1 - Email - February 8 2017 - RE_ Chair Tour of Media Center.pdf

| | |
|---|---|
| **From:** | Ovenden, Erin (TBS) |
| **To:** | Tam, Nelson (TBS) |
| **Cc:** | Sullivan, Bryant (TBS) |
| **Subject:** | RE: Chair Tour of Media Center |
| **Date:** | February-08-17 9:24:57 AM |

Hi Nelson-

We'll start making the arrangements and confirm with you later. I advise the Chair and Uros block of all of Monday, as there may be an opposition briefing taking place in the afternoon.

Erin Ovenden
**Senior Communications Consultant**
Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON M7A 1N3
Tel: 416-326-7727

**From:** Tam, Nelson (TBS)
**Sent:** February-08-17 8:40 AM
**To:** Ovenden, Erin (TBS)
**Cc:** Sullivan, Bryant (TBS)
**Subject:** Chair Tour of Media Center

Erin

The Chair will be in town on Friday. The offer to tour the media center is preferred for her and Uros. The Chair and Uros will share the presentation to the media. She is okay if it is longer since it is a complex issue and wants to ensure that the briefing is understood by everyone.

Please arrange for Friday afternoon. Let me know and I will block off the Chair and Uros' calendar.

I will send an invite to block off the Chair and Uros' calendar on Monday, starting at 9:30 – 10:30.

I am hoping to attend the media tour if it is okay.

Thanks

Nelson
X20514

2 - Email - February 9 2017 - Re_ Panel - Media Studio Tour.pdf

**From:** Ovenden, Erin (TBS)
**To:** Tam, Nelson (TBS)
**Cc:** Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS); Jackson, Sarah (TBS); Miller, Amanda (TBS)
**Subject:** Re: Panel - Media Studio Tour
**Date:** February-09-17 3:56:36 PM

---

See below

Sent from my BlackBerry 10 smartphone on the Rogers network.

---

**From:** Tam, Nelson (TBS)
**Sent:** Thursday, February 9, 2017 3:27 PM
**To:** Ovenden, Erin (TBS)
**Cc:** Sullivan, Bryant (TBS)
**Subject:** RE: Panel - Media Studio Tour

---

Erin

The Chair's questions

Will someone from communications be at the briefing to close the session – that is, I don't have to say no more questions, they will?

There will be a moderator, Scott Blodgett, to handle this

Who identifies the people to ask questions and in which order – me or comms person?

Moderator

Do we change the slides ourselves?

No we will have some one do that.

Uros and I are both going to do parts of the presentation. Will there be lapel mikes or two podiums to make the changeovers easier?

There will be a table with microphones

Any peculiarities of the room we should know about – lights, acoustics, etc.?

There will be lights. We have photos. Hoping to do a tour tomorrow pls stand by

Uros' questions

Do you know if the Communications group is preparing a similar document as what we received at the outset, addressing who speaks to what, and some possible media questions that we may get?

There's an updated media protocol we will share

Thanks

Nelson
X20514

---

**From:** Ovenden, Erin (TBS)
**Sent:** February-09-17 3:00 PM
**To:** Tam, Nelson (TBS)
**Cc:** Sullivan, Bryant (TBS)
**Subject:** RE: Panel - Media Studio Tour

Not that I've heard. It's still scheduled for Feb 13

Erin Ovenden
**Senior Communications Consultant**
Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON   M7A 1N3
Tel: 416-326-7727

---

**From:** Tam, Nelson (TBS)
**Sent:** February-09-17 2:48 PM
**To:** Ovenden, Erin (TBS)
**Cc:** Sullivan, Bryant (TBS)
**Subject:** RE: Panel - Media Studio Tour

Erin

Quick question – Is the release date and media briefing changing?

Nelson

---

**From:** Ovenden, Erin (TBS)
**Sent:** February-09-17 2:32 PM
**To:** Tam, Nelson (TBS)
**Cc:** Sullivan, Bryant (TBS)
**Subject:** RE: Panel - Media Studio Tour

Hi Nelson-

No info yet. We have three briefings this evening that will inform these decisions. So stay tuned.

Does the panel have any questions they'd like addressed?

Erin Ovenden

**Senior Communications Consultant**
Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON   M7A 1N3
Tel: 416-326-7727

---

**From:** Tam, Nelson (TBS)
**Sent:** February-09-17 2:29 PM
**To:** Ovenden, Erin (TBS)
**Subject:** Panel - Media Studio Tour

Erin

Is there any additional confirmation for tomorrow's media studio tour?  The Panel is asking.  I blocked there calendars already for the afternoon.

Thanks

Nelson
X20514

3 - Email - February 8 2017 - Comms prebrief for Panel.pdf

**From:** Ovenden, Erin (TBS)
**To:** Tam, Nelson (TBS)
**Cc:** Hosick, Sarah (TBS); Sullivan, Bryant (TBS); DiMuzio, Sofie (TBS); Miller, Amanda (TBS)
**Subject:** Comms prebrief for Panel
**Date:** February-08-17 5:35:09 PM

---

Hi Nelson-

Please ask Tricia and Uros to put a hold in their calendar for 2:00 pm on Friday. Sofie and Bryant will lead the pre-briefing. The location is yet to be determined. I'll share more details tomorrow.

What would be helpful is to have Tricia and Uros send us any questions or concerns they want us to address. They should feel free to email Bryant or Sofie directly. We're all here to help!

Thanks.

Erin Ovenden
**Senior Communications Consultant**
Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON   M7A 1N3
Tel: 416-326-7727

4 - Email - February 9 2017 - RE_ Update on Release.pdf

| | |
|---|---|
| **From:** | Uros Karadzic |
| **To:** | Tam, Nelson (TBS); Patricia O"Malley (plomalley@outlook.com) |
| **Subject:** | RE: Update on Release |
| **Date:** | February-09-17 3:22:08 PM |

Thanks Nelson,

Do you know if the Communications group is preparing a similar document as what we received at the outset, addressing who speaks to what, and some possible media questions that we may get?

Uros

**Uros Karadzic, FSA, FCIA** | Partner | People Advisory Services

Ernst & Young LLP
Office: +1 416 943 2087 | Mobile: +1 416 970 2087 | uros.karadzic@ca.ey.com
Assistant: Sarah Anderton | Phone: +1 416 943 3143 | sarah.anderton@ca.ey.com

**From:** Tam, Nelson (TBS) [mailto:Nelson.Tam@ontario.ca]
**Sent:** Thursday, February 09, 2017 2:53 PM
**To:** Patricia O'Malley (plomalley@outlook.com) <plomalley@outlook.com>; Uros Karadzic <uros.karadzic@ca.ey.com>
**Subject:** Update on Release

Patricia, Uros

- No confirmation for tomorrow. There are still meetings scheduled this evening to discuss as per Communications. I will update the invite as soon as I hear anything.
- FAO – trying to schedule for 11:30 Monday. We are hoping it will be here at our offices.
- No confirmation regarding Opposition briefing.

Communications question – Do you have specific questions you want answered? If yes, please send them to me.

Thanks

Nelson
X20514

fiscalité contenu dans le présent courriel doit être pris dans le contexte des services de fiscalité que nous vous offrons. Aucune décision ou position ne doit être prise à la lumière de conseils de fiscalité préliminaires, lesquels pourraient ne pas permettre d'éviter des pénalités aux États-Unis.

4A - Email - February 9 2017 - RE_ Update on Release.pdf

**From:** Tam, Nelson (TBS)
**To:** "Uros Karadzic"; Patricia O"Malley
**Subject:** RE: Update on Release
**Date:** February-09-17 4:31:00 PM

---

Patricia, Uros

Below are the answers to your questions from Communications

> Will someone from communications be at the briefing to close the session – that is, I don't have to say no more questions, they will?
>
> There will be a moderator, Scott Blodgett, to handle this
>
> Who identifies the people to ask questions and in which order – me or comms person?
>
> Moderator
>
> Do we change the slides ourselves?
>
> No we will have some one do that.
>
> Uros and I are both going to do parts of the presentation. Will there be lapel mikes or two podiums to make the changeovers easier?
>
> There will be a table with microphones
>
> Any peculiarities of the room we should know about – lights, acoustics, etc.?
>
> There will be lights. We have photos. Hoping to do a tour tomorrow pls stand by
>
> Do you know if the Communications group is preparing a similar document as what we received at the outset, addressing who speaks to what, and some possible media questions that we may get?
>
> There's an updated media protocol we will share

In answer to Uros' question, there will be a media briefing, separate meeting with the FAO, and potentially a meeting with Opposition. Potentially, 3 different briefings on Monday.

Thanks

Nelson
416-212-0514

---

**From:** Uros Karadzic [mailto:uros.karadzic@ca.ey.com]

**Sent:** February-09-17 3:27 PM
**To:** Tam, Nelson (TBS); Patricia O'Malley
**Subject:** RE: Update on Release

That's a good clarification, because I thought "FAO" referred somehow to the media. Aren't we doing a media briefing on Monday? Or are we briefing this officer?

Sorry for these dumb questions…

Uros

**Uros Karadzic, FSA, FCIA** | Partner | People Advisory Services

Ernst & Young LLP
Office: +1 416 943 2087 | Mobile: +1 416 970 2087 | uros.karadzic@ca.ey.com
Assistant: Sarah Anderton | Phone: +1 416 943 3143 | sarah.anderton@ca.ey.com

---

**From:** Tam, Nelson (TBS) [mailto:Nelson.Tam@ontario.ca]
**Sent:** Thursday, February 09, 2017 3:24 PM
**To:** Patricia O'Malley <plomalley@outlook.com>; Uros Karadzic <uros.karadzic@ca.ey.com>
**Subject:** RE: Update on Release

Patricia, Uros

I can answer the first question – FAO – Financial Accountability Officer – he is a legislative officer like the AG. For example, when this issue came out, he publicly said the province will not be able to meet its balanced budget commitments. He looks at the budgets and make comments and have a longer forward look at the Province's fiscal situation. Very similar to the Federal Budget Officer.

Hope this helps. I will send your questions and Uros's questions to communications in preparation for tomorrow.

Thanks

Nelson
416-212-0514

---

**From:** Patricia O'Malley [mailto:plomalley@outlook.com]
**Sent:** February-09-17 3:18 PM
**To:** Tam, Nelson (TBS); Patricia O'Malley; Uros Karadzic (uros.karadzic@ca.ey.com)
**Subject:** RE: Update on Release

Questions:
What/who is FAO?
Will someone from communications be at the briefing to close the session – that is, I don't have to say no more questions, they will?
Who identifies the people to ask questions and in which order – me or comms person?

Do we change the slides ourselves?
Uros and I are both going to do parts of the presentation.  Will there be lapel mikes or two podiums to make the changeovers easier?
Any peculiarities of the room we should know about – lights, acoustics, etc.?

That's it for now.  If I think of anything else I'll let you know.
T

---

**From:** Tam, Nelson (TBS) [mailto:Nelson.Tam@ontario.ca]
**Sent:** 9-Feb-17 14:53
**To:** Patricia O'Malley (plomalley@outlook.com) <plomalley@outlook.com>; Uros Karadzic (uros.karadzic@ca.ey.com) <uros.karadzic@ca.ey.com>
**Subject:** Update on Release

Patricia, Uros

- No confirmation for tomorrow.  There are still meetings scheduled this evening to discuss as per Communications.  I will update the invite as soon as I hear anything.
- FAO – trying to schedule for 11:30 Monday.  We are hoping it will be here at our offices.
- No confirmation regarding Opposition briefing.

Communications question – Do you have specific questions you want answered?  If yes, please send them to me.

Thanks

Nelson
X20514

5 - Email - February 9 2017 - RE_ Comms Briefing for PAEAP.pdf

|  |  |
|---|---|
| **From:** | Hosick, Sarah (TBS) |
| **To:** | Tam, Nelson (TBS) |
| **Subject:** | RE: Comms Briefing for PAEAP |
| **Date:** | February-09-17 6:26:10 PM |

Perfect, thanks

**From:** Tam, Nelson (TBS)
**Sent:** February-09-17 6:23 PM
**To:** Hosick, Sarah (TBS)
**Subject:** Re: Comms Briefing for PAEAP

Sarah

the Chair and Uros' calendars are already blocked off from 1-4 via an invite from my calendar.

I just sent an updated invite for 2-4.

Also sent an email to either meet at Frost or at 900 Bay and we can walk to Ferguson at 1:50.

Nelson

Sent from my BlackBerry 10 smartphone on the Rogers network.

**From:** Hosick, Sarah (TBS)
**Sent:** Thursday, February 9, 2017 5:51 PM
**To:** Tam, Nelson (TBS)
**Subject:** RE: Comms Briefing for PAEAP

Did you send? I don't have Uros' email.

**From:** Ovenden, Erin (TBS)
**Sent:** February-09-17 5:24 PM
**To:** Hosick, Sarah (TBS); Tam, Nelson (TBS)
**Subject:** Comms Briefing for PAEAP

Hi-

I've sent you both a meeting invite. Can you please send this to Tricia and Uros? We're going to meet here at Ferguson at 2:00pm in the Comms Boardroom.

We're waiting for MO confirmation on the Media Studio tour. Please note that if this goes ahead, MO has requested the numbers be limited to only the Panel members, the moderator, and comms.

Thank you,

Erin Ovenden
**Senior Communications Consultant**

Communications Branch | Treasury Board Secretariat
77 Wellesley Street West, Ferguson Block
Toronto, ON M7A 1N3
Tel: 416-326-7727

Media Analysis - Public accounts panel-Feb9-2017.docx

Communications Branch
*Your Strategic Partner*

# Media Analysis: Release of the Public Accounts Expert Accounting Panel's Report

## Executive Summary:

At the time of the release of Public Accounts in October 2016, media coverage mentioned the setup of an outside expert review panel to look at the accounting method issue, and also that "neither the government nor the auditor are bound by the panel's findings". On October 9, in response to a question in the House, the Premier said the government has "accepted the Auditor General's numbers for this year. We released the documents despite the divergence in accounting opinions, specific to pension funds between Treasury Board officials and the Auditor as part of our commitment to openness and be transparency."

Since that time, there has been no mention about the Panel or its report sighted in media until a QP Briefing article on February 6. The story, about the 2017-18 Budget, noted that Minister Sousa is predicting a balanced budget this year and in 2018-19. This, over the warnings of the legislature's Financial Accountability Office, which said in November that the province's deficit would be $2.6 billion in 2017-18. That projection, says the article, covers an accounting change with regards to certain public-sector pension plans, which increased the estimated deficit figures by $1.5 billion.

Picking up on that point and the Public Accounts stories from October, the Toronto Star's Martin Regg Cohn wrote a column on page A4 on February 7 on the pension panel's findings, framing the story in the context of "a dispute pitting Ontario's Auditor General against the government." This item notes that the Auditor General was "overturning the rules" that have existed for years and points out that the Auditor General seems to want it both ways: "…any deficits in joint pension funds must be counted as government liabilities…but with a pension surplus, Lysyk now says not a penny can be counted as an asset. Neither a liability nor a surplus, these billions of dollars are being treated as trans-assets, transmogrified by the Auditor into phantom money – a virtual disappearing act." The item goes on to point out that the Auditor said "her mind is made up and nothing she has heard so far has changed her view." This column is highly critical of the Auditor's inconsistency and the perception that she will not be swayed – or even listen to – other perspectives.

QP Briefing then reported on the Regg Cohn column. Also on February 7, the Toronto Star's Rob Ferguson wrote on the subject in an online piece that was published the next day in the newspaper. This item notes that the Auditor General had been briefed on the pension panel's report which will be released to the public later this month. It also quotes the Premier: "There was a conflict between the advice that the Auditor General is giving us and the advice that our officials were giving us…We sought independent third-party advice and you know we have to take that independent advice very seriously."

In general, coverage was balanced and neutral, quoting the premier and noting that the Auditor General is not prepared to comment until the report is released.

Minister Sandals is not quoted in the articles; however she is mentioned in a negative context in two unrelated news items during this time period which refer to her negative comments about GO train riders.

The story was limited to one and a half days, and has received no attention beyond Toronto Star properties. Tweets on the topic were mostly promotional, written by the reporters and driving followers to their own and each other's stories.

**Media content analysis**

| | |
|---|---|
| Total number of articles | 4 (one republished) |
| Total number of potential readers | n/a |
| Tone | Positive – 0, Neutral – 4, Negative - 0 |
| Key message pick up | 2 articles |
| Government spokespersons quoted | 2 articles |

**Media summary**

On February 7, The Toronto Star's (A4) Martin Regg Cohn reported billions of dollars are at stake in a dispute pitting Ontario's Auditor General against the government. He wrote that despite an outside panel of top accounting and pension experts determining that Auditor General Bonnie Lysyk has gone out on a fiscal limb by effectively wiping away nearly $11 billion in government assets – she told the reporter that "she won't climb down," and this now sets the stage for a public showdown over an accounting change that is worth $1.5 billion to the bottom line this year alone. "The auditor told me her mind is made up and nothing she has heard so far has changed her view…, which leaves her on a limb and the government in the lurch."

Rob Ferguson posted a story to thestar.com, which reports Premier Wynne welcomes a report from four accounting experts that says a $10.7-billion pension surplus can be counted as an asset on the province's bottom line. The article notes the AG was briefed on the report last week and it will be made public later this month. MPP Vic Fedeli is quoted: "The people of Ontario have to ask themselves who are they going to believe: the independent auditor general or a scandal-plagued Liberal government?"

QP Briefing reported that Auditor General Lysyk declined to confirm or comment directly because the panel is not yet public. However, Lysyk's comments last fall seemed to suggest she was digging in her heels and would not be swayed from her original opinion. "I as well have external advice that I seek prior to addressing a significant issue, so I'm really confident that we've done our homework and that we have it right," Lysyk said at Queen's Park in October. The article also references a media event at Sunnybrook Hospital on February 7, where the Premier responded to questions on the topic saying, "What we have to do as government is get the best advice that we can. There was a conflict between the advice that the Auditor General is giving us and the advice that our officials were giving us. We sought independent third party advice and you know we have to take that independent advice very seriously."

On February 8, The Toronto Star (A6) published the online story posted February 7 by Robert Benzie, on Premier Wynne welcoming the pension panel report. Benzie, promoted his story on Twitter at 7:44 am Robert Benzie @robertbenzie to his 16,190 followers. The $10.7 billion question: will @OntarioAuditor accept findings of pension asset experts? thestar.com/news/queenspar… #onpoli

Minister Sandals is not quoted in any of the articles; however she is mentioned in a negative context, referring back to her comments about GO train riders.  In a Postmedia.com (Feb 7) story on a poll that says Americans want PM Trudeau to be their president. “Liz Sandals, Ontario cabinet minister and one of Wynne’s chief deputy-nannies, is perfect to fill the political hole left by Hillary Clinton. We’ll ship her across the border on a GO Train full of “deplorables.” An opinion piece in the Sarnia Observer (A4) about wage hikes includes Minister Sandals quote about GO Train riders and says. “Who needs satire when Liberal cabinet ministers - Sandals holds the senior financial portfolio of treasury board president - say stuff like this?

**Quotes**

“There was a conflict between the advice that the Auditor General is giving us and the advice that our officials were giving us…We sought independent third-party advice and you know we have to take that independent advice very seriously.”

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

– Premier Wynne, February 7

“The people of Ontario have to ask themselves who are they going to believe: the independent Auditor General or a scandal-plagued Liberal government?...The Liberals continue to be mired in waste, mismanagement and scandal, and now they’re looking for anybody that will back up their opinion in their fight with the Auditor General.”

– Progressive Conservative MPP Vic Fedeli, February 7

## Media

## Sousa: Budget ‘has to be’ balanced in 2017-18

gzochodne@qpbriefing.com
QP Briefing, February 6

Despite the string of deficits the federal government is projected to run now and well into the future, provincial Finance Minister Charles Sousa says Ontario's days of doing the same will soon be numbered.

The province is currently forecast to run a deficit of $4.3 billion in 2016–17, but Premier Kathleen Wynne and her Liberal government have settled on 2017-18 (which starts April 1) as the year they’ll balance the budget. Sousa says they’re sticking to that.

“The budget’s going to be balanced next year and the year after that,” he said Friday at Queen’s Park. “It has to be, because it’s something that we’ve been working towards coming to fruition.”

The Liberal government in Ottawa, meanwhile, has said it will run significant deficits in the coming years. Finance Canada even released figures on Thursday that project the federal government will run deficits into the 2050s.

But Sousa says Ontario ran its deficits to stimulate the economy in the wake of the pounding it took during the 2008-09 recession. He’s also predicting a balanced budget this year and in 2018-19 over the warnings of the legislature’s Financial Accountability Office, which said in November that, barring more steps being taken, the province’s deficit would be $2.6 billion in 2017-18. That projection included the $1-billion annual cost of providing an eight-per-cent hydro bill rebate to Ontarians, an initiative that started this month. It also covers an accounting change with regards to certain public-sector pension plans, which increased the estimated deficit figures by $1.5 billion.

Even with that “reinterpretation” of pension plan assets, Sousa said the budget will be balanced. Now that the province’s economic growth is projected to be among the strongest in Canada – the Conference Board of Canada said in December that Ontario’s economy was expected to grow by more than 3 per cent in 2016 – the finance minister says the time is nigh to stop racking up red ink.

Statistics Canada reported Friday that Ontario added approximately 9,100 jobs in December, but that the unemployment rate rose to 6.4 per cent compared to November. The increase was due to a slight rise in the number of people looking for work.

Sousa, though, noted this marks the 20th consecutive month Ontario’s unemployment rate was below the national average; Canada’s joblessness rate was 6.9 per cent in December.

“I think it’s important that when then economy slowed down and when we suffered through that recession, the biggest in recent history, it was important for us to invest,” Sousa told reporters. “But we’ve got through that. What’s enabling us to balance the books is growing our economy, controlling our spending – we’ve become the lowest-cost government anywhere in Canada because of the measures that we’ve taken – and we’ve stimulated growth because of infrastructure spending and targeted initiatives.”

NDP economic development critic Catherine Fife, citing the FAO’s work, said the Liberal government was heading for a “false” balanced budget. The fiscal watchdog has cautioned that the Liberal government's plan to sell off up to 60 per cent of Hydro One would result in the province's books being worse off in the long-run than it would have been without the stock offerings.

"It may look balanced for a day, but it's not truly going to be balanced," Fife said of the budget.

## Billions at stake in accounting dispute (TorStar)

Toronto Star
Tue Feb 7 2017
Page: A4
Section: News
Byline: Martin Regg Cohn

Billions of dollars are at stake in a simmering dispute pitting Ontario's auditor general against the provincial government. With the spring budget looming, neither side is backing down.

Now, an outside panel of top accounting and pension experts has determined that auditor general Bonnie Lysyk has gone out on a fiscal limb by effectively wiping away nearly $11 billion in government assets, according to multiple sources.

But the auditor tells me she won't climb down, setting the stage for a public showdown over an accounting change that is worth $1.5 billion to the bottom line this year alone.

The independent pension asset expert panel met her Friday to reveal their findings - explaining why they concluded the pension surplus is a legitimate asset on the government's books. Their report will be made public later this month, giving Lysyk more breathing room to reconsider her position before the budget deadline.

The government - and all Ontarians - may pay a price for this seemingly arcane accounting dispute if the auditor's controversial stance constrains its fiscal margin of manoeuvre, notably Liberal plans to reallocate funds for hydro relief or other spending. Fearing another credit downgrade from outside rating agencies, or an electoral downgrade from the official opposition, Premier Kathleen Wynne has turned a balanced budget into an article of faith.

But Wynne never accounted for an accounting dispute, which made her deficit elimination goal more complicated.

Lysyk announced last year that she was overturning the rules that allowed governments to book billions of dollars in surpluses for jointly-run pensions deemed provincial assets. First implemented under a PC government, and carried over by the Liberals, the traditional auditor's approach enhanced Ontario's fiscal picture.

Now Lysyk has changed her mind. Yet she seems to be having it both ways.

On the one hand, the auditor says (naturally) that any deficits in joint pension funds must be counted as government liabilities. That's standard practice.

But with a pension surplus, Lysyk now says not a penny can be counted as an asset. Neither a liability nor a surplus, these billions of dollars are being treated as trans-assets, transmogrified by the auditor into phantom money - a virtual disappearing act.

It's tempting to cast this as a political dispute between Liberal partisans and a politicized auditor. But that would be a misreading of the battle lines.

The most vociferous opposition to Lysyk's position comes from the civil servants who count up the money in the provincial treasury. The auditor, in turn, is as mistrustful of the public servants as she is of their political masters.

Lysyk challenged the controller in the government's treasury board - senior civil servant Cindy Veinot - to provide her with additional evidence that the pension money should continue to be treated as an accounting surplus. But when outside accounting consultant Deloitte LLP corroborated that position, the auditor balked. According to multiple sources, Lysyk dismissed the Deloitte submission as being biased - claiming a conflict of interest because Veinot had previously been a partner at Deloitte, and because the firm was paid a fee.

Lysyk acknowledged such fees are standard practice. But she would not comment on whether Deloitte was biased because a former partner was now a public servant.

Deadlocked, the government announced an independent panel on Public Service Accounting Standards, headed by a former chair of the Canadian Actuarial Standards Oversight Council. The expert panel reached its own conclusions:

Like a deficit, a surplus belongs to employers provided they comply with basic rules. Jointly-held pensions aren't that much more complicated - as with a joint bank account or jointly held GIC, both parties hold a proportionate share of the asset.

Lysyk wouldn't discuss Friday's meeting with the independent panel of experts, or its findings to date. Asked about the panel's credentials, she countered, "we did our homework, and we did a lot of work."

The auditor told me her mind is made up and nothing she has heard so far has changed her view. Which leaves her on a limb and the government in the lurch.

If both sides harden their positions, the auditor may refuse to fully endorse the treasury's public accounts and the government may opt to go its own way - providing detailed explanations to credit rating agencies to disprove the auditor's stance.

There are political overtones to this dispute and economic consequences. The opposition will side with the godly auditor against a big bad Liberal government. But the financial and accounting community will make up its own mind when they look at the books and the detailed explanations.

Billions of dollars are at stake, to be sure. Reputations, too.

# Wynne welcomes report saying pension surplus counts toward province’s bottom line

Finding gives Liberal government ammunition in dispute with Auditor General, who concluded last year that the money, not readily available to the province, should no longer be listed as an asset.

By Rob Ferguson Queen's Park Bureau
Tues., Feb. 7, 2017

Premier Kathleen Wynne is welcoming a report from four accounting experts that says a $10.7-billion pension surplus can be counted as an asset on the province’s bottom line.

The finding gives her Liberal government ammunition in a spat with Auditor General Bonnie Lysyk, who concluded with her staff of accountants last year that the money, which is not readily available to the province, should no longer be listed as an asset.

“There was a conflict between the advice that the auditor general is giving us and the advice that our officials were giving us,” Wynne said Tuesday.

“We sought independent third-party advice and you know we have to take that independent advice very seriously.”

The report, on which the auditor general was briefed last week, will be made public later this month.

Lysyk’s ruling, which reversed 14 years of counting the surplus as an asset, became a point of contention because it affects the size of Ontario’s deficit, which Wynne promised to eliminate by 2018 when she seeks re-election.

Without the surplus from the Ontario Public Service Employees’ Union and Ontario Teachers’ pension plans, last year’s deficit was $5 billion, not the $3.5 billion the government calculated.

Lysyk’s new interpretation of the accounting treatment for the money came after her office took a closer look at the government’s claim on the pension plans it co-sponsors.

The change prompted opposition parties to warn the government suddenly had a massive hole in its budget, but Finance Minister Charles Sousa maintained that the budget would be balanced on schedule regardless.

The practice of counting the pension surplus as a government asset dates to the previous Progressive Conservative government.

“The people of Ontario have to ask themselves who are they going to believe: the independent auditor general or a scandal-plagued Liberal government?” said Progressive Conservative MPP Vic Fedeli, his party’s finance critic.

“The Liberals continue to be mired in waste, mismanagement and scandal, and now they’re looking for anybody that will back up their opinion in their fight with the auditor general.”

He noted the auditor refused to sign off on the government's financial statements for the fiscal year that ended last Mar. 31, marking a first in Ontario history.

"That's a very serious step," Fedeli said, adding that raises questions for credit-rating agencies examining Ontario's finances and debt load.

Lysyk declined comment until the report is released, but told the Star's Martin Regg Cohn on Monday that she is sticking to her conclusion.

Wynne said the expert panel included four people with "vast experience" on such issues.

The panelists are: Tricia O'Malley, chair of the Canadian Actuarial Standards Oversight Council; Murray Gold, of Koskie Minsky LLP, a law and pension consulting firm; Uros Karadzic, a partner at Ernst and Young, and Paul Martin, a controller with the government of New Brunswick and a former partner at accounting giant Grant Thornton LLP.

"What we have to do as government is get the best advice that we can," Wynne said Tuesday.

## 'More flexibility' to balance budget if pension accounting panel sides with government, FAO says QP Briefing

By Sabrina Nanji, February 7
The Toronto Star reports the panel studying an accounting spat with the Auditor General is expected to rule in the government's favour.

Should the panel studying a pension accounting clash with the auditor general conclude that billions of dollars worth of pension assets should be counted on Ontario's balance sheet after all, the government will get more flexibility to balance the budget as promised, the Financial Accountability Office says.

The accounting spat came to a head late last year when the government sought an independent reviewer1 to help clarify a measure that adds or subtracts $10.7 billion to the province's net debt and $1.5 billion to the 2015-16 deficit, depending on your vantage point. In AG Bonnie Lysyk's opinion, two jointly-sponsored pension funds worth $10.7 billion should not be included on the financial statements, as the government has done for years, because the funds aren't accessible.

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

David West, the FAO's chief economist, said he had not heard about any conclusions from the panel but noted that if they have decided to count the pension assets, it gives the government more breathing room to achieve balance, as promised.

The FAO's economic outlook last fall proffered two economic scenarios, with and without the pension assets. With the AG's opinion, the deficit for 2016-17 was an estimated $5.2 billion and $2.6 billion in 2017-18.

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

"If it turns out that the government can indeed claim the assets of the [pension plan] then this increased expense wouldn't appear on their books, so the deficit would approve by those amounts. [Our] conclusions are pretty much the same. Based on our projections, we would anticipate the government having a small deficit in 17-18, but as we acknowledged, there's enough flexibility in the government's plans and even more flexibility is available to them when the number is smaller, but they could schedule the timing of asset sales or restrain program spending on a temporary basis in the year. So they are even more likely to achieve a balance in 17-18 if they don't have to claim the $2.2 billion in additional expense that they would have under the AG's recommended accounting treatment," West said.

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

Last fall, the government tabled the public accounts later than expected with the auditor's opinion, despite disagreeing with it, which required a temporary regulation.

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

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

However, Lysyk's comments last fall seemed to suggest she was digging in her heels and would not be swayed from her original opinion.

"I as well have external advice that I seek prior to addressing a significant issue, so I'm really confident that we've done our homework and that we have it right," Lysyk said at Queen's Park in October. "I have no vested interest in the outcome of this other than making sure it's right in accordance with public sector accounting standards ... at this point I'm pretty confident that we got it right."

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

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

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

## Pension surplus counts as asset: report; Wynne gains ammunition in spat against auditor general about money's use in deficit (TorStar)

NOTE: this is the same article that appeared online at thestar.com on February 7

Toronto Star
Wed Feb 8 2017
Page: A6
Section: News
Byline: Rob Ferguson Toronto Star

Premier Kathleen Wynne is welcoming a report from four accounting experts that says a $10.7-billion pension surplus can be counted as an asset on the province's bottom line.

The finding gives her Liberal government ammunition in a spat with Auditor General Bonnie Lysyk, who concluded with her staff of accountants last year that the money, which is not readily available to the province, should no longer be listed as an asset.

"There was a conflict between the advice that the auditor general is giving us and the advice that our officials were giving us," Wynne said Tuesday.

"We sought independent third-party advice and you know we have to take that independent advice very seriously."

The report, on which the auditor general was briefed last week, will be made public later this month.

Lysyk's ruling, which reversed 14 years of counting the surplus as an asset, became a point of contention because it affects the size of Ontario's deficit, which Wynne promised to eliminate by 2018 when she seeks re-election.

Without the surplus from the Ontario Public Service Employees' Union and Ontario Teachers' pension plans, last year's deficit was $5 billion, not the $3.5 billion the government calculated.

Lysyk's new interpretation of the accounting treatment for the money came after her office took a closer look at the government's claim on the pension plans it co-sponsors.

The change prompted opposition parties to warn the government suddenly had a massive hole in its budget, but Finance Minister Charles Sousa maintained that the budget would be balanced on schedule regardless.

The practice of counting the pension surplus as a government asset dates to the previous Progressive Conservative government.

"The people of Ontario have to ask themselves who are they going to believe: the independent auditor general or a scandal-plagued Liberal government?" said Progressive Conservative MPP Vic Fedeli, his party's finance critic.

"The Liberals continue to be mired in waste, mismanagement and scandal, and now they're looking for anybody that will back up their opinion in their fight with the auditor general."

He noted the auditor refused to sign off on the government's financial statements for the fiscal year that ended last Mar. 31, marking a first in Ontario history.

"That's a very serious step," Fedeli said, adding that raises questions for credit-rating agencies examining Ontario's finances and debt load.

Lysyk declined to comment until the report is released, but told the Star's Martin Regg Cohn on Monday that she is sticking to her conclusion.

Wynne said the expert panel included four people with "vast experience" on such issues.

The panellists are: Tricia O'Malley, chair of the Canadian Actuarial Standards Oversight Council; Murray Gold, of Koskie Minsky LLP, a law and pension consulting firm; Uros Karadzic, a partner at Ernst and Young, and Paul Martin, a controller with the government of New Brunswick and a former partner at accounting giant Grant Thornton LLP.

"What we have to do as government is get the best advice that we can," Wynne said Tuesday.

## Key Tweets

**Feb. 7**

8:44 am Martin Regg Cohn  @reggcohn  (11,378 followers)
The fight for Ontario's disappearing $11 billion: Outside panel finds auditor gen'l got it wrong. My latest on.thestar.com/2lfEieH

8:38 am Chris Loblaw @chrisloblaw (758 followers)
Further proof Ontario Auditor General is misusing her office to campaign against the govenrment.  ---
And retweet Robert Benzie @robertbenzie
.@TorontoStar's @reggcohn: expert panel finds @OntarioAuditor is wrong; $11B pension asset should be on bottom line. thestar.com/news/queenspar…

9:01 am shelley Carroll@shelleycarroll (12, 615 followers)
Is the AG too politicized to hear an independent panel?:Fight for Ontario's pension surplus: Cohn on.thestar.com/2ljkDqX via @TorontoStar

9:31 am Loonie Politics@LooniePolitics (35,136 followers)
The fight for Ontario's disappearing $11 billion:
Cohn on.thestar.com/2ljkDqX #onpoli Looniepolitics.com
10:50 am Robert Benzie @robertbenzie (16,156 followers)
@Kathleen_Wynne expresses hope @OntarioAuditor will accept blue-ribbon panel's findings that $10.7B pension assets should count as assets.

2:53 pm Martin Regg Cohn @regcohn  Yep, absolutely. Deficit booked as a liability, all are agreed. Yet auditor opposes if surplus.
Gord Drimmie @financialsanity The fight for Ont's disappearing
$11B on.thestar.com/2ljkDqX @TorontoStar If there was a pension deficit, would Wynne book a liability? No?

4:05 pm Robert Benzie @robertbenzie (16,156 followers)
This is the most important story at Queen's Park today -- $10.7B in the balance. thestar.com/news/queenspar… #onpoli……

**Feb. 8 Key**

7:44 am Robert Benzie @robertbenzie (16,190 followers)
The $10.7 billion question: will @OntarioAuditor accept findings of pension asset experts? thestar.com/news/queenspar… #onpoli

PAEAP Report_Media protocol_20170209 1430.docx

# Media Protocol
# Pension Asset Expert Advisory Panel

**Overview**

The following media protocol is designed to ensure that any media requests pertaining to the work of the Pension Asset Expert Advisory Panel are handled in a structured, timely and efficient way.

This protocol pertains to:

- Pension Asset Expert Advisory Panel
- Treasury Board Secretariat
- Ministry of Finance
- Deloitte LLP

It provides guidance on which subject areas each party should speak to, as well as each party's key spokespeople.

When in doubt, spokespeople should check with Treasury Board Secretariat Communications Branch before responding to media questions.

**Pension Asset Expert Advisory Panel**

Subject areas in scope:

- who the panel consulted with
- what information the panel considered and why
- work of the panel and its mandate
- panel's findings and recommendations to government

Spokesperson(s):

- *Tricia O'Malley, Pension Asset Expert Advisory Panel Chair: 416-570-1924, plomalley@outlook.com

*Contact information for internal use only. TBS communications will endeavour to be the first point of contact for media inquiries and will triage questions to the Panel Chair accordingly.

**Treasury Board Secretariat**

Subject areas in scope:

- what the government will do with the panel's advice
- panel member remuneration
- current practices of reporting in public accounts
- any history which led to the establishment of the panel
- impacts on relationships with key stakeholders such as the Auditor General
- rationale for seeking, and the contents of the accounting opinion it received from Deloitte LLP

- broadly, any other question that doesn't fall within the other parties' areas of scope

*Any media inquiries concerning Ontario's professional accounting staff will be addressed on a reactive basis.

Spokesperson(s):
- Matt Ostergard, Treasury Board Secretariat Minister's Office, 416-326-3839, matt.ostergard@ontario.ca
- Jason Wesley, Treasury Board Secretariat Communications Branch: 416-327-4023, Jason.2wesley@ontario.ca (group email as alternate contact option is @TBS-L-Issues and Media)

**Ministry of Finance**

Subject areas in scope:
- impact of accounting treatment on path to balance (e.g. Q3, budget)
- broader economic questions (e.g. net-debt-to-GDP ratio, overall debt load, borrowing ability)
- impacts on relationships with key stakeholders FAO, credit rating agencies, etc.

Spokesperson(s):
- Kelsey Ingram, Ministry of Finance Minister's Office, 416-326-1409, kelsey.ingram@ontario.ca
- Scott Blodgett, Ministry of Finance Communications Branch, 416-325-0324, scott.blodgett@ontario.ca

**Deloitte LLP**

Subject areas in scope:
- *generally, the methods and information it relied on when creating its opinion for government
- corporate reputation

*TBS will speak to the rationale for seeking, and the contents of the accounting opinion it received from Deloitte LLP

Spokesperson(s):
- Tonya Johnson, Senior Manager, Public Relations, 416-735-2953, tonjohnson@deloitte.ca

Queen’s Park Press Gallery - Feb. 9 2017.docx

## Legislative Assembly Press Gallery

### NEWSPAPERS

Allison Jones | Canadian Press | 416-325-7846 |
Allison.Jones@thecanadianpress.com

Mike Crawley | CBC | 416-325-7939

Rob Benzie | Toronto Star | 416-325-9890
Rob Ferguson | Toronto Star | 416-325-9892 | rfergus@thestar.ca
Martin Regg Cohn | Toronto Star | 416-325-3850
Kristin Rushowy | Toronto Star | 416-325-9893 | krushowy@thestar.ca

Shawn Jeffords | Toronto Sun | 416-325-7826

Ashley Csanady | National Post | 416-386-2808 |
ascandady@nationalpost.com

Sabrina Nanji | QP Briefing | 416-212-5789
Jessica Smith Cross | QP Briefing | 416-212-5816
Geoff Zochodne | QP Briefing | 416-212-5913

### TELEVISION

Paul Bliss | CTV Ontario | 416-314-8969

Alan Carter | Global Television | 416-325-7829

Mark Brosens | TV Ontario | 416-484-2600
Steve Paikin | TV Ontario | 416-484-2600

Randy Rath | CHCH Television | 416-325-7945

James Tumelty | City TV | 416-990-9382

### RADIO

Kevin Misener | 680News | 416-325-7822

Russ Courtney **|** CFRB 1010 Radio **|** 416-325-9544
Siobhan Morris **|** CFRB 1010 Radio **|** 416-325-9544

Julie-Anne Lamoureux **|** Radio Canada/CJBC **|** 416-325-7938

**OTHER**

Ray Chan **|** Sing Tao News **|** 416-325-6427

Etienne Fortin-Gauthier **|** TFO **|** efgauthier@tfo.org