regulation requires a full valuation allowance be recorded against the pension assets for 2015-16, therefore writing off the value of the assets.
The \$9.2 billion amount of the asset that was built up over time has been added to opening net debt and accumulated deficit for 2015-16.
- The increase in the asset during the year (\$1.5 billion) has been written off to increase pension expense in 2015-16.
- The change in accounting treatment is not any reflection on the funding status of the plans, or the quality of financial reporting by the Province.

Fiscal Impact of Accounting Treatment Change

- The regulated accounting change results in the exact same fiscal impact as the AG's interpretation of the PSAB standards.
- Impact of regulated accounting 2015-16 consolidated financial statements:
 - Increase in opening net debt and accumulated deficit by \$9.2 billion (audited value of OTPP and OPSEUPP pension assets at March 31, 2015)
 - Increase in annual pension expense by \$1.5 billion, which increases the annual deficit by the same amount
 - Increase in ending net debt, accumulated deficit and pension liabilities by \$10.7 billion (as at March 31, 2016)
- The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.
- Total debt remains unchanged by the pension adjustment.

Impact of Regulated Accounting on 2015-16 Annual Report

(\$ Millions)	Balance before Legislated Adjustment	Adjustment in accordance with Legislation	2015-16 Annual Report
Consolidated Statement of Operations			
Total Expenses	131,892	1,514	133,406
Annual Deficit	(3,515)	(1,514)	(5,029)
Consolidated Statement of Financial Position			
Pensions and Other Employee Future Benefits	1,439	10,668	12,107
Total Debt	327,413	-	327,413
Net Debt	(294,565)	(10,668)	(305,233)
Accumulated Deficit	(192,029)	(10,668)	(202,697)

In-Depth Review of the Application of Accounting Standards

- The regulation for the legislated accounting treatment of jointly sponsored pension plans was made for 2015-16 only.
- The Province will initiate a review of the application of PSAB's pension accounting standards to Ontario's jointly sponsored pension plans and will conduct a valuation review of the pension assets.
- The review will seek the expert advice of individuals with a range of backgrounds and experience, including pension administrators, preparers and auditors of public sector financial reports.
- To support an informed discussion, participants would have an in-depth knowledge of public sector accounting standards as related to pension accounting and/or the specifics of the OTPP and OPSEUPP joint sponsor arrangements, as well as similar pension plans in other jurisdictions.

Audited vs. Unaudited Financial Statements

- In practice, there should be no difference between audited and unaudited results.
- However, an audit of an entity's financial results provides assurance by an independent party that the results of the entity present fairly, in all material respects, the financial position of the entity and the results of its operations in accordance with generally accepted accounting principles.
- The Province's unaudited financial statements include a Statement of Responsibility which describes the basis upon which the financial statements are prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.
- The government also attests to its responsibility for maintaining systems of internal control which support the integrity and completeness of the financial information reported.

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Subject: Fwd: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 5:21:41 PM
Attachments: [ATT00001.htm](#)
[FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx](#)
[ATT00002.htm](#)

Hi John

Pls see attached we need to check the ratios, since as we discussed last time there were errors in their calculations

Thanks

Ken k

Begin forwarded message:

From: "Sun, Alicia (TBS)" <Alicia.Sun@ontario.ca>
Date: September 23, 2016 at 4:45:12 PM EDT
To: "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>
Cc: "Chen, Raymond (TBS)" <Raymond.Chen@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Ma, Patricia (TBS)" <Patricia.Ma2@ontario.ca>
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor

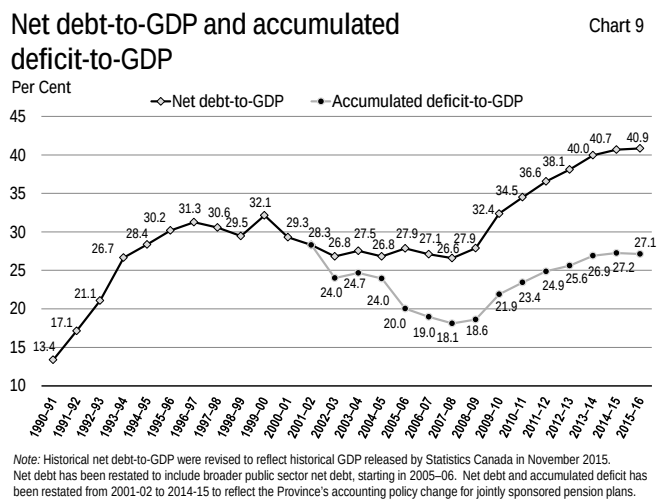
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca
Tele: (416) 325-8155

FSD&A

Infrastructure Expenditure

Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).



Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios as at the end of the fiscal period		Table 7				
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	36.6%	38.1%	40.0%	40.7%	40.9%
	Net Debt to Total Revenue (%)	219.8%	228.6%	239.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 18,051	\$ 19,195	\$ 20,316	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

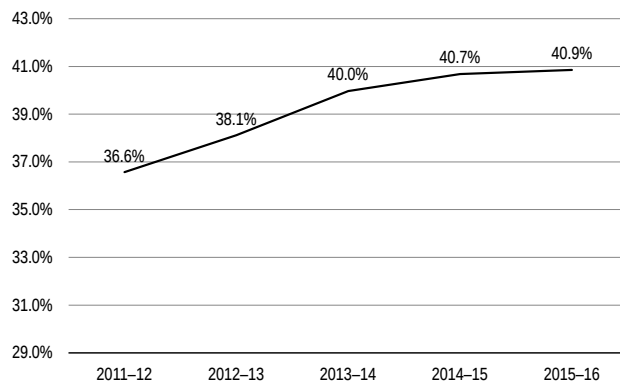
Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 40.9 per cent at the end of fiscal year 2015-16. In 2011-12, it was 36.8 per cent. Over this period, the deficit contributed close to 60 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011-12 and 2014-15, because net debt grew more quickly than GDP, the ratio increased from 36.8 per cent to 40.7 per cent. There was a slight increase to the ratio from 2014-15 to 2015-16, since net debt and GDP grew approximately at the same rate. The ratios for this trend analysis have all increased due to the impact of restated prior year's results reflecting the elimination of accrued benefit pension assets from the Province's balance sheet to reflect a change in the Province's accounting policy for pensions in the 2015-16 Public Accounts. (See Chart 11.)

Commented [PM21]: Still true?

Net debt-to-GDP — 5-year trend

Chart 11



The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. Those capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

Commented [NP2]: What messaging would be included here?

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on both balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

Commented [NP3]: TBD –change/reflect upon messaging related to this target ratio.

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011–12, the ratio was 221.2 per cent. It rose to 247.8 per cent in 2014–15, as net debt grew more quickly than revenue, including the impact of the Province's change in accounting policy for pensions. However, the ratio fell to 237.8 per cent in 2015–16, indicating that total revenues increased at a greater rate than did net debt.

Commented [NP4]: TBD

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in

2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

From: [Ken Kandeepan](#)
To: [Christina Zhang](#)
Subject: Gadi Maymans Speaking Points CSB edits v3_markup (002) (002).docx
Date: Monday, October 03, 2016 4:08:22 PM
Attachments: [Gadi Maymans Speaking Points CSB edits v3_markup \(002\) \(002\).docx](#)

As discussed.

Ken K

Remarks by Gadi Mayman
CEO
Ontario Financing Authority

to the Standing Committee
on Public Accounts

Toronto, Ontario
September 21, 2016

| Word count: ~~740~~712

Check against Delivery

Thank you, Deputy Minister Thompson and Deputy Minister Orencsak.

Good afternoon.

My name is Gadi Mayman, and I am the Chief Executive Officer of the Ontario Financing Authority.

In this role, I am responsible for overseeing Ontario's:

- borrowing and debt management strategy;
- corporate and electricity finance projects and;
- banking relationships.

I also manage the province's relationships with credit rating agencies, bond underwriters and investors.

Before I continue, I would like to thank the committee for the opportunity to discuss what we have been doing to address the points raised by the Auditor General regarding Ontario's debt.

[Net debt]

~~Ontario's net debt-to-GDP is expected to peak at 39.6 per cent in 2015-16.~~

~~This compares to the forecast of:~~

- ~~• 39.8 per cent in the 2015 Budget;~~
- ~~• 40.8 per cent in the 2014 Budget and;~~
- ~~• 40.4 per cent in the 2013 Budget.~~

~~We expect Ontario's net debt-to-GDP ratio to remain unchanged at 39.6 per cent in 2016-17, and decline further in 2017-18.~~

The government is committed towards target continues to be to ~~reduc~~inge the net debt-to-GDP ratio to its pre-recession level.

A government's net debt increases primarily for two reasons: to finance its deficits and invest in capital assets.

In the first few years after the global recession in 2008–09, the increase in the province's net debt was primarily due to Ontario's deficit. Over this period the Government continued investing in much needed improvements to the Province's capital infrastructure.

The government plans to invest more than \$137-billion in capital over 10 years, and \$160 billion over the 12-year period starting in 2014-15.

Investments in capital, supplement GDP growth and the net debt-to-GDP ratio will come down more quickly than it would without these investments.

Once a balanced budget is achieved, the increase in net debt will be limited to difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

~~Ontario's deliberate choice to invest in the economy during the recession did increase the deficit, but also resulted in Ontario experiencing the recession less harshly than we might have otherwise.~~

~~The strategy was successful-- the economy rebounded and since then, the government has been committed to eliminating the deficit by 2017–18, and remaining balanced in 2018–19.~~

~~Once balance is achieved, the increase in Ontario's net debt will be limited to its net investment in tangible capital assets.~~

This means that achieving balance will put net debt-to-GDP on a declining track.

Moody's notes in a report issued October 3, 2016 that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy.

The report also states, "The policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices outlined above, has helped to support the province's Aa2 rating."

Moody's notes that the government's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's rating.

Formatted: Font: Not Bold

Formatted: Font: (Default) Arial, 14 pt

[Borrowing Program]

Formatted: Font: Not Bold

Ontario conducts a robust and responsible borrowing program that protects the public interest.

In 2015–16 the government successfully completed its annual borrowing program, borrowing \$32.1 billion.

As of September 30, August 31, 2016, the province has borrowed \$13.3 billion of its \$24.4 billion requirement for fiscal 2016–17.

The recently released 2015-16 unaudited Financial Statements of the Province included a legislated pension adjustment that increased net debt by \$10.7 billion.

The pension adjustment was non-cash and does not impact either the Province's total debt or its borrowing requirements.

Through prudent and cost-effective debt management, Ontario has consistently kept interest on debt costs below budget projections.

Employing term extensions has allowed the Province to lock in low interest rates for longer periods, which has reduced Ontario's refinancing risks.

It also helps offset the impact of expected higher interest rates on the interest-on-debt costs.

As of August 31, September 30, 2016, the average term to maturity for new borrowing in 2016–17 was 15.63 years.

In fact, since 2010 Ontario has issued \$59.1 billion of bonds longer than 30 years' duration to lock in low rates.

As a result, we have extended Ontario's weighted-average term to maturity of long-term provincial debt significantly.

In 2009-10 it was 8.1 years; last year it was 14.2 years.

As I mentioned a moment ago, it was 15.⁶³ years as of September 30th ~~August 31~~ this year.

Formatted: Superscript

The 2010 Ontario Budget forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar on interest.

The current forecast is 2.7 cents lower. We are currently tracking at nine cents of every revenue dollar.

This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

The Province takes a very prudent approach to managing the risks associated with its borrowing program.

Ontario limits itself to a maximum net interest rate resetting exposure level of 35 per cent of debt issued for provincial purposes.

It also limits itself to a maximum foreign exchange exposure level of five per cent of debt issued for provincial purposes.

As of September 30, July 31, 2016, the actual values for Ontario's net interest rate resetting exposure and ~~foreign exchange exposure~~ were 10.6 ~~9.35~~ per cent and 0.33 per cent, respectively.

As you can see, this is well below the policy limit levels.

The Province will remain flexible in its borrowing approach.

The approach includes monitoring all major markets and seeking the most cost-effective means, over the long term, to finance Ontario's borrowing program.

It also includes reaching out to investors and investment banks, domestically and globally, to ensure that Ontario bond issues remain highly

attractive, liquid and sought after, as they have been since Ontario began accessing public markets almost 25 years ago.

I am happy to answer any questions you may have.

From: [Ken Kandeepan](#)
To: [Christina Zhang](#)
Cc: [Bonnie Lemcke](#)
Subject: Gadi Maymans Speaking Points CSB edits_Oct 3 2016 5pm.docx
Date: Tuesday, October 04, 2016 8:57:54 AM
Attachments: [Gadi Maymans Speaking Points CSB edits_Oct 3 2016 5pm.docx](#)

Corrected for the IOD to revenue

Thanks

Ken k

Remarks by Gadi Mayman
CEO

Ontario Financing Authority

to the Standing Committee
on Public Accounts

Toronto, Ontario

~~September 21~~October 5, 2016

Word count: ~~740~~

Check against Delivery

Thank you, Deputy Minister Thompson and Deputy Minister Orencsak.

Good afternoon.

My name is Gadi Mayman, and I am the Chief Executive Officer of the Ontario Financing Authority.

In this role, I am responsible for overseeing Ontario's:

- borrowing and debt management strategy;
- corporate and electricity finance projects and;
- banking relationships.

I also manage the province's relationships with credit rating agencies, bond underwriters and investors.

Before I continue, I would like to thank the committee for the opportunity to discuss what we have been doing to address the points raised by the Auditor General regarding Ontario's debt.

[Net debt]

~~Ontario's net debt-to-GDP is expected to peak at 39.6 per cent in 2015-16.~~

~~This compares to the forecast of:~~

- ~~• 39.8 per cent in the 2015 Budget;~~
- ~~• 40.8 per cent in the 2014 Budget and;~~
- ~~• 40.4 per cent in the 2013 Budget.~~

~~We expect Ontario's net debt-to-GDP ratio to remain unchanged at 39.6 per cent in 2016-17, and decline further in 2017-18.~~

The government is committed towards target continues to be to ~~reduc~~inge the net debt-to-GDP ratio to its pre-recession level.

A government's net debt increases primarily for two reasons: to finance its deficits and invest in capital assets.

In the first few years after the global recession in 2008–09, the increase in the province's net debt was primarily due to Ontario's deficit. Over this period the Government continued investing in much needed improvements to the Province's capital infrastructure.

The government plans to invest more than \$137-billion in capital over 10 years, and \$160 billion over the 12-year period starting in 2014-15.

Investments in capital, supplement GDP growth and the net debt-to-GDP ratio will come down more quickly than it would without these investments.

Once a balanced budget is achieved, the increase in net debt will be limited to difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

~~Ontario's deliberate choice to invest in the economy during the recession did increase the deficit, but also resulted in Ontario experiencing the recession less harshly than we might have otherwise.~~

~~The strategy was successful-- the economy rebounded and since then, the government has been committed to eliminating the deficit by 2017–18, and remaining balanced in 2018–19.~~

~~Once balance is achieved, the increase in Ontario's net debt will be limited to its net investment in tangible capital assets.~~

This means that achieving balance will put net debt-to-GDP on a declining track.

Moody's notes in a report issued October 3, 2016 that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy.

The report also states, "The policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices outlined above, has helped to support the province's Aa2 rating."

Moody's notes that the government's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's rating.

Formatted: Font: Not Bold

Formatted: Font: (Default) Arial, 14 pt

[Borrowing Program]

Formatted: Font: Not Bold

Ontario conducts a robust and responsible borrowing program that protects the public interest.

In 2015–16 the government successfully completed its annual borrowing program, borrowing \$32.1 billion.

As of September 30, August 31, 2016, the province has borrowed \$13.3 billion of its \$24.4 billion requirement for fiscal 2016–17.

The recently released 2015-16 unaudited Financial Statements of the Province included a legislated pension adjustment that increased net debt by \$10.7 billion.

The pension adjustment was non-cash and does not impact either the Province's total debt or its borrowing requirements.

Through prudent and cost-effective debt management, Ontario has consistently kept interest on debt costs below budget projections.

Employing term extensions has allowed the Province to lock in low interest rates for longer periods, which has reduced Ontario's refinancing risks.

It also helps offset the impact of expected higher interest rates on the interest-on-debt costs.

As of August 31, September 30, 2016, the average term to maturity for new borrowing in 2016–17 was 15.63 years.

In fact, since 2010 Ontario has issued \$59.1 billion of bonds longer than 30 years' duration to lock in low rates.

As a result, we have extended Ontario's weighted-average term to maturity of long-term provincial debt significantly.

In 2009-10 it was 8.1 years; last year it was 14.2 years.

As I mentioned a moment ago, it was 15.~~63~~ years as of September 30th August 31 this year.

The 2010 Ontario Budget forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar on interest.

Currently, the Province spends 8.5 cents of every revenue dollar on interest. The current forecast is 23.75 cents lower than what was forecast in 2010. We are currently tracking at nine cents of every revenue dollar.

This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

The Province takes a very prudent approach to managing the risks associated with its borrowing program.

Ontario limits itself to a maximum net interest rate resetting exposure level of 35 per cent of debt issued for provincial purposes.

It also limits itself to a maximum foreign exchange exposure level of five per cent of debt issued for provincial purposes.

As of September 30, July 31, 2016, the actual values for Ontario's net interest rate resetting exposure and ~~foreign exchange exposure~~ were 10.6 9.35 per cent and 0.33 per cent, respectively.

As you can see, this is well below the policy limit levels.

The Province will remain flexible in its borrowing approach.

The approach includes monitoring all major markets and seeking the most cost-effective means, over the long term, to finance Ontario's borrowing program.

It also includes reaching out to investors and investment banks, domestically and globally, to ensure that Ontario bond issues remain highly attractive, liquid and sought after, as they have been since Ontario began accessing public markets almost 25 years ago.

I am happy to answer any questions you may have.

From: [Christina Zhang](#)
To: [Gadi Mayman](#)
Cc: [Mike Manning](#); [Ken Kandeepan](#)
Subject: Latest SCOPA Materials
Date: Monday, October 03, 2016 6:11:04 PM
Attachments: [Friendly QAs Moodys.docx](#)
[Gadi Maymans Speaking Points CSB edits Oct 3 2016 5pm.docx](#)
[MOF QAs Oct 3 2016 6pm.docx](#)

Hi Gadi,

Very, very sorry for sending you these on Rosh Hashanah. Please treat these as FYI, unless you have comments of course. =)

Please find attached the latest materials for SCOPA, including your updated remarks and a couple of friendly Q&As on the Moody's report, as requested by DMO. I've also attached the general Q&As (updated with the September 30th borrowing numbers).

There's a joint MO/DM briefing on SCOPA tomorrow at noon, which Ken will likely attend. Thanks very much to Mike and Ken for all their assistance today. Ken had kindly updated your remarks to reflect the September 30th borrowing numbers, the Moody's report and today's release of the unaudited FS.

Have a great evening and hope you're having wonderful celebration with your family.

Regards,
Christina

From: Christina Zhang
Sent: Monday, October 03, 2016 5:24 PM
To: Mike Manning <Mike.Manning@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: Latest SCOPA Comms Products

Hi there,

FYI. DMO has confirmed that we're to keep SCOPA Q&As as is and that there's no need to update based on today's release of the unaudited consolidated financial statements. That said, I'll review and update the borrowing numbers as of September 30th. Because of the delay in SCOPA, all our borrowing numbers were as of August 31th.

In the meantime, I'll planning to share the two documents with DMO as drafts. One is Gadi's remarks (which Ken kindly reviewed and updated) and the proposed friendlies by Bonnie.

Once I've updated the Q&As, I'll send all three items to Gadi as well as a FYI. Just very reluctant to send him anything during his holiday.

Thank you,
Christina

From: Ize-Dukuze, Marilyn (MOF) [<mailto:Marilyn.Ize-Dukuze@ontario.ca>]
Sent: Monday, October 03, 2016 5:12 PM
To: Tara McGrath (MOF) <Tara.McGrath@ontario.ca>; Birks, Ryan (MOF) <Ryan.Birks@ontario.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>; Tomasz Bugajski <Tomasz.Bugajski@ofina.on.ca>; Ghufuran Tarin (MOF) <Ghufuran.Tarin@ontario.ca>
Subject: RE: Latest SCOPA Comms Products

Hi both –

SCOPA is still very much about the 2014-15 PA, thus current QAs do not need updating. However, additional QAs reflecting 2015-16 PA release are also now required. For this, we are asking TBS to share the QA package that was put together (with MOF input) for the 2015-16 PA release. This would be added to the SCOPA binders in addition to the QAs on 2014-15 PA.

Following up on strategy for remarks.

Thanks,
Marilyn Ize-Dukuze | ph. 416.326.8529 | bb. 416.302.3609

Q: Moody's just released a report noting that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy. Can you explain how your conservative debt management policies are keeping debt service costs manageable?

A: Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs.

The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Q: Moody's just released a report noting that Ontario's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's Aa2 rating. Can you explain how borrowing for infrastructure helps support the province's credit rating?

A: We are making the biggest investment in public infrastructure in Ontario's history. We have a plan to invest more than \$137 billion over the next 10 years, or about \$160 billion over 12 years, starting in 2014-15. This is a strategic investment will grow the economy and create jobs.

Our plan is to first balance the budget while continuing to make strategic investments in capital assets. These infrastructure investments will stimulate economic growth, resulting in GDP growing more quickly than debt, and thereby lowering the net debt-to-GDP ratio.

With capital investments, the net debt-to-GDP ratio will come down more quickly than it would have without these investments in capital assets.

Capital investments are amortized over the useful life of the assets. Once a balanced budget is achieved, the increase in debt will be limited to the difference between the cash investment to build assets, and the amortization, which is a non-cash amount.

This historic investment in public infrastructure is critical to Ontario – today and tomorrow. From an economic perspective – these infrastructure investments will certainly pay off. Our investments will support an average of 110,000 jobs per year in Ontario, as well as creating significant GDP growth.

Remarks by Gadi Mayman
CEO

Ontario Financing Authority

to the Standing Committee
on Public Accounts

Toronto, Ontario

~~September 21~~October 5, 2016

Word count: ~~740~~

Check against Delivery

Thank you, Deputy Minister Thompson and Deputy Minister Orencsak.

Good afternoon.

My name is Gadi Mayman, and I am the Chief Executive Officer of the Ontario Financing Authority.

In this role, I am responsible for overseeing Ontario's:

- borrowing and debt management strategy;
- corporate and electricity finance projects and;
- banking relationships.

I also manage the province's relationships with credit rating agencies, bond underwriters and investors.

Before I continue, I would like to thank the committee for the opportunity to discuss what we have been doing to address the points raised by the Auditor General regarding Ontario's debt.

[Net debt]

~~Ontario's net debt-to-GDP is expected to peak at 39.6 per cent in 2015-16.~~

~~This compares to the forecast of:~~

- ~~• 39.8 per cent in the 2015 Budget;~~
- ~~• 40.8 per cent in the 2014 Budget and;~~
- ~~• 40.4 per cent in the 2013 Budget.~~

~~We expect Ontario's net debt-to-GDP ratio to remain unchanged at 39.6 per cent in 2016-17, and decline further in 2017-18.~~

The government is committed towards target continues to be to ~~reduc~~inge the net debt-to-GDP ratio to its pre-recession level.

A government's net debt increases primarily for two reasons: to finance its deficits and invest in capital assets.

In the first few years after the global recession in 2008–09, the increase in the province's net debt was primarily due to Ontario's deficit. Over this period the Government continued investing in much needed improvements to the Province's capital infrastructure.

The government plans to invest more than \$137-billion in capital over 10 years, and \$160 billion over the 12-year period starting in 2014-15.

Investments in capital, supplement GDP growth and the net debt-to-GDP ratio will come down more quickly than it would without these investments.

Once a balanced budget is achieved, the increase in net debt will be limited to difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

~~Ontario's deliberate choice to invest in the economy during the recession did increase the deficit, but also resulted in Ontario experiencing the recession less harshly than we might have otherwise.~~

~~The strategy was successful-- the economy rebounded and since then, the government has been committed to eliminating the deficit by 2017–18, and remaining balanced in 2018–19.~~

~~Once balance is achieved, the increase in Ontario's net debt will be limited to its net investment in tangible capital assets.~~

This means that achieving balance will put net debt-to-GDP on a declining track.

Moody's notes in a report issued October 3, 2016 that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy.

The report also states, "The policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices outlined above, has helped to support the province's Aa2 rating."

Moody's notes that the government's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's rating.

Formatted: Font: Not Bold

Formatted: Font: (Default) Arial, 14 pt

[Borrowing Program]

Formatted: Font: Not Bold

Ontario conducts a robust and responsible borrowing program that protects the public interest.

In 2015–16 the government successfully completed its annual borrowing program, borrowing \$32.1 billion.

As of September 30, August 31, 2016, the province has borrowed \$13.3 billion of its \$24.4 billion requirement for fiscal 2016–17.

The recently released 2015-16 unaudited Financial Statements of the Province included a legislated pension adjustment that increased net debt by \$10.7 billion.

The pension adjustment was non-cash and does not impact either the Province's total debt or its borrowing requirements.

Through prudent and cost-effective debt management, Ontario has consistently kept interest on debt costs below budget projections.

Employing term extensions has allowed the Province to lock in low interest rates for longer periods, which has reduced Ontario's refinancing risks.

It also helps offset the impact of expected higher interest rates on the interest-on-debt costs.

As of August 31, September 30, 2016, the average term to maturity for new borrowing in 2016–17 was 15.63 years.

In fact, since 2010 Ontario has issued \$59.1 billion of bonds longer than 30 years' duration to lock in low rates.

As a result, we have extended Ontario's weighted-average term to maturity of long-term provincial debt significantly.

In 2009-10 it was 8.1 years; last year it was 14.2 years.

As I mentioned a moment ago, it was 15.63 years as of [September 30th August 31](#) this year.

The 2010 Ontario Budget forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar on interest.

The current forecast is 2.7 cents lower. We are currently tracking at nine cents of every revenue dollar.

This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

The Province takes a very prudent approach to managing the risks associated with its borrowing program.

Ontario limits itself to a maximum net interest rate resetting exposure level of 35 per cent of debt issued for provincial purposes.

It also limits itself to a maximum foreign exchange exposure level of five per cent of debt issued for provincial purposes.

As of [September 30, July 31](#), 2016, the actual values for Ontario's net interest rate resetting exposure and foreign exchange exposure were [10.6 9.35](#) per cent and 0.33 per cent, respectively.

As you can see, this is well below the policy limit levels.

The Province will remain flexible in its borrowing approach.

The approach includes monitoring all major markets and seeking the most cost-effective means, over the long term, to finance Ontario's borrowing program.

It also includes reaching out to investors and investment banks, domestically and globally, to ensure that Ontario bond issues remain highly

attractive, liquid and sought after, as they have been since Ontario began accessing public markets almost 25 years ago.

I am happy to answer any questions you may have.

Questions and Answers

Table of Contents

Office of the Budget	1
Office of Economic Policy	3
Revenue Questions and Answers	3
2014-15 Actual Vs. 2015 Budget Interim	3
2014-15 Actual Vs. 2014 Budget Plan	4
2014-15 Actual Vs. 2013-14 Actual	5
Ontario Financing Authority	8
Friendly Questions	8
Debt Burden	8
Interest Rates	10
Financial Instruments Standard	11
Borrowing and Debt Management – General	12
Interest on Debt (IOD)	14
Credit Ratings	15
Ontario Electricity Financial Corporation	16
Friendly Question	16
Electricity Sector Stranded Debt	16
Stranded Debt and Residual Stranded Debt Qs&As	17
Residual Stranded Debt	19
Background	24
Corporate and electricity finance division	28
Asset Optimization and the Trillium Trust	28

OFFICE OF THE BUDGET

Q. Will you still be able to balance if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

A. The government is dedicated to a fiscally sound approach to managing the Province's finances, and remains committed to balancing the budget in 2017-18 and 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

From a fiscal planning perspective, Ontario incorporates prudence in its projections.

- As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan incorporates includes a reserve to protect the fiscal outlook against unforeseen adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2016–17, \$1.1 billion in 2017–18, and \$1.2 billion in 2018–19.
- The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

With the economy expected to continue to growth, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

Q. From your perspective, why is it important that the government has consistently beaten its deficit targets, in terms of the province's finances?

A. The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will:

- Provide the foundation for the long-term well-being and prosperity of Ontarians; and
- Protect the public services that Ontarians rely on.

For 2015-16, Ontario is on track to beat its deficit target for the seventh year in a row. By continuing to beat its fiscal targets, Ontario's accumulated deficit is \$30 billion lower than it otherwise would have been.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

OFFICE OF ECONOMIC POLICY

Revenue Questions and Answers

2014-15 Actual Vs. 2015 Budget Interim

	2015 Budget Interim (\$M)	2014-15 Actual (\$M)	Variance (\$M)	Variance (%)
Taxation Revenue	82,654	82,275	-379	-0.5
Government of Canada Transfers	21,713	21,615	-98	-0.5
Income from Government Business Enterprise	5,311	5,615	304	5.7
Other Non-Tax Revenue	8,839	9,041	202	2.3
Total Revenue	118,517	118,546	29	0.0

Q. Can you explain the \$29 million increase in revenue since your 2015 Budget?

A. The modest \$29 million improvement in revenues is largely due to higher net income of Government Enterprises and revenues from Other Non-Tax Revenues mainly offset by lower Taxation Revenues and Federal Payments.

- Net income from Government Enterprises is \$304 million higher mainly due to higher revenue from OPG (including favourable nuclear fund financial market performance) and OLG's higher numbers of large jackpots late in the fiscal year.
- Higher Other Non-Tax revenues of \$202 million came from a variety of sources, including consolidated agencies and electricity sector.
- Taxation revenues are \$379 million lower largely due to lower Corporations Tax revenue (-\$591M) partially offset by higher Personal Income Tax revenue (+\$285M).
- Lower Federal Payments (-\$98M) is largely due to a decline in transfers to consolidated government agencies.

Q. Why are Taxation revenues \$379 million below your Interim estimate?

- A. Most of the weakness in Taxation revenues is due to lower Corporations Tax (-\$591M) because 2014 corporate profits turned out to be lower than estimated at the time of the 2015 Budget. This is partially offset by higher Personal Income Tax revenue (+\$285M) based on results from the processing of tax returns for 2014 and prior years.

2014-15 Actual Vs. 2014 Budget Plan

	2014 Budget Plan (\$M)	2014-15 Actual (\$M)	Variance (\$M)	Variance (%)
Taxation Revenue	83,365	82,275	-1,090	-1.3
Government of Canada Transfers	21,882	21,615	-267	-1.2
Income from Government Business Enterprise	5,026	5,615	589	11.7
Other Non-Tax Revenue	8,598	9,041	443	5.2
Total Revenue	118,871	118,546	-325	-0.3

Q. Why are revenues \$325 million lower than your 2014 Budget projection?

- A. Revenues were \$325 million below the 2014 Budget Plan largely due to lower Taxation revenues and lower Federal Payments partially offset by higher net income from Government Business Enterprises (mainly OPG) and higher Other Non-Tax Revenues.
- Taxation revenues were \$1,090 million lower and Federal Payments were \$267 million weaker than projected.
 - Partially offset came from higher net income from Government Business Enterprises (+\$589M) and Other Non-Tax Revenues (\$443M).

Q. What accounts for the \$1,090 million decrease in Taxation revenues from your 2014 Budget projection?

- A. Taxation revenues were \$1,090 million lower due mostly to lower Corporations Tax (-\$697M) and lower Sales Tax (-\$248M).
- The \$697 million decrease in Corporations Tax revenue is due mainly to lower 2014 profits, lower 2013 corporate income tax assessments and higher refunds to corporations for years prior to 2009.
 - The \$248 million decrease in Sales Tax Revenue is due largely to revisions to HST entitlement estimates for 2013 and prior years.

Q: Why were Federal transfers \$267 million lower than your 2014 Budget projection?

A: Lower Federal transfers were largely due to revised timelines for Building Canada Fund projects and lower transfers to government agencies, including Agricorp and Toronto 2015. These lower transfers are largely offset by lower spending associated with these transfer programs.

Q: How did net income from Government Business Enterprises increase by \$589 million from your 2014 Budget projection?

A: This was mostly attributable to Ontario Power Generation Inc., reflecting lower operating costs and better financial market performance of its nuclear funds.

Q: What accounts for the \$1.1 billion decrease in taxation revenues from your 2014 Budget projection?

A: Taxation revenues were \$1.1 billion lower due largely to lower corporations tax revenue (-\$0.7 billion) and lower sales tax revenue (-\$0.2 billion).

- Lower 2013 corporate income tax assessments resulted in a higher repayment to the Canada Revenue Agency for amounts already paid to the Province for the 2013 tax year and, refunds to corporations for tax years prior to 2009 were also higher.
- Sales tax revenue was lower due to revisions to harmonized sales tax entitlement estimates for 2013 and prior tax years.

2014-15 Actual Vs. 2013-14 Actual

	2013-14 Actual (\$M)	2014-15 Actual (\$M)	Variance (\$M)	Variance (%)
Taxation Revenue	79,966	82,275	2,309	2.9
Government of Canada Transfers	22,276	21,615	-661	-3.0
Income from Government Business Enterprise	5,337	5,615	278	5.2
Other Non-Tax Revenue	8,331	9,041	710	8.5
Total Revenue	115,911	118,546	2,635	2.3

Q: How did revenues perform in 2014-15 compared to 2013-14?

A: In 2014-15, revenues increased by \$2.6 billion or, or 2.3 per cent, from 2013-14.

- Taxation revenue increased by \$2.3 billion over the previous year. The increase was across most taxation revenue sources, partially offset by a \$1.9 billion decrease in Corporations Tax reflecting adjustments in respect of prior years.
- The combined net incomes of Government Business Enterprises were up \$0.3 billion from the previous year.
- Federal Payments declined by \$0.7 billion mainly because of a reduction in Equalization Payments, partially offset by increased health and social transfers
- Other Non-Tax revenue increased by \$0.7 billion largely due to the gain of the sale of the Province's remaining General Motors shares during 2014-15.

Q: **Why is year-over-year growth in Taxation revenue 2.9 per cent when nominal GDP growth was 3.6 per cent?**

A: Growth in Taxation revenue of 2.9 per cent is lower than 2014 nominal GDP growth of 3.6 per cent largely due to a \$1.9 billion decrease in Corporations Tax reflecting prior year adjustments. This included:

- a repayment of -\$1.3B, due to a Federal government overpayment of 2013 corporate income tax during 2013, and
- a projected repayment to the Federal government of \$0.5B for an overpayment to the Province for the 2014 tax year.

Q: **What explains the fairly strong year-over-year growth in Personal Income tax revenues of 8.9 per cent?**

A: The higher Personal Income Tax revenues growth reflects growth in personal incomes as well as the impact of the high-income measure introduced in the 2014 Budget and the net impacts of one-time prior-year adjustments in both 2013-14 and 2014-15.

Q: **Given the recent poor results for Quebec and California allowances auctions, is the Government still expecting to meet revenue targets set out in the 2016 Budget?**

A: The poor auction results suggest a risk to cap and trade revenues. However, it is too early to determine what actual impact on revenues will be.

In three joint WCI auctions held so far in 2016, allowances have gone unsold.

- In February, 94% of the allowances offered by Quebec were sold; California sold 95% of the total allowances it offered.
- In May, both Quebec and California sold about 11% of the total allowances they each offered.
- The August auction performed relatively better though still undersubscribed, selling 35% of offered allowances.

It is possible, however, that emitters are holding off on buying allowances until they get closer to the end of the compliance period (current compliance period from 2015 through 2017).

The uncertainty related to legal challenges to California's cap and trade program may have contributed to the poor sale of allowances at the May and August auction. In joint auctions prior to 2016, all the allowances that were offered for sales were sold.

Ontario is planning to hold stand-alone auctions starting in March 2017 before linking with California and Quebec in 2018. Initial stand-alone auctions could result in a higher-than-WCI domestic carbon price.

The medium-term revenue outlook includes projected cap-and-trade proceeds from the auctioning of carbon allowances beginning in 2017. The current estimate for proceeds is:

- o \$478 million in 2016-17; and
- o Between \$1.8 billion and \$1.9 billion annually starting in 2017-18.

Revenue Forecasting Unit, Economic and Revenue Forecasting and Analysis Branch, OEP

Contact: Bruno Amara (325-0766)

ONTARIO FINANCING AUTHORITY

Friendly Questions

Debt Burden

Q. — Our government has a target for reducing the net debt to GDP ratio.

— Can you tell us more about the target and how our government is doing in terms of reaching that target?

A. — Net debt, as of March 31, 2016, is forecast to be \$296.1 billion, \$2.8 billion lower than forecasted in the *2015 Budget*. Net debt was \$284.6 billion as of March 31, 2015. The net debt to GDP ratio is forecast to peak at 39.6 per cent in 2015–16, remain level in 2016–17, and decline to 38.9 per cent in 2017–18 and 38.5 per cent in 2018–19.

— Ontario conducts a robust and responsible borrowing program that protects the public interest. The government successfully completed its annual borrowing program in 2015–16, borrowing \$32.1 billion. Long-term borrowing for 2016–17 is forecast to be \$24.4 billion when factoring in \$2.0 billion pre-borrowed in 2015–16. This will be the Province's smallest borrowing program since 2007–08.

— As of August 31, 2016, the Province had borrowed \$12.5 billion for the fiscal year. Approximately 71 per cent of this year's borrowing to date has been completed in Canadian dollars. The remainder of the Province's borrowing to date has been completed in international currencies primarily through U.S. dollar global bonds, and two small Australian dollar Kangaroo bond issues.

— Through prudent and cost-effective debt management, the Province has consistently kept interest on debt costs below budget projections. The *2010 Budget* forecast that, by 2016–17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 2.7 cents lower, at 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 1990s and 2000s, and is forecast to remain lower through the outlook period in 2018–19.

— Term extension has allowed the Province to lock in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt costs.

— Going back to the beginning of fiscal 2010–11, Ontario has issued \$59.1 billion of bonds longer than 30 years to lock in low rates. As a result, the weighted-average term to maturity of long-term provincial debt issued has been extended significantly, from 8.6 years in 2008–09 to 15.6 years as of August 31.

Q: Noting that a key indicator of the government's ability to carry its debt entails examining the level of debt relative to the size of the economy, can you please explain further what the forecasted net debt to GDP ratio is for Ontario?

What effect does this have on the government's commitment to balancing the budget by 2017-18?

A: The Province's net debt to GDP ratio is expected to peak in 2015-16 at 39.6 per cent, remain unchanged in 2016-17 and begin to decline in 2017-18.

The government continues to maintain a target of reducing the net debt to GDP ratio to its pre-recession level. Net Debt increases primarily for two reasons: to finance deficits and invest in capital assets. In the first few years after the global recession in 2008-09, the increase in net debt was primarily due to the deficit. However, the government is on track to eliminate the deficit and balance the budget by 2017-18. Once a balanced budget is achieved, the increase in net debt will be limited to the net investment in tangible capital assets.

Q: Moody's just released a report noting that Ontario's debt burden and debt service costs will remain manageable thanks to low interest rates, as well as the province's improving fiscal position and conservative debt management policy. Can you explain how your conservative debt management policies are keeping debt service costs manageable?

Formatted: Font: Bold

A: Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs.

The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Q: Moody's just released a report noting that Ontario's policy decision to borrow for infrastructure spending at a time of historically low interest rates, combined with the prudent debt management practices has helped to support the province's Aa2 rating. Can you explain how borrowing for infrastructure helps support the province's credit rating?

Formatted: Font: Bold

A: We are making the biggest investment in public infrastructure in Ontario's history. We have a plan to invest more than \$137 billion over the next 10 years, or about \$160 billion over 12 years, starting in 2014-15. This is a strategic investment will grow the economy and create jobs.

Our plan is to first balance the budget while continuing to make strategic investments in capital assets. These infrastructure investments will stimulate economic growth, resulting in GDP growing more quickly than debt, and thereby lowering the net debt-to-GDP ratio.

With capital investments, the net debt-to-GDP ratio will come down more quickly than it would have without these investments in capital assets.

Capital investments are amortized over the useful life of the assets. Once a balanced budget is achieved, the increase in debt will be limited to the difference between the cash investment to build assets, and the amortization, which is a non-cash amount.

This historic investment in public infrastructure is critical to Ontario – today and tomorrow. From an economic perspective – these infrastructure investments will certainly pay off. Our investments will support an average of 110,000 jobs per year in Ontario, as well as creating significant GDP growth.

Interest Rates

Q. Chapter 2 of the Auditor General's 2014 annual report speaks to the increased vulnerability of Ontario with respect to interest rates. She points to the possible rise in rates related to borrowing.

However, I am also aware that the Province has consistently kept interest on debt costs below budget projections.

What steps has the government taken to reduce borrowing and keep interest on debt costs low?

A. Through prudent and cost-effective debt management, the Province has consistently kept interest on debt costs below budget projections. The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents on interest for every revenue dollar received. The current forecast is 23 per cent lower, at 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992-93 to 2005-06, and is forecast to remain lower through the period to balance in 2017-18.

Extending the term of the debt that the Province issues has locked in low interest rates for a longer period, which reduces refinancing risks and helps offset the impact of expected higher interest rates on the Province's interest on debt costs.

Going back to the beginning of fiscal 2010-11, Ontario has issued \$59.1 billion of bonds that do not mature for at least 30 years to lock in low rates. As a result, the

weighted-average term to maturity of long-term provincial debt issued has been extended significantly, from 8.6 years in 2008-09 to 15.~~36~~ years as of ~~August 31~~September 30.

Financial Instruments Standard

Q. I understand that proposed new standards by the Public Sector Accounting Board on Financial Instruments would affect interest on debt. Would it also affect other financial indicators of the provincial government?

A. The use of financial indicators helps the public and other readers of the Annual Report assess the financial health of the Province. Through the indicators' levels and trends, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government is responding to these.

The Public Sector Accounting Board's (PSAB) new standard on Financial Instruments, if implemented in its current form, would have a significant impact on how the Province uses derivatives to convert its current exposure in foreign currency debt into Canadian-dollar obligations. The proposed standard, which does not allow for hedge accounting, would introduce significant and difficult-to-forecast volatility in the accounting treatment of the Province's IOD, net debt and deficit. This is contrary to the current PSAB standard, comparable international and U.S. accounting standards, and Canadian private-sector accounting standards, all of which allow for hedge accounting.

Update to 2016 Budget, as of July 31, 2016

- The Province used derivatives to hedge approximately 98 per cent of its \$61 billion in foreign currency debt into Canadian dollars.
- While \$43 billion of this hedging would remain unaffected under the new standards, IOD and the deficit would become subject to significant swings entirely due to the type of derivative used on the remaining \$18 billion.
- The derivative instruments used to hedge this \$18 billion currently provide savings of up to 35 basis points, or over \$60 million annually, relative to the cost of instruments that would otherwise have to be used under the new standard to eliminate volatility.
- From April 1st, 2016 to July 30th, 2016, the Canadian dollar depreciated by 0.7 cents against the U.S. dollar. Under the new standard, this would have resulted in a \$1.3 billion accounting impact to the Province's IOD and deficit.

Ontario, supported by the borrowing communities of the majority of the provinces, has communicated its outstanding concerns with the standard to PSAB. It has requested that PSAB consider hedge accounting as an option, in line with comparable international, U.S. and Canadian private-sector accounting

standards. This approach would eliminate the potential accounting swings in IOD, the deficit and net debt. This would allow Ontario to continue to use the most economically efficient means of hedging its foreign exchange exposure and also ensure that the Province's financial results reflect the economic substance underlying its use of derivative instruments.

Borrowing and Debt Management – General

Q. Why was total long-term public borrowing \$32.1 billion in 2015–16 when the deficit was \$5.7 billion?

A. In addition to financing the deficit, long-term public borrowing refinances debt maturities and debt redemptions, funds the Province's investments in capital assets, and loans to agencies. The Province also pre-borrowed \$2.0 billion of its 2016-17 requirements.

~~Q. Why did the Net Debt-to-GDP ratio decline to 39.6 per cent at the end of fiscal 2015–16, compared to the 39.8 per cent forecast in the 2015 Budget?~~

~~A. The reduction in the Net Debt-to-GDP ratio was primarily due to lower than forecast deficits and investment in capital assets in 2015–16.~~

Q. The Province is projected to borrow \$24.4 billion in 2016–17. That's approximately \$1,753 for every person in Ontario. When will the Province eventually run into a debt wall like Greece, Portugal and Ireland and be forced to raise taxes and cut services?

A. There is strong demand for Ontario bonds in both the domestic and international markets. Last fiscal year Ontario was able to borrow \$32.1 billion in long-term debt while our spread, or the margin that we have to pay over the equivalent Government of Canada bond, tightened, indicating ongoing strong demand for Ontario bonds.

We expect that the liquidity of Ontario benchmark bonds and continuing confidence in the value of Ontario debt will allow us to cost-effectively complete the 2016–17 borrowing program. As of ~~August 31~~September 30, 2016, ~~\$13.325~~ billion or ~~54~~41 per cent, of this year's long-term borrowing requirement has been completed.

Q. Has it been difficult to complete the Province's borrowing program?

A. The Province continues to have steady access to both domestic and international bond markets. As of ~~August 31~~September 30, 2016, the Province had borrowed ~~\$13.325~~ billion for the fiscal year. Approximately ~~69~~71 per cent of this year's borrowing-to-date has been completed in Canadian dollars. The remainder of the Province's borrowing-to-date has been completed in international currencies primarily through U.S. dollar global bonds, and two small Australian dollar

Kangaroo bond issues. In 2015–16, the Province borrowed \$32.1 billion, with \$2.0 billion in pre-borrowing.

Q. What is the difference between total debt, net debt and accumulated deficit?

A. Total debt represents all borrowing.

Net debt is all borrowing plus other liabilities, minus the Province's financial assets.

By analogy, think of a family's finances. A mortgage, car loans and lines of credit represent total debt. Total debt partially offset by money the family has in the bank, in RRSPs and in RESPs represents the family's net debt.

Accumulated deficit is the sum of all past Provincial surpluses and deficits, adjusted for changes in accounting rules.

Q. Is the Province planning to issue any more Green Bonds in the future?

A. On January 22, 2016, the Province of Ontario successfully priced its second Global Canadian Dollar (CAD) Green Bond for \$750 million. There was strong demand for Ontario's second Green Bond issue, with 52 investors participating in the trade. Eight projects were selected as eligible and are expected to receive funding from the second Green Bond, with an emphasis on clean transportation and energy efficiency and conservation.

To date, total Green Bond financing amounts to \$1.25 billion, with up to \$1.2 billion allocated to Metrolinx for clean transportation projects.

As the first Canadian province to issue Green Bonds, Ontario continues to lead the way in establishing and developing a Canadian dollar Green Bond market with investor participation from around the world.

Q. What are unrestricted liquid reserves, and how do they ensure that Ontario will have sufficient liquidity to meet its financial obligations?

A. The Province maintains liquid reserves in the form of cash and temporary investments, which can immediately be converted to cash.

In the normal course of doing business, the Province enters into transactions that may require it or its counterparties to pledge short term investments. Although the pledged investments are technically owned by the Province, they are deducted from the total liquid reserves figure to arrive at unrestricted liquid reserves. This provides a more conservative measure of the liquidity available to meet the Province's financial obligations.

The Province ensures it always has a prudent level of unrestricted liquid reserves to cover all obligations in the short term.

Interest on Debt (IOD)

Q. What is the impact on IOD of a \$1.0 billion change in the deficit?

A. The 2016-17 impact is forecast to be approximately \$30 million.

Q. What is the impact on IOD of a one percentage point change in interest rates?

A. The 2016-17 impact is approximately \$350 million.

Q. What is your assumed interest rate for the IOD forecast in the 2016 Budget?

A. The assumed ten-year interest rates are 3.1 per cent for 2016-17 and 3.8 per cent for 2017-18, based on the forecast for Government of Canada bonds that OEP collects from the private sector, plus a spread for the Ontario credit. For 2018-19, the forecast is 4.8 per cent and is based on the average Ontario interest rates over the past 15 years. This is the same methodology that we have used for the last number of years in putting together our IOD forecast. These rates are cautious and prudent, above current market rates.

Q. Will IOD costs crowd out other expenditures as interest rates rise and debt continues to climb? How can you address this problem?

A. Ontario has a realistic plan to balance its budget while investments are made in the priorities of Ontario families – health care, education, the environment and infrastructure.

Investor demand has allowed the Province to extend the term of its debt in recent years and lock in low interest rates for a longer period. This term extension reduces the Province's refinancing risks and helps offset the impact of expected higher interest rates on its IOD costs. The 2010 Budget forecasted that, by 2016-17, the Province would have to spend 11.7 cents of every revenue dollar received on interest. The current forecast is 23 per cent lower, at only 9.0 cents of interest costs for every dollar of revenue. This ratio is lower than it was in the 14 fiscal years from 1992–93 to 2005–06, and is forecast to remain lower through the period to balance in 2017–18.

Q. We understand that the proposed new standards by the Public Sector Accounting Board on Financial Instruments would affect IOD. Would it also affect other financial indicators of the provincial government?

A. Yes, Annual Deficit, Net Debt, Accumulated Deficit and their ratios as a percent to GDP would also be affected.

Q. If the proposed accounting change indicates savings, will the government be able to spend them?

A. The proposed accounting change introduces fair value measurement and prohibits hedge accounting. If implemented as planned, the Province's reported financial results would not accurately take into account the value of its derivatives. As a result, substantial accounting gains or losses could occur. These changes in value would be accounting changes only and not real changes in cash. This gain would only have been reflected in the Province's accounting statements, with no actual change in the cash available for program spending.

Credit Ratings

Q. What are the Province's current credit ratings?

A. The Province is rated:

	Long Term	Short Term
Moody's Investors Service:	Aa2	P-1
Standard & Poor's:	A+	A-1+
DBRS:	AA (low)	R-1 (mid)
Fitch	AA-	F1+

Q. What impact did Moody's removal of the negative outlook have on your borrowing costs?

A. Credit ratings are one of a number of factors that contribute to borrowing costs. Since the 2016 Ontario Budget was released, Ontario's credit spreads have narrowed modestly. This in part reflects the fact that all four credit rating agencies have affirmed Ontario's ratings reflecting their confidence in our plan to eliminate the deficit, with Moody's improving their outlook for Ontario's credit rating.

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Friendly Question

Electricity Sector Stranded Debt

Q: The stranded debt arose under the *Energy Competition Act of 1998*, and its schedule, the *Electricity Act, 1998*. The *Electricity Act, 1998*, also enabled the implementation of the Debt Retirement Charge (DRC) on electricity ratepayers.

Since May 2002, residential and other electricity users have been paying the DRC of 0.7 cents per kilowatt hour (kWh) on their electricity bills. The DRC is paid to the Ontario Electricity Financial Corporation (OEFC) to help service and pay down the stranded debt that arose because of the restructuring of Ontario's electricity sector under the *Energy Competition Act, 1998*.

However, I know that the government eliminated the DRC from residential bills as of January 1, 2016.

This legacy charge from the Harris government was eliminated from residential bills about 2 years earlier than previously estimated – saving the average residential user about \$70/year.

Can you please inform the committee of the commitment that the government has to eliminating the debt retirement charge cost for commercial, industrial and all other electricity users by 2018?

A. Thank you for the question.

As part of its commitment to reduce electricity cost pressures, the government has removed the Debt Retirement Charge (DRC) from residential electricity users' bills as of January 1, 2016.

This would save a typical residential user about \$70 each year and meant ending the DRC earlier for these users than otherwise provided for in the *Electricity Act, 1998*, as originally enacted. As a further step to mitigate electricity cost pressures for commercial, industrial and all other users, the government introduced legislation, passed on December 10, 2015, the *Budget Measures Act, 2015* to end the DRC on April 1, 2018, nine months earlier than previously estimated.

- A large industrial using 3,000 megawatt-hours (MWh) per month could save \$21,000 per month, or about seven per cent off its electricity bills;

- For a large northern industrial in the Northern Industrial Electricity Rate program, this could be more than an eight per cent savings; and
- A small business using 20,000 kilowatt-hours (kWh) per month could save \$140 per month, or about four per cent.

Ending the DRC on a legislated fixed date provides certainty to commercial, industrial and other users, and helps them more effectively plan their investment decisions.

I would note the following context. The government's electricity sector reforms in the *Electricity Restructuring Act, 2004*, and others, have put the stranded debt recovery plan back on track. Based on interim numbers in *Budget 2016*, this is projected to be the twelfth consecutive year that the stranded debt has been reduced, to under \$5 billion as at March 31, 2016, from \$20.6 billion as at March 31, 2004. This allowed the government to follow through on its commitment to reduce electricity cost pressures.

Stranded Debt and Residual Stranded Debt Qs&As

Q. What is the impact of broadening ownership of H1 on Stranded Debt?

- A. The interim 2015–16 results reflect the upfront benefits to OEFC of broadening the ownership of Hydro One through an initial public offering (IPO). This includes the OEFC receiving in fiscal 2015-16 – that is after March 31, 2015 -- \$2.6 billion in departure tax and about \$200 million in one-time additional payments in lieu of taxes (PILs), as Hydro One exited the PILs regime and will no longer pay corporate tax PILs to the OEFC.

The upfront impact on OEFC of the departure tax and one-time PILs payments on the OEFC's unfunded liability was partly offset by lower Electricity Sector Dedicated Income. In addition, the one-time departure tax reflects that Hydro One is now a taxable corporation, so it will no longer pay payments-in-lieu of corporate taxes (PILs) to OEFC, which reduces the estimated present value of future dedicated revenues to OEFC.

The government recognizes its commitment to electricity ratepayers under section 50.3 of the *Electricity Act, 1998*, and has taken steps to clarify and ensure that the benefits of selling shares in Hydro One are recognized by OEFC to contribute to the continuing reduction of its unfunded liability.

As part of the government's commitment to using the proceeds from broadening Hydro One ownership for infrastructure investments and paying down debt, proceeds related to the book value of the shares sold and the pre-IPO special dividend payment of \$800 million paid by Hydro One to the Province will be used to pay down the Province's electricity sector debt and other payables.

This will allow the OEFC to reduce its overall debt, and contribute towards the Province's targeted \$5 billion debt paydown. This debt paydown does not affect OEFC's stranded debt, as OEFC's receivables from the Province will be reduced by an equivalent amount.

[Note, Provincial payables to OEFC are notes payable to OEFC from the Province's acquisition of the equity in Hydro One in 1999, and in respect of cumulative net income since 1999.

Note this portion of the proceeds would have no net impact on OEFC's unfunded liability, as the cash asset would be offset by the reduction in the OEFC's receivable from the Province.]

Additional details

Under a Hydro One disposition, two future dedicated streams are affected:

1. Lower Hydro One earnings: The Province has committed to direct the income it earns from Hydro One (and OPG) in excess of the interest cost of its investment in the company. Upon a divestment, the Province would only be able to dedicate the portion of the net income that reflects its ownership stake. For example, in the case of a 15 per cent divestment, only 85 per cent of Hydro One's earnings less the associated interest cost, would be dedicated to OEFC. Currently, the Province owns about 70 per cent of Hydro One.

Loss of federal portion of Payments in Lieu of Taxes: Prior to the IPO, Hydro One was exempted from regular federal and Ontario income tax and instead made payments in lieu of taxes to OEFC which helped service and paid down the stranded debt of the electricity sector. Payments in lieu of taxes to OEFC were equal to the federal and Ontario income tax Hydro One would pay if it were a taxable corporation. Following the beginning of broadening of ownership in Hydro One in November 2015, the Province's ownership of Hydro One fell below 90 per cent and the company ceased to be exempt from federal and Ontario income taxes and started to pay actual federal and provincial corporate income tax (CIT). As a result, OEFC would no longer receive the PILs from Hydro One equivalent to federal CIT. Under the amendments made to the *Electricity Act, 1998* in the *Budget Measures Act, 2015*, the Minister of Finance will pay the OEFC an amount equal to tax payable under the *Taxation Act, 2007* (i.e., the provincial CIT) by Hydro One Inc. (HOI), to continue to help service and pay down the electricity sector stranded debt. HOI is composed of Hydro One Ltd.'s regulated Ontario distribution, transmission and remotes businesses.

Q. What is the status of the old Ontario Hydro's stranded debt?

- A. The government dedicates the revenues it receives from the electricity sector to the Ontario Electricity Financial Corporation (OEFC). All OEFC revenues, including the Debt Retirement Charge (DRC) paid by electricity consumers, are used to service and retire its debt and other obligations, as provided for under the *Electricity Act, 1998*.

For the twelfth consecutive year, the stranded debt is projected to be reduced, based on the interim 2015–16 results for the OEFC showing a projected excess of revenue over expense of more than \$3 billion. The OEFC has paid down stranded debt by an estimated total of more than \$15 billion from its peak in 2003–04, reducing stranded debt to under \$5 billion as at March 31, 2016, based on interim numbers.

- The following table shows the unfunded liability (or “stranded debt”) of OEFC since the opening amount of \$19,433 million on April 1, 1999.

At March 31 (\$M unless noted)	April 1, 1999	2000	2001	2002	2003	2004	2005	2006	2007
Unfunded Liability	\$19,433	\$20,034	\$20,016	\$20,085	\$20,183	\$20,550	\$20,363	\$19,293	\$18,289
Increase / (Decrease)		\$601	(\$18)	\$69	\$98	\$367	(\$187)	(\$1,070)	(\$1,004)
At March 31 (\$M unless noted)	2008	2009	2010	2011	2012	2013	2014	2015	Interim 2015- 16
Unfunded Liability	\$17,225	\$16,182	\$14,810	\$13,448	\$12,321	\$11,257	\$9,781	\$8,185	<\$5Bn
Increase / (Decrease)	(\$1,064)	(\$1,043)	(\$1,372)	(\$1,362)	(\$1,127)	(\$1,064)	(\$1,476)	(\$1,596)	>\$3Bn

Residual Stranded Debt

Q. What is the residual stranded debt as at March 31, 2016?

- A. The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* (Bill 144) and, effective December 10, 2015, all reference to the “stranded debt” and “residual stranded debt”, were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Q. What is the current status of the residual stranded debt or what was the residual stranded debt the last time it was determined or estimated?

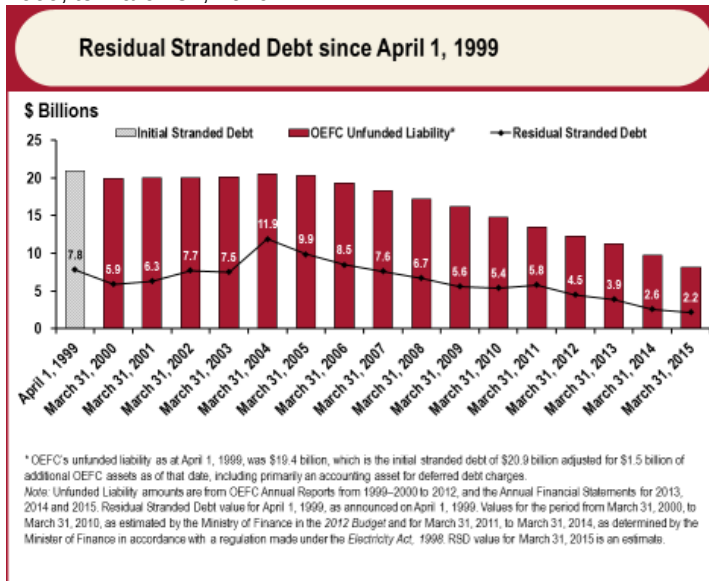
A. Prior to amendments in the *Budget Measures Act, 2015* under the *Electricity Act, 1998* the residual stranded debt was defined as the stranded debt minus the present value of projected future payments in-lieu of taxes (PILs), Gross Revenue Charge (GRC) and electricity sector dedicated income to be paid to OEFC.

In the *2015 Ontario Economic Outlook and Fiscal Review*, the residual stranded debt was estimated to be \$2.2 billion as at March 31, 2015. This was a decrease of \$0.4 billion compared to residual stranded debt of \$2.6 billion as at March 31, 2014, and was a total estimated decrease of \$9.7 billion from an estimated peak of residual stranded debt of \$11.9 billion as at March 31, 2004. Residual stranded debt was initially estimated as \$7.8 billion as at April 1, 1999.

Residual stranded debt is estimated to have increased to a peak of \$11.9 billion as at March 31, 2004, primarily due to the electricity price freeze, the downward revision in 2004 of the previous overestimation of future financial performance of Ontario Power Generation (OPG) which lowered the estimated future dedicated revenues to OEFC from the sector, and lower tax rates, resulting in lower projected future PILs to OEFC. OPG had significantly underperformed compared to its plans over the previous period of 1999 to 2004.

The estimated residual stranded debt amount and timing for its retirement were subject to uncertainty in forecasting future OEFC results and dedicated revenues to OEFC, which depend on the financial performance of Ontario Power Generation, Hydro One and municipal electricity utilities, and other factors such as interest rates and electricity consumption. The changes to the levels of unfunded liability to-date, based in part on the upfront impact on OEFC of the departure tax and one-time PILs payments, also reflect the fact that OEFC will have reduced dedicated revenues as a result of reduced ownership in Hydro One going forward.

The following chart illustrates the path of residual stranded debt from April 1, 1999, to March 31, 2016.



Q. When will the residual stranded debt be retired and the DRC end?

- A. The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* (Bill 144) and, effective December 10, 2015, all reference to the “stranded debt” and “residual stranded debt” were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12. As originally enacted, the *Electricity Act, 1998*, previously allowed for the Debt Retirement Charge (DRC) to be paid by consumers until the Minister of Finance determines that the residual stranded debt is retired.

The residual stranded debt determination was not a one-time determination. It was based on actual financial performance to-date and forecasting future OEFC results and future dedicated revenues to OEFC, which was subject to uncertainty and depended on the future financial performance of Ontario Power Generation, Hydro One and municipal electricity utilities, as well as other factors such as interest rates and electricity consumption.

As part of its commitment to reduce electricity cost pressures, the government has removed the DRC from residential electricity users' bills as of January 1, 2016.

This would save a typical residential user about \$70 each year and would mean ending the DRC earlier for these users than otherwise provided for in the *Electricity Act, 1998*.

As a further step to mitigate electricity cost pressures for non-residential users, the government introduced legislation the *Budget Measures Act, 2015*, passed in December 2015, to end the DRC for all other users on April 1, 2018, nine months earlier than previously estimated.

Ending the DRC on a legislated fixed date provides certainty to commercial, industrial and other users, and helps them more effectively plan their investment decisions.

Even after the end of the DRC, there would still be stranded debt remaining, to be serviced and paid down by OEFC's other dedicated revenues, such as payments in lieu of taxes and the Gross Revenue Charge.

Q. Why did the residual stranded debt only fall from \$2.6 billion to \$2.2 billion between March 31, 2014, and March 31, 2015, if the Ontario Electricity Financial Corporation's (OEFC) unfunded liability fell by about \$1.6 billion and the DRC collected the same year was \$0.956 billion?

A. Prior to the *Budget Measures Act, 2015* amendments of the *Electricity Act, 1998* and the revocation of Ontario Regulation 89/12, the residual stranded debt was defined under the *Electricity Act, 1998* as the stranded debt minus the estimated present value of future payments in-lieu of taxes (PILs), Gross Revenue Charge (GRC) and electricity sector dedicated income to be paid to OEFC. The Debt Retirement Charge would have been charged to consumers until the Minister of Finance determined that the residual stranded debt had been retired.

The residual stranded debt fell by less than the decrease in OEFC's unfunded liability due to a reduction in the estimated present value of future dedicated revenues to OEFC from \$7.2 billion as at March 31, 2014, to \$6.0 billion as at March 31, 2015, which reflected the uncertainty of and update to the forecast of future dedicated revenues to OEFC. These forecasted revenues depend on the financial performance of Ontario Power Generation, Hydro One and municipal electricity utilities, regulatory decisions by the Ontario Energy Board, as well as other factors such as interest rates and electricity consumption.

The residual stranded debt was not a fixed, one-time determination. Under the *Electricity Act, 1998*, and Ontario Regulation 89/12, the estimated amount of residual stranded debt depended on actual OEFC results to-date and a forecast of future revenues to OEFC.

Q. Why has the residual stranded debt only declined by \$5.6 billion since April 1, 1999, to March 31, 2015?

A. The residual stranded debt increased from \$7.8 billion as at April 1, 1999, to an estimated \$11.9 billion as at March 31, 2004, as a result of an increase in stranded debt primarily due to the electricity price freeze, as well as a reduction in the estimated present value of future dedicated revenues to the Ontario Electricity Financial Corporation (OEFC), mainly reflecting the downward revision in 2004 of the previous overestimation of future financial performance of Ontario Power Generation (OPG), and lower tax rates. OPG had significantly underperformed compared to its plans over the previous period of 1999 to 2004.

Since 2004, the government's electricity sector reforms in the *Electricity Restructuring Act, 2004*, and others, have put the stranded debt recovery plan back on track. The residual stranded debt has been reduced by an estimated \$9.3 billion, from an estimated peak of \$11.9 billion as at March 31, 2004, to \$2.2 billion as at March 31, 2015.

Prior to the *Budget Measures Act, 2015* amendments of the *Electricity Act, 1998* and the revocation of Ontario Regulation 89/12, the residual stranded debt was defined under the *Electricity Act, 1998* as the stranded debt minus the estimated present value of future payments in-lieu of taxes (PILs), Gross Revenue Charge (GRC) and electricity sector dedicated income to be paid to OEFC. The Debt Retirement Charge would have been charged to consumers until the Minister of Finance determined that the residual stranded debt had been retired.

The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* and, effective December 10, 2015, all reference to the "stranded debt" and "residual stranded debt" were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Q. Since you have collected more than \$12.5 billion in Debt Retirement Charge (DRC) revenue to March 31, 2015, why hasn't stranded debt declined by more?

A. Since 2004, the government's electricity sector reforms in the *Electricity Restructuring Act, 2004*, and others, have put the stranded debt recovery plan back on track. The Ontario Electricity Financial Corporation (OEFC) has paid down stranded debt by an estimated total of about \$12.3 billion from its peak in 2003-04, reducing stranded debt to \$8.2 billion as at March 31, 2015.

- As confirmed in the Auditor General's 2011 Annual Report, the DRC is used exclusively by OEFC to meet its mandate, as provided for under the *Electricity Act, 1998*, which includes servicing and retiring its debt and other liabilities.
- Servicing costs to the OEFC include interest expense, which is currently about \$1.4 billion per year and has totalled about \$30.5 billion between April 1, 1999 and March 31, 2015.
- Stranded debt increased by over \$1 billion between April 1, 1999, and March 31, 2004, primarily as a result of the 4.3 ¢/kilowatt-hour (kWh) price freeze, which cost OEFC about \$900 million.
- The Auditor General audits OEFC's annual financial statements and has provided an unqualified opinion every year since the initial 1999–2000 financial statements.

Q. After the removal of the DRC what is the government's plan to pay into the OEFC, to make up for that money? With the lower revenue going into the OEFC, isn't there a danger of it becoming insolvent?

A. The government has removed the Debt Retirement Charge (DRC) from residential users' electricity bills as of January 1, 2016. As a further step to mitigate electricity cost pressures for commercial, industrial and all other users, the government introduced legislation, passed on December 10, 2015, the *Budget Measures Act, 2015* to end the DRC on April 1, 2018, nine months earlier than previously estimated.

Prior to the *Budget Measures Act, 2015* amendments of the *Electricity Act, 1998*, the DRC would have been charged to consumers until the Minister of Finance determined that the residual stranded debt had been retired.

Even after the end of the DRC, there would still be stranded debt remaining, to be serviced and paid down by OEFC's other dedicated revenues, such as payments in lieu of taxes and the Gross Revenue Charge. The government expects that the stranded debt will continue to decline following the end of the DRC.

Background

Q. What is OEFC?

A. The Ontario Electricity Financial Corporation (OEFC) is an agency of the Province and was established by the *Electricity Act, 1998* as the legal continuation of the former Ontario Hydro.

OEFC's mandate includes servicing and retiring the former Ontario Hydro's debt and certain other liabilities.

- OEFC inherited \$38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured on April 1, 1999. The debt was accumulated by building Ontario's electricity generation and transmission infrastructure.
- A portion of the \$38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving \$20.9 billion of stranded debt not supported by those assets

OEFC receives dedicated revenues to service and retire the stranded debt from a number of sources, including payments in lieu of taxes (PILs) from Ontario Power Generation (OPG), Hydro One and municipal electricity utilities (MEUs); Electricity Sector Dedicated Income from the Province in respect of the net incomes of OPG and Hydro One; and the Debt Retirement Charge paid by electricity users, as provided for by the *Electricity Act, 1998*.

Q. When will the OEFC's 2015-16 Annual Report be released publicly?

- A. The 2015-16 Annual Report is currently being prepared. Under the Electricity Act, 1998, the time frame for preparing and submitting the Annual Report may be extended to reflect the timeframe for Public Accounts. Given the changes to the Electricity Act and significant activities during 2015-16 that affected OEFC, it was prudent to take additional time to review the impacts on OEFC in preparing the financial results for 2015-16..
- OEFC's annual reports contain OEFC's audited financial statements which are also released as part of the Province's Public Accounts
 - OEFC's audited 2014-2015 financial statements, including the notes to the financial statements, were released on Sep 28, 2015 in Volume Two of the 2014-15 Public Accounts.
 - The Auditor General audits OEFC's annual financial statements and has provided an unqualified opinion every year since the initial 1999-2000 financial statements.
 - Public Accounts may be downloaded from the Ministry of Finance web site (<http://www.fin.gov.on.ca/en/budget/paccts/>).
 - OEFC's past Annual Reports (1999-2000 to 2014-2015) can be downloaded from the OEFC website. (<http://www.oefc.on.ca/publications.html>).
 - A spreadsheet containing OEFC's historical financial statements can be accessed on OEFC's website (http://www.oefc.on.ca/pdf/OEFC_financials_historicals_en.xls)

Q. What is the difference between stranded debt and unfunded liability?

- A. The Ontario Electricity Financial Corporation (OEFC) inherited \$38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured on April 1, 1999. The debt was accumulated by building Ontario's electricity generation and transmission infrastructure. This amount included \$30.5 billion in total debt.

A portion of the \$38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving \$20.9 billion of stranded debt not supported by those assets.

OEFC's initial unfunded liability of \$19.4 billion as at April 1, 1999, was the stranded debt adjusted for \$1.5 billion of additional assets, including primarily an accounting asset for deferred debt charges.

Q. What was the origin of the residual stranded debt?

- A. The Ontario Electricity Financial Corporation (OEFC) is one of five entities established by the *Electricity Act, 1998*, as part of the restructuring of the former Ontario Hydro. OEFC's mandate includes servicing and retiring the debt and other liabilities of the former Ontario Hydro.
- OEFC inherited \$38.1 billion in total debt and other liabilities from the former Ontario Hydro when the Ontario electricity sector was restructured on April 1, 1999. A portion of the \$38.1 billion was supported by the value of the assets of Ontario Hydro successor companies, leaving \$20.9 billion of stranded debt not supported by those assets.
 - As of April 1, 1999, the present value of future payments-in-lieu of taxes and electricity sector dedicated income was estimated at \$13.1 billion. Subtracting the \$13.1 billion from stranded debt of \$20.9 billion resulted in a difference of \$7.8 billion, the initial estimated residual stranded debt.

The *Electricity Act, 1998* was amended by the *Budget Measures Act, 2015* and, effective December 10, 2015, all reference to the "stranded debt" and "residual stranded debt", including the regulation-making authority of Ontario Regulation 89/12, were repealed. This included the removal of the requirement to determine the residual stranded debt from time-to-time and the regulation-making authority for O. Reg. 89/12 – rendering the regulation obsolete. On February 11, 2016, the government filed Ontario Regulation 20/16 revoking Ontario Regulation 89/12.

Q. How does OEFC provide financial assistance to the successor corporations of Ontario Hydro? Are these loans added to residual stranded debt/outstanding liabilities?

- A. Consistent with its mandate, OEFC provides financial assistance to the successor corporations of Ontario Hydro, namely Ontario Power Generation (OPG) and the Independent Electricity System Operator (IESO). For example, financing is provided by OEFC for new generation development projects such as the Niagara tunnel project.

OEFC borrows to provide these loans, thereby increasing its debt portfolio, but with an offsetting asset (Notes and Loan Receivables) from the companies, thereby not affecting the unfunded liability ("stranded debt") on OEFC's balance sheet.

Q. What is the "due from the Province of Ontario" payment?

- A. Due from Province

The Due from Province of Ontario that appears in OEFC's financial statements represents the cumulative value of the Electricity Sector Dedicated Income (ESDI) since April 1, 1999.

ESDI reflects the Province's commitment to dedicate its cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC.

- For example, the combined net incomes of OPG and Hydro One in 2014-15 was \$1,558M, and the Province's interest cost in acquiring the equity in the two companies totals about \$520 million annually. This resulted in an ESDI of \$1,038 million in 2014-15, so the ESDI Due from Province of Ontario increased from \$3,865 million as of March 31, 2014, to \$4,903 million as of March 31, 2015.

The ESDI commitment is reflected in Public Accounts as a transfer payment to OEFC from the Province's Consolidated Revenue Fund and is authorized by a voted appropriation.

CORPORATE AND ELECTRICITY FINANCE DIVISION

Asset Optimization and the Trillium Trust

Q: What asset optimization initiatives did the Province move forward with in 2014-15?

A: On February 4, 2015, the Province completed the sale of its remaining 36.7 million GM common shares for total proceeds of \$1.55 billion, resulting in a fiscal gain of \$1.08 billion.

General Motors also redeemed the Province's preferred shares on December 31, 2014, for total proceeds of \$0.16 billion, including a gain of \$0.02 billion.

The \$1.1 billion gain on the sale of the common and preferred shares exceeded the \$900 million asset optimization target included in the 2014 Budget for 2014–15 Net Revenue Gains from Asset Optimization.

The Ontario government directed the gain from the sale, including the additional \$200 million generated above the 2014 target, to the Trillium Trust. The Province also directed to the Trillium Trust the \$249 million net proceeds from the September 2013 sale of the Province's interest in 10 million shares of GM.

Q: The 2014-15 Public Accounts showed that the sale of GM shares provided revenue benefits to the Province. Is the Province selling assets to improve the path to balance?

A: The government's plan to balance the budget is centred on:

- Responsibly Managing Spending
- Transforming and Modernizing Government
- Addressing the Underground Economic and Tax Compliance
- Investing Strategically to Grow the Economy

The government's plan to eliminate the deficit does not depend on the revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The *Trillium Trust Act, 2014*, provides for the dedication of net revenue gains associated with the sale of designated assets to the Trust to help fund investments in transit, transportation and other priority infrastructure under Moving Ontario Forward.

Q: What's the status of the funds in the Trillium Trust?

A: The Public Accounts of Ontario 2014-2015, published in September 2015, show that \$1.35 billion has been dedicated to the Trillium Trust.

These are the net proceeds from the sale of the Province's remaining General Motors common shares in early 2015, combined with net proceeds from a September 2013 GM share sale and the redemption of preferred shares in late 2014.

On August 30, 2016, the Province announced the dedication of \$3.2 billion from the sale of Hydro One shares in 2015 to the Trillium Trust.

This brings the total balance of the Trillium Trust to over \$4.5 billion, to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

- The \$3.2 billion credit to the Trillium Trust comes from:
 - o About \$0.8 billion in gains on sale from the sale of Hydro One shares in November 2015.
 - o The net benefit to the Province of about \$2.4 billion from Hydro One's recognition of the deferred tax benefit.

Q: When will the government actually start using funds from the Trillium Trust to pay for transit and infrastructure?

A: As outlined in the 2016 Budget, the government plans to begin drawing down on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history. Based on planned expenditures, in 2016-17 the Trillium Trust would support Moving Ontario Forward initiatives, such as

- Regional Express Rail (RER);
- Hurontario Light Rail Transit (LRT); and
- Ontario Community Infrastructure Fund.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. This will allow for identification for expenditures, as this preliminary work is completed and construction activity

becomes underway, and for cash flow timing requirements from the Trillium Trust during 2016-17 and subsequent years.

Q: What is the current status of broadening Hydro One ownership?

A: The Province completed the Hydro One initial public offering (IPO) in November 2015 and raised approximately \$1.83 billion in gross proceeds and about \$116 million from related share sales. As announced in early May, a secondary offering of Hydro One shares raised approximately \$1.97 billion in gross proceeds, and as announced in July, the Province has an agreement in principle to sell to First Nations in Ontario up to 2.5% of Hydro One shares at a price of \$18 per share.

There were other associated benefits in connection with the IPO, including a positive impact to the Province's income from Hydro One as a result of a deferred tax benefit recorded by Hydro One. The Province also received cash of \$1 billion in special payments from Hydro One, including \$800 million in a special dividend paid prior to the IPO, and about \$200 million in additional payments in lieu of taxes to the Ontario Electricity Financial Corporation (OEFC).

On August 30, 2016, the Province announced the dedication of \$3.2 billion from the sale of Hydro One shares in 2015 to the Trillium Trust, bringing total balance of the Trillium Trust to over \$4.5 billion. The net revenue gains from the secondary offering in April 2016 will be credited to the Trillium Trust in the future.

The Province will proceed with future offerings in a staged and prudent manner, over time reducing its stake to 40 per cent while remaining the largest shareholder.

Through this initiative, the Province expects to generate \$4 billion in net revenue gains that, through the Trillium Trust, will be reinvested in infrastructure under Moving Ontario Forward, and \$5 billion to reduce debt.

Q: In April 2015, the Premier's Advisory Council on Government Assets estimated Hydro One's valuation at between \$13.5 billion and \$15 billion; using this estimate, the province could realize up to \$9 billion from the sale of 60% of Hydro One. Does the Province still expect these benefits?

A: The Province is on track to generate approximately \$9 billion in gross proceeds and other revenue benefits from broadening the ownership of Hydro One, while remaining the largest single shareholder.

Through this initiative, the Province expects to generate \$4 billion in net revenue gains that, through the Trillium Trust, will be reinvested in infrastructure under Moving Ontario Forward, and \$5 billion to reduce debt.

Q: In moving forward with broadening Hydro One ownership, isn't the government giving up future revenues from the company?

A: While broadening ownership in a revenue generating asset means that there may be an impact on revenues over the longer term, the fiscal impact of an asset sale includes upfront gains that the government will reinvest into public infrastructure, improving the lives of Ontarians where they live, work and play. In turn, this will create jobs, generate economic growth and additional revenues for the Province.

- The Province would also retain 40 per cent of Hydro One, following the IPO and subsequent share offerings, which would continue generating revenue for the Province.

Q: Why did the government remove certain oversight powers of the Office of the Auditor General over Hydro One?

A: To support Hydro One's transition from being wholly-owned by the Province to being publicly traded, the government agreed with the Premier Advisory Council's recommendations that the company should operate, to the extent possible, in the same legislative and regulatory environment as other publicly-traded, rate-regulated entities.

However, the Province has ensured Hydro One oversight measures are in place. Hydro One continues to be subject rate regulation by the Ontario Energy Board (OEB) and as a publicly traded company Hydro One is subject to requirements of the Business Corporations Act (Ontario) and the Securities Act (Ontario).

To further ensure the protection of ratepayers, the government required Hydro One to create a dedicated Ombudsperson, similar to those found at other publicly traded companies. The Ombudsperson is able to receive and investigate customer complaints.

The government has also put in place a governance agreement and registration rights agreement with Hydro One to clarify the Province's role as investor, including the process through which the Province nominates 40 per cent of the board of directors and the Province's rights related to future share sales by the Province or Hydro One.

The government will remain, by law, the largest single shareholder in Hydro One – and no other single shareholder or group of shareholders will be permitted to hold more than 10 per cent of the company's shares.

Q: What is the status of the potential merger between Hydro One Brampton and a group of urban local distribution companies (LDCs)?

A: The proposed merger of Hydro One Brampton with PowerStream, Enersource, and Horizon Utilities, continues to move forward.

The municipal councils for the cities of Barrie, Markham, Vaughan, Mississauga, Hamilton and St. Catharines have all voted to proceed with the merger. Ontario has also executed a Share Purchase Agreement with PowerStream, Enersource, and Horizon.

Commercial closing of the transaction would be subject to certain closing conditions, including Ontario Energy Board (OEB) approval. The proposed merger is currently being reviewed by the OEB.

- The proposed merger of these three strong performing utilities with Hydro One Brampton would create the second-largest electricity distributor in Ontario by number of customers. The merged entity would deliver efficiencies and economies of scale while continuing to provide safe, reliable and clean electricity.

Q: Will the Province realize any up-front benefit from the sale / merger of Hydro One Brampton with other local distribution companies (LDCs)? Would these benefits go to the Trillium Trust or to the Ontario Electricity Financial Corporation (OEFC)?

A: The purchasers have agreed to pay \$607 million for Hydro One Brampton, subject to post-closing adjustments and regulatory approval from the Ontario Energy Board (OEB).

The *Trillium Trust Act, 2014*, ensures that net revenue gains from the sale of Hydro One Brampton shares would be credited to the Trillium Trust. Under the Act, the net revenue gains would take into account the gross proceeds less the book value of the asset and costs incurred in the disposition of the asset.

The *Electricity Act, 1998*, also allows the Province to meet its obligations to OEFC by, for example, relieving OEFC of certain debt obligations that it currently owes to the Province.

Q: Why is Hydro One Brampton being merged with three other urban local distribution companies – Powerstream, Horizon Utilities, and Enersource? Why wasn't there a competitive process for the sale/merger of Hydro One Brampton?

Together these utilities can take advantage of efficiencies of scale and resources sharing, which in turn could translate into savings for their respective ratepayers.

In the course of its Phase 2 consultations, the Premier's Advisory Council received a strong pre-emptive bid from the consortium of local distribution companies (LDCs) at the higher end of the indicative values identified in the Council's market soundings.

Such a merger will provide a much needed catalyst for wider Local Distribution Company consolidation.

As noted by the Auditor General in her 2015 Annual Report, based on information provided to the Office of the Auditor General (OAG) by Hydro One and the Ministry of Energy, the OAG's estimates that the purchase price is reasonable for Hydro One Brampton Networks, and would provide the province with a fair return on its investment.

From: [Sun, Alicia \(TBS\)](#)
To: [Ken Kandeepan](#)
Subject: Message Recall Success: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 5:04:21 PM

From: [Ken Kandeepan](#)
To: [Nadine Petsche \(MOF\)](#)
Cc: [John Psinas](#); [Bharat Patel \(FIN\)](#) (Bharat.Patel3@ontario.ca)
Subject: Net Debt Question
Date: Tuesday, September 27, 2016 9:03:29 AM

Hi Nadine

Assuming the Government accepts the AG's position that the pension adjustment should be excluded, should the \$9.1 adjustment to accumulated deficit be included on a year by year basis or in one lump sum to the opening 2015-16 accumulated deficit.

The latter approach was what we adopted for the contaminated lands liability, should it not be the same for this adjustment or does accounting policy dictate otherwise.

Thanks

Ken K

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Cc: [George Sakura](#); [Shemin Meralli](#); [Kevin Hwang](#); [Fred Chow](#)
Subject: Net Debt for September 29 sign off
Date: Thursday, September 29, 2016 9:50:01 AM
Attachments: [Net Debt for September 29 sign off.xlsx](#)

Ken,

As requested. Here are the two calculations for sign off; one with the pension adjustment, and one without. We have started to insert 2 columns for equity adjustments. Given this morning's time constraints, we only split this year's ONFA and pension adjustment. The previous year's ONFA and other adjustments are already in the accumulated deficit of prior years, but we will split it up for our records going forward after today's sign off as a best practice.

Thanks.

John

Net Debt to Revenue and GDP Ratios																						
Ontario		2016 Document									2016 Public Accounts											
					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/					Net Debt As	Net Debt As	Accumulated	Acc Deficit		ONFA	Other	Deficit/
	Fiscal Year	GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)		GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	Adjus.	Adj.	(Surplus)
Actual	1989-90	282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)		282,766	35,409	46,500	12.5	76.1	35,409	12.5	-			(90)
Actual	1990-91	287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029		287,334	38,438	49,002	13.4	78.4	38,438	13.4	-			3,029
Actual	1991-92	288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930		288,217	49,368	47,527	17.1	103.9	49,368	17.1	-			10,930
Actual	1992-93	293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428		293,068	61,796	49,122	21.1	125.8	61,796	21.1	-			12,428
Actual	1993-94	302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202		302,245	80,599	51,410	26.7	156.8	80,599	26.7	-			11,202
Actual	1994-95	319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129		319,986	90,728	53,962	28.4	168.1	90,728	28.4	-			10,129
Actual	1995-96	337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800		337,400	101,864	57,898	30.2	175.9	101,864	30.2	-			8,800
Actual	1996-97	347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905		347,842	108,769	58,060	31.3	187.3	108,769	31.3	-			6,905
Actual	1997-98	368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966		368,960	112,735	61,362	30.6	183.7	112,735	30.6	-			3,966
Actual	1998-99	389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002		389,250	114,737	63,044	29.5	182.0	114,737	29.5	-			2,002
Actual	1999-2000	418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)		418,245	134,398	70,983	32.1	189.3	134,398	32.1	-			(668)
Actual	2000-01	452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)		452,238	132,496	72,258	29.3	183.4	132,496	29.3	-			(1,902)
Actual	2001-02	469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)		469,084	132,121	72,550	28.2	182.1	132,121	28.2	-			(375)
Actual	2002-03	494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)		494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942			(117)
Actual	2003-04	509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483		509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628			5,483
Actual	2004-05	533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555		533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178			1,555
Actual	2005-06	556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)		556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547			(298)
Actual	2006-07	578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)		578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966			(2,269)
Actual	2007-08	601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)		601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999			(600)
Actual	2008-09	608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409		608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347			6,409
Actual	2009-10	597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262		597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632			19,262
Actual	2010-11	630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011		630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938			14,011
Actual	2011-12	659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969		659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172			12,969
Actual	2012-13	680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220		680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956			9,220
Actual	2013-14	693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453		693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556			10,453
Actual	2014-15	721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315		721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065			10,315
	2015-16	748,207	296,109	126,547	39.6	234.0	193,447	25.9	102,662	5,686		747,101	305,233	128,377	40.9	237.8	202,697	27.1	102,536	1,003	9,154	5,029
	2016-17 Outloo	778,417	308,315	130,589	39.6	236.1	197,753	25.4	110,562	4,306		777,266	317,439	130,589	40.8	243.1	207,003	26.6	110,436			4,306
	2017-18 Outloo	813,924	316,945	137,729	38.9	230.1	197,740	24.3	119,205	(13)		812,720	326,069	137,729	40.1	236.7	206,990	25.5	119,079			(13)
	2018-19 Outloo	848,237	326,827	141,920	38.5	230.3	197,717	23.3	129,110	(23)		846,982	335,951	141,920	39.7	236.7	206,967	24.4	128,984			(23)
	2019-20 Outloo	882,062	336,798		38.2	#DIV/0!	197,717	22.4	139,081	-		880,758	345,922		39.3	#DIV/0!	206,967	23.5	138,955			-
	2020-21 Outlook		344,907			#DIV/0!	197,717		147,190	-			354,031		#DIV/0!	#DIV/0!	206,967	#DIV/0!	147,064			-
		Note: 2015-16 Accumulated Deficit includes a projected ONFA unrealized loss of \$250 million for 2015/16 (Budget).																				
		Note: For 2019-20 and 2020-21, we are assuming a zero deficit.																				
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.																				
Prepared by OFA, FTD																						
	29-Sep-16																					

Net Debt to Revenue and								
Ontario			Comparison: 2016 Public Accounts vs 2016 Document					
					Accumulated	Acc Deficit		Deficit/
	Fiscal Year		GDP	Net Debt	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90		-	-	-	-	-	-
Actual	1990-91		-	-	-	-	-	-
Actual	1991-92		-	-	-	-	-	-
Actual	1992-93		-	-	-	-	-	-
Actual	1993-94		-	-	-	-	-	-
Actual	1994-95		-	-	-	-	-	-
Actual	1995-96		-	-	-	-	-	-
Actual	1996-97		-	-	-	-	-	-
Actual	1997-98		-	-	-	-	-	-
Actual	1998-99		-	-	-	-	-	-
Actual	1999-2000		-	-	-	-	-	-
Actual	2000-01		-	-	-	-	-	-
Actual	2001-02		-	-	-	-	-	-
Actual	2002-03		-	-	-	-	-	-
Actual	2003-04		-	-	-	-	-	-
Actual	2004-05		-	-	-	-	-	-
Actual	2005-06		-	-	-	-	-	-
Actual	2006-07		-	-	-	-	-	-
Actual	2007-08		-	-	-	-	-	-
Actual	2008-09		-	-	-	-	-	-
Actual	2009-10		-	-	-	-	-	-
Actual	2010-11		-	-	-	-	-	-
Actual	2011-12		-	-	-	-	-	-
Actual	2012-13		-	-	-	-	-	-
Actual	2013-14		-	-	-	-	-	-
Actual	2014-15		-	-	-	-	-	-
	2015-16		(1,106)	9,124	9,250	1.3	(126)	(657)
	2016-17 Outloo		(1,151)	9,124	9,250	1.2	(126)	-
	2017-18 Outloo		(1,204)	9,124	9,250	1.2	(126)	-
	2018-19 Outloo		(1,255)	9,124	9,250	1.1	(126)	-
	2019-20 Outloo		(1,304)	9,124	9,250	1.1	(126)	-
	2020-21 Outloo		-	9,124	9,250	#DIV/0!	(126)	-
Prepared by OFA, FTD								
	29-Sep-16							

Net Debt to Revenue and GDP Ratios																						
Ontario		2016 Document									2016 Public Accounts											
					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/					Net Debt As	Net Debt As	Accumulated	Acc Deficit		ONFA	Other	Deficit/
	Fiscal Year	GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)		GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	Adjus.	Adj.	(Surplus)
Actual	1989-90	282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)		282,766	35,409	46,500	12.5	76.1	35,409	12.5	-			(90)
Actual	1990-91	287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029		287,334	38,438	49,002	13.4	78.4	38,438	13.4	-			3,029
Actual	1991-92	288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930		288,217	49,368	47,527	17.1	103.9	49,368	17.1	-			10,930
Actual	1992-93	293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428		293,068	61,796	49,122	21.1	125.8	61,796	21.1	-			12,428
Actual	1993-94	302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202		302,245	80,599	51,410	26.7	156.8	80,599	26.7	-			11,202
Actual	1994-95	319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129		319,986	90,728	53,962	28.4	168.1	90,728	28.4	-			10,129
Actual	1995-96	337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800		337,400	101,864	57,898	30.2	175.9	101,864	30.2	-			8,800
Actual	1996-97	347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905		347,842	108,769	58,060	31.3	187.3	108,769	31.3	-			6,905
Actual	1997-98	368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966		368,960	112,735	61,362	30.6	183.7	112,735	30.6	-			3,966
Actual	1998-99	389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002		389,250	114,737	63,044	29.5	182.0	114,737	29.5	-			2,002
Actual	1999-2000	418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)		418,245	134,398	70,983	32.1	189.3	134,398	32.1	-			(668)
Actual	2000-01	452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)		452,238	132,496	72,258	29.3	183.4	132,496	29.3	-			(1,902)
Actual	2001-02	469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)		469,084	132,121	72,550	28.2	182.1	132,121	28.2	-			(375)
Actual	2002-03	494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)		494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942			(117)
Actual	2003-04	509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483		509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628			5,483
Actual	2004-05	533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555		533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178			1,555
Actual	2005-06	556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)		556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547			(298)
Actual	2006-07	578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)		578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966			(2,269)
Actual	2007-08	601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)		601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999			(600)
Actual	2008-09	608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409		608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347			6,409
Actual	2009-10	597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262		597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632			19,262
Actual	2010-11	630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011		630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938			14,011
Actual	2011-12	659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969		659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172			12,969
Actual	2012-13	680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220		680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956			9,220
Actual	2013-14	693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453		693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556			10,453
Actual	2014-15	721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315		721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065			10,315
	2015-16	748,207	296,109	126,547	39.6	234.0	193,447	25.9	102,662	5,686		747,101	294,565	128,377	39.4	229.5	192,029	25.7	102,536	1,003		3,515
	2016-17 Outloo	778,417	308,315	130,589	39.6	236.1	197,753	25.4	110,562	4,306		777,266	306,771	130,589	39.5	234.9	196,335	25.3	110,436			4,306
	2017-18 Outloo	813,924	316,945	137,729	38.9	230.1	197,740	24.3	119,205	(13)		812,720	315,401	137,729	38.8	229.0	196,322	24.2	119,079			(13)
	2018-19 Outloo	848,237	326,827	141,920	38.5	230.3	197,717	23.3	129,110	(23)		846,982	325,283	141,920	38.4	229.2	196,299	23.2	128,984			(23)
	2019-20 Outloo	882,062	336,798		38.2	#DIV/0!	197,717	22.4	139,081	-		880,758	335,254		38.1	#DIV/0!	196,299	22.3	138,955			-
	2020-21 Outlook		344,907			#DIV/0!	197,717		147,190	-			343,363		#DIV/0!	#DIV/0!	196,299	#DIV/0!	147,064			-
		Note: 2015-16 Accumulated Deficit includes a projected ONFA unrealized loss of \$250 million for 2015/16 (Budget).																				
		Note: For 2019-20 and 2020-21, we are assuming a zero deficit.																				
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.																				
Prepared by OFA, FTD																						
	29-Sep-16																					

Net Debt to Revenue and								
Ontario			Comparison: 2016 Public Accounts vs 2016 Document					
					Accumulated	Acc Deficit		Deficit/
	Fiscal Year		GDP	Net Debt	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90		-	-	-	-	-	-
Actual	1990-91		-	-	-	-	-	-
Actual	1991-92		-	-	-	-	-	-
Actual	1992-93		-	-	-	-	-	-
Actual	1993-94		-	-	-	-	-	-
Actual	1994-95		-	-	-	-	-	-
Actual	1995-96		-	-	-	-	-	-
Actual	1996-97		-	-	-	-	-	-
Actual	1997-98		-	-	-	-	-	-
Actual	1998-99		-	-	-	-	-	-
Actual	1999-2000		-	-	-	-	-	-
Actual	2000-01		-	-	-	-	-	-
Actual	2001-02		-	-	-	-	-	-
Actual	2002-03		-	-	-	-	-	-
Actual	2003-04		-	-	-	-	-	-
Actual	2004-05		-	-	-	-	-	-
Actual	2005-06		-	-	-	-	-	-
Actual	2006-07		-	-	-	-	-	-
Actual	2007-08		-	-	-	-	-	-
Actual	2008-09		-	-	-	-	-	-
Actual	2009-10		-	-	-	-	-	-
Actual	2010-11		-	-	-	-	-	-
Actual	2011-12		-	-	-	-	-	-
Actual	2012-13		-	-	-	-	-	-
Actual	2013-14		-	-	-	-	-	-
Actual	2014-15		-	-	-	-	-	-
	2015-16		(1,106)	(1,544)	(1,418)	(0.2)	(126)	(2,171)
	2016-17 Outloo		(1,151)	(1,544)	(1,418)	(0.1)	(126)	-
	2017-18 Outloo		(1,204)	(1,544)	(1,418)	(0.1)	(126)	-
	2018-19 Outloo		(1,255)	(1,544)	(1,418)	(0.1)	(126)	-
	2019-20 Outloo		(1,304)	(1,544)	(1,418)	(0.1)	(126)	-
	2020-21 Outloo		-	(1,544)	(1,418)	#DIV/0!	(126)	-
Prepared by OFA, FTD								
	29-Sep-16							

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Cc: [Christina Zhang](#); [John Psinas](#); [George Sakura](#); [Kevin Hwang](#)
Subject: Net Debt worksheet September 26 2016.xlsx
Date: Monday, September 26, 2016 12:00:31 PM
Attachments: [Net Debt worksheet September 26 2016.xlsx](#)
[FSDA- Key Financial Ratios Chart 9 - Updated sep 26.docx](#)

Hi Gadi

As discussed pls find attached the narrative (essentially back to what it was with no mention of the pension adjustment in 2015-16 since it is part of the deficit for the year as opposed to being included in the accumulated deficit from previous years and it is already addressed in another part of the FSD&A) and the PA net debt spreadsheet.

Thanks to John, George and Kevin for putting everything together so quickly.

Thanks

Ken k

Net Debt to Revenue and GDP Ratios																				
Ontario		2016 Document									2016 Public Accounts									
					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)		GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)		282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)
Actual	1990-91	287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029		287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029
Actual	1991-92	288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930		288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930
Actual	1992-93	293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428		293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428
Actual	1993-94	302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202		302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202
Actual	1994-95	319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129		319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129
Actual	1995-96	337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800		337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800
Actual	1996-97	347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905		347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905
Actual	1997-98	368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966		368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966
Actual	1998-99	389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002		389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002
Actual	1999-2000	418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)		418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)
Actual	2000-01	452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)		452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)
Actual	2001-02	469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)		469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)
Actual	2002-03	494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)		494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)
Actual	2003-04	509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483		509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483
Actual	2004-05	533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555		533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555
Actual	2005-06	556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)		556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)
Actual	2006-07	578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)		578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)
Actual	2007-08	601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)		601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)
Actual	2008-09	608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409		608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409
Actual	2009-10	597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262		597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262
Actual	2010-11	630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011		630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011
Actual	2011-12	659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969		659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969
Actual	2012-13	680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220		680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220
Actual	2013-14	693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453		693,210	268,873	115,911	38.79	232.0	178,317	25.7	90,556	10,453
Actual	2014-15	721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315		721,970	284,576	118,546	39.42	240.1	187,511	26.0	97,065	10,315
	2015-16	748,207	296,109	126,547	39.6	234.0	193,447	25.9	102,662	5,686		747,101	296,079	128,376	39.63	230.6	193,543	25.9	102,536	5,029
	2016-17 Outloo	778,417	308,315	130,589	39.6	236.1	197,753	25.4	110,562	4,306		777,266	308,285	130,589	39.66	236.1	197,849	25.5	110,436	4,306
	2017-18 Outloo	813,924	316,945	137,729	38.9	230.1	197,740	24.3	119,205	(13)		812,720	316,915	137,729	38.99	230.1	197,836	24.3	119,079	(13)
	2018-19 Outloo	848,237	326,827	141,920	38.5	230.3	197,717	23.3	129,110	(23)		846,982	326,797	141,920	38.58	230.3	197,813	23.4	128,984	(23)
	2019-20 Outloo	882,062	336,798		38.2	#DIV/0!	197,717	22.4	139,081	-		880,758	336,768		38.24	#DIV/0!	197,813	22.5	138,955	-
	2020-21 Outlook		344,907			#DIV/0!	197,717		147,190	-			344,877		#DIV/0!	#DIV/0!	197,813	#DIV/0!	147,064	-
		Note: 2015-16 Accumulated Deficit includes a projected ONFA unrealized loss of \$250 million for 2015/16 (Budget).																		
		Note: For 2019-20 and 2020-21, we are assuming a zero deficit.																		
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.																		
Prepared by OFA, FTD																				
	26-Aug-16																			

Net Debt to Revenue and								
Ontario			Comparison: 2016 Public Accounts vs 2016 Document					
					Accumulated	Acc Deficit		Deficit/
	Fiscal Year		GDP	Net Debt	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90		-	-	-	-	-	-
Actual	1990-91		-	-	-	-	-	-
Actual	1991-92		-	-	-	-	-	-
Actual	1992-93		-	-	-	-	-	-
Actual	1993-94		-	-	-	-	-	-
Actual	1994-95		-	-	-	-	-	-
Actual	1995-96		-	-	-	-	-	-
Actual	1996-97		-	-	-	-	-	-
Actual	1997-98		-	-	-	-	-	-
Actual	1998-99		-	-	-	-	-	-
Actual	1999-2000		-	-	-	-	-	-
Actual	2000-01		-	-	-	-	-	-
Actual	2001-02		-	-	-	-	-	-
Actual	2002-03		-	-	-	-	-	-
Actual	2003-04		-	-	-	-	-	-
Actual	2004-05		-	-	-	-	-	-
Actual	2005-06		-	-	-	-	-	-
Actual	2006-07		-	-	-	-	-	-
Actual	2007-08		-	-	-	-	-	-
Actual	2008-09		-	-	-	-	-	-
Actual	2009-10		-	-	-	-	-	-
Actual	2010-11		-	-	-	-	-	-
Actual	2011-12		-	-	-	-	-	-
Actual	2012-13		-	-	-	-	-	-
Actual	2013-14		-	1,683	1,683	0.2	-	-
Actual	2014-15		-	-	-	-	-	-
	2015-16		(1,106)	(30)	96	0.1	(126)	(657)
	2016-17 Outloo		(1,151)	(30)	96	0.0	(126)	-
	2017-18 Outloo		(1,204)	(30)	96	0.0	(126)	-
	2018-19 Outloo		(1,255)	(30)	96	0.0	(126)	-
	2019-20 Outloo		(1,304)	(30)	96	0.0	(126)	-
	2020-21 Outloo		-	(30)	96	#DIV/0!	(126)	-
Prepared by OFA, FTD					-1219			
	26-Aug-16							

FSD&A

Infrastructure Expenditure

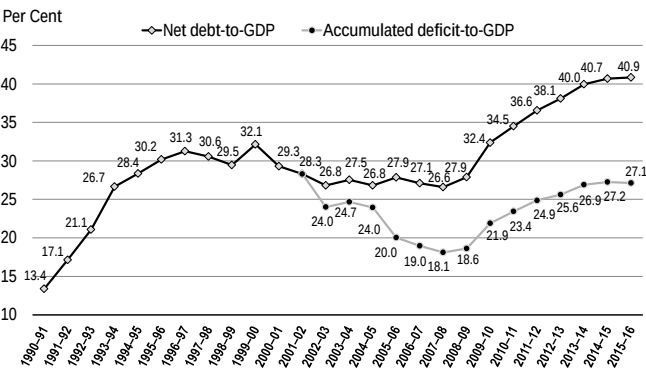
Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).

Commented [KK1]: Chart needs to be updated by OPCD with the new ratios

Net debt-to-GDP and accumulated deficit-to-GDP

Chart 9



Note: Historical net debt-to-GDP were revised to reflect historical GDP released by Statistics Canada in November 2015. Net debt has been restated to include broader public sector net debt, starting in 2005-06. Net debt and accumulated deficit has been restated from 2001-02 to 2014-15 to reflect the Province's accounting policy change for jointly sponsored pension plans.

Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

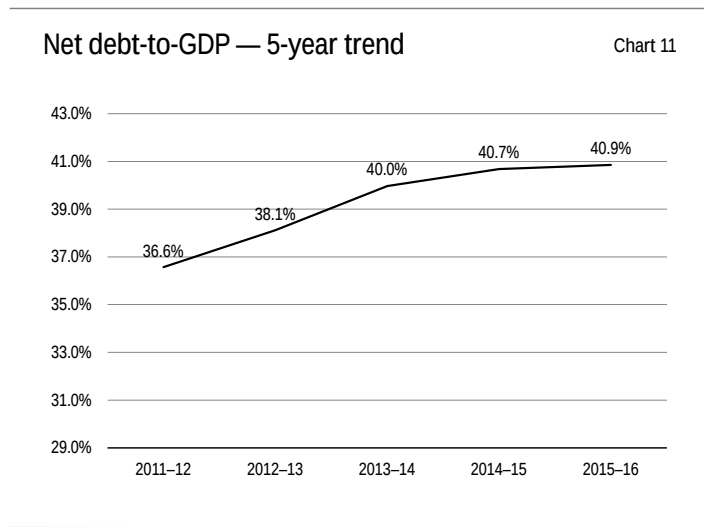
Key Financial Ratios as at the end of the fiscal period		2011–12	2012–13	2013–14	2014–15	2015–16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	39.6%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	230.6%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,269
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 39.6 per cent at the end of fiscal year 2015–16. In 2011–12, it was 35.7 per cent. Over this period, the deficit contributed to ~~close to~~ approximately 60 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011–12 and 2014–15, because net debt grew more quickly than GDP, the ratio increased from 35.7 per cent to 39.4 per cent. The ratio underwent a slight increase from 2014–15 to 2015–16, since net debt and GDP grew approximately at the same rate.

Commented [KK2]: Above table has already been updated



Commented [KK3]: Chart needs to be updated by OPCD with the new ratios

The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. These capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011-12, the ratio was 214.6 per cent. It rose to 240.1 per cent in 2014-15, as net debt grew more quickly than revenue. However, the ratio fell to 230.6 per cent in 2015-16, indicating that total revenues increased at a greater rate than did net debt.

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in 2011-12 to the current level of 8.5 per cent. The Province's strategy of extending the

term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

From: [Sarah Neville](#)
To: ["John Beck"](#); ["Lorraine Bell"](#); ["Mario Ferrara"](#); ["Angela Holtham"](#); ["Peter Kay"](#); ["Marie MacDougall"](#); [Diane McArthur \(MOHLTC\)](#); ["Catherine McCall"](#); ["Vincenza Sera"](#); ["Connie"](#); [Scott Thompson \(CAB\)](#); [Gadi Mayman](#)
Cc: [Bonnie Lemcke](#); [Christina Zhang](#); [Joan Dougherty](#); [Mike Manning](#); [Ken Kandeepan](#)
Subject: Ontario High Debt and Province's Financial Statements - press releases
Date: Monday, October 03, 2016 6:21:07 PM
Attachments: [Moody's Ontario_HighDebt_PR.pdf](#)

Dear Board Members – Gadi has requested that I forward to you two press releases issued today. They are a Moody's release on Ontario's debt burden (attached) and a Provincial release about the financial statements (below). I am advised that Bonnie has spoken to the rating agencies and they haven't expressed any concerns.

Please let me know if you have any questions.

Thanks very much, and best regards,

Sarah

Sarah Neville
Director (A), Legal Branch

Ontario Financing Authority

1 Dundas Street West, Suite 1200
Toronto ON M7A 1Y7
Phone: (416) 325-8754
Email: Sarah.Neville@ofina.on.ca

From: Ontario News <newsroom@ontario.ca>
Sent: Monday, October 3, 2016 2:54 PM
To: Gadi Mayman
Subject: Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected



Newsroom

News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected
[\[news.ontario.ca\]](http://news.ontario.ca)

October 3, 2016

Province Remains Committed to Balance the Budget Next Year in 2017-18

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18, and remain balanced in 2018-19.

In preparing the Annual Report and unaudited Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements.

A regulation was made to allow the public service to sign-off on the impact of the Auditor General's view on accounting for pension assets in Ontario's 2015-16 financial statements. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of two jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To ensure openness and transparency, the government is releasing its unaudited financial statements to provide the public with the Province's financial position.

The unaudited statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, [Ontario's economy has grown by 6.1 per cent\[news.ontario.ca\]](#). Last year, [growth was double the national average\[news.ontario.ca\]](#). In the first quarter of this year, [Ontario's growth was greater than that of the United States and the G7\[fin.gov.on.ca finances/2016/ofin16_1.html\]](#).

The Public Sector Accounting Board has set up a task force to review the current accounting standards for retirement benefits. The Province will ensure that the task force is made aware of this area of difference in interpretation. In addition Ontario will also be engaging an expert panel to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and

deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUICK FACTS

- The 2015-16 unaudited Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.
- The unaudited Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

BACKGROUND INFORMATION

- [Release of Ontario's 2015-16 Financial Statements \[news.ontario.ca\]](https://news.ontario.ca)

ADDITIONAL RESOURCES

- Read the Province's [2015-16 unaudited Financial Statements\[ontario.ca\]](https://www.ontario.ca) and explore supplementary information available through new data visualization tools
- Explore the more than 400 open data sets in the [Open Data Catalogue\[ontario.ca\]](https://data.ontario.ca)
- Learn about the government's [fiscal cycle\[ontario.ca\]](https://www.ontario.ca)

QUOTES

"The Annual Report and unaudited Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance next year in 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing

in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

— *Liz Sandals, President of the Treasury Board*

"Our government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget next year is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

— *Charles Sousa, Minister of Finance*

CONTACTS

Matt Ostergard
Minister's Office
416-326-3839

Jason Wesley
Communications Branch
416-327-4023

[Questions about your subscription? Contact us. \[ontario.ca\]](#)

[Edit your subscription preferences. \[subscription.news.ontario.ca\]](#)

[Unsubscribe from News on Demand. \[subscription.news.ontario.ca\]](#)



[Follow Us On Twitter\[twitter.com\].](#)

[Visit the Newsroom. \[news.ontario.ca\]](#)

[Disponible en français. \[news.ontario.ca\]](#)

[© Queen's Printer for Ontario, 2008 - 2016\[ontario.ca\]](#)

99 Wellesley Street West 4th floor, Room 4620 Toronto ON M7A 1A1

Announcement: Moody's: Ontario debt burden to remain manageable despite rising borrowing

Global Credit Research - 03 Oct 2016

Toronto, October 03, 2016 -- The Province of Ontario's (Aa2 stable) debt burden and debt service levels will remain manageable, even as it increases borrowing over the medium term, as it benefits from an improving fiscal position and the low level of interest rates, said Moody's Investors Service.

Ontario's debt burden has increased substantially since 2008, when the province's net direct and indirect debt measured CAD 150.5 billion, representing about 137.9% of total revenue.

As of March 31, 2016 Ontario's net direct and indirect debt is expected to have climbed to CAD 322.9 billion, close to 240% of revenue, the highest amount of outstanding of any sub-sovereign entity rated by Moody's.

Nonetheless, after nine consecutive years of deficits, Ontario is expected to post a balanced budget in 2017/18, a credit positive for the province. Although debt levels are still elevated, annual debt issuance will be less than in previous years as new financing will be only be used to raise funds for the province's capital program. In the past financing was used for both capital spending and operations.

Ontario has also taken advantage of low interest rates, issuing longer maturity bonds and extending its weighted average maturity to 15 years, essentially locking in low rates for longer.

"The current low interest rate environment has been beneficial to Ontario," said Michael Yake, a Vice President and Senior Analyst at Moody's. "Despite the material increase in debt, Ontario's interest expense has remained relatively stable and is forecasted to continue to remain so."

Ontario's interest payments amounted to 8.9% of revenue as of March 31, 2016, little changed from 8.8% eight years earlier.

Over the past several years, the province has also increased its liquidity levels specifically to offer a greater buffer in times of market uncertainty, according to the report "Province of Ontario - Rising Debt Manageable Thanks to Improving Fiscal Position, Low Interest Rates."

The province's debt management strategy of issuing across a variety of maturities, as well as within different markets, also helps ensure that it has good access to capital markets and can issue debt at low costs

The report is available to Moody's subscribers at

https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1027186 .

NOTE TO JOURNALISTS ONLY: For more information, please call one of our global press information hotlines: New York +1-212-553-0376, London +44-20-7772-5456, Tokyo +813-5408-4110, Hong Kong +852-3758-1350, Sydney +61-2-9270-8141, Mexico City 001-888-779-5833, São Paulo 0800-891-2518, or Buenos Aires 0800-666-3506. You can also email us at mediarelations@moodys.com or visit our web site at www.moodys.com.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the ratings tab on the issuer/entity page on www.moodys.com for the most updated credit rating action information and rating history.

Michael Yake
Vice President - Senior Analyst
Sub-Sovereign Risk Group
Moody's Canada Inc.
70 York Street
Suite 1400

Toronto, ON M5J 1S9
Canada
(416) 214-1635

Alejandro Olivo
Associate Managing Director
Sub-Sovereign Risk Group
JOURNALISTS: 212-553-0376
SUBSCRIBERS: 212-553-1653

Releasing Office:
Moody's Canada Inc.
70 York Street
Suite 1400
Toronto, ON M5J 1S9
Canada
(416) 214-1635



© 2016 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND ITS RATINGS AFFILIATES ("MIS") ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND CREDIT RATINGS AND RESEARCH PUBLICATIONS PUBLISHED BY MOODY'S ("MOODY'S PUBLICATIONS") MAY INCLUDE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS AND MOODY'S OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. CREDIT RATINGS AND MOODY'S PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. NEITHER CREDIT RATINGS NOR MOODY'S PUBLICATIONS COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS AND PUBLISHES MOODY'S PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE. MOODY'S CREDIT RATINGS AND MOODY'S PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS OR MOODY'S PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary

measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing the Moody's Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any rating, agreed to pay to Moody's Investors Service, Inc. for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,500,000. MCO and MIS also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moody.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. It would be reckless and inappropriate for retail investors to use MOODY'S credit ratings or publications when making an investment decision. If in doubt you should contact your financial or other professional adviser.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and

municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any rating, agreed to pay to MJKK or MSFJ (as applicable) for appraisal and rating services rendered by it fees ranging from JPY200,000 to approximately JPY350,000,000. MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

From: [Ken Kandeepan](#)
To: [Bonnie Lemcke](#)
Subject: RE: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16
Date: Monday, October 03, 2016 5:14:32 PM

Looks pretty good, a few very minor edits

Thanks

Ken k

From: Bonnie Lemcke
Sent: Monday, October 03, 2016 5:10 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

From: Lovely, Warren [<mailto:warren.lovely@nbc.ca>]
Sent: Monday, October 03, 2016 5:10 PM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Fwd: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

This is incomplete as I've been pulled away on calls. Will flesh out and add more detes. See anything tho??

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:05:48 PM EDT
To: "Lovely, Warren" <warren.lovely@nbc.ca>
Subject: **NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16**

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February 2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.
- So what's the deal with pensions? Specifically, the dispute centres around the accounting treatment of the pension assets held by two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that ~~temporary~~ temporarily adopts the AG's fiscal treatment of pension assets for 2015-16. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting. The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force on study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. So stay tuned for more info.
- In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of excess assets in the two aforementioned plans. Not that the accounting change has no impact on the Province's borrowing requirement or total or gross provincial debt, which is the preferred debt metric for some rating agencies.
- Refer to consolidated financial statements for greater information on the accounting change.

Additional highlights:

-

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
130 King Street W, 4th Floor Podium | Toronto, ON | M5X 1J9 | T: 416-869-8598 | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures
http://www.nbcn.ca/disclosure_english.html
http://www.nbcn.ca/disclosure_french.html

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@nbc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Ken Kandeepan](#)
To: [Bonnie Lemcke](#)
Subject: RE: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16
Date: Tuesday, October 04, 2016 8:49:05 AM

Drop in when you are free

-----Original Message-----

From: Bonnie Lemcke
Sent: Tuesday, October 04, 2016 8:29 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

When you get in let's chat about this.

Bonnie

-----Original Message-----

From: Lovely, Warren [<mailto:warren.lovely@nbc.ca>]
Sent: Tuesday, October 04, 2016 8:05 AM
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: RE: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Have a question for you actually

Hypothetically speaking, were the AG's preferred approach to be adopted permanently, would we expect to see incremental pension expenses year in and year out...akin to the \$1.5 billion extra expense recorded in 2015-16?

I understand that current and future year accounting treatment hasn't been formally settled, just trying to get a sense of risks for 2016-17 and beyond under different accounting scenarios

As we discussed, the revenue picture is fairly compelling, and hopefully you would have got from my note the emphasis on this stronger hand off. I highlighted the encouraging aspects of the report on our morning bond sales/trading call. Really, the way I'm looking at it, there's got to be a good chance the province could be in balance this year isn't there?

W

-----Original Message-----

From: Bonnie Lemcke [<mailto:Bonnie.Lemcke@ofina.on.ca>]
Sent: October 4, 2016 7:59 AM
To: Lovely, Warren <warren.lovely@nbc.ca>
Subject: Re: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Thanks.
Bonnie

On Oct 4, 2016, at 7:56 AM, Lovely, Warren <warren.lovely@nbc.ca> <<mailto:warren.lovely@nbc.ca>>> wrote:

fyi

From: Lovely, Warren
Sent: October 4, 2016 7:21 AM
Subject: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16 Faced with an ongoing dispute with the provincial Auditor General (AG) over pension accounting, Ontario took the unusual step of releasing unaudited financial statements for the 2015-16 fiscal year. If you can look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, you'll see an underlying improvement in the budget balance and a better revenue hand-off for the current fiscal year. Meanwhile, the government reiterated once more its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- The unaudited statements show Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a noteworthy, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a somewhat healthier fiscal result than that telegraphed in the February 2016 budget (a \$5.7 billion deficit). The deficit would have been even narrower, down to just \$3.5 billion or less than half that originally planned, were it not for a disagreement with the AG over pension accounting.

- So what's the deal with this "accounting issue"? As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." More specifically, the dispute centres around the accounting treatment of pension assets for two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). There's a difference of opinion on how pension assets should be treated when plans are in an accounting surplus. In the past, Ontario recognized pension assets (which arise when a government's total contributions exceed the recognized cumulative benefit expense of a plan), since these assets were viewed as providing scope for future contribution decreases. The AG prefers a "full valuation" approach, which writes off the value of excess pension assets of jointly-sponsored plans, since the government does not have unilateral access/claim to the assets of such plans. Faced with this accounting impasse, and rather than delay release of the financial statements further (they should have been out last week), the province approved a regulation that temporarily adopts the AG's recommended treatment of pension assets. So, while they're unaudited, the financial statements effectively incorporate the AG's preferred approach to pension accounting. The government is now actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force to study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. Nor is this the first time a provincial government has clashed with the local AG over pensions. So stay tuned for more info.

- Back to the numbers. In addition to the above-noted impact on the budget balance—a deficit of \$5.0 billion in 2015-16 rather than a smaller \$3.5 billion shortfall had the accounting treatment used during the prior decade and a half been retained—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. Again, this results from writing off the value of pension assets in the two aforementioned plans. So provincial net debt jumped up \$20.6 billion vs the \$5 billion budgetary shortfall, with much of the difference traced to the perhaps temporary legislated treatment of pension assets. At \$305 billion, Ontario's net debt was equivalent to 40.9% of GDP, up from the 39.6% level estimated most recently (in February).

- Note that the legislated pension accounting change has no impact on total or gross provincial debt, which is the preferred debt metric for some rating agencies. Nor does the legislated change alter Ontario's cash requirements or borrowing needs. Moreover, a stronger revenue base means a better handoff to 2016-17, which (all else equal) supports achievement of this year's fiscal targets. Residual reserves and contingencies also protect current and future year budget targets.

- Refer to the consolidated financial statements for greater information on the accounting change.

Additional highlights:

- The finer details reveal a buoyant revenue picture, reflecting a solid economic expansion and proceeds from government asset sales to support an ambitious infrastructure plan. Top line revenue surged nearly 10% year-on-year, coming in \$4 billion or 4% above the original budget plan. Excluding proceeds from the first step towards partial privatization of Hydro One, taxation revenues stood \$1.7 billion above plan. It should also be noted that total revenue ended 2015-16 on a stronger footing than had been estimated more recently; there's almost \$2 billion of extra revenue compared to February's interim estimate. That's a stronger revenue handoff to be sure.

- Federal transfers were largely in line with plan, accounting for 17.8% of provincial revenue. That's the lowest share in five years, reducing the so-called vulnerability to shifts in federal transfer policy.

- On the spending side, it's important to distinguish the pension expense impact from the legislated change in pension accounting from underlying, some might say real, program spending. The pension asset adjustment is largely to blame for the \$1.9 billion in above-plan program outlays last fiscal year. A look at key spending areas shows some extra health outlays (linked to drug costs), with health accounting for a bit more than 40% of program spending. Still, Ontario has the lowest level of per capita program spending of all the provinces.

· Notwithstanding the accounting adjustment to net debt, interest costs remain a source of fiscal relief. While interest charges rose year-on-year, the rate of increase was less than expected, as the government took full advantage of demand for its debt to lock in low interest rates for longer. That theme will remain decidedly intact in 2016-17. Given the revenue surge, the province's interest bite (the share of revenue eaten up by interest costs) once again moved lower, to just 8.5% or the lowest level in a quarter century.

· In recent years, a greater focus on domestic debt markets has seen the foreign currency share of total debt step lower. Over five years, that ratio has moved from 25.4% to 18.8% as at 2015-16. What hasn't changed is the province's hedging policy, which effectively negates the province's exposure to foreign currency moves. (FX exposure is a scant 0.3% of Ontario's debt.)

Don't confuse these unaudited financial statements, which are backward looking, with a forward-looking assessment of Ontario's fiscal fortunes. Again, set aside the accounting noise and temporary adoption of the AG's preferred approach on pension assets, and there are some encouraging developments on provincial revenue. A stronger prior-year revenue hand-off, and an upbeat economy, bolster the province's 2016-17 fiscal outlook and give the government confidence that its key commitment of erasing the deficit by 2017-18 remains within reach. This fiscal commitment should remain front and centre as we go through a fall update and ultimately digest a 2017 provincial budget. In the meantime, we'll see how this pension accounting issue is resolved. Finally, for those looking for details on the province's economic performance, we'll be treated to the Q2 economic accounts any day now. Looking back, the second quarter wasn't a great one for North America, but most private sector forecasters—including National Bank—see Ontario sitting at or very near the top of the provincial growth charts in 2016, with real GDP growth running nicely above potential. That relatively enviable provincial growth ranking is quite likely to remain intact through 2017 as well.

To unsubscribe please click here<<mailto:NBF.EconomicsStrategy@nbc.ca?subject=Please%20unsubscribe%20from%20Economics%20and%20Strategy%20publications>>

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
130 King Street W, 4th Floor Podium | Toronto, ON | M5X 1J9 | T: 416-869-8598 | E: warren.lovely@nbc.ca<<mailto:warren.lovely@nbc.ca>>

Sales and Marketing Disclosures

https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Fenglish.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GxeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=ycDpbCsrG3ltfCk0sdEGFLG_O-vy8GJcEzLky2RjW4A&e=https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Ffrench.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GxeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=p9ZTtCKnVBALe-lzXXbR2P0ZSEn3bqLL5UAmS0sbfOc&e=

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca<<mailto:confidentialite@bnc.ca>> et de détruire ce document immédiatement. CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca<<mailto:confidentiality@nbc.ca>> and delete this document immediately.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

Sales and Marketing Disclosures

https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Fenglish.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GxeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=ycDpbCsrG3ltfCk0sdEGFLG_O-vy8GJcEzLky2RjW4A&e=https://urldefense.proofpoint.com/v2/url?u=http-3A__www.nbcn.ca_disclosure-5Ffrench.jhtml&d=CwIFAw&c=qG_YucLTZOaBAapRaQkKEgrMWFFI0Cr1_eykjin9FtiQ&r=7angY65xsE81CtQD3ZkNmDE3GxeWAAw_kSqEF7kvE_A&m=tPEJlrek5q5BKC_NBNHg5sb2wNmHwz-MBn1a0Q1jZlo&s=p9ZTtCKnVBALe-lzXXbR2P0ZSEn3bqLL5UAmS0sbfOc&e=

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement. CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Cc: [Christina Zhang](#)
Subject: RE: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)
Date: Tuesday, October 04, 2016 9:44:47 AM

Hi Gadi

On the face of it that's what it looks like, based on the auditor's recommendation NB, recognized that their pension plans were shared and given that the plans were in a net obligation position took the hit for the increase in the liability.

One could assume that if the plans were in a net asset position then the reverse would occur and the Province's bottom line would benefit. Unfortunately, page 47 of the New Brunswick's CFS has the following assertion in the notes. "The Province records the value of plan net assets as nil when the plans are in a net asset position".

In other words for whatever reason NB has taken the position that net obligations will be recognized but not net assets. I wonder why and will request Cindy to find out from the Province's PC when she meets him next.

Thanks

Ken k

From: Gadi Mayman
Sent: Tuesday, October 04, 2016 12:22 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Fwd: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)

I know it's a complex subject, but are NB and their AG going in the opposite direction of where our AG is?

Begin forwarded message:

From: CIBC CM Macro Strategy <Mailbox.CIBCMacroStrategy@cibc.com>
Date: October 3, 2016 at 10:57:28 AM EDT
To: Undisclosed recipients;;
Subject: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)

CIBC Capital Markets
Macro Strategy Research

New Brunswick adopts new pension accounting approach (October 3, 2016)

For Fiscal 2015-16, New Brunswick received an unqualified opinion from the auditor general. This is a reversal from the previous year when the province was flagged for their

'defined contribution accounting' approach. New Brunswick transitioned its four largest defined benefit pension plans to a shared risk model (i.e. target benefit plans) in order to improve the plans' long-term "sustainability, affordability and security while ensuring inter-generational fairness." The plans represented about 95% of its pension liabilities. New Brunswick's Auditor General concluded, however, that the "financial statements do not reflect the risk inherent in the design of a Shared Risk Pension Plan." In the end, the Auditor General concluded that there was not enough analysis done to justify a change in accounting treatment from defined benefit to defined contribution, whereby the province could de-recognize its obligations in the financial statements. It is the first time in 17 years that New Brunswick has received a qualified opinion.

Effective April 1, 2015, the Province retroactively changed its accounting policy for its Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment. As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2mln (\$-113.7mln 2015). This change in the accounting policy has caused the Province's 2015 consolidated financial statements to be restated by an increase of \$221.3mln in closing net debt, accumulated deficit and pension liability, and a decrease of \$3.4mln in pension expense. Opening net debt and accumulated deficit as at April 1, 2014, also increased by \$224.7mln. We consider this modest as it only represents an increase of 1.7% to restated beginning of year net debt for 2016 (1.8% for 2015).

We consider this to be a positive development in New Brunswick's accounting practices as the province is no longer derecognizing its pension obligations. The Auditor general feels the same way, thus, restoring the unqualified opinion for the province.

For more information on Canadian government sector accounting practices, please refer to our Macro Strategy research note "Accounting for Government Transfers, August 8, 2016" by clicking [here\[cibcmacro.com\]](http://www.cibcmacro.com)

Maria Berlettano, CFA

416 594-8041

maria.berlettano@cibc.com

www.cibcmacro.com/cibcmacro.com/

Tom Bognar, CFA

416 956-6032

tom.bognar@cibc.com

www.cibcmacro.com/cibcmacro.com/

If you no longer wish to receive these emails, please email us at unsubscribe-macro-strategy@cibc.com and request to be removed from this distribution list. Note that you will be permanently removed from the distribution list within 10 days of your request.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Global Markets group at CIBC Capital Markets.

CIBC World Markets Inc. is a legal entity name. CIBC Capital Markets is a trademark brand name under which different legal entities provide different services under this umbrella brand. Products and/or services offered through CIBC Capital Markets include products and/or services offered by the Canadian Imperial Bank of Commerce, the parent bank of CIBC World Markets Inc. and various other subsidiaries of the Canadian Imperial Bank of Commerce. Services offered by the Canadian Imperial Bank of Commerce include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and commodities, equity options and OTC derivatives. Canadian exchange-traded equity options are executed through CIBC World Markets Inc. Equity and fixed income securities are executed through CIBC World Markets Inc. and other directly or indirectly held subsidiaries of CIBC.

The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. research department nor should it be construed as a research report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc.

branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Japan: This communication is distributed in Japan by CIBC World Markets (Japan) Inc., a registered Type1 Financial Product Provider with the registration number Director General of Kanto Finance Bureau #218.

Distribution in Australia: Communications concerning derivatives and foreign exchange contracts are distributed in Australia to "professional investors" within the meaning of the Corporations Act 2001 by CIBC World Markets Inc. Communications concerning securities are distributed in Australia by CIBC Australia Ltd (License no. 240603; ACN 000 067 256) to CIBC Capital Markets clients.

CIBC World Markets Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. CIBC World Markets Corp. is a member of the Financial Industry Regulatory Authority. CIBC World Markets plc is regulated by the Prudential Regulation Authority and Financial Conduct Authority. CIBC World Markets Securities Ireland Limited is regulated by the Central Bank of Ireland. CIBC Australia Ltd is regulated by the Australia Securities and Investment Commission. CIBC World Markets (Japan) Inc. is a member of the Japanese Securities Dealer Association. Canadian Imperial Bank of Commerce, Hong Kong Branch, is a registered institution under the Securities and Futures Ordinance, Cap 571. Canadian Imperial Bank of Commerce, Singapore Branch, is an offshore bank licensed and regulated by the Monetary Authority of Singapore.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited and may result in prosecution.

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Cc: [Christina Zhang](#)
Subject: RE: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)
Date: Tuesday, October 04, 2016 9:44:47 AM

Hi Gadi

On the face of it that's what it looks like, based on the auditor's recommendation NB, recognized that their pension plans were shared and given that the plans were in a net obligation position took the hit for the increase in the liability.

One could assume that if the plans were in a net asset position then the reverse would occur and the Province's bottom line would benefit. Unfortunately, page 47 of the New Brunswick's CFS has the following assertion in the notes. "The Province records the value of plan net assets as nil when the plans are in a net asset position".

In other words for whatever reason NB has taken the position that net obligations will be recognized but not net assets. I wonder why and will request Cindy to find out from the Province's PC when she meets him next.

Thanks

Ken k

From: Gadi Mayman
Sent: Tuesday, October 04, 2016 12:22 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Fwd: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)

I know it's a complex subject, but are NB and their AG going in the opposite direction of where our AG is?

Begin forwarded message:

From: CIBC CM Macro Strategy <Mailbox.CIBCMacroStrategy@cibc.com>
Date: October 3, 2016 at 10:57:28 AM EDT
To: Undisclosed recipients;;
Subject: New Brunswick adopts new pension accounting approach (CIBC Capital Markets)

CIBC Capital Markets
Macro Strategy Research

New Brunswick adopts new pension accounting approach (October 3, 2016)

For Fiscal 2015-16, New Brunswick received an unqualified opinion from the auditor general. This is a reversal from the previous year when the province was flagged for their

'defined contribution accounting' approach. New Brunswick transitioned its four largest defined benefit pension plans to a shared risk model (i.e. target benefit plans) in order to improve the plans' long-term "sustainability, affordability and security while ensuring inter-generational fairness." The plans represented about 95% of its pension liabilities. New Brunswick's Auditor General concluded, however, that the "financial statements do not reflect the risk inherent in the design of a Shared Risk Pension Plan." In the end, the Auditor General concluded that there was not enough analysis done to justify a change in accounting treatment from defined benefit to defined contribution, whereby the province could de-recognize its obligations in the financial statements. It is the first time in 17 years that New Brunswick has received a qualified opinion.

Effective April 1, 2015, the Province retroactively changed its accounting policy for its Target Benefit Pension Plans. The Province previously accounted for these plans as defined contribution plans, and is now applying defined benefit and joint defined benefit accounting treatment. As at 31 March 2016, the value of the Province's share of accrued benefits for all target benefit pension plans exceeded the value of the plan assets resulting in an actuarial benefit liability of \$374.2mln (\$-113.7mln 2015). This change in the accounting policy has caused the Province's 2015 consolidated financial statements to be restated by an increase of \$221.3mln in closing net debt, accumulated deficit and pension liability, and a decrease of \$3.4mln in pension expense. Opening net debt and accumulated deficit as at April 1, 2014, also increased by \$224.7mln. We consider this modest as it only represents an increase of 1.7% to restated beginning of year net debt for 2016 (1.8% for 2015).

We consider this to be a positive development in New Brunswick's accounting practices as the province is no longer derecognizing its pension obligations. The Auditor general feels the same way, thus, restoring the unqualified opinion for the province.

For more information on Canadian government sector accounting practices, please refer to our Macro Strategy research note "Accounting for Government Transfers, August 8, 2016" by clicking [here\[cibcmacro.com\]](http://www.cibcmacro.com)

Maria Berlettano, CFA

416 594-8041

maria.berlettano@cibc.com

www.cibcmacro.com/cibcmacro.com/

Tom Bognar, CFA

416 956-6032

tom.bognar@cibc.com

www.cibcmacro.com/cibcmacro.com/

If you no longer wish to receive these emails, please email us at unsubscribe-macro-strategy@cibc.com and request to be removed from this distribution list. Note that you will be permanently removed from the distribution list within 10 days of your request.

This communication, including any attachment(s), is confidential and has been prepared by the Macro Strategy Desk within the Global Markets group at CIBC Capital Markets.

CIBC World Markets Inc. is a legal entity name. CIBC Capital Markets is a trademark brand name under which different legal entities provide different services under this umbrella brand. Products and/or services offered through CIBC Capital Markets include products and/or services offered by the Canadian Imperial Bank of Commerce, the parent bank of CIBC World Markets Inc. and various other subsidiaries of the Canadian Imperial Bank of Commerce. Services offered by the Canadian Imperial Bank of Commerce include corporate lending services, foreign exchange, money market instruments, structured notes, interest rate products and commodities, equity options and OTC derivatives. Canadian exchange-traded equity options are executed through CIBC World Markets Inc. Equity and fixed income securities are executed through CIBC World Markets Inc. and other directly or indirectly held subsidiaries of CIBC.

The contents of this communication are based on macro and issuer-specific analysis, issuer news, market events and general institutional desk discussion. The author(s) of this communication is not a Research Analyst and this communication is not the product of any CIBC World Markets Inc. research department nor should it be construed as a research report. The author(s) of this communication is not a person or company with actual, implied or apparent authority to act on behalf of any issuer mentioned in the communication. The commentary and any attachments (other than any attached CIBC World Markets Inc.

branded Research Reports) and opinions expressed herein are solely those of the individual author(s), except where the author expressly states them to be the opinions of CIBC World Markets Inc. The author(s) may provide short-term trading views or ideas on issuers, securities, commodities, currencies or other financial instruments but investors should not expect continuing analysis, views or discussion relating to the securities, securities, commodities, currencies or other financial instruments discussed herein. Any information provided herein is not intended to represent an adequate basis for investors to make an informed investment decision and is subject to change without notice. CIBC World Markets Inc. or its affiliates may engage in trading strategies or hold positions in the issuers, securities, commodities, currencies or other financial instruments discussed in this communication and may abandon such trading strategies or unwind such positions at any time without notice.

The contents of this message are tailored for particular client needs and accordingly, this message is intended for the specific recipient only. Any dissemination, re-distribution or other use of this message or the market commentary contained herein by any recipient is unauthorized. If you are not the intended recipient, please reply to this e-mail and delete this communication and any copies without forwarding them.

Distribution in Hong Kong: This communication has been approved and is issued in Hong Kong by Canadian Imperial Bank of Commerce, Hong Kong Branch, a registered institution under the Securities and Futures Ordinance (the "SFO") to "professional investors" as defined in clauses (a) to (h) of the definition thereof set out in Schedule 1 of the SFO. Any recipient in Hong Kong who has any questions or requires further information on any matter arising from or relating to this communication should contact Canadian Imperial Bank of Commerce, Hong Kong Branch at Suite 3602, Cheung Kong Centre, 2 Queen's Road Central, Hong Kong (telephone number: +852 2841 6111).

Distribution in Singapore: This communication is intended solely for distribution to accredited investors, expert investors and institutional investors (each, an "eligible recipients"). Eligible recipients should contact Danny Tan at Canadian Imperial Bank of Commerce, Singapore Branch at 16 Collyer Quay #04-02 Singapore 049318 (telephone number + 65-6423 3806) in respect of any matter arising from or in connection with this report.

Distribution in Japan: This communication is distributed in Japan by CIBC World Markets (Japan) Inc., a registered Type1 Financial Product Provider with the registration number Director General of Kanto Finance Bureau #218.

Distribution in Australia: Communications concerning derivatives and foreign exchange contracts are distributed in Australia to "professional investors" within the meaning of the Corporations Act 2001 by CIBC World Markets Inc. Communications concerning securities are distributed in Australia by CIBC Australia Ltd (License no. 240603; ACN 000 067 256) to CIBC Capital Markets clients.

CIBC World Markets Inc. is a member of the Canadian Investor Protection Fund and the Investment Industry Regulatory Organization of Canada. CIBC World Markets Corp. is a member of the Financial Industry Regulatory Authority. CIBC World Markets plc is regulated by the Prudential Regulation Authority and Financial Conduct Authority. CIBC World Markets Securities Ireland Limited is regulated by the Central Bank of Ireland. CIBC Australia Ltd is regulated by the Australia Securities and Investment Commission. CIBC World Markets (Japan) Inc. is a member of the Japanese Securities Dealer Association. Canadian Imperial Bank of Commerce, Hong Kong Branch, is a registered institution under the Securities and Futures Ordinance, Cap 571. Canadian Imperial Bank of Commerce, Singapore Branch, is an offshore bank licensed and regulated by the Monetary Authority of Singapore.

Unauthorized use, distribution, duplication or disclosure without the prior written permission of CIBC World Markets Inc. is prohibited and may result in prosecution.

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Subject: RE: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 5:03:39 PM

Hi John

I logged in and reviewed these numbers, if what Alicia states is correct the only difference with the net debt numbers that we provided to OPCD prior to the Pension adjustment is column AO, if that is indeed the case we can sign off, of course under the proviso that we are simply accepting these numbers as provided by OPCD.

Thanks again for all your effort on this issue and my apologies once again for messing up your Saturday.

Ken k

-----Original Message-----

From: John Psinas
Sent: Saturday, September 24, 2016 3:17 PM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Kevin Hwang <Kevin.Hwang@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>
Subject: RE: Pension Adjustment Charts Data.xlsx

Alicia,

There are scarcely any formulas and TCA is missing, so it's hard to see how net debt was affected. Can I ask whomever prepared this to send me a reconciliation or just tell me like in that spreadsheet originally given to me what the annual pension adjustment is. The easiest way for us to do a reconciliation would be the original net debt per year plus the pension adjustment (as it will affect accumulated deficit), with no changes to TCA.

Thanks.

John

-----Original Message-----

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Saturday, September 24, 2016 1:39 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
Subject: Fw: Pension Adjustment Charts Data.xlsx

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>
Sent: Friday, September 23, 2016 7:31 PM
To: Sun, Alicia (TBS)
Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

From: [Ken Kandeepan](#)
To: [Alicia Sun \(MOF\)](#)
Subject: RE: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 5:02:19 PM

Hi John

I logged in and reviewed these numbers, if what Alicia states is correct the only difference with the net debt numbers that we provided to OPCD prior to the Pension adjustment is column AO, if that is indeed the case we can sign off, of course under the proviso that we are simply accepting these numbers as provided by OPCD.

Thanks again for all your effort on this issue and my apologies once again for messing up your Saturday.

Ken k

-----Original Message-----

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Saturday, September 24, 2016 1:39 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
Subject: Fw: Pension Adjustment Charts Data.xlsx

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>
Sent: Friday, September 23, 2016 7:31 PM
To: Sun, Alicia (TBS)
Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

From: [Petsche, Nadine \(TBS\)](#)
To: [John Psinas](#); [Alicia Sun \(MOF\)](#)
Cc: [Ken Kandeepan](#); [Bharat Patel \(MOF\)](#); [Kevin Hwang](#); [George Sakura](#); [Alicia Sun \(MOF\)](#)
Subject: RE: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 3:56:39 PM

All...

Just an update...they're talking about another scenario now which would involve leaving the asset value at last year's (Mar 31/15) balance which was around 9B, and taking an asset valuation allowance on the 15/16 results (1.5B). This would be the \$5.0 deficit result previously shared, so the variance analysis for the statement of op's can be leveraged.

Further clarification to follow...this is late breaking news (in an attempt to get to a Sept 27th release).

n

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]

Sent: September-24-16 3:17 PM

To: Sun, Alicia (TBS)

Cc: Kandeepan, Ken (OFA); Patel, Bharat (TBS); Petsche, Nadine (TBS); Hwang, Kevin (OFA); Sakura, George (OFA)

Subject: RE: Pension Adjustment Charts Data.xlsx

Alicia,

There are scarcely any formulas and TCA is missing, so it's hard to see how net debt was affected. Can I ask whomever prepared this to send me a reconciliation or just tell me like in that spreadsheet originally given to me what the annual pension adjustment is. The easiest way for us to do a reconciliation would be the original net debt per year plus the pension adjustment (as it will affect accumulated deficit), with no changes to TCA.

Thanks.

John

-----Original Message-----

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]

Sent: Saturday, September 24, 2016 1:39 PM

To: John Psinas <John.Psinas@ofina.on.ca>

Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>

Subject: Fw: Pension Adjustment Charts Data.xlsx

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>

Sent: Friday, September 23, 2016 7:31 PM

To: Sun, Alicia (TBS)

Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [John Psinas](#)
To: [Alicia Sun \(MOF\)](#)
Cc: [Ken Kandeepan](#); [Bharat Patel \(MOF\)](#); [Nadine Petsche \(MOF\)](#); [Kevin Hwang](#); [George Sakura](#)
Subject: RE: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 3:17:13 PM

Alicia,

There are scarcely any formulas and TCA is missing, so it's hard to see how net debt was affected. Can I ask whomever prepared this to send me a reconciliation or just tell me like in that spreadsheet originally given to me what the annual pension adjustment is. The easiest way for us to do a reconciliation would be the original net debt per year plus the pension adjustment (as it will affect accumulated deficit), with no changes to TCA.

Thanks.

John

-----Original Message-----

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Saturday, September 24, 2016 1:39 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
Subject: Fw: Pension Adjustment Charts Data.xlsx

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>

Sent: Friday, September 23, 2016 7:31 PM

To: Sun, Alicia (TBS)

Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Subject: RE: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 5:04:22 PM

Hi John

I logged in and reviewed these numbers, if what Alicia states is correct the only difference with the net debt numbers that we provided to OPCD prior to the Pension adjustment is column AO, if that is indeed the case we can sign off, of course under the proviso that we are simply accepting these numbers as provided by OPCD.

Thanks again for all your effort on this issue and my apologies once again for messing up your Saturday.

Ken k

-----Original Message-----

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Saturday, September 24, 2016 1:39 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
Subject: Fw: Pension Adjustment Charts Data.xlsx

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>
Sent: Friday, September 23, 2016 7:31 PM
To: Sun, Alicia (TBS)
Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Cc: [Christina Zhang](#)
Subject: RE: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 9:13:57 AM

Hi Gadi

It does appear somewhat different from my understanding as well. Since we don't have the annual impact of the pension adjustment, only the cumulative number of \$10.7 we looked at the deficit comparison slide. When the variances in the deficit between the Province's numbers and the AG's are added up from 2009-10 the total is 10.7. we have however, a little confused with the numbers prior to that which don't seem to be part of the adjustment.

Will follow up with OPCD as to why the years prior to 2009-10 have been ignored, unless that is the agreement with the AG. As a matter of fact including those years is beneficial since the total reduces by \$2 billion due to the flip in the direction in 2008-09.

Thanks

Ken K

From: Gadi Mayman
Sent: Monday, October 03, 2016 7:47 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Re: Pension Adjustment Charts_Oct 3_V2.pptx

No rush. I was just curious as to what it meant, and how it was derived.

On Oct 3, 2016, at 7:45 AM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Will take a look as soon as I am in the office.

Ken k

On Oct 3, 2016, at 7:21 AM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

I'm not sure what it is that is being shown here. The amounts don't seem to have any relationship to the numbers contained in the Budget, unless I'm missing something fundamental.

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)

Subject: Pension Adjustment Charts_Oct 3_V2.pptx

Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach.

Nadine

<Pension Ajustment Charts_Oct 3_V2.pptx>

From: [Petsche, Nadine \(TBS\)](#)
To: [Ken Kandeepan](#)
Cc: [John Psinas](#); [George Sakura](#); [Alicia Sun \(MOF\)](#); [Kyle MacIntyre \(MOF\)](#)
Subject: RE: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 9:47:53 AM

Thanks Ken.
We'll have a re-look at the slides. N

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: October 3, 2016 9:42 AM
To: Petsche, Nadine (TBS)
Cc: John Psinas; Sakura, George (OFA)
Subject: FW: Pension Adjustment Charts_Oct 3_V2.pptx

Hi Nadine

I know that you must be very busy today however, we have a couple of issue with the slides.

The net debt impact of 12.7 appears to be from 2009-10 onwards, the years before that are ignored.

Our net debt for 14-15 and 15-16 are slightly different than the numbers that you are presenting on the slides. If Alicia prepared this pls request her to call John/George.

Thanks

Ken k

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach. Nadine

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Please update technical Q&As
Date: Monday, October 03, 2016 12:02:00 PM

One small edit below

Thanks

Ken k

From: Li, Wendy (TBS) [mailto:Wendy.Li@ontario.ca]
Sent: Monday, October 03, 2016 11:55 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: RE: Please update technical Q&As

Hi John,

Below please find Q&As revised per your edits. The Q&As are being reviewed by senior management, and I'll do my best to incorporate the proposed changes.

I also changed the 10.6B to 10.7B, as highlighted.

Thank you for your help,

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.7 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, the non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in the ratio would have remain unchanged. The government continues to be committed towards eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in

the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

- A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.7 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by the \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

Wendy

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
Sent: October 3, 2016 11:42 AM
To: Li, Wendy (TBS)
Cc: Kandeepan, Ken (OFA); Sakura, George (OFA); Meralli, Shemin (OFA)
Subject: FW: Please update technical Q&As

Wendy,

I have not heard back from you. You may not have had a chance to talk to Nadine. Anyways, we just have some small edits in the wording in case we are using these Q&A assuming the pension adjustment will go through.

Thanks.

John

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]
Sent: Wednesday, September 28, 2016 4:27 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Please update technical Q&As

Hi John,

Please review the Q&As revised to align with FSD&A wording.

Thank you.

DEBT

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, the non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in the ratio would have remained unchanged. ~~been minimal~~. The government continues to be committed towards eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has total debt gone up by \$12.4 billion while the accumulated deficit has gone up by \$15.2billion?

A. Total debt represents all borrowing that is used to fund the deficit, as well as to invest in capital assets and cash reserves. Accumulated deficit is the sum of all deficits less surpluses since Confederation. Total debt increased by \$12.4 billion in order to fund the deficit as well as the Province's investments in capital assets plus pre-borrowing of \$2 billion.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.76 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by the \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Li, Wendy \(TBS\)](#)
To: [John Psinas](#)
Cc: [Ken Kandeeapan](#); [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Please update technical Q&As
Date: Monday, October 03, 2016 11:54:47 AM

Hi John,

Below please find Q&As revised per your edits. The Q&As are being reviewed by senior management, and I'll do my best to incorporate the proposed changes.

I also changed the 10.6B to 10.7B, as highlighted.

Thank you for your help,

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.7 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, the non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in the ratio would have remain unchanged. The government continues to be committed towards eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.7 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by the \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

Wendy

From: John Psinas [mailto:John.Psinas@ofina.on.ca]
Sent: October 3, 2016 11:42 AM
To: Li, Wendy (TBS)
Cc: Kandeepan, Ken (OFA); Sakura, George (OFA); Meralli, Shemin (OFA)
Subject: FW: Please update technical Q&As

Wendy,

I have not heard back from you. You may not have had a chance to talk to Nadine. Anyways, we just have some small edits in the wording in case we are using these Q&A assuming the pension adjustment will go through.

Thanks.

John

From: Li, Wendy (TBS) [mailto:Wendy.Li@ontario.ca]
Sent: Wednesday, September 28, 2016 4:27 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Please update technical Q&As

Hi John,

Please review the Q&As revised to align with FSD&A wording.

Thank you.

DEBT

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, the non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the

Province's accounting for pension plans. If not for this change the increase in the ratio would have **remained unchanged**. ~~been minimal~~. The government continues to **be committed towards** eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has total debt gone up by \$12.4 billion while the accumulated deficit has gone up by \$15.2billion?

A. Total debt represents all borrowing that is used to fund the deficit, as well as to invest in capital assets and cash reserves. Accumulated deficit is the sum of all deficits less surpluses since Confederation. Total debt increased by \$12.4 billion in order to fund the deficit as well as the Province's investments in capital assets plus pre-borrowing of \$2 billion.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.76 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by **the** \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

Wendy Li
Senior Policy Analyst
Accounting Policy and Financial Reporting Branch
Office of Provincial Controller
416.325.5480

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Please update technical Q&As
Date: Monday, October 03, 2016 11:34:20 AM

Hi John

Pls note some edits below. Pls review and pass on to Wendy.

Thanks

Ken k

From: John Psinas
Sent: Friday, September 30, 2016 11:29 AM
To: Wendy Li (MOF) <Wendy.Li@ontario.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: RE: Please update technical Q&As

Wendy,

It might be best to still talk to Nadine first about the wording and amounts as the Q&As may need to be changed again given recent events. The amounts in the Q&A (if we are taking into account the pension adjustment) are correct though.

--John

416-325-8072

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]
Sent: Friday, September 30, 2016 11:07 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: RE: Please update technical Q&As

Hi John,

I haven't heard back from Nadine but the wording is consistent with the current version of FSD&A, which was signed off yesterday.

Can you please confirm if the Q&As read ok so that I can send the document to Nadine and Cindy for review?

This is the only technical Q&A piece outstanding at this moment.

Thank you,
Wendy

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
Sent: September 29, 2016 10:44 AM
To: Li, Wendy (TBS)
Cc: Kandeepan, Ken (OFA); Sakura, George (OFA); Meralli, Shemin (OFA)
Subject: RE: Please update technical Q&As

Wendy,

Can you check with Nadine on the use of the word “legislated accounting.” I understand the Deputy is removing most if not all references to it today at the 12 pm sign off.

In the meantime, we’ll check the amounts below.

--John

416-325-8072

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]
Sent: Wednesday, September 28, 2016 4:27 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Please update technical Q&As

Hi John,

Please review the Q&As revised to align with FSD&A wording.

Thank you.

DEBT

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province’s total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province’s accounting for pension plans, the non-pension deficit

and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in the ratio would have **remained unchanged**. ~~been minimal~~. The government continues to **be committed towards** eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has total debt gone up by \$12.4 billion while the accumulated deficit has gone up by \$15.2billion?

A. Total debt represents all borrowing that is used to fund the deficit, as well as to invest in capital assets and cash reserves. Accumulated deficit is the sum of all deficits less surpluses since Confederation. Total debt increased by \$12.4 billion in order to fund the deficit as well as the Province's investments in capital assets plus pre-borrowing of \$2 billion.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.76 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by **the** \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

Wendy Li
Senior Policy Analyst
Accounting Policy and Financial Reporting Branch
Office of Provincial Controller
416.325.5480

From: [John Psinas](#)
To: [Wendy Li \(MOF\)](#)
Cc: [Ken Kandeepan](#); [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Please update technical Q&As
Date: Friday, September 30, 2016 11:28:32 AM

Wendy,

It might be best to still talk to Nadine first about the wording and amounts as the Q&As may need to be changed again given recent events. The amounts in the Q&A (if we are taking into account the pension adjustment) are correct though.

--John

416-325-8072

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]
Sent: Friday, September 30, 2016 11:07 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: RE: Please update technical Q&As

Hi John,

I haven't heard back from Nadine but the wording is consistent with the current version of FSD&A, which was signed off yesterday.

Can you please confirm if the Q&As read ok so that I can send the document to Nadine and Cindy for review?

This is the only technical Q&A piece outstanding at this moment.

Thank you,
Wendy

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
Sent: September 29, 2016 10:44 AM
To: Li, Wendy (TBS)
Cc: Kandeepan, Ken (OFA); Sakura, George (OFA); Meralli, Shemin (OFA)
Subject: RE: Please update technical Q&As

Wendy,

Can you check with Nadine on the use of the word "legislated accounting." I understand the Deputy is removing most if not all references to it today at the 12 pm sign off.

In the meantime, we'll check the amounts below.

--John

416-325-8072

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]

Sent: Wednesday, September 28, 2016 4:27 PM

To: John Psinas <John.Psinas@ofina.on.ca>

Subject: Please update technical Q&As

Hi John,

Please review the Q&As revised to align with FSD&A wording.

Thank you.

DEBT

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in the ratio would have been minimal. The government continues to commit to eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has total debt gone up by \$12.4 billion while the accumulated deficit has gone up by \$15.2billion?

A. Total debt represents all borrowing that is used to fund the deficit, as well as to invest in capital assets and cash reserves. Accumulated deficit is the sum of all deficits less surpluses since Confederation. Total debt increased by \$12.4

billion in order to fund the deficit as well as the Province's investments in capital assets plus pre-borrowing of \$2 billion.

- Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?**
- A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

Wendy Li
Senior Policy Analyst
Accounting Policy and Financial Reporting Branch
Office of Provincial Controller
416.325.5480

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [John Psinas](#)
To: [Wendy Li \(MOF\)](#)
Cc: [Ken Kandeepan](#); [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Please update technical Q&As
Date: Monday, October 03, 2016 1:00:35 PM

Wendy,
One more edit in yellow highlights.

Thanks

--John

416-325-8072

From: John Psinas
Sent: Monday, October 03, 2016 11:42 AM
To: Wendy Li (MOF) <Wendy.Li@ontario.ca>
Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: FW: Please update technical Q&As

Wendy,
I have not heard back from you. You may not have had a chance to talk to Nadine. Anyways, we just have some small edits in the wording in case we are using these Q&A assuming the pension adjustment will go through.

Thanks.

John

From: Li, Wendy (TBS) [<mailto:Wendy.Li@ontario.ca>]
Sent: Wednesday, September 28, 2016 4:27 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Please update technical Q&As

Hi John,

Please review the Q&As revised to align with FSD&A wording.

Thank you.

DEBT

Q. Why did net debt increase by \$20.6 billion, from \$284.6 billion as at March 31, 2015 to \$305.2 billion as at March 31, 2016?

A. Net debt is the province's total debt and other liabilities, less its financial assets, including cash and investments. The increase of \$20.6 billion in net debt is primarily due to a \$10.6 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans, the non-pension deficit and investments in capital assets.

Q Why did net debt to GDP increase from 39.4 percent as at March 31, 2015 to 40.9 percent as at March 31, 2016?

A. The increase in net debt to GDP is mainly due to the legislated change in the Province's accounting for pension plans. If not for this change the increase in the ratio would have remained unchanged. been minimal. The government continues to be committed towards eliminating the deficit by 2017-18 and then reducing the net debt to GDP ratio to the pre-recession level of 27 per cent.

Q. Why has total debt gone up by \$12.4 billion while the accumulated deficit has gone up by \$15.2billion?

A. Total debt represents all borrowing that is used to fund the deficit, as well as to invest in capital assets and cash reserves. Accumulated deficit is the sum of all deficits less surpluses since Confederation. Total debt increased by \$12.4 billion in order to fund the deficit as well as the Province's investments in capital assets plus pre-borrowing of \$2 billion.

Q. Why has net debt increased by \$9.1 billion from the interim estimate in the 2016 Budget, while total debt has increased by \$2.1 billion from the interim estimate?

A. Net debt is the Province's total debt and other liabilities, less its financial assets. Net debt increased by \$9.1 billion from the interim estimate primarily due to a \$10.76 billion increase as a result of the 2015-16 legislated change in the Province's accounting for pension plans which was not included in the interim forecast; and partially offset by the \$0.7 billion decrease in the deficit. Total debt is all of the Province's borrowings. The total amount borrowed has increased by \$2.1 billion from the interim estimate primarily due to the \$2.0 billion in pre-borrowings in March 2016 for 2016-17.

416.325.5480

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Christina Zhang](#)
To: [Ronald Kwan](#); [Ken Kandeepan](#)
Subject: RE: Public Accounts
Date: Monday, October 03, 2016 1:26:21 PM
Attachments: [PA2015 - Media Products - No Opinion w Reg \(Oct 3 12 10 am\).docx](#)
[FW IMPORTANT Document posting schedule.msg](#)

Hi Ron,

Please find attached the draft comms materials that circulated as of 12:10am this morning. Both Ministers were meeting with the AG this morning. The last we heard from DMO was that there was to be a media advisory by PO at 1pm today.

Nothing yet though.

Thanks,
Christina

From: Ronald Kwan
Sent: Monday, October 03, 2016 1:03 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Christina Zhang <Christina.Zhang@ofina.on.ca>
Subject: Public Accounts

Hi,

Just wanted to check in on any updates on the coming Public Accounts and any draft comms materials that may be available.

Thanks,
Ron

Treasury Board Secretariat

2015-16 Annual Report and Consolidated Financial Statements Regulatory Amendment, No Opinion

Communications products

Monday, October 03, 2016

Table of Contents

Current holding messaging for Minister Sandals	4
Post technical-briefing speaking points.....	5
Minister Sandals' Statement – Release of 2015-16 Financial Statements	5
Minister Sousa's Statement – Ontario's Fiscal Outlook.....	6
Key messages – post release.....	8
News Release	9
Newsroom Backgrounder	12
The Release of Ontario's 2015-16 Financial Statements	12
Improving Outcomes for Ontarians	14
Top Media Qs&As	18
Releasing Unaudited Financial Statements	18
General Media Qs&As	33
Hydro One	39
Bargaining and Compensation	40
Ontario's Financial Position	42
Contingency Fund / Reserve	47
Program, Review, Renewal and Transformation	48
Government Assets.....	49
Trillium Trust	50
Moving Ontario Forward	51
Transparency.....	53
Pan Am Games	54
Underground Economy	54

Ontario.ca landing page	56
Ontario's unaudited 2015-16 Annual Report	56
Overview	56
Financial statement, discussion and analysis	56
Unaudited Consolidated financial statements	56
Volume 1: ministry statements and schedules (unaudited)	57
Volume 2: financial statements of government organizations and business enterprises.....	57
Volume 3: detailed schedules of payments (unaudited)	57
2015-16 Annual Report: financial statement, discussion and analysis	58
2015-16 Annual Report: unaudited consolidated financial statements.....	59
2015-16 Annual Report: Volume 2	60
Volume 2 PDFs	60
Government Organizations Summary	60
Government Business Enterprises Summary.....	60
Trusts Summary	60
2015-16 Annual Report: Volume 3	61
Detailed Schedules of Payments.....	61

Current holding messaging for Minister Sandals

- As you know, Treasury Board and Ministry of Finance staff prepare the Public Accounts which are subject to independent audit by the Auditor General.
- As I announced to the House last week, there are still some ongoing discussions happening around a complex accounting issue.
- Earlier today I met with the Auditor General and senior ministry officials to discuss the importance of resolving this issue and releasing the 2015-16 Public Accounts.
- Ministry officials will continue to work with the Auditor General and her staff to resolve the outstanding issue over the next several months.
- What I can tell you now is that Ontario is on track to beat its deficit targets and we are committed to balancing the budget in 2017-18.
- Lower than forecast deficit projections confirm that our government's plan to achieve fiscal balance in 2017-18 is working, while we continue to invest in the programs and services that matter to Ontarians.
- Keeping the public informed through transparent financial reporting remains a priority.
- In that spirit, as part of the 2015-16 Annual Report which includes the unaudited Consolidated Financial Statements we have built new data visualization tools to help the public understand Ontario's finances. These tools will be available when our financials are released.

Post technical-briefing speaking points

Minister Sandals' Statement – Release of 2015-16 Financial Statements

Ontario's Annual Report and unaudited Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion.

This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection. As I assured in the House last week, this marks the seventh year in a row that Ontario has beaten its deficit target. We are committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the 2015-16 Annual Report and unaudited Consolidated Financial Statements, Treasury Board staff work with their colleagues in ministries across government to assemble financial information for the Annual Report and unaudited Consolidated Financial Statements. The Auditor General, who issues an opinion on the government's adherence to independently established accounting standards, then reviews this.

Earlier today, Minister Sousa and I met with the Auditor General to discuss finalization of the 2015-16 Public Accounts. We did so because this year, the Auditor General the Province' with a new interpretation of public sector accounting standards as related to the accounting treatment of jointly-sponsored pension plans and are subject to a range of interpretations.

Despite our best efforts to try to resolve concerns raised by the Auditor General, the Province's professional accounting staff and the Auditor General continue to have differences of opinion.

The Public Sector Accounting Board has recognized the complexity of this issue and is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

To be clear, Ontario had followed the same pension accounting treatment for the past 14 years. The current Auditor General has accepted this treatment for the last two

years, resulting in unqualified – or clean audit opinions. Three previous Auditors General have also accepted it. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances as soon as possible.

The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Although these financial statements are unaudited, it is important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remain balanced in 2018-19.

It is also important to stress that the two pension plans in question – the Ontario Public Service Employees Union Pension Plan and the Ontario Teachers' Pension Plan – are both healthy and well funded.

Based on our respective positions at this time, we believe that this accounting matter would benefit from additional discussions, information and consideration.

Our officials and professional accounting staff will continue to work with the Auditor General's office to resolve this complex accounting issue related to pension assets so that we can table the audited Public Accounts with the Lieutenant Governor in Council as soon as possible.

Minister Sousa's Statement – Ontario's Fiscal Outlook

(TBC input by MOF comms)

The government is dedicated to a fiscally sound approach to managing the Province's finances.

As outlined in the 2016 Budget, the government is committed to eliminating the deficit by 2017-18 and remaining balanced in 2018-19.

The 2016–17 First Quarter Finances also confirmed that the government is projecting a deficit of \$4.3 billion in 2016–17, unchanged from the 2016 Budget forecast.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries.

The government's path to a balanced budget is being achieved through responsible fiscal management, which involves:

- Managing growth in program spending, and
- Maintaining the integrity of Provincial revenues.

At the same time, the government continues to make investments in the economy, its people, and a healthy, clean and prosperous low-carbon future.

Key messages – post release

- The government has released its 2015-16 Annual Report and Consolidated Financial Statements to ensure transparency with respect to the province's financial position.
- To align with the Auditor General, statutory authority has been used to regulate the accounting treatment for the 2015-16 financial statements.
- The regulation resolves the outstanding accounting issue for this year in a manner that is consistent with the fiscal outcome proposed by the Auditor General.
- This marks the seventh year in a row that Ontario has beaten its deficit target.
- Ontario remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

If pressed about why a regulation was needed:

- Based on their professional judgement, public servants could not agree with the Auditor General's interpretation of Public Sector Accounting Standards as it relates to jointly-sponsored pension plans. The regulation was needed to allow civil service accountants to sign off on the Public Accounts without compromising their professional credentials.
- The Province has applied consistent accounting treatment for these plans for the past 14 years, and has consistently received unqualified, or clean audit opinions from the Auditor General, without exception.
- To remain clear and transparent, we have reflected the Auditor General's view of the issue for this year. In order to do so, the government regulated the treatment of the pension assets for 2015-16.
- This is an accounting issue. However we remain optimistic that by studying the issue further and gathering third party professional opinions, we will be able to reach an agreement on the treatment with the Auditor General in the coming months.

News Release

Last Year's Ontario Deficit \$3.5 Billion Lower Than Projected *Province Remains Committed to Balance the Budget by 2017-18*

News

Ontario's Annual Report and Consolidated Financial Statements for 2015-16 show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, with the province's deficit for 2015-16 at \$5 billion. This is \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

This marks the seventh year in a row that Ontario has beaten its deficit target. Ontario remains committed to balancing the budget in 2017-18 and remain balanced in 2018-19.

In preparing the Annual Report and Consolidated Financial Statements, the Province's professional accounting staff and the Auditor General have engaged in discussions regarding the treatment of pension assets. Pension accounting requires the application of professional judgment. Despite best efforts to resolve concerns, the Province and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of Province's financial statements.

A regulation is required to allow civil service accountants to sign off on the financial statements without compromising their professional credentials. The Province has filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for 2015-16 in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

To acknowledge the different interpretations and to ensure openness and transparency with respect to province's financial position the government is releasing its financial statements.

The statements show the government is beating its deficit targets through sound financial management. The Government of Ontario currently has the lowest program spending per capita among Canadian provinces and ranks the lowest among provinces in terms of public-sector employees per capita. At the same time, Ontario's economy continues to grow. Over the last two years, Ontario's economy has grown by

6.1 per cent. Last year, growth was double the national average. In the first quarter of this year, Ontario's growth was faster than that of the United States and the G7.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that assesses the fiscal planning and reporting of governments in Canada, has commented positively on the financial reporting practices of Ontario, including Public Accounts, the annual Budget and Estimates.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this national discussion. The Province will also consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Responsible financial management is part of the government's economic plan to build Ontario up and deliver on its number-one priority to grow the economy and create jobs. The four-part plan includes helping more people get and create the jobs of the future by expanding access to high-quality college and university education. The plan is making the largest infrastructure investment in hospitals, schools, roads, bridges and transit in Ontario's history and is investing in a low-carbon economy driven by innovative, high-growth, export-oriented businesses. The plan is also helping working Ontarians achieve a more secure retirement.

QUOTE

"The Annual Report and Consolidated Financial Statements for 2015-16 show that our government's plan to achieve fiscal balance by 2017-18 is working. We will continue to build on our track record of responsible fiscal management, while investing in vital government services such as health care, education and infrastructure that are important to the people of Ontario."

- Liz Sandals, President of the Treasury Board

"The government is dedicated to a fiscally sound approach to managing the Province's finances. The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the United States, and all other G7 countries. The government's path to a balanced budget is being achieved through responsible fiscal management, which involves managing growth in program spending, and maintaining the integrity of Provincial revenues."

- Charles Sousa, Minister of Finance

QUICK FACTS

- The 2015-16 Financial Statements compare Ontario's actual performance to what was planned in the 2015 Budget.
- The Financial Statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB) of the Chartered Professional Accountants of Canada (CPA Canada).

LEARN MORE

- Read the Province's [2015-16 Financial Statements](#) [update hyperlink]
- Explore supplementary information available through new data visualization tools [insert hyperlink]
- Explore the more than 400 open data sets in the [Open Data Catalogue](#)
- Learn about the government's [fiscal cycle](#)
- [Learn about how the government is investing in vital programs and services](#) [insert link to backgrounder]

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Newsroom Backgrounder

Ontario's 2015-16 Financial Statements

The 2015-16 Annual Report and Consolidated Financial Statements show Ontario's deficit is \$3.5 billion lower than the \$8.5 billion projected in the 2015 Budget, and \$0.7 billion lower than the \$5.7 billion in the 2016 Budget interim projection.

Accounting Standards

Treasury Board Secretariat prepares the financial statements of Ontario in accordance with the legislation and accounting principles and standards for governments recommended by the Public Sector Accounting Board.

These accounting standards are common, nationally recognized standards used by governments across Canada in their financial reporting.

The Release of Ontario's 2015-16 Financial Statements

The consolidated financial statements are prepared by the Government of Ontario in accordance with legislation and the accounting principles for governments recommended by the Public Sector Accounting Board (PSAB). PSAB independently establishes accounting standards for the public sector in Canada.

PSAB standards specify how transactions and other events are to be recognized, measured, presented and disclosed in a public sector entity's financial statements.

The objective of PSAB standards is to meet the needs of the users of financial statements by providing the information needed for accountability and decision making.

In preparing the Annual Report and Consolidated Financial Statements for 2015-16, professional public servants and the Auditor General engaged in discussions regarding the accounting treatment of pension assets, a topic subject to a range of interpretations.

The Ontario Public Service Employees Union Pension Plan (OPSEUPP) and the Ontario Teachers' Pension Plan (OTPP) are jointly-sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of OPSEUPP and OTPP are held in trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between them.

During the 2015-16 Public Accounts audit, the Auditor General raised some concerns with regards to Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of interpretation.

Given the differences in interpretation of the application of PSAB standards for the OTPP and OPSEUPP pension assets, the provincial Cabinet approved a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. This is consistent with the fiscal outcome proposed by the Auditor General in the last ten days.

The effect of the legislation is to reflect the fiscal impact of the AG's position pending further review and analysis on this accounting matter. The change in accounting treatment is not a reflection on the funding status of the plans, or the quality of financial reporting by the Province. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Prior to this change, Ontario had followed the same pension accounting treatment for all of the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

The Auditor General has not provided an audit opinion on the province's financial statements for 2015-16. However the government is releasing these unaudited financial statements to ensure openness and transparency with respect to province's financial position, and because it has passed the deadline to table the Public Accounts with the Lieutenant Governor in Council. The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that it can table the Public Accounts with the Lieutenant Governor in Council.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard for the treatment of pension assets. Ontario will be part of this

national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

Ontario is a recognized leader in financial reporting. The C.D. Howe Institute, an independent research organization that focuses on support for economically sound public policies practices, has acknowledged the consistent basis used by Ontario for its Budget, Estimates and Public Accounts as a best practice to supporting transparency and accountability.

Openness and Transparency

As part of its commitment to Open Government, digital technology was used for the first time to visualize the province's financial information in an interactive and easy to understand way. This year, Ontario is further increasing the openness and transparency of the Annual Report and Consolidated Financial Statements by:

- Creating new data visualizations, including interactive bar charts and interactive data tables.
- Releasing data sets through Ontario's [Open Data Catalogue](#), including data on government organizations, government business enterprises and Trusts.

Improving Outcomes for Ontarians

As the Province's 2015-16 Financial Statements show, the government remains committed to balancing the budget in 2017-18, while continuing to invest in the priorities that matter to the people of Ontario, such as healthcare, education and infrastructure.

Health Care

Building on [Ontario's Patient's First: Action Plan](#), the government continued transforming Ontario's health care system in 2015-16 to become more patient-centred and focused on better access to care, quality and value by:

- Increasing investment in home and community care by five per cent annually: \$250 million in 2015-16, for a total of \$750 million over three years.
- Increasing the hourly wages of publicly funded personal support workers caring for patients at home and in the community by \$1.50 per hour in 2015-16 to at least \$15.50 per hour, in the second of three annual increases totalling up to at least \$16.50 per hour by April 1, 2016.

- Appointing Ontario's first-ever Patient Ombudsman who will help address needs of patients who have not had their concerns with health care organizations resolved through existing complaint mechanisms.

Advanced Education and Skills Development

In 2015-16, the Ontario government made progress on its plan to help more people get and create the jobs of the future by continuing to invest in student financial assistance and expand access to high quality college and university education.

Over the past 12 years, government investments have resulted in more than double the number of students qualifying for aid, while enrolment has increased by 38 per cent.

In 2015, 67 per cent of adults in Ontario had a postsecondary degree, diploma or certificate – higher than the average of any OECD country.

Childcare, Elementary and Secondary Education

The government has made gains in building and supporting an integrated early-years, elementary and secondary education system. This includes increasing funding for schools and licenced child care, the establishment of the Ontario Early Years Policy Framework and implementation of Full-Day Kindergarten.

In 2015-16, the government built on this success by:

- Increasing wages for early childhood educators and other child care professionals in licensed child care settings by providing a \$1 per hour wage increase for eligible child care workers bringing the total wage increase up to \$2 per hour, plus benefits.
- Increasing the five-year high school graduation rate to 85.5 per cent – the highest level in the province's history.
- Doubling the funding for school renewal projects to \$500 million in 2015-16 to ensure our students are benefitting from safe, modern and efficient learning environments.

Infrastructure

Ontario is making the largest investment in public infrastructure in the province's history – about \$160 billion over 12 years, starting in 2014-15. Planned investments are supporting over 110,000 jobs, on average, every year across the province.

In 2015-16, the Province continued to invest in hospitals, schools, roads, bridges and transit, including:

- Completing construction of the \$1.4 billion Right Honourable Herb Gray Parkway in Windsor–Essex, which provides an express route to the country's busiest land border crossing.
- Ongoing construction of the Eglinton Crosstown Light Rail Transit line, which will offer fast, efficient service and improve travel for commuters.
- Providing small, rural and northern municipalities with funding to build and repair core infrastructure through the Ontario Community Infrastructure Fund.
- Completing the new Humber River Hospital, which offers a comprehensive range of acute care services and support for inpatient and outpatient hospital programs.

Staying on the Path to Balance

The government is working towards a balanced budget through Program Review, Renewal and Transformation (PRRT), a government-wide approach to multi-year planning and budgeting that puts a heightened focus on evidence and outcomes to inform funding allocations.

But PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care, education and infrastructure.

Examples of successful PRRT initiatives include:

- Improving the sustainability of the Ontario Drug Benefit Program and patients' access to drugs by making the program more efficient and effective. The changes saved approximately \$100 million in 2015-16 and will enable over \$200 million in savings annually when fully implemented.
- Changing the Second Career program by removing client targets for service providers while ensuring funding support for eligible clients. This change will generate approximately \$40 million per year and will allow the government to invest in the Canada-Ontario Jobs Grant and a renewed Ontario Youth Job strategy.
- Reducing the government's office footprint by over 820,000 rentable square feet, which generated approximately \$24 million in savings in 2015-16.

CONFIDENTIAL ADVICE TO CABINET

- Achieving approximately \$56 million in savings through the consolidation of data centres, early vendor payments and lower contract costs – including for software and IT consulting services, laboratory supplies and security services.
- Achieving \$7 million in savings from contracts related to government cell phone plans and toll free lines.

The government is also transforming Ontario's student aid system to help thousands of students obtain greater access to advanced education and have lower levels of student debt upon graduation. For students from lower-income and many middle-income families, it would mean free tuition. These changes will start in the 2017-18 academic year.

Matt Ostergard, Minister's Office, 416-326-3839
Jason Wesley, Communications Branch, 416-327-4023

www.ontario.ca/treasury-board-secretariat
Disponible en français

Top Media Qs&As

Releasing Unaudited Financial Statements

1. It sounds to me like the government is yet again fighting with the Auditor General. What do you say to this?

This is not true from the government's perspective. And let me explain why: The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. And in this case for this set of final accounts, while one specific issue is being sorted through, we actually are agreeing with the Auditor General's numbers.

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province's professional staff and the Auditor General continue to have differences of interpretation

Given these differences of opinion, the Province filed a time-limited regulation, which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

We believe that this accounting matter would benefit from additional discussions, information and consideration.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

2. Why are you releasing your financial statements without the Auditor approving them?

Earlier today I met with the Auditor General to discuss the 2015-16 Public Accounts. I did so because this year, the Auditor General presented the province with a new

interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

Ontario has followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years, resulting in unqualified – or clean audit opinions. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

The Public Sector Accounting Board is working with governments across Canada to set an appropriate standard. Ontario will be part of this national discussion. Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

3. If PSAB is studying this issue, are other Canadian jurisdictions dealing with this as well?

No other province has similar governance frameworks for their jointly-sponsored pension plans that are in a surplus position.

Nadine to provide response re BC / New Brunswick

4. What is the professional judgment that exists out there to interpreting jointly-sponsored pensions?

Nadine to provide response

5. Are you saying the Auditor General is misinterpreting PSAB standards?

Pension accounting requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of interpretation.

Nadine to provide response

6. If the Auditor General had agreed with you, what would the differences have been in the deficit or net debt?

If the Auditor General had agreed with us, the province's deficit for 2015-16 would have been \$3.5 billion.

7. The province has been treating pensions the same way since 2001. When did the Auditor tell you about this new accounting treatment?

Well into this year's audit, the AG came to a view which she communicated to the Province on September 13.

8. What does this mean for the Fall Economic Statement?

We're in the middle of completing the fiscal plan. We need to account for all financial consideration before we can finalize it. These results will be included as part of that process. **(TBC MOF)**

9. Is this Public Accounts or not?

No. However, the treatment applied is consistent with the fiscal outcome proposed by the Auditor General.

10. Were you aware of this before the Speech from the Throne? Had you known about this, would that have changed the government's commitments announced in the speech?

Response TBC

11. Why are you doing this today, four days after you announced the delay?

We wanted to allow the Auditor General time to provide an audit opinion on the Province's financial statements. Given we have not received an opinion, we felt it was in the public interest to release our financial statements in order to be open and transparent.

12. On what exactly do you disagree with the Auditor?

This year, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to an accounting issue – the treatment of pension assets.

In preparing the Annual Report and Consolidated Financial Statements, professional public servants and the Auditor General have engaged in discussions regarding the treatment of these pension assets – which is subject to a range of interpretations.

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

To remain clear and transparent, the government exercised its statutory authority to regulate the treatment of this particular issue for 2015-16. The government regulated the treatment of pension assets in a manner that is consistent with the fiscal outcome proposed by the Auditor General in the last 10 days.

The government is now releasing its financial statements to ensure transparency with respect to province's financial position.

13. If you think you're right, why would you change the numbers?

We are releasing now to ensure transparency about the province's financial position. Our results are consistent with the fiscal outcome proposed by the Auditor General. We also want to be transparent that there is still a disagreement about the treatment of pension assets.

We believe it's in the public that there be no disagreement in order to finalize the numbers. We will continue to work with the Auditor General to resolve this matter.

14. Was there something wrong with the accounting rules that the government was using before?

No.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

15. Why hasn't the Auditor General raised this with you in the past two years?

I cannot speak for the Auditor General. Please refer your questions to the Auditor General's Office.

16. What is the government trying to hide by releasing unaudited books?

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. Our Financial Statements reflect the fiscal outcome proposed by the Auditor General.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The government is now including five-year trends in its Public Accounts. The increased disclosure and discussion on five-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs.

In addition to the disclosure in the Annual Report, the government is also making available supplementary information through online data visualizations.

17. Are you fudging the books to try and show your finances are better than they really are – is that why the AG won't sign off?

No.

We are releasing our Financial Statements to ensure openness and transparency with respect to the province's financial position. In fact, we have implemented legislation that allows our officials to sign off in a way that is consistent with the fiscal outcome proposed by the Auditor General.

Prior to this change, Ontario had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous Auditor Generals. There has been no change to the relevant accounting standards over the past 14 years.

Although these statements are unaudited, it's important to stress that the Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

18. Is this even legal – are you in contempt of the house by releasing your financial statements before you table them in the Legislature?

We are not releasing Public Accounts, we are releasing our financial statements to ensure openness and transparency with respect to province's financial position.

The government believes it is in the public interest to release its financial information. The government also believes it is in the public interest for the Auditor General to issue an audit opinion on Ontario's finances so that we can table the Public Accounts with the Lieutenant Governor in Council as soon as possible

TBC Legal

19. Has this ever happened before in Ontario? Anywhere else in Canada?

This has never happened before in Ontario.

TBC Nadine re other experience in Canadian jurisdictions

20. How are we supposed to trust your numbers if the Auditor General hasn't approved them?

We are presenting the numbers that the Auditor General requested.

In the course of developing its 2015-16 financial statements, the Auditor General presented the province with a new interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province filed a time-limited regulation which legislates the accounting for pension assets of jointly-sponsored pension plans for the 2015-16 Public Accounts. The government believes this is consistent with the fiscal outcome proposed by the Auditor General.

This is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review it. Ontario will be part of this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

21. So what happens next? When will you table the actual Public Accounts?

The government will continue to work with the Auditor General to expedite the tabling of the 2015-16 Public Accounts.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

22. Does the change in accounting regarding the assets of the Teachers' or OPSEU pensions plans mean those plans might be financially threatened?

Absolutely not. This issue relates solely to the Province's reported financial results and the Province's historical practices of reporting pension assets.

The two pension plans in the Ontario Public Service – which are of the defined benefit type – are healthy and well-funded.

The OPSEU Pension Plan is fully funded with a small reserve of surplus assets standing to the credit of the joint-sponsors, while the Public Service Pension Plan is nearly fully funded at 98%.

Both plans exceeded their target long-term rates of return in 2015. The Public Service Pension Plan achieved a 6.14% return and the OPSEU Pension Plan achieved an 8.0% return.

23. You hired outside experts to give you a third-party accounting opinion, but you paid to get this advice. Didn't they just tell you what you wanted to hear?

TBC OPCD

24. The Auditor General has implied your Provincial Controller is in a position of conflict because she used to work for Deloitte. How do you respond?

All employees that are hired into the Ontario Public Service swear two oaths, an Oath of Allegiance and an Oath of Office. These oaths affirm that public servants will faithfully discharge their duties, and comply with all laws and confidentiality obligations.

25. The Auditor General says she raised this issue with you months ago. Why haven't you fixed this problem by now?

We have been working with the Office of the Auditor General to try to come to an agreement on this issue since it was first raised.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to

ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension asset in question.

26. If you say you're open and transparent, why didn't you invite the Auditor General to your media technical briefing?

The technical briefing was for the purposes of updating media and members of the Opposition and the third party. However it was held in a public space in a government building, and anyone was free to attend.

27. Is the government still committed to balancing the budget by 2017-18?

Yes. The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18 and remaining balanced in 2018-19.

28. The financial results show that the net debt and accumulated deficit has ballooned by \$10.7 billion? How did this happen and what are you doing to address it?

This year, the Auditor General presented the province with a new fiscal interpretation of public sector accounting standards as it relates to the treatment of pension assets.

After careful consideration, the Province agreed to adopt the Auditor General's fiscal interpretation. The government made a regulatory amendment to allow us to amend our accounting policies for the 2015-16 Public Accounts in order to comply with the Auditor's fiscal interpretation. The impact of the change resulted in an additional \$10.7 billion being added to the net debt and accumulated deficit.

Despite this change, and as our results show, the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

Total debt remains unchanged by the pension adjustment.

The change in the Province's accounting treatment for pension assets of jointly sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements.

29. How can the accumulated deficit and net debt increase by \$10.7 billion without causing an increase in total debt?

Total debt is cash based – it is how much money we've borrowed and is owed to our creditors.

Net debt takes into account the difference between our financial assets and liabilities, whether they are cash or not.

The province has changed the valuation of the net pension liability by reducing the pension assets by \$10.7 billion, but because there is no cash involved in that valuation, the total debt does not change.

30. Should taxpayers be concerned about the rise in net debt and accumulated deficit?

No.

The Province's financial results show that the government has once again beaten its deficit targets and remains committed to achieving a balanced budget by 2017-18, and remaining balanced in 2018-19.

The treatment of pension assets is an accounting issue. In fact, the Public Sector Accounting Board has initiated a project to review pension accounting standards. PSAB will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult

individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

31. How does the Province plan to reduce its net debt-to-GDP ratio to its pre-recession level of 27 per cent?

The first step in returning to the targeted 27 per cent net debt-to-GDP ratio is to balance the budget. Once the budget is balanced, debt will continue to rise by the difference between the annual cash investment in capital and the amortization of these investments. These investments will contribute to the debt rising at a slower rate than the increase in the Province's GDP, over time lowering the net debt-to-GDP ratio to the government's 27 per cent target.

32. What is the difference between "Public Accounts" and "Financial Statements"?

Answer below needs fact check by OPCD

Our financial statements include the Province's annual report and consolidated financial statements. These documents provide financial highlights of the past fiscal year compared to the Budget plan and report on performance in priority areas.

The full Public Accounts would also include these components, as well as a report by the Auditor General containing an audit opinion.

The full Public Accounts will be tabled with the house once the Auditor General's audit opinion is available.

33. You say you're releasing your financial results in the public interest. Aren't you creating confusion by having two sets of books – yours and the AG's?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

34. How different will the AG's numbers be?

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the fiscal outcome proposed by the Auditor General. Therefore there is only one set of books.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

35. Why didn't you just release Public Accounts last week to meet your legislated timelines?

As stated in the house there will be delay in tabling the Public Accounts because of ongoing discussions with the Auditor General to work through an accounting issue related to pension assets.

Our officials continue to work with the AG's office. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

36. Clearly the government is in a spat with the AG – releasing unaudited financial statements seems like a slap in the face. What does this say about your relationship with the AG?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

Our officials continue to work with the AG's office to resolve this accounting issue related to pension assets. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

37. The Auditor General claims you have been using creative accounting to overstate your numbers – how do you respond to that?

That is simply not true.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our treatment of pension assets. This reflects the fiscal outcome proposed by the Auditor General.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current

Auditor General for the last two years – resulting in unqualified (clean) audit opinions. It has also been accepted by three previous Auditors General.

There has been no change to the relevant accounting standards over the past 14 years.

38. So at the end of the day if your numbers are the same as the Auditor General's what's the issue?

TBC Nadine

39. What's the difference between "audited" and "unaudited" financial results?

In practice, there should be no difference between audited and unaudited results.

An independent audit of an organization's financial results provides independent assurance that the results fairly represent the financial position of the organization, and that those results are in accordance with generally accepted accounting principles.

The Province's unaudited financial statements include a Statement of Responsibility. This statement describes how the financial report is prepared, and attests to the government's responsibility for the objectivity and integrity of the consolidated financial statements.

The government also attests to its responsibility for maintaining appropriate systems of internal control. The systems support the integrity and completeness of the financial information reported.

40. What's the difference between a "qualified" and "unqualified" audit opinion?

Audit reports represent an auditor's professional opinion on whether an organization's financial position and results of its operations are presented fairly in its financial statements.

An unqualified, or clean opinion, is a judgment that an organization's financial records and statements are fairly and appropriately presented.

A qualified opinion indicates an auditor has concerns with the financial information. Those concerns could include things like the availability of sufficient information for users to make an informed decision, or the organization's reporting in accordance with public sector accounting standards.

In this case the Auditor General has chosen not to issue an opinion at all – either unqualified or qualified.

41. Why didn't the Auditor General issue an audit opinion? Is this even legal?

Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. This reflects the fiscal outcome proposed by the Auditor General with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

TBC Legal on question of whether it is legal for AG not to issue an opinion

42. What is a jointly-sponsored pension plan?

The Ontario Public Service Employee's Union Pension Plan (OPSEUPP) and Ontario Teachers' Pension Plan (OTPP) are jointly sponsored pension plans where the Government of Ontario is a co-sponsor.

The assets of both pension plans are held in a trust for the beneficiaries of the plans. The plans are co-managed by the sponsors, and decisions regarding benefits and contributions require negotiation and agreement between both parties.

During the 2015-16 Public Accounts audit, the Auditor General raised some questions about Ontario's past accounting practices related to pension assets for the OPSEUPP and OTPP plans.

Pension accounting is complex and requires the application of professional judgment. Despite best efforts to try to resolve concerns, the Province and the Auditor General continue to have differences of opinion.

43. How does the Auditor General want you to account for jointly-sponsored pension plans?

During the 2015-16 Public Accounts audit, the Auditor General expressed a different interpretation of the existing PSAB standards which would impact the accounting for pension assets of jointly-sponsored pension plans.

The Auditor General's view is that the government does not have legally enforceable right to unilaterally access the assets of these jointly sponsored pension plans. As such, with no agreement in place to the contrary, the Auditor General believes that the pension asset should be removed from the Province's balance sheet.

The government passed a regulation to allow us to amend our accounting policies in order to be consistent with the Auditor's assessment of our numbers. We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension assets in question.

Our officials continue to work with the Auditor General's office to resolve this complex accounting issue. In the meantime, we felt it was in the public interest to release our unaudited financial statements.

General Media Qs&As

44. Is the government artificially balancing the budget through the one-time sale of assets like Hydro One?

The government's plan to eliminate the deficit does not depend on revenues from asset sales. Maximizing the value of these assets is part of the government's economic plan for Ontario. The net revenue gains from these transactions are helping the government to deliver on its plan by investing in infrastructure.

The government is committed to dedicating the net revenue gains from asset optimization activities, including the broadening of ownership of Hydro One and real estate sales to the Trillium Trust which will be used to invest in transit, transportation and other priority infrastructure projects under Moving Ontario Forward.

45. According to your numbers the deficit was down \$3.5 billion from the \$8.5 billion projected in last year's budget. Where did this money come from?

The improvement over plan was largely due to revenues that were \$4.0 billion above the forecast of \$124.4 billion.

This reflects higher than expected tax revenue and net revenues from the first phase of broadening Hydro One ownership, and stronger overall performance from government business enterprises. Maximizing the value of these assets is part of the government's economic plan for Ontario.

46. Does the fact that your deficit is \$3.5 billion lower than projected mean you have more money to bring to the table in labour negotiations (e.g. doctors)?

It is important to point out that through the Public Accounts process, we are reporting on past performance, whereas labour negotiations impact future fiscal pressures.

Our government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19. We know we have difficult choices ahead, but people can be assured that their government will take a fair and balanced approach, one that protects and improves the services that matter to Ontarians.

Managing compensation costs is critical to balancing the budget, as over half of government spending goes to salaries and benefits in the Ontario Public Service (OPS) and the broader public sector (BPS).

Compensation costs must be addressed within Ontario's existing fiscal framework and all public-sector partners must continue to work together to control current and future compensation costs.

While continuing to work to achieve fiscal balance by 2017–18, the government is achieving significant results in priority areas for Ontarians.

We know there is more hard work ahead as we work towards a balanced budget, and we are confident that our partners will work with us to build Ontario up.

47. Will you still be able to balance the budget if Ontario's economy does not perform as strongly as you forecast? Even the FAO has said that your forecast is optimistic.

The government is committed to balancing the budget by 2017-18 and remaining balanced in 2018-19.

The Ontario economy continues to grow in a challenging global environment. In fact, Ontario posted higher real GDP growth in the first quarter of 2016 than Canada, the U.S. and all other G7 countries.

While uncertainty in the global economy has increased, along with increased volatility in global financial and currency markets, Ontario has a diversified economy – meaning the Province is well positioned to respond to changing global economic conditions.

With the economy expected to continue to grow, and the Province's ongoing commitment to transform government programs and services, Ontario is well positioned to achieve balance.

48. Are you cutting back on vital services like health care to balance the budget?

No. Through Program Review, Renewal and Transformation (PRRT), we are helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered

efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

PRRT is about more than just savings targets – it is about doing government differently – improving outcomes for Ontarians while freeing up resources to reinvest in key government priorities, such as health care.

49. This is the seventh year in a row that you have reported a deficit lower than forecast. Are you purposefully overestimating your deficit projections?

The government remains committed to balancing the budget by 2017-18 and is taking deliberate and responsible steps to achieve this goal.

The government recognizes that a fiscally sound approach to managing the Province's finances will provide the foundation for the long-term well-being and prosperity of Ontarians, and protect the public services that Ontarians rely on.

The government's fiscal projections are based on the best economic and fiscal information available at the time. They reflect a realistic and responsible plan to manage the Province's resources, while still protecting the vital services that Ontarians rely on.

Beating our deficit targets helps to keep interest on debt at a manageable level and protects future generations from rising interest costs, which could otherwise crowd out spending on government priorities.

50. You spent \$433 million more than you budgeted for programs. How is your government keeping spending in check?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education, and by retaining the lowest per capita program spending in Canada.

51. How would the Ontario Rebate for Electricity Consumers impact Ontario's plans for a balanced budget? How will the province pay for this \$1 billion rebate?

We have incorporated that expenditure into our fiscal plan starting in 2017. The government remains committed to balancing the budget by 2017-18 and remaining balanced in 2018-19 by continuing to invest in the economy, our people and a healthy, clean and prosperous low-carbon future. These investments will help enhance the public services that Ontarians rely on, as well as stimulate economic growth.

Questions related to the Ontario Rebate for Electricity Consumers should be referred to my colleague, the Minister of Energy.

52. How is the money spent on the now defunct Ontario Retirement Pension Plan reflected in Public Accounts? How does the government justify this expense?

TBC OPCD + MOF

53. Was the delay in tabling Public Accounts because you can't afford the childcare commitment and the electricity rebate?

No. Public Accounts is a retrospective document that compares Ontario's actual performance to what was planned in the Budget.

I have directed senior Treasury Board officials to work with the Office of the Auditor General to develop a plan and finalize the Public Accounts as soon as possible.

54. In 2003, your government brought in legislated timelines for Public Accounts, yet you're past the deadline and you still haven't tabled them. Why didn't you adhere to your own legislation?

We have been working with the Office of the Auditor General to try to come to an agreement on the treatment of pension assets.

The Public Sector Accounting Board has initiated a project to review pension accounting standards, and will be seeking input from governments, auditors and other stakeholders to ensure that accounting standards support transparency and accountability and meet user needs. Ontario will participate in this national discussion.

Ontario will also be engaging the expert accounting community to support a full understanding of the basis and nature of the differences. The Province will consult individuals with a range of backgrounds and experience, including preparers, joint sponsors and auditors of public sector financial reports.

In order to be transparent, and in the public interest, the government is releasing its Financial Statements in order to show the province's financial position.

We believe that this reflects the fiscal outcome proposed by the auditor with respect to the treatment of the pension asset in question.

55. Disagreement with officers of the legislature seems to be a recurring theme – at least with the AG – what's your position on this? Does this government have a problem with officers of the legislature?

The government respects the oversight and recommendations provided by all independent officers of the Legislative Assembly of Ontario, including the Auditor General. As a government, we value our important and ongoing relationship with each of these officers.

56. Is the fact that you've changed your accounting standards an indication of financial mismanagement on the part of government?

No. The Province's financial results show that the government has once again beaten its deficit targets and is on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Prior to implementing this change, the government had followed the same pension accounting treatment for the past 14 years. This had been accepted by the current Auditor General for the last two years. It has also been accepted by three previous

Auditors General. There has been no change to the relevant accounting standards over the past 14 years.

For 2015-16 financial statements, the government legislated its accounting treatment for pension assets of its jointly-sponsored pension plans.

57. Are you concerned about how the credit rating agencies will view this issue?

The Province's financial results show that the government has once again beaten its deficit targets and remains on track for a balanced budget by 2017-18 and remaining balanced in 2018-19.

Our government remains committed to balancing the budget in 2017-18. At the same time, we will continue to invest in vital government services, such as health care, education and infrastructure that are important to the people of Ontario.

In 2016 the C.D. Howe Institute, an independent research organization that assess the fiscal planning and reporting of governments in Canada, also commented positively on the financial reporting practices of Ontario relating to its fiscal reporting activities that include Public Accounts, the annual Budget and Estimates.

58. Can credit rating agencies adjust their ratings based on this new development? What about bondholders?

The government remains committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. The deficit is also a \$0.7 billion improvement compared to the interim results for 2015-16 contained in the 2016 Budget, which formed the basis for three rating agencies to confirm the Province's credit rating, and the fourth to improve their assessment of the Province's credit outlook.

This marks the seventh year in a row that Ontario has beaten its annual deficit target, reflecting the government's responsible and balanced approach to fiscal management.

The rating agencies and bondholders will understand that the change in the Province's accounting treatment for pension assets of jointly-sponsored pension plans, while increasing net debt, has no impact on the Province's borrowing requirements or total debt outstanding.

Hydro One

59. Why are you selling off Hydro One?

The government is broadening the ownership in Hydro One to improve the company's long-term performance and unlock billions in value for investment in major infrastructure projects that will help grow Ontario's economy for years to come.

This approach will create an improved company that would operate more efficiently and better serve the interests of ratepayers and customers of Hydro One.

The net revenue gains from broadening the ownership of Hydro One shares will provide the government with approximately \$4 billion to be credited to the Trillium Trust to invest in key infrastructure and create thousands of jobs, as well as \$5 billion to reduce debt.

60. What is the Hydro One deferred tax benefit?

As a result of Hydro One exiting the Payment in Lieu (PILs) regime and the revaluation of its fixed assets upon entering the corporate tax regime, the company recognized a deferred tax benefit in fiscal 2015-16, which positively affected its net income.

At consolidation in Public Accounts of the Province's portion of Hydro One's net income, Hydro One's recognition of a deferred tax benefit increased the Province's revenues by \$2.4 billion. The gain associated with Deferred Tax Benefit from the IPO has been allocated to the Trillium Trust.

61. Why did you loan the electricity unions money to buy shares of Hydro One?

In connection with the IPO, the Province sold \$116 million worth of Hydro One shares to trusts of the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts. Of the shares sold to the Trusts, about \$108 million was purchased using loans provided by the Province. The gains from those share sales will be credited to the Trillium Trust over time as the loans are repaid.

The government is fully committed to dedicating net revenue gains from the sale of designated assets to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of Moving Ontario Forward.

The \$3.2 billion being credited to the Trust at this time does not include amounts associated with shares purchased by the Power Workers' Union (PWU) and the Society of Energy Professionals (SEP) trusts using loans provided by the Province.

62. The government is being sued over the sale of Hydro One. Was the sale worth it to balance your budget now that you're being sued?

I understand Ontario has been served with a notice of claim. As this matter may be subject to litigation, it would be inappropriate to comment further.

63. The FAO has warned that the partial sale of Hydro One will have direct implications on the province's debt and ability to balance the budget. What do you say to these concerns?

To date, Ontario has sold approximately 30 per cent, or about half of the 60 per cent of shares the government intends to sell, and with this \$3.2 billion credited to the Trillium Trust is well on track to meet its multi-year asset optimization target to generate \$5.7 billion over time to support investments in infrastructure.

Crediting the \$3.2 billion to the Trillium Trust demonstrates Ontario's commitment to investing in infrastructure projects that help stimulate economic growth and create good, well-paying jobs.

The government acknowledges the important role played by the FAO in providing independent analysis to the Assembly on the state of the Province's finances.

Bargaining and Compensation

64. What is the government doing to control executive compensation in the Broader Public Sector?

In March 2015, the government proclaimed the Broader Public Sector Executive Compensation Act, 2014 (BPSECA) into force. This legislation allows the government to establish compensation frameworks for designated senior executives in the broader public sector.

An Executive Compensation Framework came into force on September 6, 2016. The framework reinforces that designated BPS employers are accountable for compensation decisions, sets caps and prohibitions on certain types of compensation, requires enhanced public transparency and allows impacted employers to balance the need to attract the necessary talent to deliver high quality public services while managing public dollars responsibly.

The framework applies to all designated employers under BPSECA, including hospitals, school boards, colleges and universities, community care access corporations, provincial agencies and named hydro entities.

The framework caps salary and performance-related payments for designated executives at no more than the 50th percentile of appropriate comparators and prohibits elements like signing bonuses and pay in lieu of perquisites.

The framework also requires that each designated employer engage in public consultation on their compensation program before it is finalized and requires final programs to be posted on the designated employer's website. These requirements enhance transparency and give Ontarians the opportunity to provide input on executive compensation in the BPS.

BPSECA includes significant compliance and enforcement measures: employers will be required to complete reports concerning compliance with the framework and individuals could be subject to penalties if they willfully fail to provide a report, provide a false report or obstruct an auditor.

65. How are you managing the costs of public sector compensation?

Managing compensation costs is critical to balancing the budget, as more than half of government spending goes to salaries and benefits, including those of both the Ontario Public Service (OPS) and broader public sector (BPS). All public-sector partners must continue to work together to control current and future compensation costs.

Since July 2012, the average annual negotiated wage increase across Ontario's provincial public sector has been 0.6 per cent. This is lower than:

- Ontario's municipal public sector (1.7 per cent)
- the federal public sector in Ontario (1.7 per cent)

- Ontario's private sector (1.9 per cent)

66. Where is the agreement with OPSEU reported in Public Accounts? Was this truly net-zero?

The agreement reached with OPSEU's Central and Unified bargaining units on October 30, 2015 is net-zero and remains consistent with the fiscal plan outlined in both the 2014 and 2015 Budgets.

To achieve a net-zero outcome, there are no wage increases in 2015 and 2016. In 2016 there will be a modest 1.4% one-time lump sum payment that does not form part of employees' base salaries, and in 2017 there is a 1.4% pay increase. Both are offset through changes to employee benefits and entitlements over the three-year term of the contract, including a freeze on salary progression in 2016 and 2017 and capping of termination payments.

This agreement will support the government's ongoing efforts to eliminate the deficit while protecting the valued public services Ontario families rely on.

67. The Premier recently said the era of net zero is over. How will this affect labour negotiations?

As a government, we'll continue to do what we've always done in terms of negotiations. As the time comes to negotiate new contracts, whether it's Treasury Board Secretariat that's negotiating or an individual ministry, they always come to Treasury Board to get an approved mandate. So we'll carry on with that practice of coming to Treasury Board for an approved mandate that will fit within the fiscal plan.

Ontario's Financial Position

68. The FAO has warned that if Ontario's fiscal position deteriorates beyond 2017-18, the four international credit rating agencies could lower Ontario's credit rating, which could lead to higher borrowing costs and more challenging fiscal position. What is the government doing to manage the debt?

The government remains firmly committed to balancing the budget by 2017-18.

The deficit for 2015-16 is \$5 billion, a \$3.5 billion improvement compared to the 2015 Budget. This marks the seventh year in a row that Ontario has beaten its annual

deficit target, reflecting the government's responsible and balanced approach to fiscal management.

Given ongoing challenges in the broader economic environment, the government recognizes that now is the time to be making investments in people, modern infrastructure and a dynamic and innovative business climate — investments that will help to spur economic growth and create the new jobs necessary to support eliminating the deficit.

Alongside these strategic investments, the government is also taking deliberate actions to ensure it can continue to manage spending and improve outcomes for Ontarians. Together, these investments and deliberate actions will help ensure that the priority programs and services that people rely on are maintained and enhanced while the deficit is eliminated.

69. Some have said your government has a spending problem, not a revenue problem. As the largest subnational borrower, what do you say to that?

The government beat its deficit target for the seventh year in a row. Last fiscal year's deficit is \$5 billion, down \$3.5 billion from the \$8.5 billion projected in last year's budget.

The government is projecting a deficit of \$4.3 billion in 2016-17 and a return to a balanced budget in 2017-18.

The improvement over plan was due in large part to the Ontario government's strong focus on managing growth in spending. Ontario consistently has the lowest per capita program spending among all Canadian provinces.

Over the past four years the Province has held the average annual growth in program spending to 1.9 per cent, less than the rate of inflation, while investing in services that people rely on.

Key elements of the government's plan to eliminate the deficit are:

- Program Review, Renewal and Transformation
- managing compensation costs
- maintaining tax fairness and a level playing field for business
- strengthening government transparency, financial management and fiscal accountability

70. How much did government spend in 2015-16?

TBC OPCD

71. Why was total expense \$300 million higher than projected in the 2015 Budget plan?

Total expense in 2015–16 was \$133.4 billion, \$1.5 billion higher than the 2015 Budget plan. Program spending was \$122.4 billion, up by \$1.9 billion from a planned spending of \$120.5 billion.

The increase largely reflects the government's decision, announced in the 2015 Ontario Economic Outlook and Fiscal Review, to invest \$0.3 billion through the new Green Investment Fund. As well, spending in the health, children's and social services, justice sectors and other programs was higher than planned.

Total program spending was \$1.9 billion higher than the Budget, resulting in actual program expense of \$122.4 billion. The increases were attributable to:

- \$1.5 billion pension asset valuation allowance for OTPP and OPSEU.
- Health sector expense was \$294 million, or about 0.6 per cent, above plan. Higher spending resulted from increased drug costs as well as higher hospital sector expense, partially offset by underspending in agencies.
- Children's and social services sector expense that was \$124 million higher than planned, due mainly to additional spending to address demand for the Ontario Disability Support Program and the cost of prescription drugs for social assistance recipients.
- Justice sector expense increased by \$120 million, mainly due to settlements under the Proceedings Against the Crown Act and higher-than expected bad debt provisions related to unpaid fines.
- Other programs expense was \$628 million higher than expected. The increase was due to one-time investments through the Green Investment Fund, higher than anticipated expense for the Ontario Production Services Tax Credit and costs related to the Hydro One IPO.

Increases in these sectors and programs were offset by:

- Education sector expense was \$233 million lower than expected, due in part to a higher share of funding spent on capital projects that are capitalized and amortized instead of expensed, higher-than-forecasted revenues from education development charges, and slightly lower-than-projected enrolment.
- Post-secondary and training sector expense was \$176 million lower than expected, mainly due to lower spending on post-secondary operating grants and lower student financial assistance as a result of lower-than-forecast enrolment. As well, spending on employment and training programs was below plan, partially offset by higher expense on tax credits to employers to support training.

72. What are you going to do if Ontario's economy does not perform as strongly as you forecast?

The Province has included prudence as part of the fiscal plan to help ensure it meets future fiscal targets as it moves towards a balanced budget in 2017–18.

As required by the Fiscal Transparency and Accountability Act, 2004 (FTAA), the fiscal plan continues to incorporate prudence in the form of a reserve to protect the fiscal outlook against adverse changes in the Province's revenue and expense, including those resulting from changes in Ontario's economic performance. The reserve has been set at \$1.0 billion in 2016–17, and \$1.2 billion in each of 2018–19.

The fiscal plan also includes contingency funds to help mitigate expense risks that may otherwise negatively impact Ontario's fiscal performance.

In keeping with sound fiscal practices, the Province's revenue outlook is based on prudent economic assumptions. The Ontario Economic Forecast Council, established under the FTAA, reviewed the Ministry of Finance's economic assumptions in February 2015. All council members found the assumptions to be reasonable.

73. What if interest rates go up? What affect would higher interest rates have on debt?

The Province is operating under a historically low interest rate environment, however, if interest rates did increase, a one percentage point change will result in an impact of approximately \$350 million to the Province's interest expense.

74. What is the government's annual borrowing program?

The amount of money the government borrows varies from year to year and is dependent on the deficit, proposed investments in capital and amount of debt that is maturing.

Over the three years 2016-17 to 2018-19 average long term public borrowings are estimated to be \$26 billion per annum, considerably lower than what the Government borrowed over the past three years which averaged at \$33 billion per annum. The lower borrowings are primarily due to the Government's efforts in reducing the deficit and balancing in 2017-18.

75. Did you use your reserve fund to pad your fiscal results and pay down the debt?

For planning purposes, a reserve is included in the budgeted surplus/deficit each year to guard against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance. The 2015 Budget plan included a \$1.0 billion reserve. Without the reserve, the actual deficit result of \$5.0 billion would not have been affected.

Budget Surplus and Revenue Increase

76. Can you explain the \$4.0 billion increase in revenue since your 2015 Budget?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

77. How did net income from government business enterprises increase by \$100 million from your 2015 Budget projection?

This increase was mostly attributable to combined higher net income from the Liquor Board of Ontario (LCBO), Ontario Lottery and Gaming Corporation (OLG) and Ontario Power Generation Inc. (OPG).

Higher net income from these business enterprises, however, was partially offset by lower net income from Hydro One, primarily reflecting impacts from broadening Hydro One ownership.

Contingency Fund / Reserve

78. What is the difference between the contingency fund and the reserve?

The contingency fund is an amount of expense that is approved by the Legislative Assembly at the beginning of the year to cover expenses due to unforeseen events (e.g. fighting forest fires). This approved spending limit is allocated during the year to ministries for their programs and activities.

The reserve is an amount included in the forecast each year to protect the plan against unforeseen revenue and expense changes that could have a negative impact on the Province's fiscal performance.

Budget Projections vs. Public Accounts Reporting

79. What accounts for the \$4.4 billion increase in taxation revenues from your 2015 Budget projection?

The increase in revenues primarily reflects stronger-than-projected 2015 personal income tax assessments and a strong Ontario housing market in 2015 which boosted Sales Tax and Land Transfer Tax revenues.

Taxation revenues also reflected a one-time increase in Electricity payments-in-lieu of taxes related to Hydro One ownership broadening in 2015-16.

80. Why did Ontario's net debt increase by \$20.6 billion in 2015-16?

Net debt is the Province's total debt and other liabilities, less its financial assets, including cash and investments. The increase was primarily due to a \$10.9 billion increase in liability and a \$10.7 billion pension accounting adjustment, which was primarily offset by a \$1.0 billion increase in financial assets.

81. How do you explain the \$12.4 billion increase in total debt in 2015-16?

The increase of \$12.4 billion in total debt is due to borrowing for the deficit and investments in capital assets for 2015-16. It also includes pre-borrowing of \$2 billion to take advantage of low interest rates and continuing demand for the Province's Debt.

82. Why is the government now including 5-year trends in the Public Accounts?

The increased disclosure and discussion on 5-year trends is in line with recommended disclosure practices of the Public Sector Accounting Board. This increased disclosure enhances the quality of financial reporting to the public, Legislature and other users to better meet their transparency and accountability needs. In addition to the disclosure in the Annual Report, the government is also making available supplementary information through data visualization.

83. Why is the interest on debt for 2015-16 \$400 million lower than forecast in the 2015 Budget?

Interest on debt expense was \$0.4 billion below plan in 2015-16, as a result mainly of lower-than-forecast interest rates, the lower-than-planned deficit and cost effective borrowing and debt management.

84. Why is interest on debt for 2015-16 \$400 million higher than in 2014-15?

Interest of debt is higher by \$332 million from last year, mainly due to the funding of the deficit and investment in capital assets and partly offset by the impact of lower interest rates.

Program, Review, Renewal and Transformation

85. How are you reviewing and transforming government programs?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Through cross-ministry horizontal collaboration, we are taking focused action on major transformation and efficiency initiatives that will improve outcomes for Ontarians while helping to free up resources to reinvest in key priorities, such as health care and education.

To improve programs, we are moving towards a focus on evidence-based decision making – gathering and analyzing the best available information to improve how outcomes are identified and achieved across government.

86. Has PRRT achieved any tangible results/savings?

The government has achieved a number of efficiencies to make programs more sustainable, such as negotiating lower prices for goods and services and managing compensation.

But PRRT is about more than saving money — it is a continuous planning approach focused on improving outcomes for government programs and services to ensure they are effective, efficient, relevant and sustainable.

87. What do you have to say to those public sector workers who have lost their jobs or are at risk of losing their jobs because of PRRT?

Program Review, Renewal and Transformation (PRRT) is helping the government achieve better outcomes while also lowering costs.

The primary focus of this transformation is on ensuring that services are delivered efficiently and in a way that effectively meets Ontarians' needs.

Government Assets

88. What is the government doing to extract value from any government assets?

With the 2014 Budget, the government began the process of unlocking the economic value of the Province's assets, including setting up the Premier's Advisory Council on Government Assets, chaired by Ed Clark, former Group President and Chief Executive Officer of TD Bank Group.

The council delivered recommendations on the electricity sector to the Province in advance of the 2015 Budget, including broadening the ownership of Hydro One. This would involve an initial public offering of about 15 per cent of the voting securities in Hydro One, with additional share sales in subsequent years. Over time, share offerings would total up to 60 per cent of the voting securities in Hydro One.

The Province is also moving forward with its plans to unlock value from its real estate assets, including OPG's head office building, and the Seaton and Lakeview lands. In June 2016, the Province closed the sale for the Liquor Control Board of Ontario's (LCBO) head office lands, raising \$260 million in gross proceeds.

All net revenue gains from the sale of qualifying assets will be dedicated to the Trillium Trust to help fund further investments in transit, transportation and other priority infrastructure as part of the Moving Ontario Forward initiative.

Trillium Trust

89. Have the net proceeds from the sale of the GM holdings and the partial sale of Hydro One been dedicated to the Trillium Trust, and how is that being reported in Public Accounts?

The Trillium Trust Act, 2014, provides for the dedication of net revenue gains from the sale of qualifying assets to help support key infrastructure priorities, such as roads, bridges and public transit. A schedule in Volume 1 of the Public Accounts reports on the financial activities of the Trillium Trust.

Volume 1 shows that \$1.35 billion was available for the Trillium Trust at March 31, 2016, to help fund investments. This reflects the sale and redemption of the Province's shares in General Motors in earlier years.

In August 2016, a regulation was put in place that credited the trust with \$3.2 billion from the net revenue gains resulting from the Hydro One IPO, the gain on sale of shares in November 2015 and the share of the deferred tax benefit to Hydro One that has been recognized by Ontario through its share of Hydro One net income as a result of its ownership position in Hydro One.

The net revenue gains from the secondary offering in April 2016 will be reported in the 2016-17 Public Accounts and credited to the Trillium Trust.

90. How have you spent the funds dedicated to the Trillium Trust?

As announced in the 2016 Budget, the government plans to begin drawing on the balance in the Trillium Trust in 2016-17 to support the largest investment in public infrastructure in Ontario's history.

Based on planned expenditures, in 2016–17 the Trillium Trust would support Moving Ontario Forward initiatives, such as GO Transit Regional Express Rail, Hurontario Light Rail Transit and the Ontario Community Infrastructure Fund.

91. Why are you allocating non-cash items like the deferred tax asset generated in the Hydro One transaction to the Trillium Trust?

TBC OPCD

Moving Ontario Forward

92. In the 2015 Budget, the government stated that \$3.5 billion would be dedicated to the Moving Ontario Forward plan. So far, only \$1.35 billion has been dedicated to the Trillium Trust. How do you propose to supply the \$2.15 billion difference?

Moving Ontario Forward dedicated funds would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- The government's asset optimization strategy, with net revenue gains dedicated to the Trillium Trust to help support investments in public infrastructure.

- Working with the federal government to secure federal funding through the Building Canada Plan.

93. How much did the government spend on Moving Ontario Forward in 2015-16?

Moving Ontario Forward is part of the government's commitment to invest more than \$137 billion in public infrastructure over the next 10 years. Investments are underway, including providing \$100 million per year to small, rural and northern municipalities through the Ontario Community Infrastructure Fund to build and repair critical infrastructure.

Like most large infrastructure investments, initial spending on Moving Ontario Forward projects is focused on planning, design, property acquisition and other activities to get projects construction-ready. Spending would ramp up significantly once this preliminary work is completed and construction activity is underway. Over the 10-year Moving Ontario Forward period, all of the dedicated funds are expected to be spent on priority infrastructure projects.

94. Why aren't the additional \$2.2 billion in revenues dedicated to the Moving Ontario Forward plan reported in the Public Accounts?

In the 2015 Budget, the government committed to dedicate \$31.5B over 10 years to support infrastructure projects under the Moving Ontario Forward plan, which included \$5.7B from its asset optimization strategy. In 2014-15, this amounts to about \$3.5B in dedicated funds including \$1.3B from asset optimization. The remaining \$2.2B in 2014-15 would be largely supported by:

- Dedicated proceeds from 7.5 cents of the existing provincial gasoline tax to public transit and transportation infrastructure priorities. This would be over and above the existing gas tax funding to municipalities, with no increase to the current tax rate.
- Repurposing revenues from the existing Harmonized Sales Tax charged on the current provincial taxes on gasoline and road diesel.
- Dedicated proceeds from targeted revenue measures.
- Working with the federal government to secure federal funding through the Building Canada Plan.

These additional amounts are largely taxation revenues and are reflected in the total revenue figures in the 2014-15 Public Accounts.

95. How does investing in public infrastructure impact the economy?

A large and growing body of independent research shows that infrastructure investments support jobs, augment personal incomes and produce real growth in the economy. For example, a September 2015 report by the Broadbent Institute and the Centre for Spatial Economics showed that, on average, investing a dollar in public infrastructure in Canada raises gross domestic product (GDP) by \$1.43 in the short term and up to \$3.83 in the long term.

The Province's planned investments in infrastructure are expected to support over 110,000 jobs, on average, each year.

96. The Public Accounts makes reference that the Province's investment in capital assets is guided by sound asset management planning principles, so why is the education sector facing large renewal needs?

The Province has announced new renewal investment, including: increased investments in GO Transit rehabilitation and renewal; additional annual funding of \$50 million to assist hospitals in maintaining their facilities in good repair; and a \$1.1 billion investment to repair and renew schools across the province (allocated to school boards in proportion to their renewal needs).

In the education sector, the School Condition Improvement program addresses renewal needs focusing on ensuring that facilities are in good condition, energy efficient and accessible and meet modern service standards. The funding will enable school boards to repair roofs, update HVAC units and modernize electrical and plumbing systems. It will also significantly improve more visible elements of schools that impact students' learning and well-being, including flooring, walls, ceilings, playing fields and more. To support transparency, the government has also released detailed information regarding the condition and renewal needs of each of Ontario's publicly funded schools.

Transparency

97. You say the Province's Annual Report is a central element in demonstrating transparency in reporting financial activities and accountability, yet the FAO continues to criticize your government for withholding information. What do you say to these criticisms?

The relationship between the FAO's office and our government is very important.

Our door is open to meet with the FAO and his staff upon request, and our government has tried to be proactive in reaching out to provide clarification when it could be of use.

We want to be accommodating and helpful, while also respecting the requirements of the 2013 FAO Act. With this in mind, Treasury Board has provided additional information to complement and/or further clarify our responses to the FAO when we've received follow-up requests from his office.

We have also reformatted information into machine-readable charts upon request, when it was possible and consistent with legislation. All requests from the FAO office to the Treasury Board Secretariat have been responded to.

Pan Am Games

98. How much was spent on the games, where does it appear in Public Accounts? And how does your government justify this expense?

These were the largest, most successful Pan/Parapan Am Games ever – creating 26,000 jobs, boosting Ontario's GDP by \$3.7B and leaving a lasting legacy that will benefit Ontario for years to come. The economic boost that resulted from the Games acted as a catalyst for economic, social, infrastructure and athletic development and we were proud to host these Games.

Questions related to the Pan Am Games should be referred to my colleague, the Minister of Tourism, Culture and Sport.

Underground Economy

99. How are you ensuring revenue integrity?

A fair and efficient tax system is critical to sustaining public services. The 2014 Budget noted that when businesses aggressively avoid or evade paying taxes, everyone else is left to make up the shortfall, putting the competitiveness of legitimate businesses at risk.

Since 2013–14, the Province has taken concrete measures to help ensure tax fairness and a level playing field for business. These include enhanced auditing and compliance activities, such as a multi-year agreement with the Canada Revenue Agency to address the underground economy and corporate tax avoidance in Ontario. The Province has also targeted areas at high risk of underground economic activity with pilot initiatives that focus on mitigating unfair and unsafe circumstances for Ontario's workers and consumers.

In total, these efforts have generated an estimated \$1.1 billion for Ontario to date. The Province will build on these successful initiatives with new approaches to ensuring revenue integrity.

Ontario.ca landing page

Ontario's unaudited 2015-16 Annual Report

The Annual Report looks back at the government's revenues and expenses. It compares and explains the province's financial performance with the goals outlined in the budget.

Overview

The unaudited 2015-16 Annual Report presents the government's financial statements and provides a picture of how finances were managed over the last fiscal year (April 1 to March 31).

The unaudited Annual Report is made up of:

- a financial statement, discussion and analysis
- consolidated financial statements
- three supporting volumes

As part of our [Open Government initiative](#), you can find additional tools, features and tables to make the government's financial information easier to access, use and understand.

Financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

Read the financial statement, discussion and analysis (2015-16) <insert link>

See the government's five-year trends <insert link>

Unaudited Consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit. These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

Volume 1: ministry statements and schedules (unaudited)

Volume 1 contains ministry statements, detailed schedules of debt and other items. This volume details where government revenue comes from, including taxes, non-tax revenue and income from enterprises (such as the LCBO), alongside the expenses of ministries.

Read Volume 1 (2015-16) <insert link>

This graphic visualizes ministry spending information in Volume 1 of the unaudited 2015-16 Annual Report, not including financial reimbursements or recoveries. Financial reimbursements or recoveries include internal chargebacks between ministries for shared services, as well as reimbursements from external sources for the delivery of services. As a result, some amounts may differ from those in the unaudited Annual Report.

[data tree map visualization]

Select a ministry to learn more about their spending. You can also download the 2015-16 Annual Report data to create your own visualization.

Get Volume 1 data <insert link>

Volume 2: financial statements of government organizations and business enterprises

Volume 2 contains the individual financial statements of government organizations, business enterprises and other financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Read Volume 2 (2015-16) <insert link>

Volume 3: detailed schedules of payments (unaudited)

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Read Volume 3 (2015-16) <insert link>

2015-16 Annual Report: financial statement, discussion and analysis

The financial statement, discussion and analysis is a high-level summary of the fiscal year's results. It includes financial statements, analyzes the state of the province's finances and outlines achievements for the fiscal year.

See the government's five-year trends <insert link>

2015-16 Annual Report: unaudited consolidated financial statements

These statements compare government revenues to its expenses (the cost of providing programs and services and financing debt). The result is the annual surplus or deficit.

These statements also display the budget plan and last year's numbers for comparison.

Read the consolidated financial statements (2015-16) <insert link>

2015-16 Annual Report: Volume 2

Volume 2 contains the individual financial statements of government organizations, business enterprises and other miscellaneous financial statements. These organizations and enterprises include agencies, such as Metrolinx and Hydro One, and organizations like the Workplace Safety and Insurance Board.

Volume 2 PDFs

- Read Volume 2a: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2b: Financial Statements of Government Organizations (2015-16) [<insert link>](#)
- Read Volume 2c: Financial Statements of Government Business Enterprises, Trusts and Miscellaneous statements (2015-16) [<insert link>](#)

Government Organizations Summary

<Insert DATA TABLE from “PA vol2 government organizations MMDDYYYY.csv” here>

Government Business Enterprises Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

Trusts Summary

<Insert DATA TABLE from “PA vol2 government business enterprises MMDDYYYY.csv”>

2015-16 Annual Report: Volume 3

Volume 3 contains the transfer payments made by ministries to recipients that are not a part of the Government of Ontario, such as hospitals, community agencies and schools. It also includes payments to vendors for goods and services, such as third-party staffing agencies, consultants and telecom providers.

Download the PDF for Volume 3: Detailed Schedules of Payments <insert link>

Detailed Schedules of Payments

<Insert DATA TABLE from "PA vol3 MMDDYYYY.csv">

From: Christopher Pearce (MOI) []
To: Birks, Ryan (MOF) [Ryan.Birks@ontario.ca]; Christina Zhang [Christina.Zhang@ofina.on.ca]; Ghufuran Tarin (MOF) [Ghufuran.Tarin@ontario.ca]
Subject: FW: IMPORTANT: Document posting schedule
Date: Monday, October 03, 2016 11:53:52

FYI for today re: Public accounts.

-----Original Message-----

From: Orenacsak, Greg (TBS)
Sent: October-03-16 11:34 AM
To: Betzner, Lynn (CAB); Maddock, Michael (CAB); DiMuzio, Sofie (TBS); MacKenzie, Rebecca (OPO); Killorn, Bill (OPO); Jancik, Mike (TBS); MacIntyre, Kyle (TBS); Ghiassi, Ali (MOF); Prins, Sebastian (TBS); Ostergard, Matt (TBS); Ingram, Kelsey (MOF); Moore, Brynne (MOF); Bardeesy, Karim (OPO); Bossin, Bryan (OPO); Tedesco, Lauren (TBS); Pichelli, Jason (TBS)
Subject: IMPORTANT: Document posting schedule

Here is my understanding of what needs to happen based on discussion now with senior PO (Bevan/Rebecca/Karin/Bill).

Media advisory by PO at 1.

Financial statements and volumes tabled with Clerk at 1:55. Lead: TBS comms

Financial statements and volumes posted online at 1:55. Lead: CO / TBS Comms

TBS MO sends email to all MPPs with links by 2:00. Lead: TBS MO

Tech briefing starts at 2:00

News release and backgrounder released and posted when Ministers' media avail begins. Lead: CO / TBS Comms

From: [Sun, Alicia \(TBS\)](#)
To: [Ken Kandeepan](#); [Nadine Petsche \(MOF\)](#)
Cc: [Shemin Meralli](#); [George Sakura](#); [John Psinas](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 1:18:20 PM
Attachments: [image001.png](#)
[image002.png](#)

Here is how it reads now:

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between the Province's liabilities and financial assets — grew by \$20.6 billion during the year. This growth was due to a \$11.0 billion increase in liabilities and a \$10.6 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: September 28, 2016 12:59 PM
To: Petsche, Nadine (TBS); Sun, Alicia (TBS)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); John Psinas
Subject: RE: Revised wording for financial indicators, etc.

Hi Nadine and Alicia

See my proposed editorial changes for your consideration.

Thanks

Ken k

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Wednesday, September 28, 2016 12:46 PM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Revised wording for financial indicators, etc.

Some additional wording.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:43 PM
To: John Psinas
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

New wording ...

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between the Province's liabilities and its financial assets — grew by \$20.7 billion during the year. This growth was due to representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:28 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)
 Sent: September 28, 2016 11:58 AM
 To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
 Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
 Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)
 Sent: September 28, 2016 11:55 AM
 To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
 Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
 Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
 Sent: September 28, 2016 11:45 AM
 To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
 Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)
 Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Ken Kandeepan](#)
To: [Nadine Petsche \(MOF\)](#); [Alicia Sun \(MOF\)](#)
Cc: [Shemin Meralli](#); [George Sakura](#); [John Psinas](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 12:59:09 PM
Attachments: [image001.png](#)
[image002.png](#)

Hi Nadine and Alicia

See my proposed editorial changes for your consideration.

Thanks

Ken k

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Wednesday, September 28, 2016 12:46 PM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Revised wording for financial indicators, etc.

Some additional wording.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:43 PM
To: John Psinas
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

New wording ...

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its the Province's liabilities and its financial assets — grew by \$20.7 billion during the year. This growth was due to representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:28 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:58 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)
Sent: September 28, 2016 11:55 AM
To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
Sent: September 28, 2016 11:45 AM
To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]
Sent: Wednesday, September 28, 2016 11:43 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>
Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Petsche, Nadine \(TBS\)](#)
To: [Alicia Sun \(MOF\)](#); [John Psinas](#)
Cc: [Shemin Meralli](#); [George Sakura](#); [Ken Kandeepan](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 12:46:17 PM
Attachments: [image001.png](#)
[image002.png](#)

Some additional wording.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:43 PM
To: John Psinas
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

New wording ...

As at April 1, 2015, the Province's opening **pension asset balance** was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:28 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr

		2011-12	2012-13	2013-14	2014-15	2015-16
Key Financial Ratios as at the end of the fiscal period						
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:58 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:55 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]

Sent: September 28, 2016 11:45 AM

To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Sun, Alicia \(TBS\)](#)
To: [John Psinas](#)
Cc: [Shemin Meralli](#); [George Sakura](#); [Nadine Petsche \(MOF\)](#); [Ken Kandeepan](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 12:42:50 PM
Attachments: [image001.png](#)
[image002.png](#)

New wording ...

The Province's opening **pension asset balance** was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:28 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)
Sent: September 28, 2016 11:58 AM
To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)
Sent: September 28, 2016 11:55 AM
To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
Sent: September 28, 2016 11:45 AM
To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [Shemin Meralli](#); [George Sakura](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 12:40:39 PM
Attachments: [image001.png](#)
[image002.png](#)

Hi John

Pls see my edits below, if you are ok pls include any edits that you and your team may have and forward to Alicia.

Thanks

Ken k

From: Sun, Alicia (TBS) [mailto:Alicia.Sun@ontario.ca]
Sent: Wednesday, September 28, 2016 12:28 PM
To: John Psinas <John.Psinas@ofina.on.ca>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its Province's liabilities and its financial assets — grew by \$20.7 billion during the year. This growth was due to ~~representing~~ a \$11.0 billion increase in liabilities plus and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which ~~were~~ was partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)
Sent: September 28, 2016 11:58 AM
To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)
Sent: September 28, 2016 11:55 AM
To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [mailto:John.Psinas@ofina.on.ca]
Sent: September 28, 2016 11:45 AM
To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)
Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Sun, Alicia \(TBS\)](#)
To: [John Psinas](#)
Cc: [Shemin Meralli](#); [George Sakura](#); [Nadine Petsche \(MOF\)](#); [Ken Kandeepan](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 12:27:45 PM
Attachments: [image001.png](#)
[image002.png](#)

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)
 Sent: September 28, 2016 11:58 AM
 To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
 Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
 Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)
 Sent: September 28, 2016 11:55 AM
 To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
 Cc: Meralli, Shemin (OFA); Sakura, George (OFA)
 Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]
 Sent: September 28, 2016 11:45 AM
 To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
 Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)
 Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Ken Kandeepan](#)
To: [Alicia Sun \(MOF\)](#); [Nadine Petsche \(MOF\)](#)
Cc: [Shemin Meralli](#); [George Sakura](#); [John Psinas](#)
Subject: RE: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 1:41:35 PM
Attachments: [image001.png](#)
[image002.png](#)

Ok by me.

Thanks

Ken k

From: Sun, Alicia (TBS) [mailto:Alicia.Sun@ontario.ca]
Sent: Wednesday, September 28, 2016 1:18 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: RE: Revised wording for financial indicators, etc.

Here is how it reads now:

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between the Province's liabilities and financial assets — grew by \$20.6 billion during the year. This growth was due to a \$11.0 billion increase in liabilities and a \$10.6 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: September 28, 2016 12:59 PM
To: Petsche, Nadine (TBS); Sun, Alicia (TBS)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); John Psinas
Subject: RE: Revised wording for financial indicators, etc.

Hi Nadine and Alicia

See my proposed editorial changes for your consideration.

Thanks

Ken k

From: Petsche, Nadine (TBS) [mailto:Nadine.Petsche@ontario.ca]
Sent: Wednesday, September 28, 2016 12:46 PM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Revised wording for financial indicators, etc.

Some additional wording.

From: Sun, Alicia (TBS)

Sent: September 28, 2016 12:43 PM

To: John Psinas

Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Subject: RE: Revised wording for financial indicators, etc.

New wording ...

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year. This growth was due to representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)

Sent: September 28, 2016 12:28 PM

To: 'John Psinas'

Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)

Sent: September 28, 2016 12:07 PM

To: 'John Psinas'

Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:58 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:55 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [mailto:John.Psinas@ofina.on.ca]

Sent: September 28, 2016 11:45 AM

To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 3:58:54 PM

That's ok thanks very much for doing this, I have been invited to the DM sign off tomorrow at 3PM, that why I felt that taking a good look tomorrow morning will be useful.

Thanks again.

Ken k

From: John Psinas
Sent: Wednesday, September 28, 2016 3:35 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Re: Urgent The pension adjustment and net debt

Ken,

I gave our edits and they are doing it now, but they are rushing to and fro for their 4 pm deadline and I might not get it today. I hope there are no further mistakes.

Thanks.

John

On Sep 28, 2016, at 3:30 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Np can we get a copy today or tomorrow AM

On Sep 28, 2016, at 3:19 PM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Thanks.

On Sep 28, 2016, at 3:18 PM, George Sakura
<George.Sakura@ofina.on.ca> wrote:

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas
Sent: Wednesday, September 28, 2016 2:53 PM
To: George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Shemin Meralli

<Shemin.Meralli@ofina.on.ca>

Subject: Urgent The pension adjustment and net debt

George,

Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

From: [George Sakura](#)
To: [John Psinas](#); [Ken Kandeepan](#); [Shemin Meralli](#)
Subject: RE: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 3:18:01 PM

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas
Sent: Wednesday, September 28, 2016 2:53 PM
To: George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Urgent The pension adjustment and net debt

George,

Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: RE: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 4:15:46 PM

Thank you very much, much appreciated.

Ken K

From: John Psinas
Sent: Wednesday, September 28, 2016 4:01 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Re: Urgent The pension adjustment and net debt

Ken,

I am at BudSec now trying to get copies for me, you and Gadi.

On Sep 28, 2016, at 3:58 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

That's ok thanks very much for doing this, I have been invited to the DM sign off tomorrow at 3PM, that why I felt that taking a good look tomorrow morning will be useful.

Thanks again.

Ken k

From: John Psinas
Sent: Wednesday, September 28, 2016 3:35 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Re: Urgent The pension adjustment and net debt

Ken,

I gave our edits and they are doing it now, but they are rushing to and fro for their 4 pm deadline and I might not get it today. I hope there are no further mistakes.

Thanks.

John

On Sep 28, 2016, at 3:30 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Np can we get a copy today or tomorrow AM

On Sep 28, 2016, at 3:19 PM, John Psinas
<John.Psinas@ofina.on.ca> wrote:

Thanks.

On Sep 28, 2016, at 3:18 PM, George Sakura
<George.Sakura@ofina.on.ca> wrote:

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas

Sent: Wednesday, September 28, 2016 2:53 PM

To: George Sakura

<George.Sakura@ofina.on.ca>; Ken Kandeepan
<Ken.Kandeepan@ofina.on.ca>; Shemin Meralli
<Shemin.Meralli@ofina.on.ca>

Subject: Urgent The pension adjustment and net debt

George,

Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

From: Ken Kandeepan
To: John Psinas
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 11:13:16 AM
Attachments: image001.png

Thanks John, if you have a moment can you pls give me a call on my alndline 905-946-0655

Thanks

Ken K

From: John Psinas
Sent: Saturday, September 24, 2016 9:39 AM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Ken,

Yes it would be to the Acc Deficit. I am not getting consistent numbers with what Alicia gave me last week with respect to the pension adjustment. I have scanned with my home computer what Alicia gave me (please see attached) and it is not matching up with the data completely with the FSD&A's chart 9.

I assume by that these are cumulative effects on the Acc. Deficit and not yearly one time adjustments.

Accumulated Deficit	original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me
1989-90	35,409	35,409	-	
1990-91	38,438	38,438	-	
1991-92	49,368	49,368	-	
1992-93	61,796	61,796	-	
1993-94	80,599	80,599	-	
1994-95	90,728	90,728	-	
1995-96	101,864	101,864	-	
1996-97	108,769	108,769	-	
1997-98	112,735	112,735	-	
1998-99	114,737	114,737	-	
1999-2000	134,398	134,398	-	
2000-01	132,496	132,496	-	
2001-02	132,121	132,675	(554)	554
2002-03	118,705	118,764	(59)	1074
2003-04	124,188	125,727	(1,539)	1539
2004-05	125,743	127,757	(2,014)	2014
2005-06	109,155	111,571	(2,416)	2416
2006-07	106,776	109,666	(2,890)	2890
2007-08	105,617	109,045	(3,428)	3428
2008-09	113,238	113,238	-	4540
2009-10	130,957	130,957	-	5573
2010-11	144,573	147,816	(3,243)	6392
2011-12	158,410	164,092	(5,682)	7226
2012-13	167,132	174,256	(7,124)	7694
2013-14	178,317	186,518	(8,201)	8201
2014-15	187,511	196,665	(9,154)	9154
2015-16	192,029	202,697	(10,668)	10667

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 9:21 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Thanks John, the way I see it is the TCA should be unchanged each year in comparison to the numbers we have prior to the pension adjustment and so should the annual deficit up to 14-15, the only changes should be in the accumulated deficits and the deficit for 15-16 which increases as a result of this adjustment.

Thanks

Ken k

Sent from my iPad

On Sep 24, 2016, at 8:48 AM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Ken,

Yes, just logged on to my laptop just as I got your email. Will take a look this morning.

Thanks.

John

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 8:46 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi John

Very sorry to bother you over the weekend, when you have some time pls review the numbers and let me know. I will do the same and also review the narrative and make changes if required.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,

Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca
Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

Accumulated Deficit			original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me		
			1989-90	35,409	-			
			1990-91	38,438	-			
			1991-92	49,368	-			
			1992-93	61,796	-			
			1993-94	80,599	-			
			1994-95	90,728	-			
			1995-96	101,864	-			
			1996-97	108,769	-			
			1997-98	112,735	-			
			1998-99	114,737	-			
			1999-2000	134,398	-			
			2000-01	132,496	-			
			2001-02	132,121	(554)	554		
			2002-03	118,705	(59)	1074		
			2003-04	124,188	(1,539)	1539		
			2004-05	125,743	(2,014)	2014		
			2005-06	109,155	(2,416)	2416		
			2006-07	106,776	(2,890)	2890		
			2007-08	105,617	(3,428)	3428		
			2008-09	113,238	-	4540		
			2009-10	130,957	-	5573		
			2010-11	144,573	(3,243)	6392		
			2011-12	158,410	(5,682)	7226		
			2012-13	167,132	(7,124)	7694		
			2013-14	178,317	(8,201)	8201		
			2014-15	187,511	(9,154)	9154		
			2015-16	192,029	(10,668)	10667		

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 9:39:14 AM
Attachments: [image001.png](#)
[Acc Def 1.jpg](#)
[Acc Deficit 2.jpg](#)

Ken,

Yes it would be to the Acc Deficit. I am not getting consistent numbers with what Alicia gave me last week with respect to the pension adjustment. I have scanned with my home computer what Alicia gave me (please see attached) and it is not matching up with the data completely with the FSD&A's chart 9.

I assume by that these are cumulative effects on the Acc. Deficit and not yearly one time adjustments.

Accumulated Deficit	original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me
1989-90	35,409	35,409	-	
1990-91	38,438	38,438	-	
1991-92	49,368	49,368	-	
1992-93	61,796	61,796	-	
1993-94	80,599	80,599	-	
1994-95	90,728	90,728	-	
1995-96	101,864	101,864	-	
1996-97	108,769	108,769	-	
1997-98	112,735	112,735	-	
1998-99	114,737	114,737	-	
1999-2000	134,398	134,398	-	
2000-01	132,496	132,496	-	
2001-02	132,121	132,675	(554)	554
2002-03	118,705	118,764	(59)	1074
2003-04	124,188	125,727	(1,539)	1539
2004-05	125,743	127,757	(2,014)	2014
2005-06	109,155	111,571	(2,416)	2416
2006-07	106,776	109,666	(2,890)	2890
2007-08	105,617	109,045	(3,428)	3428
2008-09	113,238	113,238	-	4540
2009-10	130,957	130,957	-	5573
2010-11	144,573	147,816	(3,243)	6392
2011-12	158,410	164,092	(5,682)	7226
2012-13	167,132	174,256	(7,124)	7694
2013-14	178,317	186,518	(8,201)	8201
2014-15	187,511	196,665	(9,154)	9154
2015-16	192,029	202,697	(10,668)	10667

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 9:21 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Thanks John, the way I see it is the TCA should be unchanged each year in comparison to the numbers we have prior to the pension adjustment and so should the annual deficit up to 14-15, the only changes should be in the accumulated deficits and the deficit for 15-16 which increases as a result of this adjustment.

Thanks

Ken k

Sent from my iPad

On Sep 24, 2016, at 8:48 AM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Ken,

Yes, just logged on to my laptop just as I got your email. Will take a look this morning.

Thanks.

John

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 8:46 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi John

Very sorry to bother you over the weekend, when you have some time pls review the numbers and let me know. I will do the same and also review the narrative and make changes if required.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca
Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

Accumulated Deficit			original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me		
			1989-90	35,409	-			
			1990-91	38,438	-			
			1991-92	49,368	-			
			1992-93	61,796	-			
			1993-94	80,599	-			
			1994-95	90,728	-			
			1995-96	101,864	-			
			1996-97	108,769	-			
			1997-98	112,735	-			
			1998-99	114,737	-			
			1999-2000	134,398	-			
			2000-01	132,496	-			
			2001-02	132,121	(554)	554		
			2002-03	118,705	(59)	1074		
			2003-04	124,188	(1,539)	1539		
			2004-05	125,743	(2,014)	2014		
			2005-06	109,155	(2,416)	2416		
			2006-07	106,776	(2,890)	2890		
			2007-08	105,617	(3,428)	3428		
			2008-09	113,238	-	4540		
			2009-10	130,957	-	5573		
			2010-11	144,573	(3,243)	6392		
			2011-12	158,410	(5,682)	7226		
			2012-13	167,132	(7,124)	7694		
			2013-14	178,317	(8,201)	8201		
			2014-15	187,511	(9,154)	9154		
			2015-16	192,029	(10,668)	10667		

Fiscal Year
Calendar year

2001-02 2002-03 2003-04 2004-05 2005-06 2006-07 2007-08 2008-09 2009-10 2010-11 2011-12 2012-13 2013-14

Allowance to bring net pension asset to zero.

OTPP	336	791	1,233	1,691	2,128	2,562	3,016	4,027	5,006	5,799	6,623	7,124	7,664	8,165
OPSEU	218	283	306	323	290	328	412	513	568	593	603	570	570	570
Total Allowance	554	1,074	1,539	2,014	2,418	2,890	3,428	4,540	5,573	6,392	7,226	7,694	8,234	8,735
Change in Allowance	554	520	466	474	402	474	538	1,112	1,034	818	834	468	468	468

Net Debt

Reported per "vs 2015 Actual Tab"	132,121	132,647	138,816	140,921	152,702	153,742	156,616	169,585	193,589	214,511	235,592	252,080	267,812	287,812
Adjustment for Total Allowance	554	1,074	1,539	2,014	2,418	2,890	3,428	4,540	5,573	6,392	7,226	7,694	8,234	8,735
Restated Net Debt Number	132,675	133,721	140,355	142,935	155,118	156,632	160,044	174,125	199,162	220,903	242,808	259,772	276,046	296,547

Accumulated Deficit

Reported per "vs 2015 Actual Tab"	132,121	118,705	124,188	125,743	109,155	106,776	105,617	113,238	130,957	144,573	158,410	167,132	176,132	176,132
Reported	132,121	118,705	124,188	125,743	109,155	106,776	105,617	113,238	130,957	144,573	158,410	167,132	176,132	176,132
Accum. Increase (Decrease) in Deficit	554	1,074	1,539	2,014	2,418	2,890	3,428	4,540	5,573	6,392	7,226	7,694	8,234	8,735
Restated Accumulated Deficit	132,675	119,779	125,727	127,757	111,571	109,666	109,045	117,778	136,530	150,965	165,636	174,826	184,366	195,107

2007-08 2007	2008-09 2008	2009-10 2009	2010-11 2010	2011-12 2011	2012-13 2012	2013-14 2013	2014-15 2014	2015-16 2015

3,016	4,027	5,005	5,709	6,623	7,124	7,711	8,667	10,147
412	513	568	593	603	570	490	487	520
3,428	4,540	5,573	6,302	7,226	7,694	8,201	9,154	10,667
538	1,112	1,034	818	834	468	508	953	1,513

156,616	169,585	193,589	214,511	235,582	252,068	267,190	284,576
3,428	4,540	5,573	6,302	7,226	7,694	8,201	9,154
160,044	174,125	199,162	220,903	242,808	259,782	275,391	293,730

294,566
10,667
305,233

105,617	113,238	130,957	144,573	158,410	167,132	176,634	187,511
105,617	113,238	130,957	144,573	158,410	167,132	176,634	187,511
3,428	4,540	5,573	6,302	7,226	7,694	8,201	9,154
109,045	117,778	136,530	150,965	165,636	174,826	184,835	196,665

192,030
10,667
202,697

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 8:48:59 AM

Ken,

Yes, just logged on to my laptop just as I got your email. Will take a look this morning.

Thanks.

John

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 8:46 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi John

Very sorry to bother you over the weekend, when you have some time pls review the numbers and let me know. I will do the same and also review the narrative and make changes if required.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]

Sent: September 23, 2016 5:31 PM

To: Sun, Alicia (TBS)

Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas

Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension
Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

From: [Sun, Alicia \(TBS\)](#)
To: [Ken Kandeepan](#)
Cc: [Raymond Chen \(MTCS\)](#); [Veinot, Cindy \(TBS\)](#); [Nadine Petsche \(MOF\)](#); [Patricia Ma \(MOF\)](#); [John Psinas](#)
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 7:03:51 PM
Attachments: [Key Financial Ratios and Chart 9 Data \(5 year change with pension adj\).xlsx](#)
[Draft Pension Note in CFS Revised FSD&A.docx](#)

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [mailto:Ken.Kandeepan@ofina.on.ca]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

TABLE 7 - Key Financial Ratios - 5 yr

Key Financial Ratios

as at the end of the fiscal period

		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	36.6%	38.1%	40.0%	40.7%	40.9%
	Net Debt to Total Revenue (%)	219.8%	228.6%	239.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 18,051	\$ 19,195	\$ 20,316	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

DEBT DETAILS (NOTE 2)					
(\$Millions)					
	2011-12	2012-13	2013-14	2014-15	2015-16
Canadian	191,961	212,830	227,927	248,991	266,009
Foreign	65,317	68,235	67,831	65,969	61,404
TOTAL	257,278	281,065	295,758	314,960	327,413

Net Debt	241,264	259,212	277,074	293,730	305,233
GDP	659,743	680,084	693,210	721,970	747,101
Population	13,365,679	13,504,382	13,638,132	13,752,091	13,920,499
Total Revenue	109,773	113,369	115,911	118,546	128,376

Chart 9 Net debt-to-GDP and accumulated deficit-to-GDP

Fiscal Year	GDP	Net Debt	Accumulated Deficit	Net Debt As % to GDP	Acc Deficit to GDP	Deficit/ (Surplus)
1989-90	282,766	35,409	35,409	12.5	12.5	(90)
1990-91	287,334	38,438	38,438	13.4	13.4	3,029
1991-92	288,217	49,368	49,368	17.1	17.1	10,930
1992-93	293,068	61,796	61,796	21.1	21.1	12,428
1993-94	302,245	80,599	80,599	26.7	26.7	11,202
1994-95	319,986	90,728	90,728	28.4	28.4	10,129
1995-96	337,400	101,864	101,864	30.2	30.2	8,800
1996-97	347,842	108,769	108,769	31.3	31.3	6,905
1997-98	368,960	112,735	112,735	30.6	30.6	3,966
1998-99	389,250	114,737	114,737	29.5	29.5	2,002
1999-2000	418,245	134,398	134,398	32.1	32.1	(668)
2000-01	452,238	132,496	132,496	29.3	29.3	(1,902)
2001-02	469,084	132,675	132,675	28.3	28.3	179
2002-03	494,815	132,706	118,764	26.8	24.0	(613)
2003-04	509,511	140,355	125,727	27.5	24.7	6,964
2004-05	533,365	142,935	127,757	26.8	24.0	2,029
2005-06	556,635	155,118	111,571	27.9	20.0	104
2006-07	578,241	156,632	109,666	27.1	19.0	(1,795)
2007-08	601,735	160,044	109,045	26.6	18.1	(62)
2008-09	608,446	169,585	113,238	27.9	18.6	2,981
2009-10	597,882	193,589	130,957	32.4	21.9	19,262
2010-11	630,989	217,754	147,816	34.5	23.4	17,254
2011-12	659,743	241,264	164,092	36.6	24.9	15,408
2012-13	680,084	259,212	174,256	38.1	25.6	10,662
2013-14	693,210	277,074	186,518	40.0	26.9	11,530
2014-15	721,970	293,730	196,665	40.7	27.2	11,268
2015-16	747,101	305,233	202,697	40.9	27.1	5,029

Draft Pension Note in CFS

Pension Asset Valuation Allowance – Restatement of Comparatives

(\$ Millions)	Balance as reported	Adjustment	Balance as restated
Consolidated statement of Operations -Expense			
Education	25,194	956	26,150
General Government and Other	4,617	(3)	4,614
Total Expenses	128,861	953	129,814
Annual Deficit	(10,315)	(953)	(11,268)
Consolidated Statement of Financial Position			
Liabilities	3,151	9,154	12,305
Pensions and Other Employee Future Benefits			
Total Liabilities	367,089	9,154	376,243
Net Debt	(284,576)	(9,154)	(293,730)
Accumulated Deficit	(187,511)	(9,154)	(196,665)

FSD&A – Introduction (Reference to Pension Policy Change)

Prior to this year's Public Accounts, Ontario had received 22 years of clean audit opinions on its financial statements. In addition, the CD Howe Institute has commented favourably on the transparency and accountability in Ontario's reporting practices in its Public Accounts, Budgets and Estimates. In conjunction with the audit of the 2015-16 Public Accounts, a review was done on the Province's accounting policies for pension assets related to joint sponsored pension plans. The Province's practice, since 2001 when the accounting standard for Employee Future Benefits was first adopted, had previously resulted in pension assets being reported in the Public Accounts since 2001. Following the review, a decision was made to implement a change in the government's accounting policy for pension assets which resulted in an adjustment in the Province's reportable pension assets as at March 31, 2016 to XXX. The impact of the change also resulted in an additional \$1.5 billion change to the reported annual deficit. As a result of this change, the comparative results for 2014-15 have also been restated for purposes of this Annual Report. Similarly, to ensure long term comparability of year over year financial results and balances, the historical results and trends analysis reflected throughout this Financial Statement Discussion and Analysis section of the Public Accounts have been restated to reflect related adjustments. Due to the complex and challenging nature of the specific issue which resulted in these adjustments, and the significance to the

Province's financial results and plans, the Province will continue to work with the standard setters, other jurisdictions and the audit community to ensure that pension accounting standards best reflect the underlying economic substance of the government's activities in order to best serve user needs.

From: [Ken Kandeepan](#)
To: [Alicia Sun \(MOF\)](#); [Nadine Petsche \(MOF\)](#); [Veinot, Cindy \(TBS\)](#)
Cc: [Raymond Chen \(MTCS\)](#); [Patricia Ma \(MOF\)](#); [John Psinas](#)
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 11:46:24 AM
Attachments: [FSDA- Key Financial Ratios Chart 9 - Updated with Pension Adj sep 24.docx](#)

Hi

Pls find attached the revised narrative for the net debt to GDP ratios, John has sent by separate email to Alicia his review of the underlying numbers.

When we review the changes to the Accumulated Deficit arising from the Pension adjustment we note that there are no adjustments for 2008-09 and 2009-10, which represent the peak of the recession. My understanding of this particular adjustment is very limited, however, this does raise the question that if there are adjustments for the years in which the pension plans incurred a surplus shouldn't there be the same adjustment in opposite direction for those years where the assets diminished as a result of negative returns.

If my understanding is flawed pls feel free to ignore this observation.

Thanks

Ken K

From: Sun, Alicia (TBS) [mailto:Alicia.Sun@ontario.ca]
Sent: Friday, September 23, 2016 4:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155



FSD&A

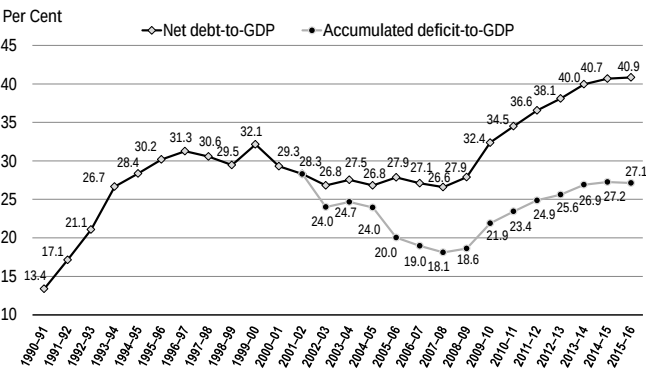
Infrastructure Expenditure

Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).

Net debt-to-GDP and accumulated deficit-to-GDP

Chart 9



Note: Historical net debt-to-GDP were revised to reflect historical GDP released by Statistics Canada in November 2015. Net debt has been restated to include broader public sector net debt, starting in 2005-06. Net debt and accumulated deficit has been restated from 2001-02 to 2014-15 to reflect the Province's accounting policy change for jointly sponsored pension plans.

Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios as at the end of the fiscal period		2011–12	2012–13	2013–14	2014–15	2015–16
Sustainability	Net Debt to GDP (%)	36.6%	38.1%	40.0%	40.7%	40.9%
	Net Debt to Total Revenue (%)	219.8%	228.6%	239.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 18,051	\$ 19,195	\$ 20,316	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

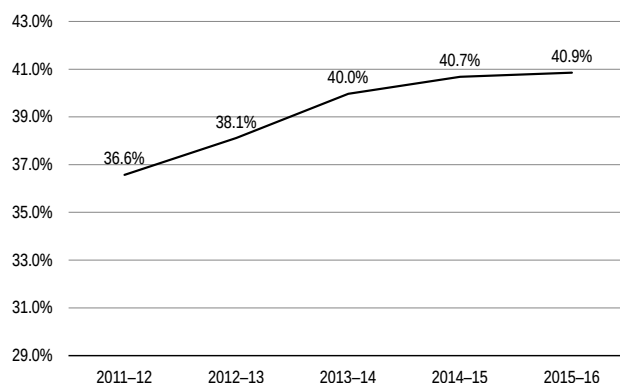
Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 40.9 per cent at the end of fiscal year 2015–16. In 2011–12, it was 36.8 per cent. Over this period, the deficit and other adjustments such as those arising from the change in the Province's accounting policy for pensions contributed close to approximately 60 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011–12 and 2014–15, because net debt grew more quickly than GDP, the ratio increased from 36.86 per cent to 40.7 per cent. There was a slight increase to the ratio from 2014–15 to 2015–16, since net debt and GDP grew approximately at the same rate. The ratios for this trend analysis have all increased due to the impact of restated prior year's results reflecting the elimination of accrued benefit pension assets from the Province's balance sheet to reflect a change in the Province's accounting policy for pensions in the 2015-16 Public Accounts. (See Chart 11.)

Commented [PM21]: Still true?

Net debt-to-GDP — 5-year trend

Chart 11



The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. Those capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

Commented [NP2]: What messaging would be included here? There should be no change, as I understand the Government is remains committed to this target. Hence no change in the messaging

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on both balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

Commented [NP3]: TBD –change/reflect upon messaging related to this target ratio. Pls see above

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011–12, the ratio was 221.2 per cent. It rose to 247.8 per cent in 2014–15, as net debt grew more quickly than revenue, including the impact of the Province's change in accounting policy for pensions. However, the ratio fell to 237.8 per cent in 2015–16, indicating that total revenues increased at a greater rate than did net debt.

Commented [NP4]: TBD

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in 2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

From: [Killoch, Alex \(MOF\)](#)
To: [Ken Kandeepan](#)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)
Date: Monday, September 26, 2016 3:43:41 PM

It is a bit confusing.

It is not that the plan has assets, but that the plan itself, in total, is an asset, quite apart for the assets it holds. I don't think that the management plan is an asset, although its assets on the balance sheet.

-----Original Message-----

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: Monday, September 26, 2016 3:40 PM
To: Killoch, Alex (MOF)
Cc: McLean, David (MOF); Talwar, Garima (MOF); Myers, Leah (MOF); Mayman, Gadi (OFA); Thompson, Scott (MOF)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Alex

One comment; first para, last sentence: " These plans are the only pension plans for which a pension asset is recorded." What about the management plan or am simply not understanding the term "Pension Asset" and its application.

Thanks

Ken K

-----Original Message-----

From: Gadi Mayman
Sent: Monday, September 26, 2016 3:13 PM
To: Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Alex Killoch (MOF) <Alex.Killoch@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Garima Talwar (TCU) <Garima.Talwar@ontario.ca>; Leah Myers (MOF) <Leah.Myers@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

I'm fine with the wording. I'm not sure that I understand the point that you're making on net debt and accumulated deficit, Alex, as I read them as both going up by \$1.5 billion in the rationale from Cindy, which is how we would also interpret it.

Gadi

-----Original Message-----

From: Thompson, Scott (MOF) [<mailto:Scott.Thompson@ontario.ca>]
Sent: Monday, September 26, 2016 2:03 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Should have included you in this

Thanks

Scott

Sent from my iPad

Begin forwarded message:

From: "Killoch, Alex (MOF)" <Alex.Killoch@ontario.ca<<mailto:Alex.Killoch@ontario.ca>>>
Date: September 26, 2016 at 1:48:18 PM EDT
To: "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>
Cc: "McLean, David (MOF)" <David.McLean@ontario.ca<<mailto:David.McLean@ontario.ca>>>, "Talwar, Garima (MOF)" <Garima.Talwar@ontario.ca<<mailto:Garima.Talwar@ontario.ca>>>, "Myers, Leah (MOF)" <Leah.Myers@ontario.ca<<mailto:Leah.Myers@ontario.ca>>>
Subject: Fw: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Scott

A lot of this is accounting terminology but I have a few initial corrections for terminology with my changes in strikeout and in yellow.

In addition, I think the third paragraph reads a bit better if the points are reversed.

I am not sure how net debt is impacted but not accumulated deficit. However, I assume that Gadi is reviewing.

Greg's changes are for OPCD to consider but seem reasonable.

Alex

From: Thompson, Scott (MOF)
Sent: Monday, September 26, 2016 1:13 PM
To: Myers, Leah (MOF); Killoch, Alex (MOF)
Cc: McLean, David (MOF)
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Can you look at this and let me know if you have any issues? This would be the rationale if we took on the 1.5 billion for 15-16 deficit, but not put the whole current value of the pension asset onto our accumulated deficit.
Thanks
Scott

Sent from my iPad

Begin forwarded message:
From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca<<mailto:Cindy.Veinot@ontario.ca>>>
Date: September 26, 2016 at 1:00:16 PM EDT
To: "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca<<mailto:Karen.Hughes@ontario.ca>>>, "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca<<mailto:Greg.Orencsak@ontario.ca>>>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>
Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca<<mailto:Kyle.MacIntyre@ontario.ca>>>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca<<mailto:Patrick.Laughton@ontario.ca>>>
Subject: FW: Wording for note to f/s re: hybrid model (NPP suggested edits)

18. Valuation of Pension Assets

The Province is a joint sponsor of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service

Employees' Union Pension Plan (OPSEUPP). Both of these plans are jointly sponsored defined benefit plans and the Province accounts for its portion of each plan in accordance with the Public Sector Accounting Standards for defined benefit pension plans. Recording its portion of each of these plans has resulted in pension assets for OTPP and OPSUEPP for all years since fiscal 2001-2002. These plans are the only pension plans for which a pension asset is recorded.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan.

When a pension asset arises, under Public Sector Accounting Standards, additional analysis is required to determine whether the government is entitled to fully benefit from the pension asset. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset. Generally, a sponsor would be able to benefit from an accounting surplus over time by reducing contributions to the plan. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.

Historically, the Province reported the full asset value on the consolidated financial statements as reflecting management's best estimate of expected future benefit from the accounting surplus. In the current year, the Province has revisited its evaluation of the recoverability of the pension assets. Based on the actuarial modelling completed, the Province continues to believe that the assets are recoverable; however, it believes that additional modelling is required to either confirm its view or record an additional valuation allowance. The impact of recording an additional valuation allowance in the future could be material to the financial statements.

In light of the additional modelling that the Province is in the process of completing, the Province has not changed the value of the pension assets recorded at the end of the prior year and has recorded a valuation allowance during 2015-16 which is equivalent to the amount of the increase in the pension assets that otherwise would have been recorded. In other words, the value of the pension assets related to OTPP and OPSEUPP are recorded at the same amount in both fiscal 2014-15 and fiscal 2015-16. The 2015-16 reported asset amount is net of a valuation allowance of \$1.5 Billion. Recording a valuation allowance of \$1.5 Billion in fiscal 2015-16 resulted in an increase in the annual deficit and net debt that would have otherwise been reported by \$1.5 Billion.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Ken Kandeepan](#)
To: [Alex Killoch \(MOF\)](#)
Cc: [David McLean \(MOF\)](#); [Garima Talwar \(TCU\)](#); [Leah Myers \(MOF\)](#); [Gadi Mayman](#); [Scott Thompson \(CAB\)](#)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)
Date: Monday, September 26, 2016 3:39:41 PM

Hi Alex

One comment; first para, last sentence: " These plans are the only pension plans for which a pension asset is recorded." What about the management plan or am simply not understanding the term "Pension Asset" and its application.

Thanks

Ken K

-----Original Message-----

From: Gadi Mayman
Sent: Monday, September 26, 2016 3:13 PM
To: Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Alex Killoch (MOF) <Alex.Killoch@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Garima Talwar (TCU) <Garima.Talwar@ontario.ca>; Leah Myers (MOF) <Leah.Myers@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

I'm fine with the wording. I'm not sure that I understand the point that you're making on net debt and accumulated deficit, Alex, as I read them as both going up by \$1.5 billion in the rationale from Cindy, which is how we would also interpret it.

Gadi

-----Original Message-----

From: Thompson, Scott (MOF) [<mailto:Scott.Thompson@ontario.ca>]
Sent: Monday, September 26, 2016 2:03 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Should have included you in this

Thanks

Scott

Sent from my iPad

Begin forwarded message:

From: "Killoch, Alex (MOF)" <Alex.Killoch@ontario.ca<<mailto:Alex.Killoch@ontario.ca>>>
Date: September 26, 2016 at 1:48:18 PM EDT
To: "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>
Cc: "McLean, David (MOF)" <David.McLean@ontario.ca<<mailto:David.McLean@ontario.ca>>>, "Talwar, Garima (MOF)" <Garima.Talwar@ontario.ca<<mailto:Garima.Talwar@ontario.ca>>>, "Myers, Leah (MOF)" <Leah.Myers@ontario.ca<<mailto:Leah.Myers@ontario.ca>>>
Subject: Fw: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Scott

A lot of this is accounting terminology but I have a few initial corrections for terminology with my changes in knockout and in yellow.

In addition, I think the third paragraph reads a bit better if the points are reversed.

I am not sure how net debt is impacted but not accumulated deficit. However, I assume that Gadi is reviewing.

Greg's changes are for OPCD to consider but seem reasonable.

Alex

From: Thompson, Scott (MOF)
Sent: Monday, September 26, 2016 1:13 PM
To: Myers, Leah (MOF); Killoch, Alex (MOF)
Cc: McLean, David (MOF)
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Can you look at this and let me know if you have any issues? This would be the rationale if we took on the 1.5 billion for 15-16 deficit, but not put the whole current value of the pension asset onto our accumulated deficit.

Thanks

Scott

Sent from my iPad

Begin forwarded message:

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca<<mailto:Cindy.Veinot@ontario.ca>>>
Date: September 26, 2016 at 1:00:16 PM EDT
To: "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca<<mailto:Karen.Hughes@ontario.ca>>>, "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca<<mailto:Greg.Orencsak@ontario.ca>>>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>
Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca<<mailto:Kyle.MacIntyre@ontario.ca>>>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca<<mailto:Patrick.Laughton@ontario.ca>>>
Subject: FW: Wording for note to f/s re: hybrid model (NPP suggested edits)

18. Valuation of Pension Assets

The Province is a joint sponsor of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP). Both of these plans are jointly sponsored defined benefit plans and the Province accounts for its portion of each plan in accordance with the Public Sector Accounting Standards for defined benefit pension plans. Recording its portion of each of these plans has resulted in pension assets for OTPP and OPSUEPP for all years since fiscal 2001-2002. These plans are the only pension plans for which a pension asset is recorded.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan.

When a pension asset arises, under Public Sector Accounting Standards, additional analysis is required to determine whether the government is entitled to fully benefit from the pension asset. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset. Generally, a sponsor would be able to benefit from an accounting surplus over time by reducing

contributions to the plan. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.

Historically, the Province reported the full asset value on the consolidated financial statements as reflecting management's best estimate of expected future benefit from the accounting surplus. In the current year, the Province has revisited its evaluation of the recoverability of the pension assets. Based on the actuarial modelling completed, the Province continues to believe that the assets are recoverable; however, it believes that additional modelling is required to either confirm its view or record an additional valuation allowance. The impact of recording an additional valuation allowance in the future could be material to the financial statements.

In light of the additional modelling that the Province is in the process of completing, the Province has not changed the value of the pension assets recorded at the end of the prior year and has recorded a valuation allowance during 2015-16 which is equivalent to the amount of the increase in the pension assets that otherwise would have been recorded. In other words, the value of the pension assets related to OTPP and OPSEUPP are recorded at the same amount in both fiscal 2014-15 and fiscal 2015-16. The 2015-16 reported asset amount is net of a valuation allowance of \$1.5 Billion. Recording a valuation allowance of \$1.5 Billion in fiscal 2015-16 resulted in an increase in the annual deficit and net debt that would have otherwise been reported by \$1.5 Billion.

From: [Killoch, Alex \(MOF\)](#)
To: [Gadi Mayman](#); [Scott Thompson \(CAB\)](#)
Cc: [David McLean \(MOF\)](#); [Garima Talwar \(TCU\)](#); [Leah Myers \(MOF\)](#); [Ken Kandeepan](#)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)
Date: Monday, September 26, 2016 3:22:32 PM

Sounds good.

I am not an expert at how accumulated deficit works, so I just wanted to ensure that it is correct.

There is one more change in the line: " A pension asset arises when the total of the Province's contributions to the plan as well as the ~~interest~~ income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan."

The word "interest" is not required. It is just all income earned on the plan assets.

Alex

-----Original Message-----

From: Gadi Mayman [mailto:Gadi.Mayman@ofina.on.ca]
Sent: Monday, September 26, 2016 3:13 PM
To: Thompson, Scott (MOF); Killoch, Alex (MOF)
Cc: McLean, David (MOF); Talwar, Garima (MOF); Myers, Leah (MOF); Kandeepan, Ken (OFA)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

I'm fine with the wording. I'm not sure that I understand the point that you're making on net debt and accumulated deficit, Alex, as I read them as both going up by \$1.5 billion in the rationale from Cindy, which is how we would also interpret it.

Gadi

-----Original Message-----

From: Thompson, Scott (MOF) [mailto:Scott.Thompson@ontario.ca]
Sent: Monday, September 26, 2016 2:03 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Should have included you in this

Thanks

Scott

Sent from my iPad

Begin forwarded message:

From: "Killoch, Alex (MOF)" <Alex.Killoch@ontario.ca<<mailto:Alex.Killoch@ontario.ca>>>
Date: September 26, 2016 at 1:48:18 PM EDT
To: "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>
Cc: "McLean, David (MOF)" <David.McLean@ontario.ca<<mailto:David.McLean@ontario.ca>>>, "Talwar, Garima (MOF)" <Garima.Talwar@ontario.ca<<mailto:Garima.Talwar@ontario.ca>>>, "Myers, Leah (MOF)" <Leah.Myers@ontario.ca<<mailto:Leah.Myers@ontario.ca>>>
Subject: Fw: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Scott

A lot of this is accounting terminology but I have a few initial corrections for terminology with my changes in strikeout and in yellow.

In addition, I think the third paragraph reads a bit better if the points are reversed.

I am not sure how net debt is impacted but not accumulated deficit. However, I assume that Gadi is reviewing.

Greg's changes are for OPCD to consider but seem reasonable.

Alex

From: Thompson, Scott (MOF)
Sent: Monday, September 26, 2016 1:13 PM
To: Myers, Leah (MOF); Killoch, Alex (MOF)
Cc: McLean, David (MOF)
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Can you look at this and let me know if you have any issues? This would be the rationale if we took on the 1.5 billion for 15-16 deficit, but not put the whole current value of the pension asset onto our accumulated deficit.

Thanks
Scott

Sent from my iPad

Begin forwarded message:

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca<<mailto:Cindy.Veinot@ontario.ca>>>
Date: September 26, 2016 at 1:00:16 PM EDT
To: "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca<<mailto:Karen.Hughes@ontario.ca>>>,

"Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca<mailto:Greg.Orencsak@ontario.ca>>,
"Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<mailto:Scott.Thompson@ontario.ca>>
Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca<mailto:Kyle.MacIntyre@ontario.ca>>,
"Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca<mailto:Patrick.Laughton@ontario.ca>>
Subject: FW: Wording for note to f/s re: hybrid model (NPP suggested edits)

18. Valuation of Pension Assets

The Province is a joint sponsor of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP). Both of these plans are jointly sponsored defined benefit plans and the Province accounts for its portion of each plan in accordance with the Public Sector Accounting Standards for defined benefit pension plans. Recording its portion of each of these plans has resulted in pension assets for OTPP and OPSUEPP for all years since fiscal 2001-2002. These plans are the only pension plans for which a pension asset is recorded.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan.

When a pension asset arises, under Public Sector Accounting Standards, additional analysis is required to determine whether the government is entitled to fully benefit from the pension asset. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset. Generally, a sponsor would be able to benefit from an accounting surplus over time by reducing contributions to the plan. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.

Historically, the Province reported the full asset value on the consolidated financial statements as reflecting management's best estimate of expected future benefit from the accounting surplus. In the current year, the Province has revisited its evaluation of the recoverability of the pension assets. Based on the actuarial modelling completed, the Province continues to believe that the assets are recoverable; however, it believes that additional modelling is required to either confirm its view or record an additional valuation allowance. The impact of recording an additional valuation allowance in the future could be material to the financial statements.

In light of the additional modelling that the Province is in the process of completing, the Province has not changed the value of the pension assets recorded at the end of the prior year and has recorded a valuation allowance during 2015-16 which is equivalent to the amount of the increase in the pension assets that otherwise would have been recorded. In other words, the value of the pension assets related to OTPP and OPSEUPP are recorded at the same amount in both fiscal 2014-15 and fiscal 2015-16. The 2015-16 reported asset amount is net of a valuation allowance of \$1.5 Billion. Recording a valuation allowance of \$1.5 Billion in fiscal 2015-16 resulted in an increase in the annual

deficit and net debt that would have otherwise been reported by \$1.5 Billion.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Gadi Mayman](#)
To: [Scott Thompson \(CAB\)](#); [Alex Killoch \(MOF\)](#)
Cc: [David McLean \(MOF\)](#); [Garima Talwar \(TCU\)](#); [Leah Myers \(MOF\)](#); [Ken Kandeepan](#)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)
Date: Monday, September 26, 2016 3:13:26 PM

I'm fine with the wording. I'm not sure that I understand the point that you're making on net debt and accumulated deficit, Alex, as I read them as both going up by \$1.5 billion in the rationale from Cindy, which is how we would also interpret it.

Gadi

-----Original Message-----

From: Thompson, Scott (MOF) [<mailto:Scott.Thompson@ontario.ca>]
Sent: Monday, September 26, 2016 2:03 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Should have included you in this

Thanks

Scott

Sent from my iPad

Begin forwarded message:

From: "Killoch, Alex (MOF)" <Alex.Killoch@ontario.ca<<mailto:Alex.Killoch@ontario.ca>>>
Date: September 26, 2016 at 1:48:18 PM EDT
To: "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>
Cc: "McLean, David (MOF)" <David.McLean@ontario.ca<<mailto:David.McLean@ontario.ca>>>, "Talwar, Garima (MOF)" <Garima.Talwar@ontario.ca<<mailto:Garima.Talwar@ontario.ca>>>, "Myers, Leah (MOF)" <Leah.Myers@ontario.ca<<mailto:Leah.Myers@ontario.ca>>>
Subject: Fw: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Scott

A lot of this is accounting terminology but I have a few initial corrections for terminology with my changes in strikeout and in yellow.

In addition, I think the third paragraph reads a bit better if the points are reversed.

I am not sure how net debt is impacted but not accumulated deficit. However, I assume that Gadi is reviewing.

Greg's changes are for OPCD to consider but seem reasonable.

Alex

From: Thompson, Scott (MOF)
Sent: Monday, September 26, 2016 1:13 PM
To: Myers, Leah (MOF); Killoch, Alex (MOF)
Cc: McLean, David (MOF)

Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Can you look at this and let me know if you have any issues? This would be the rationale if we took on the 1.5 billion for 15-16 deficit, but not put the whole current value of the pension asset onto our accumulated deficit.

Thanks

Scott

Sent from my iPad

Begin forwarded message:

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca<<mailto:Cindy.Veinot@ontario.ca>>>

Date: September 26, 2016 at 1:00:16 PM EDT

To: "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca<<mailto:Karen.Hughes@ontario.ca>>>, "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca<<mailto:Greg.Orencsak@ontario.ca>>>, "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>

Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca<<mailto:Kyle.MacIntyre@ontario.ca>>>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca<<mailto:Patrick.Laughton@ontario.ca>>>

Subject: FW: Wording for note to f/s re: hybrid model (NPP suggested edits)

18. Valuation of Pension Assets

The Province is a joint sponsor of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP). Both of these plans are jointly sponsored defined benefit plans and the Province accounts for its portion of each plan in accordance with the Public Sector Accounting Standards for defined benefit pension plans. Recording its portion of each of these plans has resulted in pension assets for OTPP and OPSUEPP for all years since fiscal 2001-2002. These plans are the only pension plans for which a pension asset is recorded.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan.

When a pension asset arises, under Public Sector Accounting Standards, additional analysis is required to determine whether the government is entitled to fully benefit from the pension asset. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset. Generally, a sponsor would be able to benefit from an accounting surplus over time by reducing contributions to the plan. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.

Historically, the Province reported the full asset value on the consolidated financial statements as reflecting management's best estimate of expected future benefit from the accounting surplus. In the current year, the Province has revisited its evaluation of the recoverability of the pension assets. Based on the actuarial modelling completed, the Province continues to believe that the assets are recoverable; however, it believes that additional modelling is required to either confirm its view or record an additional valuation allowance. The impact of recording an additional valuation allowance in the future could be material to the financial statements.

In light of the additional modelling that the Province is in the process of completing, the Province has not changed the value of the pension assets recorded at the end of the prior year and has recorded a valuation allowance during 2015-16 which is equivalent to the amount of the increase in the pension assets that otherwise would have been recorded. In other words, the value of the pension assets related to OTPP and OPSEUPP are recorded at the same amount in both fiscal 2014-15 and fiscal 2015-16. The 2015-16 reported asset amount is net of a valuation allowance of \$1.5 Billion. Recording a valuation allowance of \$1.5 Billion in fiscal 2015-16 resulted in an increase in the annual deficit and net debt that would have otherwise been reported by \$1.5 Billion.

From: [Ken Kandeepan](#)
To: [Alex Killoch \(MOF\)](#)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)
Date: Monday, September 26, 2016 3:49:27 PM

Well if you are comfortable that the sentence in question is accurate even with no reference to the management plan then I am ok, thanks for getting back to me.

Ken k

-----Original Message-----

From: Killoch, Alex (MOF) [<mailto:Alex.Killoch@ontario.ca>]
Sent: Monday, September 26, 2016 3:44 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

It is a bit confusing.

It is not that the plan has assets, but that the plan itself, in total, is an asset, quite apart for the assets it holds. I don't think that the management plan is an asset, although its assets on the balance sheet.

-----Original Message-----

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: Monday, September 26, 2016 3:40 PM
To: Killoch, Alex (MOF)
Cc: McLean, David (MOF); Talwar, Garima (MOF); Myers, Leah (MOF); Mayman, Gadi (OFA); Thompson, Scott (MOF)
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Alex

One comment; first para, last sentence: " These plans are the only pension plans for which a pension asset is recorded." What about the management plan or am simply not understanding the term "Pension Asset" and its application.

Thanks

Ken K

-----Original Message-----

From: Gadi Mayman
Sent: Monday, September 26, 2016 3:13 PM
To: Scott Thompson (CAB) <Scott.Thompson@ontario.ca>; Alex Killoch (MOF) <Alex.Killoch@ontario.ca>
Cc: David McLean (MOF) <David.McLean@ontario.ca>; Garima Talwar (TCU) <Garima.Talwar@ontario.ca>; Leah Myers (MOF) <Leah.Myers@ontario.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Subject: RE: Wording for note to f/s re: hybrid model (NPP suggested edits)

I'm fine with the wording. I'm not sure that I understand the point that you're making on net debt and accumulated deficit, Alex, as I read them as both going up by \$1.5 billion in the rationale from Cindy, which is how we would also interpret it.

Gadi

-----Original Message-----

From: Thompson, Scott (MOF) [<mailto:Scott.Thompson@ontario.ca>]
Sent: Monday, September 26, 2016 2:03 PM
To: Gadi Mayman <Gadi.Mayman@ofina.on.ca>
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Should have included you in this
Thanks
Scott

Sent from my iPad

Begin forwarded message:

From: "Killoch, Alex (MOF)" <Alex.Killoch@ontario.ca<[>](mailto:Alex.Killoch@ontario.ca)>
Date: September 26, 2016 at 1:48:18 PM EDT
To: "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca<[>](mailto:Scott.Thompson@ontario.ca)>
Cc: "McLean, David (MOF)" <David.McLean@ontario.ca<[>](mailto:David.McLean@ontario.ca)>, "Talwar, Garima (MOF)" <Garima.Talwar@ontario.ca<[>](mailto:Garima.Talwar@ontario.ca)>, "Myers, Leah (MOF)" <Leah.Myers@ontario.ca<[>](mailto:Leah.Myers@ontario.ca)>
Subject: Fw: Wording for note to f/s re: hybrid model (NPP suggested edits)

Hi Scott

A lot of this is accounting terminology but I have a few initial corrections for terminology with my changes in strikeout and in yellow.

In addition, I think the third paragraph reads a bit better if the points are reversed.

I am not sure how net debt is impacted but not accumulated deficit. However, I assume that Gadi is reviewing.

Greg's changes are for OPCD to consider but seem reasonable.

Alex

From: Thompson, Scott (MOF)
Sent: Monday, September 26, 2016 1:13 PM
To: Myers, Leah (MOF); Killoch, Alex (MOF)
Cc: McLean, David (MOF)
Subject: Fwd: Wording for note to f/s re: hybrid model (NPP suggested edits)

Can you look at this and let me know if you have any issues? This would be the rationale if we took on the 1.5 billion for 15-16 deficit, but not put the whole current value of the pension asset onto our accumulated deficit.

Thanks
Scott

Sent from my iPad

Begin forwarded message:

From: "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca<[>](mailto:Cindy.Veinot@ontario.ca)>
Date: September 26, 2016 at 1:00:16 PM EDT
To: "Hughes, Karen (TBS)" <Karen.Hughes@ontario.ca<[>](mailto:Karen.Hughes@ontario.ca)>, "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca<[>](mailto:Greg.Orencsak@ontario.ca)>, "Thompson, Scott (MOF)"

<Scott.Thompson@ontario.ca<<mailto:Scott.Thompson@ontario.ca>>>

Cc: "MacIntyre, Kyle (TBS)" <Kyle.MacIntyre@ontario.ca<<mailto:Kyle.MacIntyre@ontario.ca>>>, "Laughton, Patrick (TBS)" <Patrick.Laughton@ontario.ca<<mailto:Patrick.Laughton@ontario.ca>>>

Subject: FW: Wording for note to f/s re: hybrid model (NPP suggested edits)

18. Valuation of Pension Assets

The Province is a joint sponsor of both the Ontario Teachers' Pension Plan (OTPP) and the Ontario Public Service Employees' Union Pension Plan (OPSEUPP). Both of these plans are jointly sponsored defined benefit plans and the Province accounts for its portion of each plan in accordance with the Public Sector Accounting Standards for defined benefit pension plans. Recording its portion of each of these plans has resulted in pension assets for OTTP and OPSUEPP for all years since fiscal 2001-2002. These plans are the only pension plans for which a pension asset is recorded.

A pension asset arises when the total of the Province's contributions to the plan as well as the interest income earned on the assets in the plan is greater than the retirement benefit expense recognized from since the inception of the plan.

When a pension asset arises, under Public Sector Accounting Standards, additional analysis is required to determine whether the government is entitled to fully benefit from the pension asset. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset. Generally, a sponsor would be able to benefit from an accounting surplus over time by reducing contributions to the plan. If a government estimates that it will not be able to fully benefit from the asset, it records a valuation allowance against the asset to reduce the recorded net value of the asset.

Historically, the Province reported the full asset value on the consolidated financial statements as reflecting management's best estimate of expected future benefit from the accounting surplus. In the current year, the Province has revisited its evaluation of the recoverability of the pension assets. Based on the actuarial modelling completed, the Province continues to believe that the assets are recoverable; however, it believes that additional modelling is required to either confirm its view or record an additional valuation allowance. The impact of recording an additional valuation allowance in the future could be material to the financial statements.

In light of the additional modelling that the Province is in the process of completing, the Province has not changed the value of the pension assets recorded at the end of the prior year and has recorded a valuation allowance during 2015-16 which is equivalent to the amount of the increase in the pension assets that otherwise would have been recorded. In other words, the value of the pension assets related to OTTP and OPSEUPP are recorded at the same amount in both fiscal 2014-15 and fiscal 2015-16. The 2015-16 reported asset amount is net of a valuation allowance of \$1.5 Billion. Recording a valuation allowance of \$1.5 Billion in fiscal 2015-16 resulted in an increase in the annual deficit and net debt that would have otherwise been reported by \$1.5 Billion.

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [Ken Kandeepan](#)
To: [Bonnie Lemcke](#)
Cc: [Gadi Mayman](#); [Christina Zhang](#); [Mike Manning](#)
Subject: Re: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16
Date: Monday, October 03, 2016 5:40:34 PM

Bonnie

One more small edit, in Warren's write up; penultimate bullet, last sentence, first word should be "note".

Thanks

Ken k

On Oct 3, 2016, at 5:25 PM, Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca> wrote:

We provided some feedback to Warren Lovely about the accounting change.

Bonnie

From: Bonnie Lemcke
Sent: Monday, October 03, 2016 5:22 PM
To: Warren Lovely (Warren.Lovely@nbc.ca) <Warren.Lovely@nbc.ca>
Subject: FW: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

I asked Ken to review. He had a few suggestions. FYI There is a good description of the adjustment on page 82 of the document I sent you (see below)

18. Change in Accounting for Pension Assets of Jointly Sponsored Pension Plans

For 2015-16 fiscal, the government legislated the accounting treatment for pension assets of its jointly sponsored pension plans. The legislation impacts the accounting for both the Ontario Teachers' Pension Plan and the Ontario Public Service Employees' Union Pension Plan. The legislation requires a full valuation allowance be recorded against the pension assets, therefore writing off the value of the assets. As described in Public Sector Accounting Standards (PSAS), a pension asset arises when the government's total contributions to a plan, including income earned

thereon,
are greater than the cumulative retirement benefit expense recognized since
the start
of the plan. Contributions reflect the funding objectives of the plan. The benefit
expense reflects the estimated cost of the pensions earned during the year that
will be
paid out to retirees in the future. In prior years, the government recorded
pension
assets to the extent the government expected to benefit from the asset through
future
reductions in contributions to the plan.

Unaudited Consolidated Financial Statements, 2015–2016 83

These plans are now accounted for in accordance with PSAS and legislation
requiring
a full valuation allowance be recorded. The change was made to reflect the
Auditor
General of Ontario's view that a full valuation allowance is required if the
government
does not have the legally enforceable right to unilaterally access the assets of
the
jointly sponsored pension plans, or in absence of that right, an irrevocable
agreement
in place at year-end with the joint sponsors of the plans to reduce contributions.

From: Ken Kandeepan

Sent: Monday, October 03, 2016 5:15 PM

To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>

Subject: RE: NBF Government Credit - Ontario's releases unaudited financial
statements for 2015-16

Looks pretty good, a few very minor edits

Thanks

Ken k

From: Bonnie Lemcke

Sent: Monday, October 03, 2016 5:10 PM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>

Subject: FW: NBF Government Credit - Ontario's releases unaudited financial
statements for 2015-16

From: Lovely, Warren [<mailto:warren.lovely@nbc.ca>]

Sent: Monday, October 03, 2016 5:10 PM

To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>

Subject: Fwd: NBF Government Credit - Ontario's releases unaudited financial

statements for 2015-16

This is incomplete as I've been pulled away on calls. Will flesh out and add more detes. See anything tho??

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:05:48 PM EDT
To: "Lovely, Warren" <warren.lovely@nbc.ca>
Subject: NBF Government Credit - Ontario's releases unaudited financial statements for 2015-16

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

<!--[if !supportLists]-->• <!--[endif]--> Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February 2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.

<!--[if !supportLists]-->• <!--[endif]--> So what's the deal with pensions? Specifically, the dispute centres around the accounting treatment of the pension assets held by two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements." Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that ~~temporary~~ temporarily adopts the AG's fiscal treatment of pension assets for 2015-16. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting. The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force on study pension accounting standards and the province will engage an expert panel and

undertake consultations around the issue. So stay tuned for more info.

<!--[if !supportLists]-->• <!--[endif]-->In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of excess assets in the two aforementioned plans. Not that the accounting change has no impact on [the Province's borrowing requirement](#) or total or gross provincial debt, which is the preferred debt metric for some rating agencies.

<!--[if !supportLists]-->• <!--[endif]-->Refer to consolidated financial statements for greater information on the accounting change.

Additional highlights:

<!--[if !supportLists]-->• <!--[endif]-->

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
130 King Street W, 4th Floor Podium | Toronto, ON | M5X 1J9 | T: 416-869-8598 | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures

http://www.nbcn.ca/disclosure_english.jhtml
http://www.nbcn.ca/disclosure_french.jhtml

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Sun, Alicia \(TBS\)](#)
To: [John Psinas](#)
Cc: [Ken Kandeepan](#); [Bharat Patel \(MOF\)](#); [Nadine Petsche \(MOF\)](#); [Kevin Hwang](#); [George Sakura](#)
Subject: Re: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 3:22:19 PM

John,

Column AO shows the numbers you are looking for.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

Original Message

From: John Psinas

Sent: Saturday, September 24, 2016 3:17 PM

To: Sun, Alicia (TBS)

Cc: Kandeepan, Ken (OFA); Patel, Bharat (TBS); Petsche, Nadine (TBS); Hwang, Kevin (OFA); Sakura, George (OFA)

Subject: RE: Pension Adjustment Charts Data.xlsx

Alicia,

There are scarcely any formulas and TCA is missing, so it's hard to see how net debt was affected. Can I ask whomever prepared this to send me a reconciliation or just tell me like in that spreadsheet originally given to me what the annual pension adjustment is. The easiest way for us to do a reconciliation would be the original net debt per year plus the pension adjustment (as it will affect accumulated deficit), with no changes to TCA.

Thanks.

John

-----Original Message-----

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]

Sent: Saturday, September 24, 2016 1:39 PM

To: John Psinas <John.Psinas@ofina.on.ca>

Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>

Subject: Fw: Pension Adjustment Charts Data.xlsx

John,

Here you are upon your request.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>

Sent: Friday, September 23, 2016 7:31 PM

To: Sun, Alicia (TBS)

Subject: Pension Adjustment Charts Data.xlsx

FYI most current.

Thanks,

Patricia

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Subject: Re: Pension Adjustment Charts Data.xlsx
Date: Saturday, September 24, 2016 6:16:30 PM

Ken,
No problem.

Thanks.

John

> On Sep 24, 2016, at 5:04 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:
>
> Hi John
>
>
> I logged in and reviewed these numbers, if what Alicia states is correct the only difference with the net debt numbers that we provided to OPCD prior to the Pension adjustment is column AO, if that is indeed the case we can sign off, of course under the proviso that we are simply accepting these numbers as provided by OPCD.
>
> Thanks again for all your effort on this issue and my apologies once again for messing up your Saturday.
>
> Ken k
>
>
> -----Original Message-----
> From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
> Sent: Saturday, September 24, 2016 1:39 PM
> To: John Psinas <John.Psinas@ofina.on.ca>
> Cc: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Bharat Patel (MOF) <Bharat.Patel3@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
> Subject: Fw: Pension Adjustment Charts Data.xlsx
>
> John,
>
> Here you are upon your request.
>
> Alicia
>
> Sent from my BlackBerry 10 smartphone on the Rogers network.
> From: Ma, Patricia (TBS) <Patricia.Ma2@ontario.ca>
> Sent: Friday, September 23, 2016 7:31 PM
> To: Sun, Alicia (TBS)
> Subject: Pension Adjustment Charts Data.xlsx
>
>
>
> FYI most current.
>
>
> Thanks,
>
> Patricia
>

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Cc: [Christina Zhang](#)
Subject: Re: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 7:45:22 AM

Will take a look as soon as I am in the office.

Ken k

On Oct 3, 2016, at 7:21 AM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

I'm not sure what it is that is being shown here. The amounts don't seem to have any relationship to the numbers contained in the Budget, unless I'm missing something fundamental.

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach. Nadine

<Pension Ajustment Charts_Oct 3_V2.pptx>

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Re: Pension Adjustment Charts_Oct 3_V2.pptx
Date: Monday, October 03, 2016 7:46:59 AM

No rush. I was just curious as to what it meant, and how it was derived.

On Oct 3, 2016, at 7:45 AM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Will take a look as soon as I am in the office.

Ken k

On Oct 3, 2016, at 7:21 AM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

I'm not sure what it is that is being shown here. The amounts don't seem to have any relationship to the numbers contained in the Budget, unless I'm missing something fundamental.

From: Petsche, Nadine (TBS) <Nadine.Petsche@ontario.ca>
Sent: Monday, October 3, 2016 7:05 AM
To: Kyle MacIntyre (MOF)
Cc: Greg Orencsak (MOF); Veinot, Cindy (TBS); Gadi Mayman; Scott Thompson (CAB)
Subject: Pension Adjustment Charts_Oct 3_V2.pptx

Kyle,

Just as an FYI, attached are slides depicting the historical fiscal impact under the current accounting approach compared to the AG's approach.
Nadine

<Pension Adjustment Charts_Oct 3_V2.pptx>

From: [Petsche, Nadine \(TBS\)](#)
To: [Ken Kandeepan](#)
Subject: Re: Revised wording for financial indicators, etc.
Date: Wednesday, September 28, 2016 1:46:40 PM
Attachments: [image001.png](#)
[image002.png](#)

Alicia, please check on 10.6 vs. 10.7 and also to check the ref on the net debt ref in the MO fwd. N

From: Ken Kandeepan
Sent: Wednesday, September 28, 2016 1:41 PM
To: Sun, Alicia (TBS); Petsche, Nadine (TBS)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); John Psinas
Subject: RE: Revised wording for financial indicators, etc.

Ok by me.

Thanks

Ken k

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Wednesday, September 28, 2016 1:18 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca>; George Sakura <George.Sakura@ofina.on.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: RE: Revised wording for financial indicators, etc.

Here is how it reads now:

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between the Province's liabilities and financial assets — grew by \$20.6 billion during the year. This growth was due to a \$11.0 billion increase in liabilities and a \$10.6 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 28, 2016 12:59 PM
To: Petsche, Nadine (TBS); Sun, Alicia (TBS)
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); John Psinas
Subject: RE: Revised wording for financial indicators, etc.

Hi Nadine and Alicia

See my proposed editorial changes for your consideration.

Thanks

Ken k

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]
Sent: Wednesday, September 28, 2016 12:46 PM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>>; John Psinas <John.Psinas@ofina.on.ca<<mailto:John.Psinas@ofina.on.ca>>>
Cc: Shemin Meralli <Shemin.Meralli@ofina.on.ca<<mailto:Shemin.Meralli@ofina.on.ca>>>; George Sakura <George.Sakura@ofina.on.ca<<mailto:George.Sakura@ofina.on.ca>>>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<<mailto:Ken.Kandeepan@ofina.on.ca>>>
Subject: RE: Revised wording for financial indicators, etc.

Some additional wording.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:43 PM
To: John Psinas
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

New wording ...

As at April 1, 2015, the Province's opening pension asset balance was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between it's the Province's liabilities and its financial assets — grew by \$20.7 billion during the year. This growth was due to representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:28 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This is proposed wording for the Highlight on net debt y-o-y variance:

The Province's opening accumulated deficit was adjusted to reflect a legislated change in accounting for pension assets related to jointly sponsored pension plans. As a result, net debt — the difference between its liabilities and its financial assets — grew by \$20.7 billion during the year, representing a \$11.0 billion increase in liabilities and a \$10.7 billion pension accounting adjustment (see Note 18 to the Consolidated Financial Statements) which were partially offset by a \$1.0 billion increase in financial assets.

From: Sun, Alicia (TBS)
Sent: September 28, 2016 12:07 PM
To: 'John Psinas'
Cc: Meralli, Shemin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS); Kandeepan, Ken (OFA)
Subject: RE: Revised wording for financial indicators, etc.

John,

This the data for the chart. Hope this can get you started from your end.

[cid:image001.png@01D2198E.06C240D0]

[cid:image002.png@01D2198E.06C240D0]

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:58 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Sorry, John.

I just want to clarify that there will be a change to net debt. Will send you something once I have a draft of the revised scenario.

Alicia

-----Original Message-----

From: Sun, Alicia (TBS)

Sent: September 28, 2016 11:55 AM

To: 'John Psinas'; Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

John,

Chart 9 has been removed. There is no change to Table 7.

No change to your section from the Hybrid version (Monday's version \$5.0B deficit).

Alicia

-----Original Message-----

From: John Psinas [<mailto:John.Psinas@ofina.on.ca>]

Sent: September 28, 2016 11:45 AM

To: Petsche, Nadine (TBS); Kandeepan, Ken (OFA)

Cc: Sun, Alicia (TBS); Meralli, Shemin (OFA); Sakura, George (OFA)

Subject: RE: Revised wording for financial indicators, etc.

Alicia,

Can you send me the revised calculations for Chart 9 and Table 7, as well as the FSD&A wording for our section.

Thanks.

--John

416-325-8072

-----Original Message-----

From: Petsche, Nadine (TBS) [<mailto:Nadine.Petsche@ontario.ca>]

Sent: Wednesday, September 28, 2016 11:43 AM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca<<mailto:Ken.Kandeepan@ofina.on.ca>>>; John Psinas <John.Psinas@ofina.on.ca<<mailto:John.Psinas@ofina.on.ca>>>

Cc: Alicia Sun (MOF) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>>

Subject: Revised wording for financial indicators, etc.

Ken/John,

We are on a new path now and are planning to have sign off this afternoon. Can you please connect with Alicia and confirm the ask. Thx. N

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

CHART 11 - Net Debt to GDP 5yr

	2011-12	2012-13	2013-14	2014-15	2015-16
Net Debt	235,582	252,088	268,873	284,576	305,218
GPD	659,743	680,084	693,210	721,970	747,101
	35.7%	37.1%	38.8%	39.4%	40.9%

TABLE 7 - Key Financial Ratios - 5 yr						
Key Financial Ratios						
as at the end of the fiscal period						
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	39.4%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	240.1%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 20,693	\$ 21,926
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

From: [Ken Kandeepan](#)
To: [Bonnie Lemcke](#)
Subject: Re: Still tweaking but thx for ken's comments
Date: Monday, October 03, 2016 6:53:08 PM

He is correct Bonnie, we do have extra cash in the system when compared to Budget time, will explain tomorrow.

Thanks

Ken k

Sent from my iPad

On Oct 3, 2016, at 6:00 PM, Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca> wrote:

I think he is wrong about the point that says we have additional cash on hand. It is near the end of this email.

Bonnie

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:45:02 PM EDT
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Still tweaking but thx for ken's comments

This is not formatted as u might have guessed

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion

deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February 2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.

- So what's the deal with pensions? As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements."

The dispute centres around the accounting treatment of pension assets for two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). Really, there's a fundamental difference of opinion on how pension assets should be treated. In the past, Ontario recognized pension assets (which arise when a government's total contributions exceed the recognized cumulative benefit expense of a plan), since they were viewed as providing scope for future contribution decreases. The AG prefers a "full valuation" approach, which writes off the value of pension assets of jointly-sponsored plans, since the government does not have unilateral access/claim to the assets of such plans. Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that *temporary adopts* the AG's recommended treatment of pension assets. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting.

The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force to study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. So stay tuned for more info.

- In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of pension assets in the two aforementioned plans and explains the larger-than-planned year-on-year increase in net debt.

Note that the accounting change has no impact on total or gross provincial debt, which is the preferred debt metric for

some rating agencies. Nor does the legislated change alter Ontario's cash requirements or borrowing needs. Rather, the improvement in the 2015-16 budget balance implies more cash on hand than previously envisioned. Likewise, a stronger revenue base marks a better handoff to 2016-17, which would (all else equal) support achievement of this year's fiscal targets. (Residual reserves and contingencies also protect current and future year budget targets.)

- Refer to the consolidated financial statements for greater information on the accounting change.

Additional highlights:

.

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector
Research & Strategy | National Bank Financial
[130 King Street W, 4th Floor Podium](#) | Toronto, ON | M5X 1J9 |
T: [416-869-8598](#) | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures

http://www.nbcn.ca/disclosure_english.jhtml

http://www.nbcn.ca/disclosure_french.jhtml

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [Bonnie Lemcke](#)
To: [Ken Kandeepan](#)
Subject: Re: Still tweaking but thx for ken's comments
Date: Monday, October 03, 2016 6:54:49 PM

Ok I thought he meant as a result of the accounting change.
Bonnie

On Oct 3, 2016, at 6:53 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

He is correct Bonnie, we do have extra cash in the system when compared to Budget time, will explain tomorrow.

Thanks

Ken k

Sent from my iPad

On Oct 3, 2016, at 6:00 PM, Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca> wrote:

I think he is wrong about the point that says we have additional cash on hand. It is near the end of this email.
Bonnie

Begin forwarded message:

From: "Lovely, Warren" <warren.lovely@nbc.ca>
Date: October 3, 2016 at 5:45:02 PM EDT
To: Bonnie Lemcke <Bonnie.Lemcke@ofina.on.ca>
Subject: Still tweaking but thx for ken's comments

This is not formatted as u might have guessed

Unaudited financial statements reveal smaller-than-planned deficit for 2015-16

Faced with an ongoing dispute with the Auditor General (AG) around pension accounting, Ontario took the unusual step of releasing *unaudited* financial statements for the 2015-16 fiscal year. Look past the accounting noise, which is unlikely to have material bearing on the province's credit rating, and you'll see an underlying

improvement in the budget balance. Meanwhile, the government reiterated yet again its commitment to end the budgetary red ink by 2017-18 and to remain in balance in 2018-19.

Budget result and accounting issue:

- Ontario ran a \$5.0 billion deficit last fiscal year, equivalent to 0.7% of GDP. That's a notable, \$3.5 billion improvement over the original plan (i.e., the \$8.5 billion deficit laid out in the 2015 budget). It's also a stronger fiscal result than that telegraphed in the February 2016 budget (\$5.7 billion deficit). The deficit would have been even lighter, down to just \$3.5 billion, were it not for a disagreement with the AG over pension accounting.
- So what's the deal with pensions? As per the province's press release: "Despite best efforts to resolve concerns, the Province's professional accounting staff and the Auditor General continue to have differences of opinion about the appropriate application of public sector accounting standards as they relate to pension accounting. This ongoing discussion has delayed the tabling of the Province's financial statements."

The dispute centres around the accounting treatment of pension assets for two jointly-sponsored pension plans (the OPSEU Pension Plan and Ontario Teachers' Pension Plan). Really, there's a fundamental difference of opinion on how pension assets should be treated. In the past, Ontario recognized pension assets (which arise when a government's total contributions exceed the recognized cumulative benefit expense of a plan), since they were viewed as providing scope for future contribution decreases. The AG prefers a "full valuation" approach, which writes off the value of pension assets of jointly-sponsored plans, since the government does not have unilateral access/claim to the assets of such plans.

Faced with this accounting impasse, and rather than delay release of the financial statements further, the province approved a regulation that *temporary adopts* the AG's recommended treatment of pension assets. So, while they're unaudited, the financial statements presented today effectively incorporate the AG's preferred approach to pension accounting.

The government is actively encouraging the AG to issue an audit opinion of the consolidated financial statements, so that the public accounts can be formally tabled. Note that the Public Sector Accounting Board (PSAB) has established a task force to study pension accounting standards and the province will engage an expert panel and undertake consultations around the issue. So stay tuned for more info.

- In addition to the above-noted impact on the budget balance—a \$5.0 billion deficit vs a \$3.5 billion shortfall based on the accounting treatment that had been in place for the prior decade and a half—changing the accounting for pension assets adds an additional \$10.7 billion to Ontario's net debt level and accumulated deficit. In effect, this results from writing off the value of pension assets in the two aforementioned plans and explains the larger-than-planned year-on-year increase in net debt.

Note that the accounting change has no impact on total or gross provincial debt, which is the preferred debt metric for some rating agencies. Nor does the legislated change alter Ontario's cash requirements or borrowing needs. Rather, the improvement in the 2015-16 budget balance implies more cash on hand than previously envisioned. Likewise, a stronger revenue base marks a better handoff to 2016-17, which would (all else equal) support achievement of this year's fiscal targets. (Residual reserves and contingencies also protect current and future year budget targets.)

- Refer to the consolidated financial statements for greater information on the accounting change.

Additional highlights:

-

[To unsubscribe please click here](#)

Warren Lovely | Managing Director, Head of Public Sector Research & Strategy | National Bank Financial
[130 King Street W, 4th Floor Podium](#) | Toronto, ON | M5X 1J9 | T: [416-869-8598](tel:416-869-8598) | E: warren.lovely@nbc.ca

Sales and Marketing Disclosures
http://www.nbcn.ca/disclosure_english.jhtml
http://www.nbcn.ca/disclosure_french.jhtml

CONFIDENTIALITÉ : Ce document est destiné uniquement à la personne ou à l'entité à qui il est adressé. L'information apparaissant dans ce document est de nature légalement privilégiée et confidentielle. Si vous n'êtes pas le destinataire visé ou la personne chargée de le remettre à son destinataire, vous êtes, par la présente, avisé que toute lecture, usage, copie ou communication du contenu de ce document est strictement interdit. De plus, vous êtes prié de communiquer avec l'expéditeur sans délai ou d'écrire à confidentialite@bnc.ca et de détruire ce document immédiatement.

CONFIDENTIALITY: This document is intended solely for the individual or entity to whom it is addressed. The information contained in this document is legally privileged and confidential. If you are not the intended recipient or the person responsible for delivering it to the intended recipient, you are hereby advised that you are strictly prohibited from reading, using, copying or disseminating the contents of this document. Please inform the sender immediately or write to confidentiality@nbc.ca and delete this document immediately.

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: Re: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 3:35:22 PM

Ken,

I gave our edits and they are doing it now, but they are rushing to and fro for their 4 pm deadline and I might not get it today. I hope there are no further mistakes.

Thanks.

John

On Sep 28, 2016, at 3:30 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Np can we get a copy today or tomorrow AM

On Sep 28, 2016, at 3:19 PM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Thanks.

On Sep 28, 2016, at 3:18 PM, George Sakura
<George.Sakura@ofina.on.ca> wrote:

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas
Sent: Wednesday, September 28, 2016 2:53 PM
To: George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Urgent The pension adjustment and net debt

George,

Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: Re: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 3:30:49 PM

Np can we get a copy today or tomorrow AM

On Sep 28, 2016, at 3:19 PM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Thanks.

On Sep 28, 2016, at 3:18 PM, George Sakura <George.Sakura@ofina.on.ca> wrote:

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas
Sent: Wednesday, September 28, 2016 2:53 PM
To: George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Urgent The pension adjustment and net debt

George,

Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

From: [John Psinas](#)
To: [George Sakura](#)
Cc: [Ken Kandeepan](#); [Shemin Meralli](#)
Subject: Re: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 3:19:08 PM

Thanks.

On Sep 28, 2016, at 3:18 PM, George Sakura <George.Sakura@ofina.on.ca> wrote:

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas
Sent: Wednesday, September 28, 2016 2:53 PM
To: George Sakura <George.Sakura@ofina.on.ca>; Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Urgent The pension adjustment and net debt

George,

Can you verify if still 64%. It's still in my calculation (last tab attached).
10.6 billion in total for this year. Sign off is at 4 pm

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Cc: [George Sakura](#); [Shemin Meralli](#)
Subject: Re: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 4:00:50 PM

Ken,

I am at BudSec now trying to get copies for me, you and Gadi.

On Sep 28, 2016, at 3:58 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

That's ok thanks very much for doing this, I have been invited to the DM sign off tomorrow at 3PM, that why I felt that taking a good look tomorrow morning will be useful.

Thanks again.

Ken k

From: John Psinas
Sent: Wednesday, September 28, 2016 3:35 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: George Sakura <George.Sakura@ofina.on.ca>; Shemin Meralli <Shemin.Meralli@ofina.on.ca>
Subject: Re: Urgent The pension adjustment and net debt

Ken,

I gave our edits and they are doing it now, but they are rushing to and fro for their 4 pm deadline and I might not get it today. I hope there are no further mistakes.

Thanks.

John

On Sep 28, 2016, at 3:30 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Np can we get a copy today or tomorrow AM

On Sep 28, 2016, at 3:19 PM, John Psinas
<John.Psinas@ofina.on.ca> wrote:

Thanks.

On Sep 28, 2016, at 3:18 PM, George Sakura
<George.Sakura@ofina.on.ca> wrote:

Yes. It is 64.07% based on net debt of 305,233.

From: John Psinas
Sent: Wednesday, September 28, 2016 2:53 PM
To: George Sakura
<George.Sakura@ofina.on.ca>; Ken Kandeepan
<Ken.Kandeepan@ofina.on.ca>; Shemin Meralli
<Shemin.Meralli@ofina.on.ca>
Subject: Urgent The pension adjustment and net debt

George,
Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Cc: [Christina Zhang](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 5:46:17 PM

Thanks. Did Alicia give you an answer to your question on whether it can go both ways?

Back to something I've got some expertise on, if the decision is to go this route, then the narrative has to change, but let's not go there yet.

On Sep 24, 2016, at 11:49 AM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Hi Gadi

FYI, in case you want to take a quick look at the narrative it's the Budget PW.

Thanks

Ken k

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:46 AM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi

Pls find attached the revised narrative for the net debt to GDP ratios, John has sent by separate email to Alicia his review of the underlying numbers.

When we review the changes to the Accumulated Deficit arising from the Pension adjustment we note that there are no adjustments for 2008-09 and 2009-10, which represent the peak of the recession. My understanding of this particular adjustment is very limited, however, this does raise the question that if there are adjustments for the years in which the pension plans incurred a surplus shouldn't there be the same adjustment in opposite direction for those years where the assets diminished as a result of negative returns.

If my understanding is flawed pls feel free to ignore this observation.

Thanks

Ken K

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Friday, September 23, 2016 4:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca
Tele: (416) 325-8155

<image001.jpg>

<FSDA- Key Financial Ratios Chart 9 - Updated with Pension Adj sep 24.docx>

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Cc: [George Sakura](#); [Kevin Hwang](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 5:33:17 PM

Thanks John, I guess we need to check the calculations. That's all we can do, I have also requested additional detail per an email cc'ed to you.

Ken k

On Sep 23, 2016, at 5:27 PM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Ken,

I'll take a look over the weekend, but if you recall, they are using a rough estimate to adj pensions and never answered our query about linking it to market.

Thanks.

John

On Sep 23, 2016, at 5:21 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Hi John

Pls see attached we need to check the ratios, since as we discussed last time there were errors in their calculations

Thanks

Ken k

Begin forwarded message:

From: "Sun, Alicia (TBS)" <Alicia.Sun@ontario.ca>
Date: September 23, 2016 at 4:45:12 PM EDT
To: "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>
Cc: "Chen, Raymond (TBS)" <Raymond.Chen@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Ma, Patricia (TBS)" <Patricia.Ma2@ontario.ca>
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board
Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension
Adj.docx>

From: [Ken Kandeepan](#)
To: [Alicia Sun \(MOF\)](#)
Cc: [Raymond Chen \(MTCS\)](#); [Veinot, Cindy \(TBS\)](#); [Nadine Petsche \(MOF\)](#); [Patricia Ma \(MOF\)](#); [John Psinas](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 5:30:58 PM

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Cc: [George Sakura](#); [Kevin Hwang](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 5:27:47 PM

Ken,

I'll take a look over the weekend, but if you recall, they are using a rough estimate to adj pensions and never answered our query about linking it to market.

Thanks.

John

On Sep 23, 2016, at 5:21 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Hi John

Pls see attached we need to check the ratios, since as we discussed last time there were errors in their calculations

Thanks

Ken k

Begin forwarded message:

From: "Sun, Alicia (TBS)" <Alicia.Sun@ontario.ca>
Date: September 23, 2016 at 4:45:12 PM EDT
To: "Kandeepan, Ken (OFA)" <Ken.Kandeepan@ofina.on.ca>
Cc: "Chen, Raymond (TBS)" <Raymond.Chen@ontario.ca>, "Veinot, Cindy (TBS)" <Cindy.Veinot@ontario.ca>, "Petsche, Nadine (TBS)" <Nadine.Petsche@ontario.ca>, "Ma, Patricia (TBS)" <Patricia.Ma2@ontario.ca>
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

From: [Ken Kandeepan](#)
To: [Christina Zhang](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 1:57:01 PM

Not a silly question, the reason is the bulk of the pension adjustments commence after the recession so no big change prior to the event. As to why I suspect inadequate data.

Thanks

Ken k

Sent from my iPad

On Sep 24, 2016, at 1:29 PM, Christina Zhang <Christina.Zhang@ofina.on.ca> wrote:

Thanks Ken. Apologies in advance for my silly question. Why isn't the pre-recession net debt to GDP ratio higher given the restatement? I was thinking that if we had to start the race further back, the finish line would be adjusted proportionally.

Hope you are enjoying the nice weather outside.

Thanks,

Christina

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:49 AM
To: Gadi Mayman
Cc: Christina Zhang
Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Gadi

FYI, in case you want to take a quick look at the narrative it's the Budget PW.

Thanks

Ken k

From: Ken Kandeepan

Sent: Saturday, September 24, 2016 11:46 AM

To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>

Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>

Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi

Pls find attached the revised narrative for the net debt to GDP ratios, John has sent by separate email to Alicia his review of the underlying numbers.

When we review the changes to the Accumulated Deficit arising from the Pension adjustment we note that there are no adjustments for 2008-09 and 2009-10, which represent the peak of the recession. My understanding of this particular adjustment is very limited, however, this does raise the question that if there are adjustments for the years in which the pension plans incurred a surplus shouldn't there be the same adjustment in opposite direction for those years where the assets diminished as a result of negative returns.

If my understanding is flawed pls feel free to ignore this observation.

Thanks

Ken K

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]

Sent: Friday, September 23, 2016 4:45 PM

To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>

Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>

Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension

adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

From: [Sun, Alicia \(TBS\)](#)
To: [John Psinas](#)
Cc: [Ken Kandeepan](#); [Kevin Hwang](#); [George Sakura](#); [Nadine Petsche \(MOF\)](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 1:36:31 PM

John,

Please look for the email I sent to Ken at 7:03 p.m. yesterday for the supporting data for Chart 9. Or you mean pension adjustment numbers? I'll send to you shortly.

Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

Original Message

From: John Psinas

Sent: Saturday, September 24, 2016 1:28 PM

To: Sun, Alicia (TBS)

Cc: Kandeepan, Ken (OFA); Hwang, Kevin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS)

Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Alicia,

Please send me the new numbers as soon as possible.

Thanks.

John

> On Sep 24, 2016, at 12:23 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

>

> Hi John,

>

> The pension numbers changed yesterday. The numbers I provided to Ken yesterday evening is the most recent set of numbers. The numbers that you got from Patricia are no longer under consideration.

>

> Thanks,

> Alicia

>

> Sent from my BlackBerry 10 smartphone on the Rogers network.

> From: John Psinas

> Sent: Saturday, September 24, 2016 11:45 AM

> To: Sun, Alicia (TBS)

> Cc: Kandeepan, Ken (OFA); Hwang, Kevin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS)

> Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

>

>

> Alicia

>

> We can't comment on the pension adjustment numbers per se and its impact on accumulated deficit.

> As we mentioned last week, the adjustment does not seem well correlated with the market, but we leave it to OPCD to calculate the adjustment on the yearly write-downs.

>

> Based on your revised net debt numbers however, the ratios in the chart match up to the chart. Net Debt to Revenue as well appears to be correct based on the changes rounded up (though I believe revenue for this

year is 128,377 (not 128,366) based on the numbers read to me yesterday).

>

> I'd like to point out that I am not getting consistent numbers with what the amounts Patricia gave me on the pension adjustment (see attached).

>

> Happy to discuss.

>

> Thanks.

>

>

>

>

> [cid:image001.png@01D21646.A0D08E70]

>

>

> On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>> wrote:

> Hi Ken,

>

> Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

>

> As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

>

> Hope this helps.

>

> Thanks,

> Alicia

>

>

> From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]

> Sent: September 23, 2016 5:31 PM

> To: Sun, Alicia (TBS)

> Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas

> Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

>

> Hi Alicia

>

> As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

>

> What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

>

> You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

>

> Pls provide all of the above at your earliest.

>

> Thanks

>

> Ken k

>

>

> On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>> wrote:

> Hi Ken,

>

> As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

>

> Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

>

> Your earliest response will be highly appreciated.

>

> Thanks,

> Alicia

>

>

>

> Alicia Sun, MBA, CPA, CGA

> Manager (A), Broader Public Sector Reporting

> Office of the Provincial Controller Division | Treasury Board Secretariat

> 7 Queen's Park Crescent, Frost South, 2nd Floor

> Toronto, ON, M7A 1Z5

> Email: Alicia.sun@ontario.ca<<mailto:Alicia.sun@ontario.ca>>

> Tele: (416) 325-8155

>

> <image001.jpg>

>

> <FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

>

> _____

>

> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

> <Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

> <Draft Pension Note in CFS_Revised FSD&A.docx>

From: [Christina Zhang](#)
To: [Ken Kandeepan](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 1:29:32 PM

Thanks Ken. Apologies in advance for my silly question. Why isn't the pre-recession net debt to GDP ratio higher given the restatement? I was thinking that if we had to start the race further back, the finish line would be adjusted proportionally.

Hope you are enjoying the nice weather outside.

Thanks,
Christina

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:49 AM
To: Gadi Mayman
Cc: Christina Zhang
Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Gadi

FYI, in case you want to take a quick look at the narrative it's the Budget PW.

Thanks

Ken k

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:46 AM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi

Pls find attached the revised narrative for the net debt to GDP ratios, John has sent by separate email to Alicia his review of the underlying numbers.

When we review the changes to the Accumulated Deficit arising from the Pension adjustment we note that there are no adjustments for 2008-09 and 2009-10, which represent the peak of the

recession. My understanding of this particular adjustment is very limited, however, this does raise the question that if there are adjustments for the years in which the pension plans incurred a surplus shouldn't there be the same adjustment in opposite direction for those years where the assets diminished as a result of negative returns.

If my understanding is flawed pls feel free to ignore this observation.

Thanks

Ken K

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Friday, September 23, 2016 4:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca
Tele: (416) 325-8155



From: [John Psinas](#)
To: [Alicia Sun \(MOF\)](#)
Cc: [Ken Kandeepan](#); [Kevin Hwang](#); [George Sakura](#); [Nadine Petsche \(MOF\)](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 1:28:49 PM

Alicia,

Please send me the new numbers as soon as possible.

Thanks.

John

> On Sep 24, 2016, at 12:23 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

>

> Hi John,

>

> The pension numbers changed yesterday. The numbers I provided to Ken yesterday evening is the most recent set of numbers. The numbers that you got from Patricia are no longer under consideration.

>

> Thanks,

> Alicia

>

> Sent from my BlackBerry 10 smartphone on the Rogers network.

> From: John Psinas

> Sent: Saturday, September 24, 2016 11:45 AM

> To: Sun, Alicia (TBS)

> Cc: Kandeepan, Ken (OFA); Hwang, Kevin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS)

> Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

>

>

> Alicia

> We can't comment on the pension adjustment numbers per se and its impact on accumulated deficit. As we mentioned last week, the adjustment does not seem well correlated with the market, but we leave it to OPCD to calculate the adjustment on the yearly write-downs.

>

> Based on your revised net debt numbers however, the ratios in the chart match up to the chart. Net Debt to Revenue as well appears to be correct based on the changes rounded up (though I believe revenue for this year is 128,377 (not 128,366) based on the numbers read to me yesterday).

>

> I'd like to point out that I am not getting consistent numbers with what the amounts Patricia gave me on the pension adjustment (see attached).

>

> Happy to discuss.

>

> Thanks.

>

>

>

>

> [cid:image001.png@01D21646.A0D08E70]

>

>

> On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>> wrote:

> Hi Ken,

>
> Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.
>
> As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.
>
> Hope this helps.
>
> Thanks,
> Alicia
>
>
> From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
> Sent: September 23, 2016 5:31 PM
> To: Sun, Alicia (TBS)
> Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
> Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
>
> Hi Alicia
>
> As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.
>
> What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.
>
> You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.
>
> Pls provide all of the above at your earliest.
>
> Thanks
>
> Ken k
>
>
> On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>> wrote:
> Hi Ken,
>
> As you have already known that we need to get different versions of the FSD&A ready as soon as possible.
>
> Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).
>
> Your earliest response will be highly appreciated.
>
> Thanks,
> Alicia
>
>
>
> Alicia Sun, MBA, CPA, CGA
> Manager (A), Broader Public Sector Reporting
> Office of the Provincial Controller Division |Treasury Board Secretariat
> 7 Queen's Park Crescent, Frost South, 2nd Floor
> Toronto, ON, M7A 1Z5
> Email: Alicia.sun@ontario.ca<<mailto:Alicia.sun@ontario.ca>>

> Tele: (416) 325-8155

>

> <image001.jpg>

>

> <FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

>

> _____

>

> This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

> <Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

> <Draft Pension Note in CFS_Revised FSD&A.docx>

From: [Sun, Alicia \(TBS\)](#)
To: [John Psinas](#)
Cc: [Ken Kandeepan](#); [Kevin Hwang](#); [George Sakura](#); [Nadine Petsche \(MOF\)](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 12:23:47 PM
Attachments: [image001.png](#)

Hi John,

The pension numbers changed yesterday. The numbers I provided to Ken yesterday evening is the most recent set of numbers. The numbers that you got from Patricia are no longer under consideration.

Thanks,
Alicia

Sent from my BlackBerry 10 smartphone on the Rogers network.

From: John Psinas

Sent: Saturday, September 24, 2016 11:45 AM

To: Sun, Alicia (TBS)

Cc: Kandeepan, Ken (OFA); Hwang, Kevin (OFA); Sakura, George (OFA); Petsche, Nadine (TBS)

Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Alicia

We can't comment on the pension adjustment numbers per se and its impact on accumulated deficit. As we mentioned last week, the adjustment does not seem well correlated with the market, but we leave it to OPCD to calculate the adjustment on the yearly write-downs.

Based on your revised net debt numbers however, the ratios in the chart match up to the chart. Net Debt to Revenue as well appears to be correct based on the changes rounded up (though I believe revenue for this year is 128,377 (not 128,366) based on the numbers read to me yesterday).

I'd like to point out that I am not getting consistent numbers with what the amounts Patricia gave me on the pension adjustment (see attached).

Happy to discuss.

Thanks.

[cid:image001.png@01D21646.A0D08E70]

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>> wrote:
Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,

Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca<<mailto:Alicia.Sun@ontario.ca>>> wrote:
Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA
Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board Secretariat
7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5
Email: Alicia.sun@ontario.ca<<mailto:Alicia.sun@ontario.ca>>
Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and

may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

Accumulated Deficit			original	With Pension Adjustment	Variance	Pension Adjustment. that Alicia gave me		
		1989-90	35,409	35,409	-			
		1990-91	38,438	38,438	-			
		1991-92	49,368	49,368	-			
		1992-93	61,796	61,796	-			
		1993-94	80,599	80,599	-			
		1994-95	90,728	90,728	-			
		1995-96	101,864	101,864	-			
		1996-97	108,769	108,769	-			
		1997-98	112,735	112,735	-			
		1998-99	114,737	114,737	-			
		1999-2000	134,398	134,398	-			
		2000-01	132,496	132,496	-			
		2001-02	132,121	132,675	(554)	554		
		2002-03	118,705	118,764	(59)	1074		
		2003-04	124,188	125,727	(1,539)	1539		
		2004-05	125,743	127,757	(2,014)	2014		
		2005-06	109,155	111,571	(2,416)	2416		
		2006-07	106,776	109,666	(2,890)	2890		
		2007-08	105,617	109,045	(3,428)	3428		
		2008-09	113,238	113,238	-	4540		
		2009-10	130,957	130,957	-	5573		
		2010-11	144,573	147,816	(3,243)	6392		
		2011-12	158,410	164,092	(5,682)	7226		
		2012-13	167,132	174,256	(7,124)	7694		
		2013-14	178,317	186,518	(8,201)	8201		
		2014-15	187,511	196,665	(9,154)	9154		
		2015-16	192,029	202,697	(10,668)	10667		

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 9:20:58 AM

Thanks John, the way I see it is the TCA should be unchanged each year in comparison to the numbers we have prior to the pension adjustment and so should the annual deficit up to 14-15, the only changes should be in the accumulated deficits and the deficit for 15-16 which increases as a result of this adjustment.

Thanks

Ken k

Sent from my iPad

On Sep 24, 2016, at 8:48 AM, John Psinas <John.Psinas@ofina.on.ca> wrote:

Ken,

Yes, just logged on to my laptop just as I got your email. Will take a look this morning.

Thanks.

John

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 8:46 AM
To: John Psinas <John.Psinas@ofina.on.ca>
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi John

Very sorry to bother you over the weekend, when you have some time pls review the numbers and let me know. I will do the same and also review the narrative and make changes if required.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting
Office of the Provincial Controller Division | Treasury Board
Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor
Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated
with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension
adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

From: [Ken Kandeepan](#)
To: [John Psinas](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 8:45:55 AM

Hi John

Very sorry to bother you over the weekend, when you have some time pls review the numbers and let me know. I will do the same and also review the narrative and make changes if required.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

From: [Ken Kandeepan](#)
To: [Alicia Sun \(MOF\)](#)
Cc: [Raymond Chen \(MTCS\)](#); [Veinot, Cindy \(TBS\)](#); [Nadine Petsche \(MOF\)](#); [Patricia Ma \(MOF\)](#); [John Psinas](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 7:23:07 PM

Thanks we will review the numbers and I will provide you with a revised narrative sometime tomorrow.

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:03 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

Please find attached the revised supporting data for Table 7 and Chart 9 in FSD&A and draft pension note in CFS.

As for the discussion on the impact of the change in FSD&A, the intended approach is to isolate its impact to expense. You can see it in the Word document for an example as proposed change in the Introduction section.

Hope this helps.

Thanks,
Alicia

From: Ken Kandeepan [<mailto:Ken.Kandeepan@ofina.on.ca>]
Sent: September 23, 2016 5:31 PM
To: Sun, Alicia (TBS)
Cc: Chen, Raymond (TBS); Veinot, Cindy (TBS); Petsche, Nadine (TBS); Ma, Patricia (TBS); John Psinas
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Alicia

As I have indicated to Nadine in my previous emails on this issue, at minimum we need to see the section in the FSD&A that explains this change to ensure that whatever narrative we write on the ratios is in alignment.

What would also be ideal is the note in the FS that relates to this adjustment. It is difficult for us to write a narrative in a vacuum.

You also need to also provide us with the spreadsheet underlying the ratios allowing us to review the calculations since we have to sign off on these ratios.

Pls provide all of the above at your earliest.

Thanks

Ken k

On Sep 23, 2016, at 4:45 PM, Sun, Alicia (TBS) <Alicia.Sun@ontario.ca> wrote:

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

<FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adj.docx>

This message, including any attachments, is meant only for the use of the individual(s) to whom it is intended and may contain information that is privileged/confidential. Any unauthorized use, copying or disclosure is strictly prohibited. If you are not the intended recipient or have received this message in error, please notify us immediately by reply e-mail and permanently delete this message, including any attachments, without reading them, and destroy all copies. Thank you.

<Key Financial Ratios and Chart 9 Data (5 year change with pension adj).xlsx>

<Draft Pension Note in CFS_Revised FSD&A.docx>

From: [Christina Zhang](#)
To: [Ken Kandeepan](#)
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Saturday, September 24, 2016 5:49:38 PM

Thanks very much for taking the time to explain it to me. Much appreciated.

Regards,
Christina

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 1:56 PM
To: Christina Zhang
Subject: Re: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Not a silly question, the reason is the bulk of the pension adjustments commence after the recession so no big change prior to the event. As to why I suspect inadequate data.

Thanks

Ken k

Sent from my iPad

On Sep 24, 2016, at 1:29 PM, Christina Zhang <Christina.Zhang@ofina.on.ca> wrote:

Thanks Ken. Apologies in advance for my silly question. Why isn't the pre-recession net debt to GDP ratio higher given the restatement? I was thinking that if we had to start the race further back, the finish line would be adjusted proportionally.

Hope you are enjoying the nice weather outside.

Thanks,
Christina

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:49 AM

To: Gadi Mayman
Cc: Christina Zhang
Subject: FW: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi Gadi

FYI, in case you want to take a quick look at the narrative it's the Budget PW.

Thanks

Ken k

From: Ken Kandeepan
Sent: Saturday, September 24, 2016 11:46 AM
To: Alicia Sun (MOF) <Alicia.Sun@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>; John Psinas <John.Psinas@ofina.on.ca>
Subject: RE: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Hi

Pls find attached the revised narrative for the net debt to GDP ratios, John has sent by separate email to Alicia his review of the underlying numbers.

When we review the changes to the Accumulated Deficit arising from the Pension adjustment we note that there are no adjustments for 2008-09 and 2009-10, which represent the peak of the recession. My understanding of this particular adjustment is very limited, however, this does raise the question that if there are adjustments for the years in which the pension plans incurred a surplus shouldn't there be the same adjustment in opposite direction for those years where the assets diminished as a result of negative returns.

If my understanding is flawed pls feel free to ignore this observation.

Thanks

Ken K

From: Sun, Alicia (TBS) [<mailto:Alicia.Sun@ontario.ca>]
Sent: Friday, September 23, 2016 4:45 PM
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: Raymond Chen (MTCS) <Raymond.Chen@ontario.ca>; Veinot, Cindy (TBS) <Cindy.Veinot@ontario.ca>; Nadine Petsche (MOF) <Nadine.Petsche@ontario.ca>; Patricia Ma (MOF) <Patricia.Ma2@ontario.ca>

Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment

Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

<image001.jpg>

From: [Ken Kandeepan](#)
To: [Gadi Mayman](#)
Subject: Re: Weekly FES Update #2
Date: Friday, September 23, 2016 7:40:45 PM

Thanks, this is one document for which I don't have comments :-).

BTW OPCD has forwarded for the second time our section of the FSD&A requesting me to review the revised ratios including the pension adjustment and edit the accompanying narrative accordingly.

John and I will do so tomorrow and get back to them.

Hopefully this request still falls into the contingency category and is not indicative of a decision though I must say the timing is a little concerning.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:16 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

Begin forwarded message:

From: "Schuurman, Tim (MOF)" <Tim.Schuurman@ontario.ca>
Date: September 23, 2016 at 5:51:07 PM EDT
To: "Thompson, Scott (MOF)" <Scott.Thompson@ontario.ca>, "Orencsak, Greg (TBS)" <Greg.Orencsak@ontario.ca>, "Nanji, Mahmood (MOF)" <Mahmood.Nanji@ontario.ca>, "Garcia-Wright, Agatha (MOF)" <Agatha.Garcia-Wright@ontario.ca>, "Duran-Schneider, Maria (TBS)" <Maria.Duran-Schneider@ontario.ca>, "Mavroyannis, Maria (MOF)" <Maria.Mavroyannis@ontario.ca>, "Kennedy, Nancy (MOF)" <Nancy.Kennedy@ontario.ca>, "Myers, Leah (MOF)" <Leah.Myers@ontario.ca>, "Subrahmanyam, Sriram (MOF)" <Sriram.Subrahmanyam@ontario.ca>, "Waterston, Michael (MOF)" <Michael.Waterston@ontario.ca>, "Kwan, Ronald (OFA)" <Ronald.Kwan@ofina.on.ca>, "Mayman, Gadi (OFA)" <Gadi.Mayman@ofina.on.ca>, "Doheny, Allan (MOF)" <Allan.Doheny@ontario.ca>, "Lewis, Brian (MOF)" <Brian.Lewis@Ontario.ca>, "Ward, Kathleen (MOF)" <Kathleen.Ward@ontario.ca>, "Lone, Dianne (MOF)" <Dianne.Lone@ontario.ca>, "Hughes, Karen (TBS)"

<Karen.Hughes@ontario.ca>, "Arruda, Artur (TBS)"
<Artur.Arruda@ontario.ca>, "Veinot, Cindy (TBS)"
<Cindy.Veinot@ontario.ca>, "McLean, David (MOF)"
<David.McLean@ontario.ca>, "MacIntyre, Kyle (TBS)"
<Kyle.MacIntyre@ontario.ca>, "Hancock, Julia (MOF)"
<Julia.Hancock@ontario.ca>, "Bryant, Michelle (MOF)"
<SOM.Michelle.Bryant@ontario.ca>, "Dong, Joyce (MOF)"
<Joyce.Dong@ontario.ca>, "Reynolds, Samantha (MOF)"
<Samantha.Reynolds@ontario.ca>, "Skoberne, Vivienne (MOF)"
<Vivienne.Skoberne@ontario.ca>, "Talwar, Garima (MOF)"
<Garima.Talwar@ontario.ca>, "DeSouza, Jenarra (MOF)"
<Jenarra.DeSouza@ontario.ca>, "Symeonides, Nicole (MOF)"
<Nicole.Symeonides@ontario.ca>, "Lewis, Shannon (MOF)"
<Shannon.Lewis@ontario.ca>, "Zhang, Christina (OFA)"
<Christina.Zhang@ofina.on.ca>, "Wallace, Julia (MOF)"
<Julia.Wallace@ontario.ca>, "Tarin, Ghufra (MOF)"
<Ghufra.Tarin@ontario.ca>, "Salman, Sadruddin (MOF)"
<Sadruddin.Salman@ontario.ca>, "Morier, Rebecca (MOF)"
<Rebecca.Morier@ontario.ca>, "Laughton, Patrick (TBS)"
<Patrick.Laughton@ontario.ca>, "Law, Rex (TBS)"
<Rex.Law@ontario.ca>, "Arbabzadeh, Nina (TBS)"
<Nina.Arbabzadeh@ontario.ca>, "Chen, Raymond (TBS)"
<Raymond.Chen@ontario.ca>, "Anderson, Alana (MOF)"
<Alana.Anderson@ontario.ca>, "McGrath, Tara (MOF)"
<Tara.McGrath@ontario.ca>, "Laurent, Stephen (MOF)"
<Stephen.Laurent@ontario.ca>, "Tiburcio, Daniel (MOF)"
<Daniel.Tiburcio@ontario.ca>, "Jaikaran, Ronald (MOF)"
<Ronald.Jaikaran@ontario.ca>, "Birks, Ryan (MOF)"
<Ryan.Birks@ontario.ca>, "Esmail, Selena (TBS)"
<Selena.Esmail@ontario.ca>

Subject: Weekly FES Update #2

Hello;

Attached is this week's "FES at a Glance" update for ADM/DM's. Please feel free to contact me anytime to if you'd like further details on what's covered in the attached or have questions about the process.

I remain grateful for your ongoing cooperation and collaboration in this process as we continue to move forward.

Tim Schuurman
Assistant Deputy Minister
Office of the Budget, Ministry of Finance
7 Queen's Park Cres.
Toronto ON M7A 1Z1
Tel: 416-327-0173

<image003.png>

<2016 FES Week at a Glance - Sept 19 - Sept 23.pdf>

From: [Gadi Mayman](#)
To: [Ken Kandeepan](#)
Subject: Re: Weekly FES Update #2
Date: Friday, September 23, 2016 8:46:57 PM

I wish I had an answer to your last concern, but this file keeps changing by the hour, so I have no idea.

On Sep 23, 2016, at 7:40 PM, Ken Kandeepan <Ken.Kandeepan@ofina.on.ca> wrote:

Thanks, this is one document for which I don't have comments :-).

BTW OPCD has forwarded for the second time our section of the FSD&A requesting me to review the revised ratios including the pension adjustment and edit the accompanying narrative accordingly.

John and I will do so tomorrow and get back to them.

Hopefully this request still falls into the contingency category and is not indicative of a decision though I must say the timing is a little concerning.

Thanks

Ken k

Sent from my iPad

On Sep 23, 2016, at 7:16 PM, Gadi Mayman <Gadi.Mayman@ofina.on.ca> wrote:

Begin forwarded message:

From: "Schuurman, Tim (MOF)"
<Tim.Schuurman@ontario.ca>
Date: September 23, 2016 at 5:51:07 PM EDT
To: "Thompson, Scott (MOF)"
<Scott.Thompson@ontario.ca>, "Orencsak, Greg (TBS)"
<Greg.Orencsak@ontario.ca>, "Nanji, Mahmood (MOF)" <Mahmood.Nanji@ontario.ca>, "Garcia-Wright, Agatha (MOF)" <Agatha.Garcia-Wright@ontario.ca>, "Duran-Schneider, Maria (TBS)"
<Maria.Duran-Schneider@ontario.ca>, "Mavroyannis, Maria (MOF)" <Maria.Mavroyannis@ontario.ca>,

"Kennedy, Nancy (MOF)"
<Nancy.Kennedy@ontario.ca>, "Myers, Leah (MOF)"
<Leah.Myers@ontario.ca>, "Subrahmanyam, Sriram
(MOF)" <Sriram.Subrahmanyam@ontario.ca>,
"Waterston, Michael (MOF)"
<Michael.Waterston@ontario.ca>, "Kwan, Ronald
(OFA)" <Ronald.Kwan@ofina.on.ca>, "Mayman, Gadi
(OFA)" <Gadi.Mayman@ofina.on.ca>, "Doheny, Allan
(MOF)" <Allan.Doheny@ontario.ca>, "Lewis, Brian
(MOF)" <Brian.Lewis@Ontario.ca>, "Ward, Kathleen
(MOF)" <Kathleen.Ward@ontario.ca>, "Lone, Dianne
(MOF)" <Dianne.Lone@ontario.ca>, "Hughes, Karen
(TBS)" <Karen.Hughes@ontario.ca>, "Arruda, Artur
(TBS)" <Artur.Arruda@ontario.ca>, "Veinot, Cindy
(TBS)" <Cindy.Veinot@ontario.ca>, "McLean, David
(MOF)" <David.McLean@ontario.ca>, "MacIntyre,
Kyle (TBS)" <Kyle.MacIntyre@ontario.ca>, "Hancock,
Julia (MOF)" <Julia.Hancock@ontario.ca>, "Bryant,
Michelle (MOF)" <SOM.Michelle.Bryant@ontario.ca>,
"Dong, Joyce (MOF)" <Joyce.Dong@ontario.ca>,
"Reynolds, Samantha (MOF)"
<Samantha.Reynolds@ontario.ca>, "Skoberne, Vivienne
(MOF)" <Vivienne.Skoberne@ontario.ca>, "Talwar,
Garima (MOF)" <Garima.Talwar@ontario.ca>,
"DeSouza, Jenarra (MOF)"
<Jenarra.DeSouza@ontario.ca>, "Symeonides, Nicole
(MOF)" <Nicole.Symeonides@ontario.ca>, "Lewis,
Shannon (MOF)" <Shannon.Lewis@ontario.ca>,
"Zhang, Christina (OFA)"
<Christina.Zhang@ofina.on.ca>, "Wallace, Julia
(MOF)" <Julia.Wallace@ontario.ca>, "Tarin, Ghufan
(MOF)" <Ghufan.Tarin@ontario.ca>, "Salman,
Sadraddin (MOF)" <Sadraddin.Salman@ontario.ca>,
"Morier, Rebecca (MOF)"
<Rebecca.Morier@ontario.ca>, "Laughton, Patrick
(TBS)" <Patrick.Laughton@ontario.ca>, "Law, Rex
(TBS)" <Rex.Law@ontario.ca>, "Arbabzadeh, Nina
(TBS)" <Nina.Arbabzadeh@ontario.ca>, "Chen,
Raymond (TBS)" <Raymond.Chen@ontario.ca>,
"Anderson, Alana (MOF)"
<Alana.Anderson@ontario.ca>, "McGrath, Tara (MOF)"
<Tara.McGrath@ontario.ca>, "Laurent, Stephen (MOF)"
<Stephen.Laurent@ontario.ca>, "Tiburcio, Daniel
(MOF)" <Daniel.Tiburcio@ontario.ca>, "Jaikaran,
Ronald (MOF)" <Ronald.Jaikaran@ontario.ca>, "Birks,
Ryan (MOF)" <Ryan.Birks@ontario.ca>, "Esmail,
Selena (TBS)" <Selena.Esmail@ontario.ca>

Subject: Weekly FES Update #2

Hello;

Attached is this week's "FES at a Glance" update for ADM/DM's. Please feel free to contact me anytime to if you'd like further details on what's covered in the attached or have questions about the process.

I remain grateful for your ongoing cooperation and collaboration in this process as we continue to move forward.

*Tim Schuurman
Assistant Deputy Minister
Office of the Budget, Ministry of Finance
7 Queen's Park Cres.
Toronto ON M7A 1Z1
Tel: 416-327-0173*

<image003.png>

<2016 FES Week at a Glance - Sept 19 - Sept 23.pdf>

From: [John Psinas](#)
To: [Ken Kandeepan](#)
Cc: [George Sakura](#)
Subject: The pension adjustment and net debt
Date: Tuesday, September 27, 2016 2:36:18 PM
Attachments: [FSDA- Key Financial Ratios Chart 9 - Updated sep 27 alternative .docx](#)
[Net Debt worksheet September 26, 2016 \(Restate opening Acc Deficit\).xlsx](#)
[image001.png](#)

Ken,

I did 2 alternative calculations; one that puts the entire \$10.6 B adjustment to 2015-16 and one that splits it as OPCD likes to adjust the opening Acc. Deficit, like they did with the Contaminated Sites exercise, as George reminded me.

Province of Ontario		
Consolidated Statement of Change in Accumulated Deficit		
For the year ended March 31 (\$ Millions)	2015	2014
Accumulated Deficit at Beginning of Year	(176,634)	(167,132)
PSAB Adjustment for Liabilities for Contaminated Sites (Note 1(f))	(1,683)	-
Restated Accumulated Deficit at Beginning of Year	(178,317)	(167,132)
Annual Deficit	(10,315)	(10,453)
Increase in Fair Value of Ontario Nuclear Funds (Note 10)	1,121	951
Accumulated Deficit at End of Year	(187,511)	(176,634)
See accompanying Notes and Schedules to the Financial Statements.		

I have attached the split version and will send you the all-this-year version if you wish as well.

I took the liberty of amending the FSD&A in green font for your consideration.

Thanks.

John

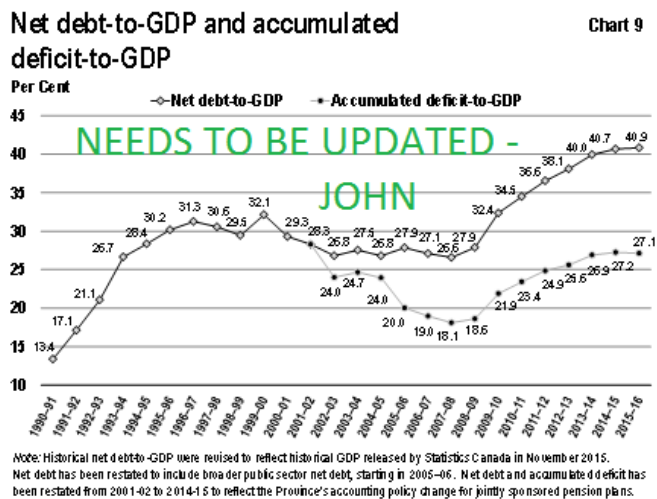
FSD&A

Infrastructure Expenditure

Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).

Commented [KK1]: Chart needs to be updated by OPCD with the new ratios



Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios as at the end of the fiscal period		2011–12	2012–13	2013–14	2014–15	2015–16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	40.7%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

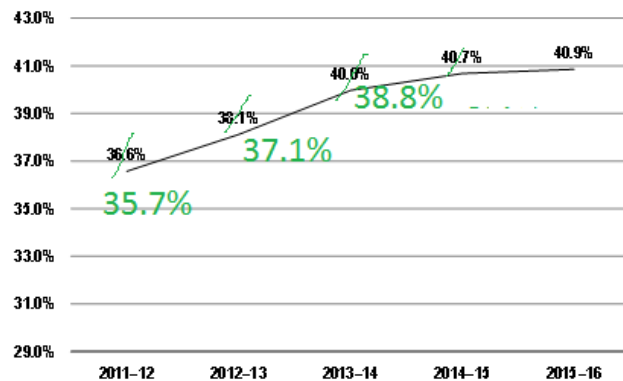
Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 39.6 per cent at the end of fiscal year 2015–16. In 2011–12, it was 35.7 per cent. Over this period, the deficit and other adjustments such as those arising from the change in the Province's accounting policy for pensions contributed to close to approximately 64 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011–12 and 2014–15, because net debt grew more quickly than GDP, the ratio increased from 35.7 per cent to 40.7 per cent. The ratio underwent a slight increase from 2014–15 to 2015–16 since net debt and GDP grew approximately at the same rate.

Commented [KK2]: Above table has already been updated

Net debt-to-GDP — 5-year trend

Chart 11



Commented [KK3]: Chart needs to be updated by OPCD with the new ratios

The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. These capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011-12, the ratio was 214.6 per cent. It rose to 247.8 per cent in 2014-15, as net debt grew more quickly than revenue, as well as the impact from the pension adjustment to the opening Accumulated Deficit. However, the ratio fell to 237.8 per cent in 2015-16, indicating that total revenues increased at a greater rate than did net debt.

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in

2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

Net Debt to Revenue and GDP Ratios																				
Ontario		2016 Document									2016 Public Accounts									
					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)		GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)		282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)
Actual	1990-91	287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029		287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029
Actual	1991-92	288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930		288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930
Actual	1992-93	293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428		293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428
Actual	1993-94	302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202		302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202
Actual	1994-95	319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129		319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129
Actual	1995-96	337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800		337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800
Actual	1996-97	347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905		347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905
Actual	1997-98	368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966		368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966
Actual	1998-99	389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002		389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002
Actual	1999-2000	418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)		418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)
Actual	2000-01	452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)		452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)
Actual	2001-02	469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)		469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)
Actual	2002-03	494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)		494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)
Actual	2003-04	509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483		509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483
Actual	2004-05	533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555		533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555
Actual	2005-06	556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)		556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)
Actual	2006-07	578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)		578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)
Actual	2007-08	601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)		601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)
Actual	2008-09	608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409		608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409
Actual	2009-10	597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262		597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262
Actual	2010-11	630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011		630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011
Actual	2011-12	659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969		659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969
Actual	2012-13	680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220		680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220
Actual	2013-14	693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453		693,210	268,873	115,911	38.8	232.0	178,317	25.7	90,556	10,453
Actual	2014-15	721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315		721,970	293,730	118,546	40.7	247.8	196,665	27.2	97,065	10,315
	2015-16	748,207	296,109	126,547	39.6	234.0	193,447	25.9	102,662	5,686		747,101	305,233	128,376	40.9	237.8	202,697	27.1	102,536	5,029
	2016-17 Outloo	778,417	308,315	130,589	39.6	236.1	197,753	25.4	110,562	4,306		777,266	317,439	130,589	40.8	243.1	207,003	26.6	110,436	4,306
	2017-18 Outloo	813,924	316,945	137,729	38.9	230.1	197,740	24.3	119,205	(13)		812,720	326,069	137,729	40.1	236.7	206,990	25.5	119,079	(13)
	2018-19 Outloo	848,237	326,827	141,920	38.5	230.3	197,717	23.3	129,110	(23)		846,982	335,951	141,920	39.7	236.7	206,967	24.4	128,984	(23)
	2019-20 Outloo	882,062	336,798		38.2	#DIV/0!	197,717	22.4	139,081	-		880,758	345,922		39.3	#DIV/0!	206,967	23.5	138,955	-
	2020-21 Outlook		344,907			#DIV/0!	197,717		147,190	-			354,031		#DIV/0!	#DIV/0!	206,967	#DIV/0!	147,064	-
		Note: 2015-16 Accumulated Deficit includes a projected ONFA unrealized loss of \$250 million for 2015/16 (Budget).																		
		Note: For 2019-20 and 2020-21, we are assuming a zero deficit.																		
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.																		
Prepared by OFA, FTD		Note: Pension adjustment of 10,668 was added to the Acc. Deficit for 2015-16 (9,154 to 2014-15equity, and 1, 514										Fiscal balance Chart 12 \$ Billions 2009-10 2010-11 2011-12 2012-13 2013-14 2014-15 2015-16								
	27-Sep-16	to the 2015-16 deficit)																		

Net Debt to Revenue and								
Ontario			Comparison: 2016 Public Accounts vs 2016 Document					
					Accumulated	Acc Deficit		
	Fiscal Year		GDP	Net Debt	Deficit	to GDP	TCA	
							Deficit/ (Surplus)	
Actual	1989-90		-	-	-	-	-	
Actual	1990-91		-	-	-	-	-	
Actual	1991-92		-	-	-	-	-	
Actual	1992-93		-	-	-	-	-	
Actual	1993-94		-	-	-	-	-	
Actual	1994-95		-	-	-	-	-	
Actual	1995-96		-	-	-	-	-	
Actual	1996-97		-	-	-	-	-	
Actual	1997-98		-	-	-	-	-	
Actual	1998-99		-	-	-	-	-	
Actual	1999-2000		-	-	-	-	-	
Actual	2000-01		-	-	-	-	-	
Actual	2001-02		-	-	-	-	-	
Actual	2002-03		-	-	-	-	-	
Actual	2003-04		-	-	-	-	-	
Actual	2004-05		-	-	-	-	-	
Actual	2005-06		-	-	-	-	-	
Actual	2006-07		-	-	-	-	-	
Actual	2007-08		-	-	-	-	-	
Actual	2008-09		-	-	-	-	-	
Actual	2009-10		-	-	-	-	-	
Actual	2010-11		-	-	-	-	-	
Actual	2011-12		-	-	-	-	-	
Actual	2012-13		-	-	-	-	-	
Actual	2013-14		-	1,683	1,683	0.2	-	
Actual	2014-15		-	9,154	9,154	1.3	-	
	2015-16		(1,106)	9,124	9,250	1.3	(126)	
	2016-17 Outloo		(1,151)	9,124	9,250	1.2	(126)	
	2017-18 Outloo		(1,204)	9,124	9,250	1.2	(126)	
	2018-19 Outloo		(1,255)	9,124	9,250	1.1	(126)	
	2019-20 Outloo		(1,304)	9,124	9,250	1.1	(126)	
	2020-21 Outloo		-	9,124	9,250	#DIV/0!	(126)	
Prepared by OFA, FTD								
	27-Sep-16							

	2011-12	2012-13	2013-14	2014-15
Net Debt to GDP	35.7%	37.1%	38.8%	40.7%
Net Debt to Revenue	214.6%	222.4%	232.0%	247.8%
Net Debt per Capita	\$ 17,626	\$ 18,667	\$ 19,715	\$ 21,359
Total Revenue	109,773	113,369	115,911	118,546
GDP	659,743	680,084	693,210	721,970
Population	13,365,679	13,504,382	13,638,132	13,752,091
Net Debt	235,582	252,088	268,873	293,730

Growth of 2015-16 Revenue from the prior year

Growth of 2015-16 Net Debt from the prior year

Growth of 2015-16 GDP from the prior year

2015-16

40.9%

237.8%

\$ 21,927

128,376
747,101
13,920,499
305,233

8%

4%

3%

Analysis of Net Debt

	2011-12	2012-13
Opening balance	(214,511)	(235,582)
Deficit	(12,969)	(9,220)
Tangible Capital Asset	(7,234)	(7,784)
Ontario Nuclear Fund	(3)	639
IFRS Transitional Impact	(758)	
PSAB Transitional Impact	(107)	(141)
Pension Adjustment		
	(21,071)	(16,506)
Ending balance	(235,582)	(252,088)

"Deficit and other adjustments such as those arising from the change in the Province's Accounting p
Infrastructure

2013-14	2014-15	2015-16	Total	
(252,088)	(268,873)	(293,730)	(214,511)	
(10,453)	(10,315)	(5,029)	(47,986)	53%
(5,600)	(6,509)	(5,471)	(32,598)	36%
951	1,121	(1,003)	1,705	-2%
			(758)	1%
(1,683)			(1,931)	2%
	(9,154)		(9,154)	10%
(16,785)	(24,857)	(11,503)	(90,722)	
(268,873)	(293,730)	(305,233)	(305,233)	

olicy for pensions contributed"

64%
36%

100%

Province of Ontario
Consolidated Statement of Change in Accumulated Deficit

For the year ended March 31 (\$ Millions)	2015	2014
Accumulated Deficit at Beginning of Year	(176,634)	(167,132)
PSAB Adjustment for Liabilities for Contaminated Sites (Note 1(f))	(1,683)	—
Restated Accumulated Deficit at Beginning of Year	(178,317)	(167,132)
Annual Deficit	(10,315)	(10,453)
Increase in Fair Value of Ontario Nuclear Funds (Note 10)	1,121	951
Accumulated Deficit at End of Year	(187,511)	(176,634)

See accompanying Notes and Schedules to the Financial Statements.

From: [John Psinas](#)
To: [George Sakura](#); [Ken Kandeepan](#); [Shemin Meralli](#)
Subject: Urgent The pension adjustment and net debt
Date: Wednesday, September 28, 2016 2:52:50 PM
Attachments: [ATT00001.htm](#)
[ATT00002.htm](#)
[ATT00003.htm](#)
[FSDA- Key Financial Ratios Chart 9 - Updated sep 27 alternative .docx](#)
[ATT00004.htm](#)
[Net Debt worksheet September 26, 2016 \(Restate opening Acc Deficit\).xlsx](#)
[ATT00005.htm](#)

George,

Can you verify if still 64%. It's still in my calculation (last tab attached). 10.6 billion in total for this year. Sign off is at 4 pm

Ken, they put the entire 10.6 for this year, but I argued that they forced us to restate 2013-14 bc of the Cont. Sites, and they should be consistent. However, Cindy overruled me as its Legislated and the whole adj is for this year. We will go back and adjust Acc Def. for 2013-14 now.

Thanks.

John

Begin forwarded message:

From: John Psinas <John.Psinas@ofina.on.ca>
Date: September 27, 2016 at 2:36:16 PM EDT
To: Ken Kandeepan <Ken.Kandeepan@ofina.on.ca>
Cc: George Sakura <George.Sakura@ofina.on.ca>
Subject: The pension adjustment and net debt

Ken,

I did 2 alternative calculations; one that puts the entire \$10.6 B adjustment to 2015-16 and one that splits it as OPCD likes to adjust the opening Acc. Deficit, like they did with the Contaminated Sites exercise, as George reminded me.

I have attached the split version and will send you the all-this-year version if you wish as well.

I took the liberty of amending the FSD&A in green font for your consideration.

Thanks.

John

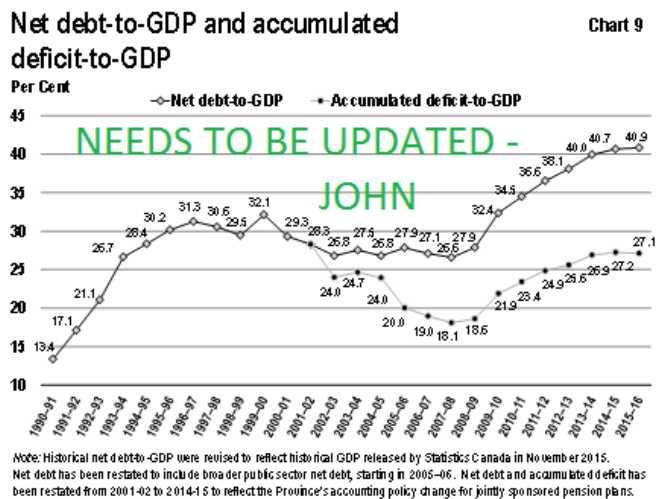
FSD&A

Infrastructure Expenditure

Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).

Commented [KK1]: Chart needs to be updated by OPCD with the new ratios



Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios as at the end of the fiscal period		2011–12	2012–13	2013–14	2014–15	2015–16
Sustainability	Net Debt to GDP (%)	35.7%	37.1%	38.8%	40.7%	40.9%
	Net Debt to Total Revenue (%)	214.6%	222.4%	232.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 17,626	\$ 18,667	\$ 19,715	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

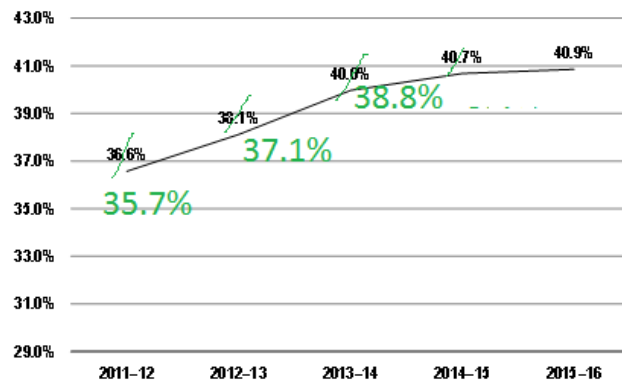
Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 39.6 per cent at the end of fiscal year 2015–16. In 2011–12, it was 35.7 per cent. Over this period, the deficit and other adjustments such as those arising from the change in the Province's accounting policy for pensions contributed to close to approximately 64 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011–12 and 2014–15, because net debt grew more quickly than GDP, the ratio increased from 35.7 per cent to 40.7 per cent. The ratio underwent a slight increase from 2014–15 to 2015–16 since net debt and GDP grew approximately at the same rate.

Commented [KK2]: Above table has already been updated

Net debt-to-GDP — 5-year trend

Chart 11



Commented [KK3]: Chart needs to be updated by OPCD with the new ratios

The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. These capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011-12, the ratio was 214.6 per cent. It rose to 247.8 per cent in 2014-15, as net debt grew more quickly than revenue, as well as the impact from the pension adjustment to the opening Accumulated Deficit. However, the ratio fell to 237.8 per cent in 2015-16, indicating that total revenues increased at a greater rate than did net debt.

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in

2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.

Net Debt to Revenue and GDP Ratios																				
Ontario		2016 Document									2016 Public Accounts									
					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/					Net Debt As	Net Debt As	Accumulated	Acc Deficit		Deficit/
	Fiscal Year	GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)		GDP	Net Debt	Revenue	% to GDP	% to Revenue	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90	282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)		282,766	35,409	46,500	12.5	76.1	35,409	12.5	-	(90)
Actual	1990-91	287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029		287,334	38,438	49,002	13.4	78.4	38,438	13.4	-	3,029
Actual	1991-92	288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930		288,217	49,368	47,527	17.1	103.9	49,368	17.1	-	10,930
Actual	1992-93	293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428		293,068	61,796	49,122	21.1	125.8	61,796	21.1	-	12,428
Actual	1993-94	302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202		302,245	80,599	51,410	26.7	156.8	80,599	26.7	-	11,202
Actual	1994-95	319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129		319,986	90,728	53,962	28.4	168.1	90,728	28.4	-	10,129
Actual	1995-96	337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800		337,400	101,864	57,898	30.2	175.9	101,864	30.2	-	8,800
Actual	1996-97	347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905		347,842	108,769	58,060	31.3	187.3	108,769	31.3	-	6,905
Actual	1997-98	368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966		368,960	112,735	61,362	30.6	183.7	112,735	30.6	-	3,966
Actual	1998-99	389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002		389,250	114,737	63,044	29.5	182.0	114,737	29.5	-	2,002
Actual	1999-2000	418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)		418,245	134,398	70,983	32.1	189.3	134,398	32.1	-	(668)
Actual	2000-01	452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)		452,238	132,496	72,258	29.3	183.4	132,496	29.3	-	(1,902)
Actual	2001-02	469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)		469,084	132,121	72,550	28.2	182.1	132,121	28.2	-	(375)
Actual	2002-03	494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)		494,815	132,647	74,938	26.8	177.0	118,705	24.0	13,942	(117)
Actual	2003-04	509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483		509,511	138,816	74,549	27.2	186.2	124,188	24.4	14,628	5,483
Actual	2004-05	533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555		533,365	140,921	84,192	26.4	167.4	125,743	23.6	15,178	1,555
Actual	2005-06	556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)		556,635	152,702	90,738	27.4	168.3	109,155	19.6	43,547	(298)
Actual	2006-07	578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)		578,241	153,742	97,120	26.6	158.3	106,776	18.5	46,966	(2,269)
Actual	2007-08	601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)		601,735	156,616	104,115	26.0	150.4	105,617	17.6	50,999	(600)
Actual	2008-09	608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409		608,446	169,585	97,532	27.9	173.9	113,238	18.6	56,347	6,409
Actual	2009-10	597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262		597,882	193,589	96,313	32.4	201.0	130,957	21.9	62,632	19,262
Actual	2010-11	630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011		630,989	214,511	107,175	34.0	200.2	144,573	22.9	69,938	14,011
Actual	2011-12	659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969		659,743	235,582	109,773	35.7	214.6	158,410	24.0	77,172	12,969
Actual	2012-13	680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220		680,084	252,088	113,369	37.1	222.4	167,132	24.6	84,956	9,220
Actual	2013-14	693,210	267,190	115,911	38.5	230.5	176,634	25.5	90,556	10,453		693,210	268,873	115,911	38.8	232.0	178,317	25.7	90,556	10,453
Actual	2014-15	721,970	284,576	118,546	39.4	240.1	187,511	26.0	97,065	10,315		721,970	293,730	118,546	40.7	247.8	196,665	27.2	97,065	10,315
	2015-16	748,207	296,109	126,547	39.6	234.0	193,447	25.9	102,662	5,686		747,101	305,233	128,376	40.9	237.8	202,697	27.1	102,536	5,029
	2016-17 Outloo	778,417	308,315	130,589	39.6	236.1	197,753	25.4	110,562	4,306		777,266	317,439	130,589	40.8	243.1	207,003	26.6	110,436	4,306
	2017-18 Outloo	813,924	316,945	137,729	38.9	230.1	197,740	24.3	119,205	(13)		812,720	326,069	137,729	40.1	236.7	206,990	25.5	119,079	(13)
	2018-19 Outloo	848,237	326,827	141,920	38.5	230.3	197,717	23.3	129,110	(23)		846,982	335,951	141,920	39.7	236.7	206,967	24.4	128,984	(23)
	2019-20 Outloo	882,062	336,798		38.2	#DIV/0!	197,717	22.4	139,081	-		880,758	345,922		39.3	#DIV/0!	206,967	23.5	138,955	-
	2020-21 Outlook		344,907			#DIV/0!	197,717		147,190	-			354,031		#DIV/0!	#DIV/0!	206,967	#DIV/0!	147,064	-
		Note: 2015-16 Accumulated Deficit includes a projected ONFA unrealized loss of \$250 million for 2015/16 (Budget).																		
		Note: For 2019-20 and 2020-21, we are assuming a zero deficit.																		
		Note: 2015-16 PA Accumulated Deficit includes the ONFA unrealized loss of \$1,003 million.																		
Prepared by OFA, FTD		Note: Pension adjustment of 10,668 was added to the Acc. Deficit for 2015-16 (9,154 to 2014-15equity, and 1, 514										Fiscal balance Chart 12 \$ Billions 2009-102010-112011-122012-132013-142014-152015-16								
	27-Sep-16	to the 2015-16 deficit)																		

Net Debt to Revenue and								
Ontario			Comparison: 2016 Public Accounts vs 2016 Document					
					Accumulated	Acc Deficit		Deficit/
	Fiscal Year		GDP	Net Debt	Deficit	to GDP	TCA	(Surplus)
Actual	1989-90		-	-	-	-	-	-
Actual	1990-91		-	-	-	-	-	-
Actual	1991-92		-	-	-	-	-	-
Actual	1992-93		-	-	-	-	-	-
Actual	1993-94		-	-	-	-	-	-
Actual	1994-95		-	-	-	-	-	-
Actual	1995-96		-	-	-	-	-	-
Actual	1996-97		-	-	-	-	-	-
Actual	1997-98		-	-	-	-	-	-
Actual	1998-99		-	-	-	-	-	-
Actual	1999-2000		-	-	-	-	-	-
Actual	2000-01		-	-	-	-	-	-
Actual	2001-02		-	-	-	-	-	-
Actual	2002-03		-	-	-	-	-	-
Actual	2003-04		-	-	-	-	-	-
Actual	2004-05		-	-	-	-	-	-
Actual	2005-06		-	-	-	-	-	-
Actual	2006-07		-	-	-	-	-	-
Actual	2007-08		-	-	-	-	-	-
Actual	2008-09		-	-	-	-	-	-
Actual	2009-10		-	-	-	-	-	-
Actual	2010-11		-	-	-	-	-	-
Actual	2011-12		-	-	-	-	-	-
Actual	2012-13		-	-	-	-	-	-
Actual	2013-14		-	1,683	1,683	0.2	-	-
Actual	2014-15		-	9,154	9,154	1.3	-	-
	2015-16		(1,106)	9,124	9,250	1.3	(126)	(657)
	2016-17 Outloo		(1,151)	9,124	9,250	1.2	(126)	-
	2017-18 Outloo		(1,204)	9,124	9,250	1.2	(126)	-
	2018-19 Outloo		(1,255)	9,124	9,250	1.1	(126)	-
	2019-20 Outloo		(1,304)	9,124	9,250	1.1	(126)	-
	2020-21 Outloo		-	9,124	9,250	#DIV/0!	(126)	-
Prepared by OFA, FTD								
	27-Sep-16							

	2011-12	2012-13	2013-14	2014-15
Net Debt to GDP	35.7%	37.1%	38.8%	40.7%
Net Debt to Revenue	214.6%	222.4%	232.0%	247.8%
Net Debt per Capita	\$ 17,626	\$ 18,667	\$ 19,715	\$ 21,359
Total Revenue	109,773	113,369	115,911	118,546
GDP	659,743	680,084	693,210	721,970
Population	13,365,679	13,504,382	13,638,132	13,752,091
Net Debt	235,582	252,088	268,873	293,730

Growth of 2015-16 Revenue from the prior year

Growth of 2015-16 Net Debt from the prior year

Growth of 2015-16 GDP from the prior year

2015-16

40.9%

237.8%

\$ 21,927

128,376

747,101

13,920,499

305,233

8%

4%

3%

Analysis of Net Debt

	2011-12	2012-13
Opening balance	(214,511)	(235,582)
Deficit	(12,969)	(9,220)
Tangible Capital Asset	(7,234)	(7,784)
Ontario Nuclear Fund	(3)	639
IFRS Transitional Impact	(758)	
PSAB Transitional Impact	(107)	(141)
Pension Adjustment		
	(21,071)	(16,506)
Ending balance	(235,582)	(252,088)

"Deficit and other adjustments such as those arising from the change in the Province's Accounting p
Infrastructure

2013-14	2014-15	2015-16	Total	
(252,088)	(268,873)	(293,730)	(214,511)	
(10,453)	(10,315)	(5,029)	(47,986)	53%
(5,600)	(6,509)	(5,471)	(32,598)	36%
951	1,121	(1,003)	1,705	-2%
			(758)	1%
(1,683)			(1,931)	2%
	(9,154)		(9,154)	10%
(16,785)	(24,857)	(11,503)	(90,722)	
(268,873)	(293,730)	(305,233)	(305,233)	

olicy for pensions contributed"

64%
36%

100%

From: [Sun, Alicia \(TBS\)](#)
To: [Ken Kandeepan](#)
Cc: [Raymond Chen \(MTCS\)](#); [Veinot, Cindy \(TBS\)](#); [Nadine Petsche \(MOF\)](#); [Patricia Ma \(MOF\)](#)
Subject: Urgent - FSD&A Revised Ratios and Chart 9 to Reflect Pension Adjustment
Date: Friday, September 23, 2016 4:45:20 PM
Attachments: [FSD&A- Key Financial Ratios &Chart 9 - Updated with Pension Adi.docx](#)
Importance: High

Hi Ken,

As you have already known that we need to get different versions of the FSD&A ready as soon as possible.

Please find attached the sections that we request OFA to update the narratives based on revised data and graphs (reflecting the pension adjustments).

Your earliest response will be highly appreciated.

Thanks,
Alicia

Alicia Sun, MBA, CPA, CGA

Manager (A), Broader Public Sector Reporting

Office of the Provincial Controller Division | Treasury Board Secretariat

7 Queen's Park Crescent, Frost South, 2nd Floor

Toronto, ON, M7A 1Z5

Email: Alicia.sun@ontario.ca

Tele: (416) 325-8155

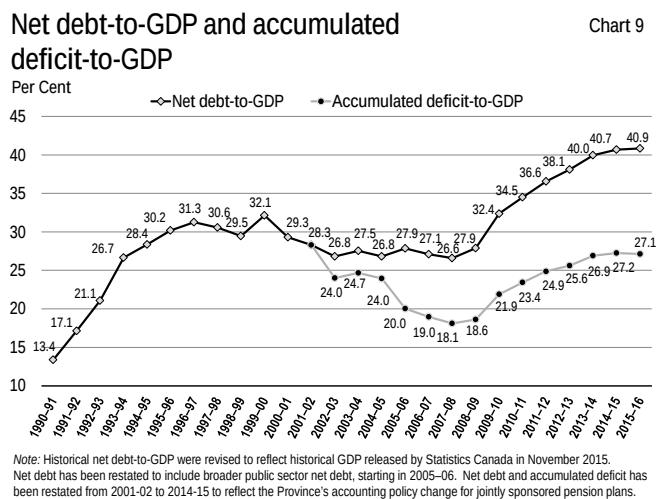


FSD&A

Infrastructure Expenditure

Revised Chart 9 and Narratives to Reflect Adjustment to Pension Assets

The difference between net debt and accumulated deficit is due to the Province's continued investment in infrastructure, as reflected in the increase in the net book value of the Province's capital assets (see Chart 9).



Key Financial Ratios

The use of key measures of financial position helps readers of the Annual Report assess the financial position of the Province. Through the levels and trends of these measures, readers are able to gauge the impacts of economic and other events on the Province's finances, as well as how the government has responded.

The Public Sector Accounting Board recommends a series of ratios that help financial statement users better understand the sustainability, flexibility and vulnerability of a reporting entity.

For greater transparency and accountability, the Province has expanded the number of ratios on which it reports. The ratio, and the level of each, over the past five years are outlined in Table 7.

Key Financial Ratios as at the end of the fiscal period		Table 7				
		2011-12	2012-13	2013-14	2014-15	2015-16
Sustainability	Net Debt to GDP (%)	36.6%	38.1%	40.0%	40.7%	40.9%
	Net Debt to Total Revenue (%)	219.8%	228.6%	239.0%	247.8%	237.8%
	Net Debt per Capita (\$)	\$ 18,051	\$ 19,195	\$ 20,316	\$ 21,359	\$ 21,927
Flexibility	Debt Charges to Total Revenue (%)	9.2%	9.1%	9.1%	9.0%	8.5%
	Own-Source Revenue to GDP (%)	13.4%	13.5%	13.5%	13.4%	14.1%
Vulnerability	Federal Transfers to Total Revenue (%)	19.4%	19.1%	19.2%	18.2%	17.8%
	Foreign Currency Debt to Total Debt (%)	25.4%	24.3%	22.9%	20.9%	18.8%
	Unhedged Foreign Currency Debt (%)	0.9%	0.7%	0.5%	0.3%	0.3%

Measures of sustainability

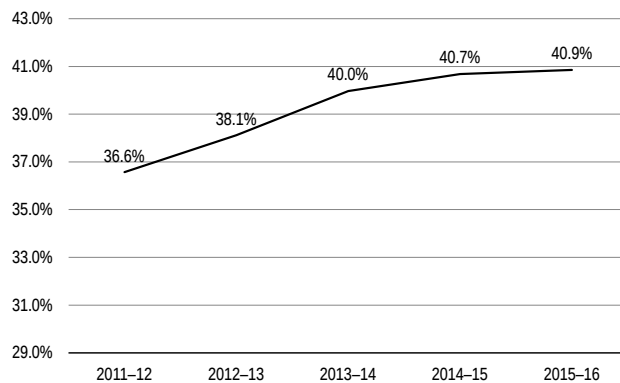
Net debt provides a measure of the future government revenues that will be required to pay for the government's past transactions. Net debt as a percentage of the Province's GDP shows the financial demands on the economy resulting from the government's spending and taxation policies. A lower ratio of net debt-to-GDP indicates higher sustainability.

The Province's net debt-to-GDP ratio was 40.9 per cent at the end of fiscal year 2015-16. In 2011-12, it was 36.8 per cent. Over this period, the deficit contributed close to 60 per cent of the increase in net debt, with investments in capital assets accounting for most of the balance. Between 2011-12 and 2014-15, because net debt grew more quickly than GDP, the ratio increased from 36.8 per cent to 40.7 per cent. There was a slight increase to the ratio from 2014-15 to 2015-16, since net debt and GDP grew approximately at the same rate. The ratios for this trend analysis have all increased due to the impact of restated prior year's results reflecting the elimination of accrued benefit pension assets from the Province's balance sheet to reflect a change in the Province's accounting policy for pensions in the 2015-16 Public Accounts. (See Chart 11.)

Commented [PM21]: Still true?

Net debt-to-GDP — 5-year trend

Chart 11



The government continues to maintain a target of returning net debt-to-GDP to the pre-recession level of 27 per cent. The first key step in achieving this is to balance the budget. Debt is incurred for two main reasons: to finance deficits and to invest in capital assets. The government plans to invest \$137 billion in capital over 10 years. Those capital investments will be amortized over a period of time that corresponds to the useful life of these assets. After balancing the budget, increases in debt will be limited to the difference between the cash investment to build the assets and the amortization, which is a non-cash amount.

Commented [NP2]: What messaging would be included here?

The government's plan to reduce the ratio of net debt-to-GDP therefore hinges on both balancing the budget and investing in capital assets to help the economy grow, both of which will help achieve the 27 per cent target.

Commented [NP3]: TBD –change/reflect upon messaging related to this target ratio.

The ratio of net debt to total revenue is another measure of sustainability, since it shows the future revenue that is required to pay for past transactions and events. A lower net debt-to-revenue ratio indicates higher sustainability. In 2011–12, the ratio was 221.2 per cent. It rose to 247.8 per cent in 2014–15, as net debt grew more quickly than revenue, including the impact of the Province's change in accounting policy for pensions. However, the ratio fell to 237.8 per cent in 2015–16, indicating that total revenues increased at a greater rate than did net debt.

Commented [NP4]: TBD

Measures of flexibility

The ratio of interest on debt to total revenue shows the share of provincial revenue that is being used to pay borrowing costs and is thus not available for programs. A lower ratio indicates that a government has more flexibility to direct its revenues to programs. The ratio has steadily fallen for Ontario over the past five years, from a high of 9.2 per cent in

2011–12 to the current level of 8.5 per cent. The Province's strategy of extending the term of its borrowing program and locking in low interest rates for a longer period has also contributed to lower interest costs. This strategy has extended the weighted average term to maturity of provincially issued debt from approximately 8 years in 2009–10 to 14 years in 2015–16.

Own-source revenue as a share of the provincial GDP shows the extent to which the government is using funds from the provincial economy collected through taxation, user fees and other revenue sources it controls. Too high a taxation burden makes a jurisdiction uncompetitive, so increases in the ratio can reduce future revenue flexibility. Ontario's ratio was stable between 2011–12 and 2014–15. The increase from 13.4 per cent in 2014–15 to 14.1 per cent in 2015–16 was largely due to the strong growth in tax and other revenues. This caused own-source revenues to increase more sharply than GDP.

Measures of vulnerability

Transfers from the federal government as a percentage of total revenue are an indicator of the degree to which the Province relies on the federal government for revenue. A very high ratio shows that a provincial government is very reliant on federal transfers, a source of revenue over which it has limited or no control, and therefore vulnerable to shifts in federal policy on transfers. Ontario's highest share of revenue from federal transfers in the past five years was 19.4 per cent, in 2011–12. The lowest was 17.8 per cent, in 2015–16. The gradual decline largely represents the expiration of time-limited federal transfers, including the HST transition payment, and the maturing of federal stimulus programs put in place following the global economic crisis in 2008.

Foreign currency debt to total debt is a measure of vulnerability to changes in foreign currency exchange rates. Accessing borrowing opportunities in foreign currencies allows Ontario to diversify its investor base and take advantage of lower borrowing costs. It also ensures that the Province will continue to have access to capital in the event that domestic market conditions become more challenging. Ontario manages foreign currency risk by hedging its exposure to Canadian dollars through the use of financial instruments, which is called hedging. Effective hedging has allowed the Province to consistently limit its exposure to foreign currency fluctuations to 0.9 per cent of debt issued for provincial purposes in 2011–12, declining to 0.3 per cent in 2015–16.